

TEMPUS APPLIED SOLUTIONS HOLDINGS, INC.

FORM 10-Q (Quarterly Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2017

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 333-201424

TEMPUS APPLIED SOLUTIONS HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

**471 McLaws Circle, Suite A
Williamsburg, Virginia**

(Address of principal executive offices)

47-2599251

(I.R.S. Employer
Identification Number)

23185

(Zip Code)

Registrant's telephone number, including area code: (757) 875-7779

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 28, 2017, there were 17,805,234 shares of the registrant's common stock issued and outstanding.

TEMPUS APPLIED SOLUTIONS HOLDINGS, INC.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Report”) contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. Forward-looking statements give current expectations or forecasts of future events. Our forward-looking statements include, but are not limited to, statements regarding our business strategy, plans and objectives, expected or contemplated future operations, hopes, beliefs and intentions. In addition, any statements that refer to projections, forecasts or other characterizations or predictions of future events or circumstances, including any underlying assumptions on which such statements are expressly or implicitly based, in whole or in part, are forward-looking statements. The words “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “might”, “plan”, “possible”, “potential”, “predict”, “project”, “should”, “would” and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this Report may include, for example, statements about:

- the benefits or risks of the Business Combination (as defined later in this Report) and the related financing transactions;
- the future financial performance of Tempus Applied Solutions Holdings, Inc. and its subsidiaries (“we”, the “Company” or “Tempus Holdings”), including the Company’s wholly owned subsidiary, Tempus Applied Solutions, LLC (“Tempus”);
- changes in the markets for the Company’s products and services; and
- expansion plans and other plans and opportunities.

Our forward-looking statements are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Actual results and developments could differ materially from those contemplated by our forward-looking statements, including as a result of the occurrence of one or more of the adverse effects contemplated in the risk factors discussions we include in our ongoing filings with the Securities and Exchange Commission (the “SEC”). As a result, you should not place undue reliance on our forward-looking statements. Additionally, the forward-looking statements contained in this Report represent our views as of the date of this Report (or any earlier date indicated in such statement). While we may update certain forward-looking statements from time to time, we specifically disclaim any obligation to update any statement at any time, whether as a result of new information, future developments or otherwise, except as required by applicable law. You are advised to consult any further disclosures we make on related subjects in the periodic and current reports we file with the SEC. Our SEC filings are available free of charge through the SEC’s website at www.sec.gov. None of the information contained on our website, or accessible from our website, is a part of this Report.

PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of Tempus Applied Solutions Holdings, Inc, a Delaware corporation, included herein were prepared, without audit, pursuant to rules and regulations of the Securities and Exchange Commission (“SEC”). Because certain information and notes normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America were condensed or omitted pursuant to such rules and regulations, these financial statements should be read in conjunction with the financial statements and notes thereto included in the audited financial statements of the Company in the Company’s Annual report on Form 10-K for the year ended December 31, 2016, and all amendments thereto.

Tempus Applied Solutions Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets

	September 30, 2017	December 31, 2016
	<u>(unaudited)</u>	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 24,029	\$ 592,449
Restricted cash	-	50,007
Accounts receivable:		
Trade, net	1,478,404	1,415,083
Other	61,105	1,119
Related party	-	38,962
Other assets	88,701	98,871
Current assets of discontinued operations	5,223	65
Total current assets	<u>1,657,462</u>	<u>2,196,556</u>
PROPERTY AND EQUIPMENT, NET	<u>5,727,327</u>	<u>5,933,940</u>
OTHER ASSETS		
Deposits	49,428	51,428
Intangibles, net	535,528	554,839
Noncurrent assets of discontinued operations	-	501,711
Total other assets	<u>584,956</u>	<u>1,107,978</u>
Total assets	<u>\$ 7,969,745</u>	<u>\$ 9,238,474</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable:		
Trade	\$ 2,453,569	\$ 3,363,229
Related party	949,112	1,489,400
Accrued liabilities	975,852	874,286
Capital Lease obligation	-	5,835,181
Notes Payable-Related Party	6,200,000	-
Customer deposits, net	688,275	165,094
Current liabilities of discontinued operations	2,799	569,937
Total current liabilities	<u>11,269,607</u>	<u>12,297,127</u>
LONG TERM LIABILITIES		
Common stock warrant liability	127,135	102,185
Total long term liabilities	<u>127,135</u>	<u>102,185</u>
Total liabilities	<u>11,396,742</u>	<u>12,399,312</u>
STOCKHOLDERS' DEFICIT		
Preferred stock, \$0.0001 par value; 40,000,000 shares authorized, -0- and 4,578,070 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	-	458
Common stock, \$0.0001 par value; 100,000,000 shares authorized; 17,805,234 and 11,064,664 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	1,781	1,106
Additional paid in capital	10,267,889	10,050,746
Accumulated deficit	(13,696,667)	(13,213,148)
Total stockholders' deficit	<u>(3,426,997)</u>	<u>(3,160,838)</u>
Total liabilities and stockholders' deficit	<u>\$ 7,969,745</u>	<u>\$ 9,238,474</u>

The accompanying notes are an integral part of these consolidated financial statements.

Tempus Applied Solutions Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations (unaudited)

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016
REVENUES	\$ 11,655,027	\$ 12,335,250	\$ 3,195,822	\$ 3,741,639
COST OF REVENUE	9,645,159	12,072,877	2,816,231	3,456,863
Gross profit (loss)	2,009,868	262,373	379,591	284,776
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,985,219	3,366,180	462,544	770,984
Total operating profit (loss)	24,649	(3,103,807)	(82,953)	(486,208)
OTHER INCOME (EXPENSE)				
Interest income	97	1,793	-	-
Interest expense	(498,107)	(10,493)	(156,274)	(10,493)
Non-operational income (expense)	(10,158)	1,262,033	597,341	389,477
Total other income (expense)	(508,168)	1,253,333	441,067	378,984
NET INCOME / (LOSS) FROM CONTINUING OPERATIONS	\$ (483,519)	\$ (1,850,474)	\$ 358,114	\$ (107,224)
NET LOSS FROM DISCONTINUED OPERATIONS	-	(1,223,545)	-	(391,199)
NET LOSS	\$ (483,519)	\$ (3,074,019)	\$ 358,114	\$ (498,423)
BASIC AND DILUTED LOSS PER COMMON SHARE:				
Continuing operations	\$ (0.04)	\$ (0.18)	\$ 0.02	\$ (0.01)
Discontinued operations	\$ -	\$ (0.13)	\$ -	\$ (0.04)
NET LOSS PER SHARE:	\$ (0.04)	\$ (0.31)	\$ 0.02	\$ (0.05)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING, BASIC AND DILUTED	13,428,930	10,024,972	17,707,136	11,064,664

The accompanying notes are an integral part of these consolidated financial statements.

Tempus Applied Solutions Holdings, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Deficit

	<u>Common stock</u> <u>\$0.0001 par value</u>		<u>Preferred stock</u> <u>\$0.0001 par value</u>		<u>Additional</u> <u>paid</u> <u>in capital</u>	<u>Accumulated</u> <u>deficit</u>	<u>Total</u> <u>stockholders'</u> <u>equity</u> <u>(deficit)</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			
Balance, December 31, 2015 (audited)	8,836,421	\$ 884	1,369,735	\$ 137	\$ 262,496	\$ (10,087,076)	\$ (9,823,559)
Net loss	-	-	-	-	-	(3,126,072)	(3,126,072)
Conversion of warrant liability to common stock	1,986,112	198	-	-	2,797,164	-	2,797,362
Conversion of warrant liability to preferred stock	-	-	3,208,335	321	6,339,960	-	6,340,281
Issuance of common stock for acquisition of Tempus Jets, Inc.	242,131	24	-	-	499,976	-	500,000
Stock-based compensation	-	-	-	-	151,150	-	151,150
Balance, December 31, 2016 (audited)	<u>11,064,664</u>	<u>1,106</u>	<u>4,578,070</u>	<u>458</u>	<u>10,050,746</u>	<u>(13,213,148)</u>	<u>(3,160,838)</u>
Net Loss	-	-	-	-	-	(483,519)	(483,519)
Stock Based Compensation	-	-	-	-	44,360	-	44,360
Conversion of preferred shares to common stock	4,578,070	458	(4,578,070)	(458)	-	-	-
Conversion of warrant liability to common stock	2,162,500	217	-	-	172,783	-	173,000
Balance, September 30, 2017 (unaudited)	<u><u>17,805,234</u></u>	<u><u>\$ 1,781</u></u>	<u><u>-</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,267,889</u></u>	<u><u>\$ (13,696,667)</u></u>	<u><u>\$ (3,426,997)</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

Tempus Applied Solutions Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(unaudited)

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES-CONTINUING OPERATIONS		
Net loss	\$ (483,519)	\$ (1,850,474)
Adjustments to reconcile net loss to net cash used for operating activities:		
Stock-based compensation expense	44,360	175,677
Depreciation and amortization	203,740	59,490
Loss on conversion of warrant liability to stock	-	3,505,300
Fair value adjustment of common stock warrants	24,950	(4,759,207)
Changes in operating assets and liabilities:		
Accounts receivable-trade	(200,247)	(147,320)
Accounts receivable-other	(59,986)	(159,717)
Due to/from related parties, net	(501,326)	66,553
Inventory	-	24,999
Other current assets	10,170	123,141
Deposits	2,000	463,572
Accounts payable-trade	(544,841)	1,781,438
Accrued liabilities	101,566	(840,249)
Deferred revenue	-	(48,130)
Customer deposits, net	660,107	(498,096)
Net cash used for operating activities-continuing operations	<u>(743,025)</u>	<u>(2,103,023)</u>
CASH FLOWS FROM INVESTING ACTIVITIES-CONTINUING OPERATIONS		
Purchases of property and equipment	-	(35,467)
Proceeds from the sale of property and equipment	22,183	-
Purchases of intangible assets	-	(41,676)
Decrease in restricted cash	50,007	900,000
Net cash provided by investing activities-continuing operations	<u>72,190</u>	<u>822,857</u>
CASH FLOWS FROM FINANCING ACTIVITIES-CONTINUING OPERATIONS		
Proceeds from conversion of warrants	173,000	-
Net cash provided by financing activities-continuing operations	<u>173,000</u>	<u>-</u>
CASH FLOWS FROM DISCONTINUED OPERATIONS		
Operating cash flows	(570,650)	10,795
Investing cash flows	500,000	(9,234)
Financing cash flows	-	-
Net cash provided by discontinued operations	<u>70,650</u>	<u>1,561</u>
Net decrease in cash	<u>(568,485)</u>	<u>(1,278,605)</u>
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the beginning of the period held by Tempus Applied	592,449	1,288,495
Cash and cash equivalents at the beginning of the period held by Tempus Jets	65	-
Cash and cash equivalents at the beginning of the period	<u>592,514</u>	<u>1,288,495</u>
Cash and cash equivalents at the end of the period	<u>\$ 24,029</u>	<u>\$ 9,890</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 498,107	\$ 10,493
Supplemental disclosure of non-cash investing and financing activities:		
Intangible assets acquired through acquisition of Tempus Jets, Inc.	\$ -	\$ 500,000
Issuance of stock for exercise of warrants	\$ -	\$ 9,137,643
Conversion of capital lease obligation to notes payable – related party	\$ (5,835,181)	\$ -
Conversion of account payables – trade to notes payables – related party	\$ (364,819)	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

TEMPUS APPLIED SOLUTIONS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS

Tempus Applied Solutions Holdings, Inc. (“we”, the “Company” or “Tempus Holdings”) is a Delaware corporation organized on December 19, 2014. Tempus provides turnkey flight operations, customized design, engineering and modification solutions and training services that support critical aviation missions of the United States Department of Defense (the “DoD”), the U.S. intelligence community, foreign governments, heads of state and high net worth individuals worldwide. The Company has its headquarters in Williamsburg, Virginia. The Company’s activities are subject to significant risks and uncertainties, including without limitation the risks of deadline and budget overruns and risks specific to government and international contracting businesses.

2. GOING CONCERN

The Company’s consolidated financial statements have been prepared assuming that it will continue as a going concern. The Company has suffered recurring losses from operations since inception, has had recurring negative cash flows from operations, and it currently has a working capital deficit, which raises substantial doubt about the Company’s ability to continue as a going concern. In addition, as disclosed in Note 14, subsequent to year-end the Company elected to terminate a customer contract which will impact the Company’s future revenue and cash flow. The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

The Company’s ability to continue as a going concern is dependent on its ability to generate profitable operations in the future and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from the normal business operations when they come due. The Company continues to explore possibilities for raising both working capital and longer-term capital from outside sources in various possible transactions. These plans, if successful, will mitigate the factors which raise substantial doubt about the Company’s ability to continue as a going concern. Nevertheless, whether, and when, the Company can attain positive operating cash flows for operations is highly dependent on the commencement of new contracts and the timing of their commencement. There can be no assurance that the Company’s cash flows or costs of operations will develop as currently expected.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The condensed consolidated unaudited interim financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The condensed consolidated financial statements and notes are presented as permitted on Form 10-Q and do not contain information included in the Company’s annual statements and notes. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested these condensed consolidated financial statements be read in conjunction with the December 31, 2016 audited consolidated financial statements and the accompanying notes thereto. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

These condensed consolidated unaudited financial statements reflect all adjustments, including normal recurring adjustments which, in the opinion of management, are necessary to present fairly the operations and cash flows for the periods presented.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions impact both assets and liabilities, including but not limited to: net realizable value of accounts receivable, estimated useful lives and potential impairment of property and equipment, the valuation of intangible assets, estimate of fair value of warrant liabilities, estimates of tax liabilities and estimates of the probability and potential magnitude of contingent liabilities.

Making estimates requires management to exercise significant judgement. It is at reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate could change in the near-term due to one or more future non-conforming events. Accordingly, actual results could differ significantly from estimates.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation, and is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Depreciation of property and equipment is provided utilizing the straight-line method over the estimated useful lives, ranging from 3-5 years of respective assets. Expenditures for maintenance and repairs are charged to expense as incurred.

Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statement of operations.

Intangibles

Intangibles are stated at cost, less accumulated amortization. Intangibles consist of computer software, Federal Aviation Administration (the "FAA") licenses and independent research and development costs associated with the development of supplemental type certificates ("STCs").

STCs are authorizations granted by the FAA for specific modifications of a certain aircraft. An STC authorizes us to perform modifications, installations, and assemblies on applicable customer-owned aircraft. Costs incurred to obtain STC's are capitalized and subsequently amortized against revenue being generated from aircraft modifications associated with the STC. The costs are expensed as services are rendered on each aircraft through cost of sales using the units of production method. The legal life of an STC is indefinite. We believe we have enough future sales to fully amortize our STC development costs. As of September 30, 2017 and 2016 we have recognized no amortization of these costs.

On October 1, 2015, the Company purchased Proflight Aviation Services, LLC, which provides flight training services under a Federal Aviation Regulations ("FAR") Part 141 certificate. The total purchase price of \$50,000 was allocated to intangibles and is considered to be indefinite-lived.

It is the Company's policy to commence amortization of computer software upon the date that assets are placed into service. Amortization is computed on a straight-line basis over a 3-year life.

Sales and Marketing

The Company records costs for general advertising, promotion and marketing programs at the time those costs are incurred. Sales and Marketing expense was \$144,007 and \$620,829 for the nine months ended September 30, 2017 and 2016, respectively.

Long-Lived Assets

The Company reviews its long-lived assets and certain related intangibles for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. As a result of its review, the Company does not believe that any such change has occurred. If such changes in circumstance are present, a loss is recognized to the extent the carrying value of the asset is in excess of the fair value of cash flows expected to result from the sale of the asset and amounts expected to be realized upon its eventual disposition.

Fair Value of Financial Instruments

The Company complies with ASC Topics 820, "Fair Value Measurement", and 815, "Derivatives and Hedging" for its liabilities that are re-measured and reported at fair value for each reporting period. The fair value of the Company's assets and liabilities, which qualify as financial instruments under ASC Topic 820, approximates the carrying amounts represented in the accompanying consolidated balance sheets.

Revenue Recognition

The Company uses the percentage-of-completion method for accounting for long-term aircraft maintenance and modification fixed-price contracts to recognize revenues and receivables for financial reporting purposes. Revenues from firm fixed price contracts are measured by the percentage of costs incurred to date to estimated total costs for each contract. Revenues from time-and-material line items are measured by direct labor hours or flight hours incurred during the period at the contracted hourly rates plus the cost of materials, if applicable. To the extent this earned revenue is not invoiced, it is recognized as earnings in excess of billings and is represented in other accounts receivable on the consolidated balance sheets.

Revenue on leased aircraft and equipment representing rental fees and financing charges are recorded on a straight- line basis over the term of the leases.

Currently, the Company's consolidated revenues consist principally of revenues earned under aircraft management contracts (which are based on fixed expenses and fees plus variable expenses and fees tied to actual aircraft flight hours) and revenues earned from the provision of leased aircraft (which are based on actual aircraft flight hours) and modification of aircraft that will be utilized for the provision of leased aircraft services to our customers.

Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest.

The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other relevant information. Management believes that its contract acceptance, billing and collection policies are adequate to minimize the potential credit risk associated with accounts receivable. The Company had \$29,302 and \$37,369 allowance for doubtful accounts as of September 30, 2017 and December 31, 2016, respectively.

In June 2016, the Company entered a factoring agreement to sell without recourse, certain U.S. government contract receivables to an unrelated third-party financial institution. Under the current terms of the factoring agreement, the maximum amount of outstanding advances at any one time is \$1.0 million. The discount rate included in the agreement was subject to change based on the historical performance of the receivables sold.

Approximately \$2.0 million of receivables has been sold under the factoring agreement during fiscal year 2016 and the first, second and third quarters of 2017. The sale of these receivables accelerated the collection of the Company's cash and reduced credit exposure during year. Sales of accounts receivable are reflected as a reduction of Accounts receivable trade, net in the Consolidated Balance Sheets, and any costs incurred by the Company associated with the factoring activity is reflected in Other Income / Expense in the Consolidated Statements of Operations, as they meet the applicable criteria of ASC 860, "Transfers and Servicing" ("ASC 860"). The amount due from the factoring company, net of advances received from the factoring company, was \$0 at September 30, 2017. The Company pays factoring fees associated with the sale of receivables based on the dollar value of the receivables sold. Such fees are immaterial and are included in the Other Income / Expense in the Consolidated Statement of Operations.

In the normal course of business, the Company receives cash as security for certain contractual obligations, which are held on deposit until termination of the contract. Customer deposits are returned to the customer at contract termination or taken into income if the customer fails to perform under the contract. Amounts receivable from customers are offset against the customer deposit upon termination of the contract, if the contract permits offsetting. As of September 30, 2017, and December 31, 2016, the Company held \$688,275 and \$165,094, respectively, in customer deposits, net.

Stock Based Compensation

The Company measures and recognizes compensation expense for all share-based payment awards made to employees and directors based upon fair value at the date of award using a fair value based option pricing model. The compensation expense is recognized on a straight-line basis over the requisite service period.

Foreign Currency Translation

The measurement currency of the Company is the U.S. Dollar. Transactions in foreign currencies are translated at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in other than the measurement currency, if any, are translated at the exchange rates in effect at the balance sheet date. The resulting exchange gains and losses are recognized in earnings.

Net Earnings (Loss) per Share

Basic and diluted net loss per share information is presented under the requirements of ASC Topic 260, Earnings per Share. Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding for the period. Diluted net loss per share reflects the potential dilution of securities by adding other common stock equivalents, including stock options, warrants and convertible notes in the weighted-average number of common shares outstanding for a period, if dilutive.

As the Company has incurred losses for the nine months ended September 30, 2017 and 2016, the potentially dilutive shares are anti-dilutive and are thus not added into the loss per share calculations. For the nine months ended September 30, 2017 and 2016, there were 13,428,930 and 10,024,972 weighted average shares outstanding, respectively.

Reclassification

Prior period accounts receivable from related parties of \$396,986 were reclassified and netted against prior period accounts payable to related parties of \$1,886,386. The balance of accounts payables to related parties after the reclassification is \$1,489,400 as per December 31, 2016.

Certain other prior period amounts have been reclassified to conform to the current period presentation in the accompanying consolidated financial statements. These reclassifications had no material effect on the previously reported results of operations or accumulated deficit.

Correction of an Error

The Company determined that it had been accounting for a lease agreement and its purchase obligation related to an aircraft in error. The Company should have accounted for its purchase obligation as a capital lease, thereby recording a capital lease aircraft asset and a corresponding capital lease liability of approximately \$6,000,000 as of the end of the quarter ended September 30, 2016. The error was not material to the unaudited consolidated financial statements for the nine months period ended September 30, 2016 since the correction of the error increased assets and liabilities by the same amount.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). Under the update, revenue will be recognized based on a five-step model. The core principle of the model is that revenue will be recognized when the transfer of promised goods or services to customers is made in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition the new standard requires additional financial statement disclosures that will enable users to understand the nature, timing and uncertainty of revenue and cash flows relating to customer contracts.

This ASU, as amended, is effective for fiscal years and interim periods within those years beginning after December 15, 2017. The guidance permits two methods of adoption, retrospectively to each prior reporting period presented (full retrospective method) or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (modified retrospective method). The Company is currently evaluating the impact that adopting this ASU will have on its financial position, results of operations and cash flows as well as the method of adoption that it plans to use.

In August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures, and provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations today in the financial statement footnotes. Until the issuance of this ASU, U.S. GAAP lacked guidance about management's responsibility to evaluate whether there is substantial doubt about the organization's ability to continue as a going concern or to provide related footnote disclosures. The amendments are effective for annual periods ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016, with early adoption permitted. The Company has concluded that there is substantial doubt about its ability to continue as a going concern and has presented the required disclosures of this ASU in Note 2.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 requires the lessee to recognize assets and liabilities for leases with lease terms of more than twelve months. For leases with a term of twelve months or less, the Company is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. Further, the lease requires a finance lease to recognize both an interest expense and an amortization of the associated expense. Operating leases generally recognize the associated expense on a straight-line basis. ASU 2016-02 requires the Company to adopt the standard using a modified retrospective approach and adoption beginning on January 1, 2019. The Company is currently evaluating the impact that ASU 2016-02 will have on its financial position, results of operations and cash flows.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718). The update amends the guidelines for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The standard is effective for annual and interim periods beginning January 1, 2017, and early adoption is permitted. The Company adopted 2016-09 effective January 1, 2017. The adoption of this standard did not have a material impact on the results of operations.

With the exception of the new standards discussed above, there have been no recent accounting pronouncements or changes in accounting pronouncements during the nine months ended September 30, 2017, as compared to the recent accounting pronouncements described in our Annual report on Form 10-K for the year ended December 31, 2016, that are of significance or potential significance to us.

5. INCOME TAXES

The Company did not record a tax provision or benefit for the period ended September 30, 2017, which is attributed primarily to the full valuation allowance that has been maintained against the Company's net deferred tax assets as of September 30, 2017. The Company's deferred tax assets consist principally of net operating losses, intangibles, and nondeductible reserves. The Company is currently evaluating whether some or all of its net operating losses may be limited pursuant to IRC 382.

In accordance with ASC 740, "Accounting for Income Taxes", the Company continually assesses the adequacy of the valuation allowance by assessing the tax consequences of events that have been realized in the Company's financial statements or tax returns, tax planning strategies, and future profitability. As of September 30, 2017, the Company does not believe it is more likely than not that the deferred tax assets will be realized.

6. STOCKHOLDERS' DEFICIT

Preferred Stock

As of September 30, 2017, we had 40,000,000 shares authorized and no shares of preferred stock outstanding. There is a total of 1,025,000 Series A Warrants outstanding that are convertible into common stock or preferred stock.

The rights and obligations of the holders of the preferred stock are set forth in the certificate of designations relating thereto.

Holders of preferred stock have no voting rights with respect to their preferred stock, except as required by law.

Shares of preferred stock rank pari passu to the shares of common stock in respect of preferences as to dividends, distributions and payments upon our liquidation, dissolution and winding up, except that in a liquidation event, the holders of preferred stock shall be entitled to receive in cash out of our assets an amount per share of preferred stock equal to the greater of \$4.00 (plus any unpaid dividends and accrued charges, as equitably adjusted for stock splits, recapitalizations and similar transactions) and the amount per share such holder would receive if such holder converted such preferred stock into common stock immediately prior to the date of such payment (without regard to any limitations on conversion), provided that if the liquidation funds are insufficient to pay the full amount due to the holders, then each holder shall receive a percentage of the liquidation funds equal to the full amount of liquidation funds payable to such holder, as a percentage of the full amount of liquidation funds payable to all holders (on an as-converted basis, without regard to any limitations on conversion set forth herein) and all holders of common stock.

During the nine months ended September 30, 2017, the company issued 4,578,070 shares of common stock for conversion of 4,578,070 shares of preferred stock.

Common Stock

As of September 30, 2017, we had 100,000,000 shares of common stock authorized and 17,805,234 shares of common stock issued and outstanding. Further, as of September 30, 2017, the company has 7,875,000 IPO and Placement Warrants outstanding exercisable into 7,875,000 shares of common stock that were issued in exchange for former Chart warrants, and 1,025,000 Series A Warrants outstanding that are convertible into common stock or preferred stock.

Between July 3, 2017 and July 14, 2017, the Company issued an aggregate of 1,175,000 shares of common stock to certain holders of Series A Warrants who exercised their rights to purchase shares. These shares were registered for sale by the holders pursuant to the prospectus (the "Prospectus") filed under Rule 424(b) (3) on April 14, 2017, under the Securities Act of 1933, as amended (the "Securities Act") (Registration No. 333-206527).

Holders of common stock have no conversion, preemptive or other subscription rights and there are no sinking fund or redemption provisions applicable to the common stock. Holders of common stock are entitled to receive such dividends, if any, as may be declared from time to time by the board of directors in its discretion out of funds legally available therefore.

Common stockholders of record are entitled to one vote for each share held on all matters to be voted on by stockholders. There is no cumulative voting with respect to the election of directors, with the result that the holders of more than 50% of the shares voted for the election of directors can elect all of the directors up for election at such time.

During the nine months ended September 30, 2017 the company issued 4,578,070 shares of common stock for conversion of 4,578,070 shares of preferred stock.

During the nine months ended September 30, 2017 the company issued 2,162,500 shares of common stock for conversion of 2,162,500 Series A warrants at a conversion price of \$0.08 per share.

7. STOCK OPTIONS

The Company maintains a stock option plan under which the Company may grant incentive stock options and non-qualified stock options to employees and non-employee directors. Stock options have been granted with exercise prices at or above the fair market value of the underlying shares of common stock on the date of grant. Options vest and expire according to terms established at the grant date.

The Company records compensation expense for the fair value of stock-based awards determined as of the grant date, including employee stock options. For the nine months ended September 30, 2017 and 2016 there were -0- and 499,000 stock options granted, under the Company's option plan, respectively. The Company recognized \$44,360 and \$175,677 in stock-based compensation expense for the nine months ended September 30, 2017 and 2016, respectively. Stock options to purchase 126,000 and 322,000 shares of common stock were outstanding as of September 30, 2017 and December 31, 2016, respectively.

The Company uses the Black-Scholes option-pricing model to value the options. The life of the option is equivalent to the expiration of the option award. The risk-free interest rate is assumed at 1.77%. The estimated volatility is based on management's expectations of future volatility and is assumed at 60%. Estimated dividend payout is zero, as the Company has not paid dividends in the past and, at this time, does not expect to do so in the future.

	Shares	Weighted Average Exercise Price Per Option
Options outstanding, December 31, 2016	322,000	\$ 2.05
Granted to employees and non-employee directors	-	-
Exercised	-	-
Canceled/expired/forfeited	196,000	-
Options outstanding, September 30, 2017	126,000	2.05
Options exercisable, September 30, 2017	-	\$ -

Compensation cost is recognized over the required service period which is three years for all granted options. As of September 30, 2017, \$73,932 of total unrecognized compensation cost related to stock options was expected to be recognized over the remaining 5 quarters. As of September 30, 2016, \$527,032 of total unrecognized compensation cost related to stock options was expected to be recognized over the remaining 9 quarters.

8. CONVERTIBLE DEBT

On April 28, 2017, the Company entered into a Note Purchase Agreement with Santiago Business Co. International Ltd, (“Santiago”), regarding its 10% Senior Secured Convertible Note due April 28, 2018, in an aggregate principal amount of \$6,200,000 (the “Note”) and Santiago transferred to the Company certain shares of capital stock of a subsidiary of Santiago, Bluebell Business Limited, a company limited by shares organized and existing under the laws of the British Virgin Islands (“Bluebell”). Interest payments on the Note are due quarterly until repayment of the principal amount, which is due April 28, 2018. The Note is convertible by the holder into 77,500,000 shares of common stock of the Company (conversion price of \$0.08 per share). If the Note is fully converted by the holder, the holder would receive shares representing 82.3% of the Company's share capital outstanding as of September 30, 2017 (taking into account the shares issued upon conversion of the Note).

9. FAIR VALUE MEASUREMENTS

The Company complies with ASC Topics 820, “Fair Value Measurement”, and 815, “Derivatives and Hedging” for certain liabilities that are re-measured and reported at fair value for each reporting period.

The following table presents information about the Company's liabilities that are measured at fair value on a recurring basis as of December 31, 2016, and September 30, 2017, and indicates the fair value hierarchy of the valuation techniques the Company has used to determine such fair value. In general, fair values determined by Level 1 inputs use quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs use data points that are observable, such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs use unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability:

Description	December 31, 2016	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Liabilities:				
IPO and Placement Warrant Liability	\$ 78,750	\$ 78,750	\$ -	\$ -
Series A Warrant Liability	23,435	-	23,435	-
Total Warrant Liability	\$ 102,185	\$ 78,750	\$ 23,435	\$ -
Description	September 30, 2017	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Liabilities:				
IPO and Placement Warrant Liability	\$ 118,125	\$ 118,125	\$ -	\$ -
Series A Warrant Liability	9,010	-	9,010	-
Total Warrant Liability	\$ 127,135	\$ 118,125	\$ 9,010	\$ -

The fair values of the Company's warrant liabilities are determined through market, observable and corroborated sources. The approach is described below:

IPO and Placement Warrants – The value of the IPO and Placement Warrants was calculated based upon the quoted price of the warrants that trade on the OTC markets under the ticker symbol TMPSW, which was \$0.01 as of that date.

Series A Warrants – The value of these warrants was calculated using a Black-Scholes option pricing model based on the value of the common stock, the assumed volatility of such shares and the risk free rate at the of time of valuation.

Observable inputs used in the calculation of the valuations include the implied valuation of the Company's securities based on prior sales, specifically the Financing associated with the Business Combination. Other inputs include a risk-free rate as of the valuation date and implied volatility derived from comparable publicly traded companies, as well as the quoted price of Tempus' common shares and the quoted price of Tempus' IPO and Placement Warrants.

10. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	September 30, 2017	December 31, 2016
Office equipment	\$ 135,897	\$ 167,088
Furniture and fixtures	456	456
Aircraft	6,015,505	6,015,505
Total	6,151,858	6,183,049
Accumulated depreciation	(424,531)	(249,109)
Property and equipment, net	\$ 5,727,327	\$ 5,933,940

11. INTANGIBLES, NET

Intangibles, net consists of the following:

	September 30, 2017	December 31, 2016
Infinte-lived intangible assets:		
FAA license	\$ 50,000	\$ 50,000
Finite-lived intangible assets:		
STC costs	455,901	455,901
Accumulated amortization	-	-
	455,901	455,901
Software	85,275	85,275
Accumulated amortization	(55,648)	(36,337)
	29,627	48,938
Total intangible assets, net	\$ 535,528	\$ 554,839

FAA licenses include the \$50,000 purchase price for Proflight Aviation Services, LLC, which provides flight training services under a FAR Part 141 certificate.

STC costs relate to our efforts to gain approval from the FAA for modifications to Gulfstream III, IV and V business jets to upgrade them for Future Air Navigation System ("FANS") and Automatic Dependent Surveillance Broadcast ("ADS-B") capabilities. Regulatory mandates in the U.S and abroad will require FANS / ADS-B compliance on certain preferred air routes on a rolling basis over the next four years. Tempus was awarded this STC in the fourth quarter of 2016.

12. RELATED PARTY TRANSACTIONS

Jackson River Aviation ("JRA") is under common control with the Company. JRA (through its subsidiary TJI) provides FAR Part 135 aircraft charter services to the Company. Total purchases by the Company from JRA for the nine months ended September 30, 2017 and 2016 were \$3,459,758 and \$196,035, respectively. Billings by the Company to JRA for the nine months ended September 30, 2017 and 2016 were \$845,887 and \$57,053, respectively. As of September 30, 2017, the Company had a net outstanding payable to JRA of \$170,025. As of December 31, 2016, the Company had a net outstanding receivable from JRA of \$38,962.

The majority of Tempus Intermediate Holdings, LLC (“TIH”) is owned by Firefly Financials, Ltd, which is under common control with the Company. The Manager of TIH is our CFO, Johan Aksel Bergendorff. TIH owns certain aircraft used by Tempus to provide services to certain customers. Total purchases by the Company from TIH for the nine months ended September 30, 2017 and 2016 were \$2,247,955 and \$1,125,246, respectively. Total billings from the Company to TIH for the nine months ended September 30, 2017 and 2016 were \$806,023 and \$136,482, respectively. The net outstanding payable from Tempus to TIH at September 30, 2017 and December 2016 was \$636,591 and 1,284,886, respectively.

Southwind Capital, LLC (“Southwind”) is controlled by R. Lee Priest, Jr., the Company’s Executive Vice President. Southwind owned certain aircraft used by Tempus to provide services to certain customers. Total purchases by the Company from Southwind for the nine months ended September 30, 2017 and 2016 were \$0 and \$116,545, respectively. The net outstanding payable from Tempus to Southwind at September 30, 2017 and December 31, 2016 was \$142,496.

Since July 1, 2017, Santiago Business Co. International Ltd, (“Santiago”) has provided CFO services to the Company, via full time service delivered by our CFO, Johan Aksel Bergendorff. The monthly fee is \$12,500 plus expenses. Total billings for the nine months ended September 2017 was \$48,996. As per September 30, 2017 (and as per this filing date, November 28, 2017) the outstanding balance for these services was \$48,996.

All related party transactions are entered into and performed under commercial terms consistent with what might be expected from a third- party service provider.

See also ITEM 5. OTHER INFORMATION - 10% Senior Secured Convertible Note due April 28, 2018.

13. DISCONTINUED OPERATIONS

On March 1, 2017, the Company entered into a Stock Purchase Agreement (the “Agreement”), to be effective January 1, 2017, for the sale of Tempus Jets, Inc. The following table shows the components of assets and liabilities that are classified as discontinued operations in the Company’s consolidated balance sheet as per September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
Current assets of discontinued operations	\$ 5,223	\$ 65
Noncurrent assets of discontinued operations	\$ 0	\$ 501,711
Current liabilities of discontinued operations	\$ 2,799	\$ 569,937
Net assets of discontinued operations	\$ 2,424	\$ (68,161)

Summarized operating results related to these entities are included in discontinued operations in the accompanying consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2017 and 2016.

	Nine months ended September 30		Three months ended September 30	
	2017	2016	2017	2016
Revenue	-	\$ 1,256,881	-	\$ 668,150
Gross profit	-	(960,075)	-	(279,179)
Selling, general and administrative expenses	-	(261,998)	-	(111,250)
Depreciation and amortization	-	(1,472)	-	(770)
Net loss from discontinued operations	-	\$ (1,223,545)	-	\$ (391,199)

14. SUBSEQUENT EVENT

The company has evaluated subsequent events from September 30, 2017 and November 28, 2017, the date this report was available to be issued and determined to disclose the following:

- i. On August 14, 2017, the Company entered into a definitive purchase agreement for the acquisition of six Lockheed L-1011, subject to satisfactory completion of inspection of the aircraft. The inspection was completed satisfactorily by the end of October, 2017. The closing of the transaction is now only subject to the seller fulfilling their obligations under the purchase agreement to remove all liens on the aircraft. The sale is expected to close in the fourth quarter of 2017. As payment for the aircraft, the Company expects to issue approximately 6.7 million shares to the seller during the fourth quarter of 2017.
- ii. On October 6, 2017, the Company entered into an equity financing agreement with GHS Investments LLC, a Nevada limited liability company, under which the Company may issue, over the next 24 months, shares of common stock representing up to an aggregate of \$12,000,000 of equity financing. The number of shares to be issued would depend on the price per share, which will be based on a discount to the volume weighted average market price of the shares during a 10-trading day period. Shares issued under the equity financing agreement are subject to a registration rights agreement.
- iii. On November 22, 2017, the Company notified one of its customers that the Company was terminating an aircraft management agreement with them due to their on-going and repeated failure to make payment in full of all amounts due under the contract. The contract represents a material portion of the Company’s consolidated revenues (\$4.0 million for the first nine months of 2017), but has not contributed significantly to either consolidated gross profit or net profit. The Company also informed the customer that it would seek damages for losses and expenses in light of the customer’s repudiatory breach of the contract. Depending on the outcome of negotiations with the customer, and possibly litigation, the receivables owed to the Company for services rendered, together with damages, would be applied against the operating deposit of \$750,000 to be repaid to the customer following contract termination.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the unaudited interim financial statements and the notes thereto contained elsewhere in this Report. Certain information contained in this discussion and analysis includes forward-looking statements. See the section entitled "Cautionary Note Regarding Forward-Looking Statements" set forth elsewhere in this Report.

Management Overview

Tempus Applied Solutions Holdings, Inc. ("we", the "Company" or "Tempus Holdings") is a Delaware corporation organized on December 19, 2014. The Company provides turnkey flight operations; customized design, engineering and modification solutions; and training services that support critical aviation mission requirements for such customers as the U.S. Department of Defense (the "DoD"), U.S. intelligence agencies, foreign governments, heads of state and high net worth individuals worldwide. Our management and employees have extensive experience in the design and implementation of special mission aircraft modifications related to intelligence, surveillance, and reconnaissance ("ISR") systems, new generation command, control and communications systems and VIP interior components; the provision of ongoing operational support, including flight crews, maintenance and other services to customers; and the operation and leasing of corporate, VIP and other specialized aircraft.

Our principal areas of expertise include:

- **Flight Operations:** turnkey flight operations and related support services required by the customer for the ultimate successful execution of its mission, including leasing, planning, maintenance, training, logistics support and other support services; and
- **Design, Engineering and Modification:** the modification of aircraft for airborne research and development, the addition and upgrading of ISR and electronic warfare capabilities and wide body aircraft VIP interior conversions.

Currently, the Company's consolidated revenues consist principally of revenues earned under aircraft management contracts (which are based on fixed expenses and fees plus variable expenses and fees tied to actual aircraft flight hours), revenues earned from the provision of leased aircraft (which are based on actual aircraft flight hours) and modification of aircraft that will be utilized for the provision of leased aircraft services to our customers.

The Company regularly engages in marketing and negotiation efforts and submits bids with the aim of converting current business opportunities into signed contracts and identifying and developing new business opportunities. The Company expects to be able to make public announcements from time to time when it is able to enter into additional, material contracts with customers.

We operate out of our corporate headquarters in Williamsburg, Virginia. Additionally, we utilize office and hangar space in Brunswick, Maine and San Marcos, TX to provide the required facilities for production and logistic support for our customers.

The Company's activities are subject to significant risks and uncertainties, including without limitation the risks of deadline and budget overruns and risks specific to government and international contracting businesses. Anticipated contracts are large and the periods of performance are long. See also "Outlook" and "Going Concern" below.

Acquisition of six L-1011s to provide air-to-air refueling services

On August 14, 2017, we announced that we have entered into a definitive purchase agreement for the acquisition of six Lockheed L-1011s formerly owned and operated by the Royal Air Force (RAF) of the United Kingdom. Four of these aircraft are specifically configured for air-to-air refueling (AAR) operations and the remaining two are configured for passenger and cargo operations only. Although the aircraft served the RAF and NATO for 30 years until their retirement in 2014, we have completed a successful inspection and evaluation of the aircraft and associated log books and support equipment, and based on that inspection, we believe that the aircraft have many years of service life remaining. The L-1011s have been in flyable storage in the UK since their retirement. We expect to acquire the aircraft in the immediate future by issuing approximately 6,730,769 shares of our common stock to the seller of the aircraft.

We intend to utilize three of the AAR configured aircraft while the additional three aircraft will be used as spare parts. Marketing of the aircraft for contractor owned/operated AAR operations will begin immediately with a focus on the US Navy, NATO, and other allied air forces which require hose and drogue AAR services. The aircraft are currently registered in the United States and will be ferried from the UK to an existing Tempus Applied Solutions (TAS) base of operations in the continental USA upon acceptance and the completion of required maintenance.

The inspection we performed on the aircraft was entirely consistent with industry standards, but it may not reveal performance or other deficiencies which appear or arise following actual usage; such deficiencies could cause remaining service life of one or more aircraft to be reduced, or Federal Aviation Administration certification to be delayed, refused, suspended or withdrawn. In addition, our success in marketing profitable services based on the use of these aircraft depends on numerous factors which are not under our control, such as market demand, prevailing prices and operating costs for the services offered, and competition.

Equity Financing Agreement

On October 6, 2017, we entered into an equity financing agreement with GHS Investments LLC, a Nevada limited liability company, under which we may issue, over the next 24 months, shares of common stock representing up to an aggregate of \$12,000,000 of equity financing. The number of shares to be issued would depend on the price per share, which will be based on a discount to the volume weighted average market price of the shares during a 10-trading day period. See “Liquidity and Capital Resources” below. Shares issued under the equity financing agreement are subject to a registration rights agreement; the registration statement for the shares was filed with the Securities and Exchange Commission (the “SEC”) on October 20, 2017, and must be declared effective by the SEC for us to be able to draw down on the equity financing. See “Liquidity and Capital Resources” below

Early termination by the Company of a material services contract

On November 22, 2017, we notified one of our customers that the Company was terminating an aircraft management agreement with them due to their on-going and repeated failure to make payment in full of all amounts due under the contract. The contract represents a material portion of our consolidated revenues (\$4.0 million for the first nine months of 2017), but has not contributed significantly to either our consolidated gross profit or net profit. The contract also has not contributed significantly to net positive cash flow from operations, since margin on the contract is very low.

We have informed the customer that we would seek damages for losses and expenses in light of their repudiatory breach of the contract. Depending on the outcome of negotiations with the customer, and possibly litigation, the receivables owed to us for services rendered, together with damages, would be applied against the operating deposit of \$750,000 to be repaid to the customer following contract termination. The final amount to be repaid to the customer, or which would be due to us by the customer, will depend on the results of negotiations with the customer. In the event the negotiations do not lead to an agreement, litigation may result. See “Our early termination of a material services contract will reduce our revenues, require repayment of an operating deposit, and may lead to litigation.”

Outlook

As communicated previously, our revenues are based principally on a very small number of important contracts. For the third quarter of 2017, 77% of our revenues came from two contracts. Although not inconsistent with the Company’s strategy and business, the importance to our revenue stream of a small number of contracts exposes us to a substantial risk in the event any such contract is terminated early or not renewed, or if the customer defaults. See “Early termination by the Company of a material services contract” above, and our Annual Report on Form 10-K for the year ended December 31, 2016, for further discussion of the risks involved in reliance on a small number of contracts.

In addition, in light of our history of operating losses and negative cash flows from operations, we have accumulated \$2.5 million of trade accounts payable at September 30, 2017, in addition to \$2.1 million of accounts payable to related parties. If the Company’s creditors refuse to provide further goods or services, the Company may not be able to provide services under its client contracts, which would cause substantial harm to the Company’s business and financial condition. See “Our current cash flow from operations may not be sufficient to cover our upcoming operating costs, which would have a significant negative impact on our ability to continue as a going concern.” under Part II, Item 1A below.

The Company nevertheless has opportunities to develop its revenues, such as the L-1011s for air refueling services, which are expected to be acquired shortly, and to strengthen its financial resources, such as the equity financing agreement, as described above. Company management is therefore currently focused on carefully managing available cash to ensure sufficient liquidity, and obtaining new service contracts and renewing existing contracts using available resources to maintain cash flow and develop revenues. While the recent reduction in headcount has effectively reduced fixed costs, management must be successful in achieving the tasks described above to enable the Company to continue in operations and grow. However, as noted in “Going Concern” below, there can be no assurance that the Company’s cash flows or business will develop as currently expected, and uncertainties remain regarding the Company’s ability to continue as a going concern.

Going Concern

The Company’s consolidated financial statements have been prepared assuming that it will continue as a going concern. The conditions noted below raise substantial doubt about the Company’s ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Historically, the Company has experienced operating losses and negative cash flows from operations, and it currently has a working capital deficit, due principally to delays in the commencement of contracts, low margins on initial contracts as the Company works to achieve market share and high overhead costs associated with sales, marketing and proposal costs related to the team of Company personnel assigned to aggressively pursue new contracts. See ‘Outlook’ above. Nevertheless, whether, and when, the company can attain positive operating cash flows from operations is highly dependent on the commencement of these new contracts and the timing of their commencement. Management believes that the uncertainties regarding these contracts and their timing cast substantial doubt upon the Company’s ability to continue as a going concern, especially in the near term and within one year after the date that the consolidated financial statements are issued. See “Our current cash flow from operations may not be sufficient to cover our upcoming operating costs, which would have a significant negative impact on our ability to continue as a going concern.” under Part II, Item 1A below.

In light of the foregoing, the Company has implemented cost cutting initiatives, including reductions in our employee headcount, facilities and other expenses. Headcount has been reduced from 52 in June 2016 to 11 as of September 30, 2017. The Company expects to undertake additional cost-cutting measures in the future to the extent consistent with the provision of full performance under the Company's contracts with customers. In addition, the Company continues to explore possibilities for raising both working capital and longer-term capital from outside sources in various possible transactions. However, there can be no assurance that the Company's cash flows or costs of operations will develop as currently expected. Our cash flows and liquidity plans remain subject to a number of risks and uncertainties. See "Item 1A. Risk Factors" of our Annual Report on Form 10-K (the "Form 10-K").

Results of Continuing Operations

Three Months Ended September 30, 2017 and 2016

Revenues

Revenues were \$3,195,822 for the three months ended September 30, 2017. As set forth below, two customers each represented greater than 10% of our revenues during this period.

Revenues were \$3,741,639 for the three months ended September 30, 2016. As set forth below, three customers each represented greater than 10% of our revenues over this period.

The 15% decrease in revenue was due primarily to the completion of a contract involving the provision of a leased aircraft to an agency of the U.S. Government.

The table below sets forth the amount of revenues we recognized for the three months ended September 30, 2017 and 2016:

	Three months ended September 30, 2017		Three months ended September 30, 2016	
	Revenue		Revenue	
Customer A	\$ -	-%	\$ 1,092,255	29%
Customer B*	1,239,060	39%	1,498,732	40%
Customer C	1,209,958	38%	-	-%
Customer D	690	0%	632,648	17%
Other customers	746,114	23%	518,004	14%
	<u>\$ 3,195,822</u>	<u>100%</u>	<u>\$ 3,741,639</u>	<u>100%</u>

* The Company terminated this contract on November 22, 2017. See "Early termination by the Company of a material services contract" above.

Cost of Revenue and Gross Profit

Cost of revenue for the three months ended September 30, 2017 was \$2,816,231, which represented 88% of revenues. The Company's gross profit was \$379,591 or 12% of revenues for the three months ended September 30, 2017.

Cost of revenue for the three months ended September 30, 2016 was \$3,456,863, which represented 92% of revenues. The Company's gross profit was \$284,776 or 8% of revenues for the three months ended September 30, 2016.

The improvement in gross profit was primarily due to an increased mix of higher margin contracts for the three months ended September 2017 as compared to the prior year period.

Selling, General and Administrative

Selling, general and administrative expenses were \$462,544 for the three months ended September 30, 2017, which represented 14% of revenues for this period.

Selling, general and administrative expenses were \$770,984 for the three months ended September 30, 2016, which represented 21% of revenues for this period.

The decrease over the comparable prior year period was primarily due to (i) lower staffing costs as the Company reduced headcount; and (ii) decreased sales and marketing expenses in light of the Company's smaller sales and marketing force; (iii) which were partially offset by increases in depreciation expense, as a result of the Gulfstream G-IV aircraft becoming an asset of the Company.

Other Income (Expense)

Other income (expense) was \$441,067 for the three months ended September 30, 2017 and \$378,984 for the three months ended September 30, 2016. The increased income period over period is primarily due to non-cash income associated with the change in warrant valuation offset by an increase in interest expense primarily related to debt obligations on aircraft (namely, the 10% Senior Secured Convertible Note due April 28, 2018).

Net Loss

Net income for the three months ended September 30, 2017 was \$358,114. Net loss for the three months ended September 30, 2016 was (\$498,423).

Nine Months Ended September 30, 2017 and 2016

Revenues

Revenues were \$11,655,027 for the nine months ended September 30, 2017. As set forth below, four customers each represented greater than 10% of our revenues during this period.

Revenues were \$12,335,250 for the nine months ended September 30, 2016. As set forth below, four customers each represented greater than 10% of our revenues over this period.

The 5.5% decrease in revenue was due primarily to the completion of a contract involving the provision of a leased aircraft to an agency of the U.S. Government.

The table below sets forth the amount of revenues we recognized for the nine months ended September 30, 2017 and 2016:

	Nine months ended September 30, 2017		Nine months ended September 30, 2016	
	Revenue		Revenue	
Customer A	\$ 1,397,407	12%	\$ 3,155,041	26%
Customer B*	4,009,283	34%	4,310,714	35%
Customer C	3,684,571	32%	-	-%
Customer D	1,481,649	13%	2,088,692	17%
Customer E	-	-%	1,390,027	11%
Other customers	1,082,117	9%	1,390,776	11%
	\$ 11,655,027	100%	\$ 12,335,250	100%

* The Company terminated this contract on November 22, 2017. See "Early termination by the Company of a material services contract" above.

Cost of Revenue and Gross Profit

Cost of revenue for the nine months ended September 30, 2017 was \$9,645,159, which represented 83% of revenues. The Company's gross profit was \$2,009,868 or 17% of revenues for the nine months ended September 30, 2017.

Cost of revenue for the nine months ended September 30, 2016 was \$12,072,877, which represented 98% of revenues. The Company's gross profit was \$262,373 or 2% of revenues for the nine months ended September 30, 2016.

The improvement in gross profit was primarily due to an increased mix of higher margin contracts for the nine months ended September 2017 as compared to the prior year period.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses were \$1,985,219 for the nine months ended September 30, 2017, which represented 17% of revenues for this period.

Selling, general and administrative expenses were \$3,366,180 for the nine months ended September 30, 2016, which represented 27% of revenues for this period.

The decrease over the comparable prior year period is primarily associated with the following: (i) lower staffing costs; and (ii) decreased sales and marketing expenses; (iii) which were partially offset by increases in depreciation expense (mainly the Gulfstream G-IV aircraft, which was acquired in 2017).

Other Income (Expense)

Other income (expense) was (\$508,168) for the nine months ended September 30, 2017 and \$1,253,333 for the nine months ended September 30, 2016. The increased expense period over period is primarily due to reduction in non-cash income associated with the change in warrant valuation along with a charge for interest expense primarily related to debt obligations on aircraft (the \$6.2m convertible note, with 10% interest).

Net Loss

Net loss for the nine months ended September 30, 2017, was (\$483,519). Net loss for the nine months ended September 30, 2016 was (\$3,074,019).

Liquidity and Capital Resources

As of September 30, 2017, we had cash and cash equivalents of \$24,029. As of that date, we held no restricted cash. Credit card borrowings outstanding as of September 30, 2017 totaled \$271,345.

Our working capital as of September 30, 2017 was (\$9,612,145), equal to the difference between our total current assets as of that date of \$1,657,462 and our total current liabilities as of that date of \$11,269,607.

Tempus continues to incur operating expenses in support of business development efforts in addition to various organizational and transactional costs in support of potential merger and acquisition activity. In addition, new customers and contracts will require investment in working capital and aircraft assets.

Effective as of February 25, 2016, we entered into an agreement to lease a Gulfstream G-IV, at a rate of \$70,000 a month for a period of 40 months, in support of a modification contract and expected operational contract with a government customer. The lease permitted the lessor to exercise an option to sell the aircraft to the Company at any time after November 30, 2016, or the Company to purchase the aircraft from the lessor, in either case at a value of \$5,500,000. We have modified this aircraft for a government customer and provided it to this customer at an hourly and daily rate, based on the customer's usage of the aircraft. On November 4, 2016, the lessor exercised its option to sell the aircraft to the Company as of April 28, 2017; on such date, the seller provided seller financing to the Company by accepting in payment for the aircraft the 10% Senior Secured Convertible Note due April 28, 2018, which is convertible at the seller's discretion into company stock (see part II, Item 5 below). If the note is fully converted by the seller, the seller would receive shares representing 82.3% of the Company's share capital outstanding as of September 30, 2017 (taking into account the shares issued upon conversion of the note).

The Company will continue to evaluate the merits of aviation asset ownership, whereby aircraft and related modifications will be owned by the Company, as compared to arrangements whereby the Company leases the aviation assets used in support of its customers. Factors considered will include availability of investment capital, required down payments, interest rates on asset backed loans, expected lease rates, expected customer utilization rates, expected customer duration and the level of guaranteed minimum usage to which our customers contractually commit.

For the nine months ended September 30, 2017, the Company incurred lease expense for aviation assets used in the provision of its services of \$2,409,203. Lease expenses for aviation assets for the nine months ended September 30, 2016 were \$4,238,694.

Currently, we have limited operating capital. Management believes that uncertainties regarding the commencement of new contracts that have been won or are expected to be won, and the timing of their commencement, cast significant doubt upon the Company's ability to continue as a going concern, especially in the near term and prior to the passage of the next 12 months. See "Going Concern" above and the first risk factor in Part II, Item IA below.

Equity Financing Agreement

On October 6, 2017, we entered into an equity financing agreement with GHS Investments LLC, a Nevada limited liability company (the “Investor”), under which, during the 24 months thereafter, we may put shares to the Investor representing up to an aggregate of \$12,000,000 in equity. The timing and amounts of the purchases shall be at the discretion of the Company. The maximum dollar amount of each purchase will not exceed three times the average of the daily trading dollar volume for our common stock during the ten (10) trading days preceding the put date. No purchase will be made in an amount greater than three hundred thousand dollars (\$300,000). Purchases are further limited to the investor owning no more than 9.99% of our common stock at any given time. The purchase price shall be set at ninety-five percent (95%) of the volume weighted average price (“VWAP”) for our common stock during the valuation period. If the closing price for our common stock on the last trading day of the valuation period is less than the VWAP during the valuation period, then the purchase price shall equal 95% of the lowest closing price during the valuation period. If the purchase price is less than one-dollar (\$1.00) per share, an additional five percent (5%) will be discounted off the applicable purchase price.

Shares issued under the equity financing agreement are subject to a registration rights agreement. On October 20, 2017, we filed a registration statement with the SEC on Form S-1 for the possible resale by the Investor of up to 50,000,000 shares of common stock. The registration statement for the shares must be declared effective by the SEC for us to be able to draw down on the equity financing. We are currently responding to comments from the SEC, and we cannot guaranty when or if the registration statement will be declared effective. At the same time, we filed a registration statement on Form S-1 for the possible resale of up to 5,842,404 shares of common stock by the selling shareholders named therein exercising their piggyback registration rights.

The issue and sale of the shares under the equity financing agreement may have an adverse effect on the market price of the common shares. The Investor may resell some, if not all, of the shares that we issue to it under the equity financing agreement, and such sales could cause the market price of the common stock to decline significantly. To the extent of any such decline, any subsequent puts would require us to issue and sell a greater number of shares to the investor in exchange for each dollar of the put amount. Under these circumstances, the existing shareholders of our company will experience greater dilution. The effect of this dilution may, in turn, cause the price of our common stock to decrease further, both because of the downward pressure on the stock price that would be caused by a large number of sales of our shares into the public market by the investor, and because our existing stockholders may disagree with a decision to sell shares to the investor at a time when our stock price is low, and may in response decide to sell additional shares, further decreasing our stock price.

Off-Balance Sheet Arrangements

None.

Distributions

None.

Contractual Obligations

The Company incurred lease expense for real office and hangar space for the nine months ended September 30, 2017 and 2016 of \$118,285 and \$351,795 respectively. Lease expense for aircraft and simulators was \$2,409,203 and \$4,238,694 respectively, for the nine months ended September 30, 2017 and 2016.

The Company leases office space in Williamsburg, Virginia to support its operations. The Company occupied the premises as of September 1, 2016 under a month-to-month sublease to Jackson River Aviation, which is controlled by the Company’s primary investor.

The Company leases office space in San Marcos, TX to support its training operations. The Company occupied the premises as of October 1, 2015 under a fifteen (15) month lease at a rate of \$10,500 per month. The lease was extended as of January 1, 2017 for an additional 12 months. The Company also leases simulators used in its training operations at this location. The simulator lease commenced on October 1, 2015 and extended to December 31, 2016 at a rate of \$3,000 per month, at which point it was also renewed for an additional 12 months. The future minimum lease payments associated with these leases at San Marcos, TX as of September 30, 2017 total \$40,500. Unpaid lease invoices at September 30, 2017 totaled \$72,450 and are included in account payable.

The Company leased office and hangar space in Brunswick, ME to support its operations. The Company occupied the premises as of March 1, 2016 under a six-month lease at a rate of \$16,673 per month, after which the lease reverted to a month to month agreement. The facility and related employees were transferred to Tempus Intermediate Holdings as of November 2016. Unpaid lease invoices at September 30, 2017 totaled \$151,291 and are included in accounts payable.

The Company has employment agreements with certain key executives with terms that expire in 2018, with provisions for termination obligations, should termination occur prior thereto, of up to 12 months' severance. The Company expects to pay a total aggregate base compensation of approximately \$350,000 annually through 2018, plus other normal customary fringe benefits and bonuses.

Effective as of February 25, 2016, we entered into an agreement to lease a Gulfstream G-IV, at a rate of \$70,000 a month for a period of 40 months. The lease permitted the lessor to exercise an option to sell the aircraft to the Company at any time after November 30, 2016, or the Company to purchase the aircraft from the lessor, in either case at a value of \$5,500,000. We have modified the aircraft for a government customer and provided it to this customer at an hourly and daily rate, based on this customer's usage of the aircraft. As of November 4, 2016, the lessor exercised its option to sell the aircraft to the Company. In connection with the issuance by the Company on April 28, 2017, of a 10% Senior Secured Convertible Note, the Company purchased the aircraft using owner financing. See the Company's Current Report on Form 8-K filed with the SEC on May 3, 2017, and Item 5 Other Information below, in connection with this event.

Significant Accounting Policies

Our financial statements are based on the application of accounting principles generally accepted in the United States. GAAP requires the use of estimates; assumptions, judgements and subjective interpretations of accounting principles that have an impact on assets, liabilities, revenue and expense amounts reported. These estimates can also affect supplemental information contained in our external disclosures including information regarding contingencies, risk and financial condition. We believe our use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions and conditions. We continue to monitor significant estimates made during the preparation of our financial statements.

Our significant accounting policies are summarized in Note 3 of our financial statements above and also included in the Company's Current Report on Form 10-K filed on March 31, 2017. While all these significant accounting policies impact our financial condition and results of operations, we view certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on our financial statements and require management to use a greater degree of judgement and estimates. Actual results may differ from those estimates. Our management believes that given current facts and circumstances, it is unlikely that applying any other any other reasonable judgements or estimate methodologies would an effect on our results operations, financial position or liquidity for the periods presented in this report.

Revenue Recognition

The Company uses the percentage-of-completion method for accounting for long-term aircraft maintenance and modification fixed-price contracts to recognize revenues and receivables for financial reporting purposes. Revenues from firm fixed price contracts are measured by the percentage of costs incurred to date to estimated total costs for each contract. Revenues from time-and-material line items are measured by direct labor hours or flight hours incurred during the period at the contracted hourly rates plus the cost of materials, if applicable. To the extent this earned revenue is not invoiced, it is recognized as earnings in excess of billings and is represented in other accounts receivable on the consolidated balance sheets.

The Company records payments received in advance for services to be performed under contractual agreements and billings in excess of costs on uncompleted fixed-price contracts as deferred revenue until such related services are provided. Deferred revenue was \$0 at September 30, 2017 and December 31, 2016.

Revenue on leased aircraft and equipment representing rental fees and financing charges are recorded on a straight-line basis over the term of the leases.

Currently, the Company's consolidated revenues consist principally of revenues earned under aircraft management contracts (which are based on fixed expenses and fees plus variable expenses and fees tied to actual aircraft flight hours) and revenues earned from the provision of leased aircraft.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). Under the update, revenue will be recognized based on a five-step model. The core principle of the model is that revenue will be recognized when the transfer of promised goods or services to customers is made in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In the third quarter of 2015, the FASB deferred the effective date of the standard to annual and interim periods beginning after December 15, 2017. Early adoption will be permitted for annual and interim periods beginning after December 15, 2016. The Company is currently evaluating the impact that adopting this ASU will have on its financial position, results of operations and cash flows.

In August 2014, the FASB issued ASU No. 2014-15, “Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern.” This ASU is intended to define management’s responsibility to evaluate whether there is substantial doubt about an organization’s ability to continue as a going concern and to provide related footnote disclosures, and provides guidance to an organization’s management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations today in the financial statement footnotes. Until the issuance of this ASU, U.S. GAAP lacked guidance about management’s responsibility to evaluate whether there is substantial doubt about the organization’s ability to continue as a going concern or to provide related footnote disclosures. The amendments are effective for annual periods ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016, with early adoption permitted. The Company has concluded that there is substantial doubt about its ability to continue as a going concern and has presented the required disclosures of this ASU in Note 2.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 requires the lessee to recognize assets and liabilities for leases with lease terms of more than twelve months. For leases with a term of twelve months or less, the Company is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. Further, the lease requires a finance lease to recognize both an interest expense and an amortization of the associated expense. Operating leases generally recognize the associated expense on a straight-line basis. ASU 2016-02 requires the Company to adopt the standard using a modified retrospective approach and adoption beginning on January 1, 2019. The Company is currently evaluating the impact that ASU 2016-02 will have on its financial position, results of operations and cash flows.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718). The update amends the guidelines for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The standard is effective for annual and interim periods beginning January 1, 2017, and early adoption is permitted. The Company adopted 2016-09 effective January 1, 2017. The adoption of this standard did not have a material impact on the results of operations

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Certifying Officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer (together, the “Certifying Officers”), we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on the foregoing, our Certifying Officers concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Report, despite the fact that a material weakness in the Company’s internal control over financial reporting was identified that rendered the internal control over financial reporting ineffective as of such date (see below), and subject to the following: The Staff of the SEC has expressed its view that the existence of such material weakness in our internal control over financial reporting also renders the Company’s disclosure controls and procedures ineffective. Consequently, the Company advises that because of the material weakness in its internal control over financial reporting, its disclosure controls and procedures were also ineffective as of the end of the period covered.

Changes in Internal Control over Financial Reporting

Our management has concluded that our internal control over financial reporting was not effective through the date hereof, due to the fact that, at times, including in particular at times since December 31, 2016, we may not have employed a sufficient number of accounting personnel to adequately segregate duties. A failure to adequately segregate duties means that, for example, journal entries and account reconciliations may not be reviewed by someone other than the preparer, heightening the risk of error or fraud. Such a failure constitutes a material weakness in our internal control over financial reporting. A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. If we are unable to remediate this material weakness or avoid other control deficiencies, we may not be able to report our financial results accurately, prevent errors or fraud or file our periodic reports as a public company in a timely manner. The foregoing could result in the loss of investor confidence, errors in our public filings and declines in the market price of our securities.

Limitations on the Effectiveness of Internal Controls

Readers are cautioned that our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our control have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any control design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

To the knowledge of our management, there are no material legal proceedings currently pending against us, any of our officers or directors as such or against any of our property. In February 2017, a lawsuit was filed by a former counterparty of certain businesses affiliated with our CEO, Benjamin Scott Terry, and our former board member, John G. Gulbin III, against such businesses and individuals, alleging claims for damages in the approximate total of \$10 million. Tempus Applied Solutions Holdings, Inc. was also named as a defendant in that suit. We do not believe that the allegations in the complaint involve us in any way, and we expect the suit against us to be abandoned or dismissed. However, there can be no assurance as to the outcome of this matter.

See also “Our early termination of a material services contract will reduce our revenues, require repayment of an operating deposit, and may lead to litigation.” in Item 1A below.

ITEM 1A. RISK FACTORS

There have been no material changes to our risk factors as disclosed in the section titled “Risk Factors” in the Form 10-K, except as set forth below.

Our current cash flow from operations may not be sufficient to cover our upcoming operating costs, which would have a significant negative impact on our ability to continue as a going concern.

The Company has historically experienced operating losses and negative cash flows from operations. There is no certainty as to whether or when the Company can attain positive operating cash flows from operations on a reliable basis. It is not at present certain that our current cash flow from operations will be sufficient to cover our upcoming operating costs. As a result, there can be no assurance that the Company can continue as a going concern. See “Outlook” and “Going Concern” under Part I, Item 2 above.

Our early termination of a material services contract will reduce our revenues, require repayment of an operating deposit, and may lead to litigation.

On November 22, 2017, we notified one of our customers that the Company was terminating an aircraft management agreement with them due to their on-going and repeated failure to make payment in full of all amounts due under the contract. The contract represents a material portion of our consolidated revenues (\$4.0 million for the first nine months of 2017), but has not contributed significantly to either our consolidated gross profit or net profit. We also informed the customer that we would seek damages for losses and expenses in light of their repudiatory breach of the contract.

Following contract termination, an operating deposit of \$750,000 is to be returned to the customer. We intend to deduct the receivables owed to us for services rendered, together with damages, from the amount to be repaid to the customer. The final amount to be repaid to the customer, or which would be due to us by the customer, will depend on the results of negotiations with the customer. In the event the negotiations do not lead to an agreement, litigation may result. The outcome of the negotiations and possible litigation cannot be predicted with certainty, and, together with the legal costs, could have a material negative impact on the Company’s financial condition.

Changes in the market price of our common shares impact the valuation of the Company’s warrant obligations, which directly affects Other Income (Expense) and thus reported earnings.

In recent periods, the market price of the Company’s common shares has reflected considerable volatility, with a low of \$0.03 recorded on June 6, 2017, and a high of \$1.00 recorded on June 26, 2017. Changes in the market price of the shares impact the valuation of our warrant obligations, which in turn impacts Other Income (Expense). In the event Other (Expense) increases, our reported earnings are decreased by the same amount.

In the quarter ending September 30, 2017, the valuation of our warrant obligations decreased by \$596,778, causing our reported earnings for the quarter to increase by the same amount. In the quarter ending June 30, 2017, the valuation of our warrant obligations increased by \$712,528, causing an equivalent decrease in our reported earnings for the quarter. We expect the market price of our shares to continue to be volatile, and therefore to continue to impact our reported earnings.

The Company has accumulated a significant level of trade accounts payable, which could result in the Company being unable to perform its services.

At September 30, 2017, the Company had approximately \$2.5 million of trade accounts payable, in addition to approximately \$2.1 million of accounts payable to related parties. In the event the Company’s creditors bring action for payment, refuse to provide the goods or services giving rise to such accounts payable, or reclaim goods which have been provided to the Company, the Company may no longer be able to perform the services called for by some or all of its contracts. Such circumstances could lead to early termination of the contracts, as well as penalty payments, which would substantially harm the Company’s business and financial situation.

The Company may experience difficulty in obtaining new contracts or maintaining existing contracts due to customer concerns about the Company’s solvability.

The Company’s continuing uncertainty regarding its ability to remain a going concern may create difficulties in obtaining new contracts and customers, or in maintaining existing contracts. Both potential new customers and existing customers may question the Company’s ability to provide proposed or contracted services. The Company is currently in discussion with one major customer seeking assurances as to the Company’s ability to provide the contracted services, but the outcome of such discussions cannot be guaranteed. In the event the customer chooses not to continue its contract with the Company, the loss of the contract would have material negative consequences on the Company’s business and financial situation.

The Company may have difficulty in retaining existing employees or recruiting new employees due to reductions in salary.

As part of the Company's efforts to reduce its operating costs, it has informed certain senior employees that there will be reductions in salaries beginning in the near future. Certain employees may be offered equity incentives to offset the reductions in salary. As a result of such reductions, and despite the equity incentives, the Company may experience difficulties in retaining or recruiting qualified personnel. In the event the Company is not able to fill key positions with qualified personnel, the Company's business and prospects may suffer a material negative impact.

The decreased sales force resulting from the general reduction in the Company's headcount may make it more difficult to obtain new contracts.

The general reduction in the Company's headcount has also decreased the size of its sales force. As a result, it may be more difficult for the Company to identify and exploit business opportunities and obtain new customers and contracts. The Company's results of operations and prospectus for growth may thus be negatively impacted.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

See "Acquisition of six L-1011s to provide air-to-air refueling services" in Part I, Item 2 above.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

Exhibit Number Description

10.1	Aircraft Purchase Agreement dated August 11, 2017, for six L-1011s.
10.2	Services Agreement, dated as of July 1, 2017, with Santiago Business Co. International Ltd with respect to the services provided by Johan Bergendorf as Chief Financial Officer of the Company.
10.3	Equity Financing Agreement, dated October 6, 2017, with GHS Financing LLC (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the registrant on October 10, 2017).
10.4	Registration Rights Agreement, dated October 6, 2017, with GHS Financing LLC (incorporated by reference to Exhibit 10.2 to the Form 8-K filed by the registrant on October 10, 2017).
31.1	Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).
31.2	Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).
32.1	Certification of the Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.
32.2	Certification of the Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEMPUS APPLIED SOLUTIONS HOLDINGS, INC.

Dated: November 28, 2017

By: /s/ Johan Aksel Bergendorff
Name: Johan Aksel Bergendorff
Title: Chief Financial Officer
(Principal financial and accounting officer)

AIRCRAFT PURCHASE AGREEMENT

Dated as of the 11 day of August, 2017

between

ME Aviation Services, LLC

as Seller,

and

Tempus Applied Solutions Holdings, Inc.

as Purchaser,

concerning six (6) Lockheed Corporation model L-1011 Tristar aircraft bearing

United States registration marks

N304CS

N405CS

N309CS

N705CS

N507CS

N703CS

and

manufacturer's serial numbers

1157

1164

1165

1174

1186

1188

AIRCRAFT PURCHASE AGREEMENT

This AIRCRAFT PURCHASE AGREEMENT (this “**Agreement**”) is made and entered into as of the __11th__ day of August, 2017 (the “**Effective Date**”), by and between Tempus Applied Solutions Holdings, Inc., having its office at 471 McLaws Circle, Suite A, Williamsburg, VA 23185, The United States of America, and/or its assigns (“**Purchaser**”), and ME Aviation Services LLC, having its registered offices at 3033 5th Avenue, Suite 227, San Diego, CA 92103 (“**Seller**”).

WITNESSETH:

WHEREAS, Seller owns each Aircraft described and referred to herein;

WHEREAS, Purchaser desires to purchase each Aircraft from Seller.

NOW, THEREFORE, in consideration of these premises and the mutual covenants and agreements herein contained, the Parties agree as follows:

ARTICLE I. DEFINITIONS

1.1 The following terms shall have the following meanings for all purposes of this Agreement:

“**Aircraft**” means (i) those certain Lockheed Corporation model L-1011 Tristar aircraft bearing the respective United States registration marks and manufacturer’s serial numbers more particularly described in Exhibit A attached hereto (each, an “**Airframe**”), together with the turbofan aircraft engines, bearing the respective manufacturer’s and model information, and serial numbers as more particularly described in Exhibit A attached hereto (each, an “**Engine**”), and the installed Auxiliary Power Units, bearing the respective manufacturer’s serial numbers more particularly described in Exhibit A attached hereto (each, an “**APU**”) (ii) all appurtenances, appliances, parts, avionics, instruments, components, accessories and furnishings pertaining thereto, (iii) loose equipment, accessories and other items, if any, specifically included on the Aircraft Specification or the Inventory Listing, and (iv) all Aircraft Documents.

“**Aircraft Documents**” means all documents and records relating to or required to be maintained with respect to an Aircraft, of any kind or nature, including, without limitation, all airframe, engine, and accessory logbooks, manuals, flight records, weight and balance manuals, tags, technical records, traceability records, task cards, information, overhaul records, maintenance records, maintenance contracts, computerized maintenance programs, airframe and aircraft component warranties and service plans (if any), engine warranties and service plans (if any), auxiliary power unit warranties and service plans (if any), avionics warranties and service plans (if any), wiring diagrams, drawings and data. “Aircraft Documents” shall not include any flight logs or records containing Seller’s confidential or proprietary information unrelated to the physical condition or maintenance of an Aircraft, including passenger manifests, pilot assignments or financial, tax or accounting records.

“**Aircraft Protocol**” means the official English language text of the Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment, adopted on 16 November 2001, at a diplomatic conference in Cape Town, South Africa.

“**Aircraft Specification**” means the Aircraft Specification set forth in Exhibit A attached hereto.

“**Business Day**” means a day on which banks are open for general business in London and New York.

“**Cape Town Convention**” means, collectively, the Convention and the Aircraft Protocol.

“**Closing**” means the consummation of the purchase and sale transaction of the Aircraft contemplated by this Agreement.

“**Closing Date**” means the date the Closing occurs.

“**Contract of Sale**” has the meaning given to it in the Convention.

“**Convention**” means the official English language text of the Convention on International Interests in Mobile Equipment, adopted on 16 November 2001, at a diplomatic conference in Cape Town, South Africa.

“**Damage**” means, in relation to an Aircraft, damage that requires a major repair within the definition of Appendix A or Appendix B of the FAR’s, Part 43, or the completion of an FAA Form 337, or for which an insurance claim is filed by Seller.

“**Delivery Location**” means Bruntingthorpe Aerodrome, Lutterworth, LE17 5QS, England or such other location in the United Kingdom as Purchaser, acting reasonably, may elect and to which Seller, acting reasonably, may consent.

“**Delivery Receipt**” means an Aircraft Delivery Receipt in the form of Exhibit D attached hereto.

“**Escrow Agent**” means Insured Aircraft Title Service, Inc., 4848 SW 36th Street, Oklahoma City, 73179, The United States of America.

“**FAA**” means the United States Federal Aviation Administration.

“**FAA Bill of Sale**” means an AC Form 8050-2 Aircraft Bill of Sale.

“**FAR’s**” means the Federal Aviation Regulations, as amended from time to time.

“**Inspections**” means Purchaser’s pre-purchase inspection of an Aircraft in accordance with Sections 3.2 and 3.4 hereof.

“**Inspection Worksopce**” means those tests and inspections described on Exhibit B attached hereto.

“**Inspection Facility**” means the facilities at the Delivery Location.

“**International Interest**” has the meaning given to it in the Convention.

“**International Registry**” means the international registry located in Dublin, Ireland, established pursuant to the Cape Town Convention.

“**International Registry Procedures**” means the official English language text of the Procedures of the International Registry issued by the supervisory authority thereof pursuant to the Cape Town Convention.

“**International Registry Regulations**” means the official English language text of the Regulations of the International Registry issued by the supervisory authority thereof pursuant to the Cape Town Convention.

“**Inventory Listing**” means an inventory of parts, loose equipment, engine covers, tool kits, and spares, if any, pertaining to an Airframe, Engine and/or APU to be prepared jointly by Purchaser and Seller during the Inspection as more particularly set out in Exhibit F.

“**Lien**” means any lien, mortgage, security interest, lease or other charge or encumbrance or claim or right of others, including, without limitation, rights of others under any engine or parts interchange, loan, lease, or pooling agreement and any International Interests.

“**Parties**” means the parties to this Agreement.

“**Purchase Price**” means the amount of Three Million Five Hundred Thousand and 00/100 United States Dollars (US\$3,500,000.00), represented by the Shares.

“**Report**” means the report of discrepancies prepared by the Inspection Facility in connection with the Inspection.

“**Shares**” means [6,730,770] shares of the authorized share capital of Tempus Applied Solutions Holdings, Inc.

“**Share Transfer Forms**” means share transfer forms in respect of the transfer of title to the Shares.

“**Technical Acceptance Letter**” means a Technical Acceptance Letter in the form of Exhibit C attached hereto.

“**Warranty Bill of Sale**” means a Warranty Bill of Sale for each Aircraft in the form of Exhibit E attached hereto executed by Seller in favor of Purchaser (or Purchaser’s designee).

ARTICLE II. AGREEMENT TO BUY AND SELL

- 2.1 **Agreement** . For and in consideration of the Purchase Price, on the Closing Date, Seller shall sell and deliver each Aircraft to Purchaser, and Purchaser shall purchase and accept delivery of each Aircraft from Seller, on and subject to the terms and conditions set forth herein.
- 2.2 **Appointment of Escrow Agent** . The Parties hereby agree to appoint the Escrow Agent as document holder and stakeholder for the sale and purchase of each Aircraft. Purchaser and Seller shall each pay one-half (½) of the Escrow Agent’s fees and expenses.
- 2.3 **Share Transfer Forms** . Prior to the Effective Date, Purchaser shall transfer the Share Transfer Forms to the Escrow Agent. The Share Transfer Forms shall be held by the Escrow Agent to Purchaser’s order and subject further to the terms of this Agreement. Upon delivery by Purchaser to Seller of an executed Technical Acceptance Letter in respect of each Aircraft pursuant to Section 3.4.1 or Section 3.4.2, Escrow Agent shall release the Share Transfer Forms to Seller, except as otherwise set forth herein, and such release shall constitute and in all respects be deemed to satisfy Purchaser’s obligation to make payment of the Purchase Price to Seller.

ARTICLE III. AIRCRAFT CONDITION AND INSPECTION

- 3.1 **Aircraft Condition** . Unless otherwise agreed to by Purchaser, it shall be a condition to Purchaser's obligation to consummate the transaction contemplated herein that each Aircraft shall be delivered in conformance with the following conditions (collectively, the "**Delivery Conditions** ") on the Closing Date:
- 3.1.1 with good and marketable title, free and clear of all Liens other than Liens claimed by or through the Purchaser; and
 - 3.1.2 equipped as specified in the Aircraft Specification and in the same condition as at the completion of the Inspection, normal wear and tear excepted; and
 - 3.1.3 without further warranty or representation as to condition, as the Aircraft are otherwise sold in an "As Is – Where Is" condition.
 - 3.1.4 Notwithstanding the foregoing, normal wear tear and cosmetic issues that do not materially impair the performance of an Aircraft shall be deemed to satisfy the Delivery Conditions.
- 3.2 **Pre-Purchase Inspection** . Each Aircraft and Aircraft Documents shall be subjected to a Pre-Purchase inspection to confirm that each Aircraft, its Engines and APU conform the Delivery Conditions as set forth on the Inspection Workscope (collectively, the "**Inspections** "). Provided, however, that the scope of the Inspections may be modified during the performance of the Inspections upon the recommendation of the Inspection Facility, with the consent of the Parties, such consent not to be unreasonably withheld. Prior to the commencement of the Inspections, Purchaser shall open a work order at the Inspection Facility, and arrange for and pay the flat rate cost of the Inspections and Purchaser shall cause to be delivered to Seller evidence of such payment in full such that no lien may be asserted by the Inspection Facility against any Aircraft for the flat rate cost of the Inspection. Purchaser and Seller shall have the right to have a representative present at the Inspection Facility during the Inspection.
- 3.3 **Inspection Location and Commencement** . The Inspection of each Aircraft shall be performed at the Inspection Facility. Within two (2) calendar days of the Seller and Purchaser signing this Agreement, or such other mutually acceptable date, Seller shall cause the delivery of each Aircraft and the Aircraft Documents to the Inspection Facility for the Inspections.
- 3.4 **Technical Acceptance or Rejection** . Within two (2) Business Days after completion of the Inspection and receipt of the final written Report from the Inspection Facility, Purchaser shall execute and deliver to Seller a Technical Acceptance Letter, and shall therein indicate, at Purchaser's sole discretion and without any obligation:
- 3.4.1 **Purchaser's Acceptance of an Aircraft** . Purchaser's acceptance of an Aircraft in its condition "as is"; or

3.4.2 **Purchaser's rejection of an Aircraft.** Upon any rejection of an Aircraft, regardless of the cause thereof, the Share Transfer Forms shall be returned by the Escrow Agent to the Purchaser (unless Purchaser agrees otherwise in writing) and thereafter neither Party shall have any further liability to the other.

Purchaser's failure to deliver a Technical Acceptance Letter within two (2) Business Days after completion of the Inspection and receipt of the final written Report from the Inspection Facility shall be deemed a Purchaser's rejection of the relevant and all other Aircraft.

3.5 **Intentionally Omitted .**

3.6 **Positioning of Aircraft for Delivery.** After completion of the Inspection of an Aircraft and until Closing in respect of that Aircraft or earlier termination of this Agreement, Seller shall not operate that Aircraft for any purpose whatsoever, provided, however, that Seller shall be permitted to fly that Aircraft to the Delivery Location, if different from the Inspection Facility, as required hereby and to minimize any potential loss or damage that may result from any event or potential event of Force Majeure. Purchaser shall have the right to have up to two (2) representatives present on that Aircraft during the flight from the Inspection Facility to the Delivery Location.

ARTICLE IV. CLOSING PROCEDURES

4.1 **Pre-Closing Obligations .** Within three (3) Business Days of Purchaser's acceptance of the Aircraft in accordance with Section 3.4.1 (which acceptance shall, for the avoidance of doubt, in all respects be at Purchaser's sole discretion):

4.1.1 Seller shall pre-position or cause to be pre-positioned with the Escrow Agent:

4.1.1.1 an undated, but otherwise fully executed, Warranty Bill of Sale in respect of each Aircraft;

4.1.1.2 an undated, but otherwise fully completed and executed FAA Bill of Sale in respect of each Aircraft; and

4.1.1.3 releases or terminations of all Liens, if any, affecting title to any Aircraft or its Engines.

4.1.2 Purchaser shall pre-position with the Escrow Agent:

4.1.2.1 the Share Transfer Forms and Purchaser's share of the Escrow Agent's fees and expenses.

THE PRE-POSITIONING OF ANY DOCUMENT OR THE SHARE TRANSFER FORMS WITH THE ESCROW AGENT IS FOR THE CONVENIENCE OF THE PARTIES ONLY SO THAT THEY MAY BE RELEASED AT THE ORAL OR WRITTEN DIRECTION OF THE DEPOSITING PARTIES FOLLOWING SATISFACTION OF ANY CONDITIONS CONTAINED HEREIN, AND SHALL NOT BE CONSTRUED AS OR IMPLY ACCEPTANCE OF ANY AIRCRAFT OR CONVEYANCE OF TITLE THERETO, WHICH MAY ONLY OCCUR AS SPECIFICALLY PROVIDED IN THIS AGREEMENT.

- 4.2 **Conditions Precedent to Seller's Obligations** . Seller's obligation to sell and deliver an Aircraft to Purchaser on the Closing Date shall be subject to the following conditions precedent:
- 4.2.1 at the time of Closing, Purchaser shall not be in breach or default of any of Purchaser's obligations arising under this Agreement;
 - 4.2.2 at the time of Closing, all of Purchaser's representations set forth in Section 5.2 shall be true and accurate;
 - 4.2.3 prior to the Closing, Purchaser shall have delivered the items identified in Section 4.1 required to be delivered by it;
 - 4.2.4 Purchaser's obligations expressed in Section 7.23 shall have been complied with;
 - 4.2.5 Purchaser shall have performed and complied with all of the terms, conditions and covenants required by this Agreement to be performed or complied with by it prior to or at the Closing; and
 - 4.2.6 Purchaser shall have positioned with the Escrow Agent the Share Transfer Forms and Purchaser's share of the Escrow Agent's fees.
- 4.3 **Conditions Precedent to Purchaser's Obligations** . Purchaser's obligation to purchase and accept delivery of an Aircraft from Seller on the Closing Date shall be subject to the following conditions precedent:
- 4.3.1 at the time of Closing, Seller shall not be in breach or default of any of Seller's obligations arising under this Agreement;
 - 4.3.2 at the time of Closing, all of Seller's representations set forth in Section 5.1 shall be true and accurate as of the time of Closing;
 - 4.3.3 prior to the Closing, Seller shall have delivered the items identified in Section 4.1 required to be delivered by it;
 - 4.3.4 prior to the Closing, Seller shall have positioned the relevant Aircraft at the Delivery Location;
 - 4.3.6 at the time of Closing, the relevant Aircraft shall be in the condition required by Section 3.1 of this Agreement unless waived in whole or in part by Purchaser in its sole discretion; and
 - 4.3.7 Seller's obligations expressed in Section 7.23 shall have been complied with.
- 4.4 **Closing** . The Closing shall occur within three (3) Business Days after all of the pre-closing obligations of the Parties under Section 4.1 have been performed, provided all the conditions set forth in Section 4.2 and Section 4.3 have been performed, satisfied or waived. At the time of the Closing, the Parties shall perform the following closing deliveries in the order presented, all of which collectively shall constitute the Closing:
- 4.4.1 the Parties shall confirm that all of the Aircraft are in position at the Delivery Location;

- 4.4.2 if not already done, Purchaser shall position with the Escrow Agent the Share Transfer Forms, Purchaser's share of the Escrow Agent's escrow fees, and any additional amounts as may be due from Purchaser to Seller or to the Inspection Facility (if not already paid in full as confirmed by the Inspection Facility prior to Closing);
- 4.4.3 Seller shall simultaneously deliver possession of all of the Aircraft to the Purchaser at the Delivery Location;
- 4.4.4 subject to the terms of this Agreement, Purchaser shall accept delivery of all of the Aircraft from Seller at the Delivery Location, and shall simultaneously deliver to Seller a fully executed Delivery Receipt and either (i) such federal, state, county, local or other domestic authority sales, use or other similar taxes imposed on the sale, delivery or transfer of the Aircraft to Purchaser as may be due from Purchaser and which Seller is required by applicable law to collect, report and remit, or (i) a proper certificate of Purchaser's exemption from any such taxes; and
- 4.4.5 Seller and Purchaser shall commence a conference call with Escrow Agent during which:
 - 4.4.5.1 Escrow Agent shall confirm that the procedures set forth in Section 7.23 have been followed, that Priority Search Certificates from the International Registry addressed to Purchaser indicate that there is no International Interest registered on the International Registry with respect to any of the Aircraft and that the FAA records indicate that there are no Liens on any of the Aircraft, or, if there is, that Escrow Agent has been irrevocably authorized to discharge the same, and, if applicable, has received executed Lien releases to file with the applicable filing offices, each such action to occur contemporaneous with Closing;
 - 4.4.5.2 Purchaser shall, concurrently with Seller's instruction in Section 4.4.5.3, instruct the Escrow Agent to release the Share Transfer Forms to Seller;
 - 4.4.5.3 Seller shall, concurrently with Purchaser's instruction in Section 4.4.5.4, instruct the Escrow Agent to date and file any Lien releases with the applicable filing offices and to date and deliver the FAA Bills of Sale and Warranty Bills of Sale in respect of all of the Aircraft to Purchaser, which instruction Seller shall confirm to Escrow Agent is subject only to actual receipt by Seller of the Share Transfer Forms and such items as identified in Section 4.4.4 above. Seller's obligations in this Section 4.4.5.3 shall be subject to any instructions to the Escrow Agent by any lien holder but which shall not in any event relieve Seller of its obligation to transfer that Aircraft to Purchaser free and clear of Liens; and
 - 4.4.5.4 Purchaser and Seller shall authorize Escrow Agent, upon release of the FAA Bills of Sale and Warranty Bills of Sale to Purchaser, to file the FAA Bills of Sale with the FAA, and to register the Contract of Sale for all of the Aircraft and Engines, on the International Registry as set forth in paragraph 7.23 below.

ARTICLE V. REPRESENTATIONS AND WARRANTIES

- 5.1 **Seller's Representations and Warranties** . Seller hereby represents and warrants as follows:
 - 5.1.1 Seller is a limited liability company, duly organized, validly existing, and in good standing; having the capacity to sue and be sued in its own name, having full power, legal right and authority to carry on its business as currently conducted, and to execute, deliver and perform the provisions of this Agreement;

- 5.1.2 the execution, delivery, and performance by Seller of this Agreement, and the sale of each Aircraft, has been duly authorized by all necessary action on behalf of Seller and do not conflict with or result in any breach of any of the terms or constitute a default under any document, instrument, or agreement to which Seller is a party;
- 5.1.3 the person executing this Agreement on behalf of Seller has full power and authority to do so;
- 5.1.4 this Agreement constitutes the legal, valid and binding obligations of Seller and is enforceable against Seller in accordance with its terms, except as may be restricted, limited or delayed by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting the enforceability of contractual obligations and creditors' rights generally and by the application of equitable principles by courts of competent jurisdiction, sitting at law or in equity;
- 5.1.5 at the time of the Closing, Seller shall convey to Purchaser good and marketable title to each Aircraft, free and clear of all Liens, except for any Liens created by Purchaser, and Seller will warrant and defend such title forever against all claims and demands whatsoever;
- 5.1.6 Seller has paid (or as applicable has collected and remitted to the proper taxing authorities) any and all taxes, fees, duties, penalties, charges, invoices, and statements: (i) arising from any purchase, sale, delivery, transfer, possessions, use, storage, operation, consumption, or registration of each Aircraft prior to the Closing; or (ii) which, if not paid or collected and remitted by Seller prior to Closing, could (as a result of the transactions contemplated by this Agreement, with the passage of time, or otherwise) result in a lien upon any of the assets acquired by Purchaser pursuant to this Agreement, or otherwise result in liability of the Purchaser therefor to a taxing authority or any other person or entity, regardless of whether any of the foregoing are not yet due, due or past due, known or unknown to Seller or Purchaser, or not yet imposed, levied or assessed against Seller or any of the Aircraft;
- 5.1.7 Seller has not entered into any agreement (other than this Agreement) pursuant to which Seller is or may be contractually and/or legally obligated to sell, lease, assign or otherwise transfer any of the Aircraft or any interest in any of the Aircraft to any party other than Purchaser;
- 5.1.8 Seller is not, and at the time of Closing will not be, (i) a person, (ii) a person controlling or controlled by an individual or entity, (iii) a person with a beneficial interest in an entity, or (iv) an agent for an individual or entity, any of which is named on the Office of Foreign Asset Control ("OFAC") Specially Designated Nationals and Blocked Persons list (the "**SDN List**"), nor is it prohibited from consummating the transactions contemplated hereunder because of any of the OFAC Sanction Programs, and
- 5.1.9 The Seller is an "accredited investor" as defined in Rule 501(a) under the Securities Act of 1933, as amended (the "Securities Act"). The Shares to be transferred to Seller pursuant to the Share Transfer Forms will be "restricted securities" as defined in Rule 144(a) under the Securities Act, and have not been and will not be registered under the Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. The stock certificate(s) representing the Shares shall be appropriately legended to reflect such restriction .

5.2 **Purchaser's Representations and Warranties** . Purchaser hereby represents and warrants as follows:

- 5.2.1 Purchaser is a limited liability company duly organized, validly existing, and in good standing, having the capacity to sue and be sued in its own name, having full power, legal right and authority to carry on its business as currently conducted, and to execute, deliver and perform the provisions of this Agreement;
- 5.2.2 the execution, delivery, and performance by Purchaser of this Agreement, and the acquisition of each Aircraft, has been duly authorized by all necessary action on behalf of Purchaser and do not conflict with or result in any breach of any of the terms or constitute a default under any document, instrument, or agreement to which Purchaser is a party;
- 5.2.3 the person executing this Agreement on behalf of Purchaser has full power and authority to do so;
- 5.2.4 this Agreement constitutes the legal, valid and binding obligations of Purchaser and is enforceable against Purchaser in accordance with its terms, except as may be restricted, limited or delayed by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting the enforceability of contractual obligations and creditors' rights generally and by the application of equitable principles by courts of competent jurisdiction, sitting at law or in equity; and
- 5.2.5 Purchaser is not, and at the time of Closing will not be, (i) a person, (ii) a person controlling or controlled by an individual or entity, (iii) a person with a beneficial interest in an entity, or (iv) an agent for an individual or entity, any of which is named on the OFAC SDN List, nor is it prohibited from consummating the transactions contemplated hereunder because of any of the OFAC Sanction Programs.

ARTICLE VI. DISCLAIMER

- 6.1 **DISCLAIMER AND LIMITATION OF LIABILITY** . EXCEPT AS TO TITLE AND FREEDOM FROM LIENS OR ENCUMBRANCES, EACH AIRCRAFT AND EACH PART THEREOF IS BEING SOLD AND DELIVERED TO PURCHASER IN "AS IS, WHERE IS, WITH ALL FAULTS" CONDITION AT TIME OF DELIVERY, WITHOUT ANY REPRESENTATION, WARRANTY OR GUARANTY OF ANY KIND BEING MADE OR GIVEN BY SELLER, ITS SHAREHOLDERS, DIRECTORS, MEMBERS, MANAGERS, OFFICERS, AGENTS, EMPLOYEES, ATTORNEYS OR ASSIGNS, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE AND SELLER DISCLAIMS ALL EXPRESS OR IMPLIED WARRANTIES WHETHER ARISING IN LAW, IN EQUITY, IN CONTRACT, OR IN TORT, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY, AIRWORTHINESS, DESIGN, CONDITION, OR FITNESS FOR A PARTICULAR USE. PURCHASER HEREBY WAIVES, RELEASES AND RENOUNCES ANY CLAIM (INCLUDING, WITHOUT LIMITATION, INCIDENTAL OR CONSEQUENTIAL DAMAGES) OR EXPENSE CAUSED BY AN AIRCRAFT OR BY PURCHASER'S LOSS OF USE THEREOF FOR ANY REASON WHATSOEVER, EXCEPT FOR ANY CLAIM ARISING OUT OF SELLER'S COVENANT OF TITLE AND FREEDOM FROM LIENS OR ENCUMBRANCES. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, SELLER SHALL NOT BE LIABLE OR RESPONSIBLE TO PURCHASER FOR ANY DEFECTS, EITHER PATENT OR LATENT IN AN AIRCRAFT, OR FOR ANY DIRECT OR INDIRECT DAMAGE TO PERSONS OR PROPERTIES RESULTING THEREFROM OR FOR PURCHASER'S LOSS OF USE OF OR A DIMINUTION IN VALUE OF THE AIRCRAFT OR FOR ANY INTERRUPTION IN PURCHASER'S BUSINESS CAUSED BY PURCHASER'S INABILITY TO USE AN AIRCRAFT FOR ANY REASON WHATSOEVER.

- 6.2 UNDER NO CIRCUMSTANCES SHALL EITHER PARTY BE LIABLE FOR LOST PROFITS, LOSS OF BUSINESS, LOSS OF USE OR ANY OTHER INCIDENTAL, INDIRECT, CONSEQUENTIAL OR SPECIAL DAMAGES ARISING OUT OF OR RELATED TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY DELAY IN CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED HEREBY, AND EACH PARTY HEREBY WAIVES ANY RIGHT IT MAY HAVE TO SUCH DAMAGES.

ARTICLE VII. MISCELLANEOUS

- 7.1 **Taxes** . Purchaser shall bear (and shall indemnify Seller for and against) all sales, use, and other similar taxes that may be imposed by any federal, state, county, local, or other governmental authority as a result of the sale, delivery, or transfer of each Aircraft to Purchaser, except for any taxes imposed on or measured by Seller's income.
- 7.2 **Warranties and Maintenance Program Contracts** . To the extent that any warranties and service plans from manufacturers, prior owners of each Aircraft, service providers or suppliers with respect to each Aircraft are still in effect and are assignable, all rights under such warranties and service plans are hereby assigned and transferred to Purchaser effective at the time of the Closing. Seller shall assist Purchaser in maintaining continuity of and transferring any such warranties and service plans, and shall execute whatever documents or agreements may be reasonably necessary or convenient to vest all rights under such warranties and service plans in Purchaser and to permit Purchaser to assert or process claims thereunder. All fees and costs of such transfers shall be paid by Purchaser. Without limiting the generality of the foregoing, effective upon the Closing, Seller hereby assigns to Purchaser:
- 7.2.1 all rights to enforce or compel performance under any such warranty or service plan;
 - 7.2.2 all rights to receive any services, property, or moneys accruing or becoming due after the Closing Date pursuant to any such warranty or service plan, and to receive proceeds of any indemnity, guaranty, or collateral security with respect to any such warranty or service plan; and
 - 7.2.3 all claims for damages arising out of or for breach or default under any such warranty or service plan, and all rights to exercise any remedy for breach or default under any such warranty or service plan that may be available under such warranty or service plan, at law, or in equity.
 - 7.2.4 Notwithstanding the foregoing provisions, Seller represents to Purchaser that Aircraft have been maintained in storage pursuant to a manufacturers' approved Maintenance Storage Program, and will be delivered in conformity with such program. There are no other Maintenance Program Contracts or Warranties in place with respect to the Aircraft, to the best of Seller's information and belief.

7.3 **Intentionally Omitted.**

7.4 **Risk of Loss, Damage or Destruction of Aircraft.**

7.4.1 **Risk of Loss.** Title to, and risk of loss, injury, destruction or damage to each Aircraft, shall pass from Seller to Purchaser at the time that (i) the Share Transfer Forms are released to Seller, and (ii) the FAA Bills of Sale and Warranty Bills of Sale are released to Purchaser, and (iii) Seller delivers possession of each Aircraft to Purchaser.

7.4.2 **Destruction or Damage.** Notwithstanding any contrary provision of this Agreement, if at any time prior to the Delivery an Aircraft is destroyed or damaged, the Share Transfer Forms shall immediately be refunded to Purchaser, Seller shall reimburse Purchaser the sums expended by Purchaser in connection with the Inspection, if any, and any documented out of pocket costs expended by Purchaser in connection with the transactions contemplated hereby, and this Agreement shall terminate and be of no further force or effect. For purposes of this Section 7.4.2 the word “damaged” shall mean if (i) the total costs of properly repairing such damage prior to Closing, as determined by the Inspection Facility, would exceed the sum of US\$50,000.00 or take more than thirty (30) calendar days to repair, or (ii) such damage if properly repaired would, in the sole opinion of Purchaser, adversely affect the value or marketability of that Aircraft, or (iii) after repair, such damage will result in operational limitations or adverse changes to the inspection or maintenance program for that Aircraft.

7.5 **Default.**

7.5.1 **Seller’s Default.** This Agreement may be terminated by Purchaser in the event of a breach by Seller of any provision of this Agreement which breach is not cured within five (5) Business Days of the delivery to Seller of written notice thereof from Purchaser or which breach by its nature cannot be cured prior to Closing. If Purchaser elects to terminate this Agreement under this Section 7.5.1, the Share Transfer Forms shall be immediately returned to Purchaser, Seller shall reimburse Purchaser upon Purchaser’s demand for the reasonable and documented out of pocket costs paid by Purchaser in connection with the Inspections and this transaction, and this Agreement shall be of no further force or effect. Purchaser acknowledges and represents that the above-referenced damages and reimbursements are a reasonable estimate of the damages that would be incurred by Purchaser in the event Seller defaults on Seller’s obligations under this Agreement. Purchaser’s rights to receive the above-referenced amounts shall be the sole and exclusive remedies available to Purchaser in the event Seller defaults on Seller’s obligations under this Agreement, and Purchaser waives any other remedies that may be available to Purchaser at law or in equity.

7.5.2 **Purchaser’s Default.** This Agreement may be terminated by Seller in the event of a breach by Purchaser of any provision of this Agreement which breach is not cured within five (5) Business Days of the delivery to Purchaser of written notice thereof from Seller or which breach by its nature cannot be cured prior to Closing. If Seller elects to terminate this Agreement under this Section 7.5.2, Purchaser shall pay US\$1,000.00 (One Thousand U.S. Dollars) (the “ **LD Amount** ”) to Seller as liquidated damages, Purchaser shall pay to the Inspection Facility any unpaid costs of the Inspections, and this Agreement shall be of no further force or effect. Seller acknowledges and represents that the liquidated damages amount provided for in this Section 7.5.2 is a reasonable estimate of the damages that would be incurred by Seller in the event Purchaser defaults on Purchaser’s obligations under this Agreement. Seller’s right to receive the LD Amount as liquidated damages and to require Purchaser to make payment to the Inspection Facility for any unpaid Inspection costs shall be the sole and exclusive remedies available to Seller in the event Purchaser defaults on Purchaser’s obligations under this Agreement, and Seller waives any other remedies that may be available to Seller at law or in equity.

- 7.6 **Force Majeure.** The term “ **Force Majeure** ” means any cause beyond a Party’s reasonable control that prevents a Party from meeting its obligations under this Agreement, including, but not limited to, acts of God or the public enemy, acts of terrorism, war or other outbreak of hostilities, civil commotion, strikes, lockouts, and labor disputes (but excludes events described in Section 7.4.2, the remedies for of which are described therein). A Party shall promptly notify the other Party that it will be unable to perform its obligations hereunder due to a Force Majeure. In such event, the time for such Party’s performance shall be extended for the pendency of such event, provided, however, that should such non-performance extend beyond twenty (20) days, the unaffected Party may at its option terminate this Agreement upon written notice to the other Party. In such event, each Party shall pay its share of the Escrow Agent’s fees to the Escrow Agent; and the Escrow Agent shall return the Share Transfer Forms to Purchaser. Thereafter, neither Party shall have any obligation or liability to the other with respect to the subject matter of this Agreement, except that Purchaser shall remain liable for the cost of the Inspections (as a matter of clarification, excluding the cost of any repairs or improvements made on an Aircraft).
- 7.7 **Amendments** . The provisions of this Agreement may not be waived, altered, modified, amended, supplemented or terminated in any manner whatsoever except by written instrument signed by both Parties hereto.
- 7.8 **Severability** . Any provision of this Agreement that may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.
- 7.9 **Assignment** . This Agreement may not be assigned by any Party without the prior written consent of the other Party; provided that Purchaser shall have the right to assign this Agreement to an owner trustee(s) of a trust(s) established for registration purposes, or to an entity owned, controlled, or affiliated with Purchaser.
- 7.10 **Successor and Assigns** . This Agreement shall inure to the benefit of and be binding upon each of the Parties hereto and their respective successors and permitted assigns.
- 7.11 **Headings and References** . The division of this Agreement into sections, and the insertion of headings, are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- 7.12 **Counterparts** . This Agreement may be fully executed in two or more counterparts by each of the Parties hereto, such counterparts together constituting but one and the same instrument. Such counterparts may be exchanged via facsimile or other electronic transmission.

7.13 **Notices** . All communications, declarations, demands, consents, directions, approvals, instructions, requests and notices required or permitted by this Agreement shall be in writing and shall be deemed to have been duly given or made when delivered personally or transmitted electronically by facsimile or email, receipt acknowledged, or in the case of documented overnight delivery service or registered or certified mail, return receipt requested, delivery charge or postage prepaid, on the date shown on the receipt therefor, in each case at the address set forth below:

If to Purchaser: Tempus Applied Solutions Holdings, Inc.
471 McLaws Circle, Suite A, Williamsburg, VA 23185, The United States of America
Attn: Mr Scott Terry
E-Mail: sterry@tempus-as.com

With copies to: Groom & Cave, LLP
1570 The Alameda, Suite 100
San Jose, California 95126
Attn: Timothy H. Hopkins, Esq.
Phone: (408)-286-3300
E-Mail: thopkins@groomandcave.com

If to Seller: ME Aviation Services, LLC
3033 5th Avenue, Suite 227
San Diego, CA 92103
Attn: Johan Claasen
Phone:
E-Mail: johan@claasengroup.com

With a copy to: Davis & Boyd, LLC
1110 London St., Suite 201
Myrtle Beach, SC 29577
Attention: Reese R. Boyd III, Esq.
Phone: 843-839-9800
E-mail: reese@davisboydlaw.com

7.15 **Attorney Fees** . In the event it becomes necessary to enforce the terms of this Agreement by litigation or otherwise, the prevailing Party shall be entitled to recover its reasonable attorney fees and court costs, including any such fees or costs arising from subsequent appeals and efforts to execute on any judgment.

7.16 **Non-Waiver** . Any failure at any time of either Party to enforce any provision of this Agreement shall not constitute a waiver of such provision or prejudice the right of such Party to enforce such provision at any subsequent time.

7.17 **Entire Agreement** . The Parties agree that the terms and conditions of this Agreement constitute the entire agreement between the Parties with respect to the subject matter hereof. This Agreement supersedes all prior agreements between the Parties, express or implied including, without limitation, any offer to purchase or letter of intent.

- 7.18 **Transaction Costs and Expenses** . Except as otherwise set forth herein, each Party to this Agreement shall bear its own transaction costs and expenses, including, without limitation, any brokers' commissions and/or attorneys' fees. Purchaser and Seller shall each pay one-half (½) of Escrow Agent's fees and expenses relating to the transactions contemplated hereby.
- 7.19 **Survival** . The representations, warranties, and indemnification obligations of Purchaser and Seller, if any, shall survive the Closing in perpetuity; provided, however, that any of the same pertaining to the condition of an Aircraft, if any, shall terminate at Closing.
- 7.20 **Time is of the Essence** . Time shall be of the essence for all events contemplated hereunder.
- 7.21 **Further Assurances** . Each of the Parties hereto covenants and agrees to execute such other and further documents relating to the matters set forth herein and to take or cause to be taken such other and further actions, as may be reasonably necessary or appropriate to carry out the purposes and intent of this Agreement, and to consummate the transactions contemplated hereby.
- 7.22 **Governing Law** . This Agreement shall in all respects be governed by, and construed in accordance with, the laws of the State of New York, including all matters of construction, validity and performance, without giving effect to its conflict of laws provisions. Each of the Parties irrevocably and unconditionally: (a) agrees that any suit, action or legal proceeding arising out of or relating to this Agreement shall be brought in the courts of the State of Oklahoma, Oklahoma County or the United States District Court for the Western District of Oklahoma located in Oklahoma City, Oklahoma; (b) consents to the jurisdiction and court rules in Oklahoma and such federal district court; (c) waives any objection which it may have to the laying of venue of any such suit, action or proceeding in any of such courts.; and (d) agrees that service of any court paper may be effected on such Party by mail, or in such other manner as may be provided under applicable laws or court rules in Oklahoma and such federal district court.
- 7.23 **Cape Town Convention** .
- 7.23.1 Prior to the closing, Purchaser shall become a "transacting user entity" and Seller shall become a "transacting user entity" with the International Registry. Each of Purchaser and Seller shall bear its own expense in doing so.
- 7.23.2 Each Party shall provide to the other, as a condition to closing, evidence that it has been approved by the International Registry as a "transacting user entity" and has duly registered with, is authorized to make filings with and has received all approvals from the International Registry, and has appointed an "administrator" (as such term is defined and used in the International Registry Procedures and International Registry Regulations).

- 7.23.3 Each Party shall, as a condition to closing, authorize Escrow Agent to act as, and shall designate Escrow Agent as, a “professional user entity” (as such term is defined and used in the International Registry Procedures and International Registry Regulations) to effect, amend, discharge and consent to registrations with respect to an Aircraft (including the airframe and the related engines) on its behalf. Neither Seller nor Purchaser shall revoke such authorization until after the earlier to occur of (i) registration of a Contract of Sale of an Aircraft with the International Registry following the Closing, or (ii) termination of this Agreement in accordance with its terms. Without Seller’s prior written consent, Purchaser and Purchaser’s lender shall not effect or cause to effect a prospective International Interest on an Aircraft (including the airframe and the related engines) and shall upon such registration of any such prospective International Interest take all necessary actions to discharge or cause to discharge such registration. Purchaser and Purchaser’s lender understand and agree that in no event shall Seller authorize the creation of any lien or other security interest to be created in an Aircraft (including the airframe and the related engines) prior to title passing to Purchaser.
- 7.23.4 Purchaser and Seller shall cooperate to cause Escrow Agent, as a professional user entity, to register a Contract of Sale of each Aircraft with the International Registry immediately after title passing to Purchaser. Seller and Purchaser each hereby expressly consents to the registration of the International Interest arising from the Contract of Sale with respect to each Aircraft (including the airframe and related engines).
- 7.23.5 Immediately prior to Closing, the Escrow Agent shall obtain a Priority Search Certificate (as such term is defined and used in the International Registry Procedures and the International Registry Regulations) from the International Registry with respect to each Aircraft (including the airframe and related engines) confirming that no prior International Interest exists that will not be otherwise discharged at Closing with respect to each Aircraft (including the relevant Airframe and related Engines). Any Priority Search Certificate obtained by the Escrow Agent from the International Registry with respect to an Aircraft shall identify the Purchaser and the Seller as having the benefit of the search.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF , the undersigned Parties have caused this Aircraft Purchase Agreement to be executed, delivered and effective as of the date first above written.

Seller:

ME Aviation Services, LLC,

By: _____

Name: Johan Claasen

Title: CEO

Purchaser:

Tempus Applied Solutions Holdings, Inc.,

By: _____

Name: Mr Scott Terry

Title: Authorised Signatory

CONSENT AND JOINDER OF ESCROW AGENT

Purchaser and Seller have appointed the Escrow Agent as document holder and stakeholder for the sale and purchase of each Aircraft, and the Escrow Agent accepts such appointment for and in consideration of escrow fees set out below. The Parties acknowledge that the Escrow Agent is acting as a document holder and stakeholder only, its duties being purely ministerial, at their request and for their convenience, that in such role the Escrow Agent shall not be deemed to be the agent or trustee for either of the Parties, and that the Escrow Agent shall not be liable to either of the Parties for any act or omission done in good faith unless it involves willful misconduct or gross negligence on its part. Escrow Agent confirms that the Share Transfer Forms are being held exclusively with respect to the sale of the Aircraft by Seller to Purchaser as contemplated by this Agreement and for no other transaction and no other person and to treat the Share Transfer Forms solely as Purchaser may direct in writing.

The undersigned does hereby consent to and join in the foregoing Agreement, hereby agreeing to act as the Escrow Agent and to perform and discharge all of the duties and obligations of the Escrow Agent as set forth in such Agreement strictly in accordance with the terms thereof.

The Escrow Fees shall be a total of US\$[●], and Purchaser and Seller shall each be responsible for one-half (1/2) of said total.

Executed and delivered this ___ day of August, 2017.

Escrow Agent :

Insured Aircraft Title Service, Inc.

By: _____

Name: [●]

Title: [●]

Exhibit A

AIRCRAFT SPECIFICATION

DESCRIPTION	AIRCRAFT 1	AIRCRAFT 2	AIRCRAFT 3	AIRCRAFT 4	AIRCRAFT 5	AIRCRAFT 6
Registered Owner	Aero Airtanker 1 LLC	Aero Airtanker 2 LLC	Aero Airtanker 4 LLC	Aero Airtanker 3 LLC	Aero Airmed 1 LLC	Aero Airtrans 1 LLC
General Description	Lockheed L-1011 TriStar					
Registration	N304CS	N405CS	N309CS	N705CS	N507CS	N703CS
Year of Manufacture						
Airframe Serial Number	1157	1164	1165	1174	1186	1188
Engine 1 Description	RB211-524B	RB211-524B	RB211-524B	RB211-524B	RB211-524B	RB211-524B
Engine 2 Description	RB211-524B	RB211-524B	RB211-524B	RB211-524B	RB211-524B	RB211-524B
Engine 3 Description	RB211-524B	RB211-524B	RB211-524B	RB211-524B	RB211-524B	RB211-524B
Engine 1 Serial Number	14618	14751	14711	14752	14603	14769
Engine 2 Serial Number	14744	14746	14799	14712	14622	14754
Engine 3 Serial Number	14801	14855	14604	14630	14800	14804
APU Description						
APU Serial Number	55276	55371	55214	55373	55376	860378

Exhibit B

INSPECTION WORKSCOPE

The following terms shall govern the Pre-Purchase Inspection as set forth and provided for in Sections 3.2, 3.2, and 3.4:

(A) Purchaser, or Purchaser's designated agent for performance of the Inspection, shall have full and unfettered access to the Aircraft. As necessary to accomplish the inspection, Purchaser may remove or open all necessary inspection plates, access doors, fairing, and cowling, as reasonably necessary to observe and/or assess all essential aircraft systems, and specifically, the following systems and/or Aircraft components:

- (1) Skin—for deterioration, distortion, evidence of failure, or defective or insecure attachment of fittings.
 - (2) Systems and components—for improper installation, apparent defects, and unsatisfactory operation.
 - (3) Envelope, gas bags, ballast tanks, and related parts—for poor condition.
 - (4) Cabin and Cockpit Group:
 - (a) Generally—for uncleanliness and loose equipment that might foul the controls.
 - (b) Seats and safety belts—for poor condition and apparent defects.
 - (c) Windows and windshields—for deterioration and breakage.
 - (d) Instruments—for poor condition, mounting, marking, and (where practicable) improper operation.
 - (e) Flight and engine controls—for improper installation and improper operation.
 - (f) Batteries—for improper installation and improper charge.
 - (g) All systems—for improper installation, poor general condition, apparent and obvious defects, and insecurity of attachment.
 - (5) Engine and Nacelle Group:
 - (a) Engine section—for visual evidence of excessive oil, fuel, or hydraulic leaks, and sources of such leaks.
 - (b) Studs and nuts—for improper torquing and obvious defects.
-

- (c) Internal engine—for cylinder compression and for metal particles or foreign matter on screens and sump drain plugs. If there is weak cylinder compression, for improper internal condition and improper internal tolerances.
- (d) Engine mount—for cracks, looseness of mounting, and looseness of engine to mount.
- (e) Flexible vibration dampeners—for poor condition and deterioration.
- (f) Engine controls—for defects, improper travel, and improper safe tying.
- (g) Lines, hoses, and clamps—for leaks, improper condition and looseness.
- (h) Exhaust stacks—for cracks, defects, and improper attachment.
- (i) Accessories—for apparent defects in security of mounting.
- (j) All systems—for improper installation, poor general condition, defects, and insecure attachment.
- (k) Cowling—for cracks, and defects.

(6) Landing Gear Group:

- (a) All units—for poor condition and insecurity of attachment.
- (b) Shock absorbing devices—for improper oleo fluid level.
- (c) Linkages, trusses, and members—for undue or excessive wear fatigue, and distortion.
- (d) Retracting and locking mechanism—for improper operation.
- (e) Hydraulic lines—for leakage.
- (f) Electrical system—for chafing and improper operation of switches.
- (g) Wheels—for cracks, defects, and condition of bearings.
- (h) Tires—for wear and cuts.
- (i) Brakes—for improper adjustment.

(7) All components of the wing and center section assembly for poor general condition, skin deterioration, distortion, evidence of failure, or insecurity of attachment, including any anti-icing devices, for improper operation or obvious defects.

(8) All components and systems that make up the complete empennage assembly for poor general condition, skin deterioration, distortion, evidence of failure, insecure attachment, improper component installation, and improper component operation.

(9) Radio Group:

- (a) Radio and electronic equipment—for improper installation and insecure mounting.
- (b) Wiring and conduits—for improper routing, insecure mounting, or obvious defects.
- (c) Bonding and shielding—for improper installation and poor condition.
- (d) Antenna including trailing antenna—for poor condition, insecure mounting, and improper operation.

(B) Purchaser may otherwise inspect each installed miscellaneous item that is not otherwise covered by the above listing for improper installation or improper operation. **However, and in NO CASE may Purchaser or Purchaser's agent(s) engage in any inspection procedure or undertaking which is destructive in any manner to the aircraft, or from which it is not readily and immediately capable of restoring the Aircraft to its prior and Pre-Inspection condition.**

(C) **This Exhibit B / Inspection Workscope is intended only to identify those Aircraft systems and components which Purchaser may review, assess, and/or inspect as part of the Pre-Purchase Inspection. It is not intended as any Representation or Warranty as to the condition or fitness of any Aircraft system or component for any purpose, and does not in any way alter the terms of this Aircraft Purchase Agreement which provide for the sale of the Aircraft in an "AS-IS / WHERE-IS" Condition.**

VENDOR AGREEMENT

This vendor agreement is dated 1st of July, 2017, and is between TEMPUS APPLIED SOLUTIONS HOLDINGS, INC. (“**Company**”), and SANTIAGO BUSINESS CO., INTERNATIONAL LTD., a limited company registered in British Virgin Islands (“**Vendor**”). This Agreement will supersede any previous Agreements.

Company has a need for a Chief Financial Officer (CFO) and the vendor hereby agrees to provide the Company with the services of Mr. Johan Aksel Bergendorff, to conduct the required services of a CFO (“**Services**”).

The parties therefore agree as follows.

1. SERVICES and PAYMENT

1.1 *Services* . The services contemplated in this agreement are as specified in the preamble. At all times, services will be rendered with the supervision of Scott Terry, CEO.

1.1 *Fee* . In consideration of performing the Services, Vendor will be paid a monthly rate of \$12,500 (twelve thousands and five hundred dollars and No Cents).

1.2 *Expenses* .

1.2.1 If Johan Aksel Bergendorff is required to travel to provide services in connection with this agreement, the Company reimburse for reasonable costs related to hotel, transportation, meals and vehicle rental.

1.2.2 Vendor will provide all receipts and documentation to support these expenditures.

1.2.3 Vendor’s reimbursement will be limited by the terms of any applicable contract or other authority. Company will communicate any reimbursement limitations to the Vendor.

1.3 *Invoices* . Following the conclusion of each month that Vendor provides services in connection with this agreement, Vendor will remit an itemized invoice to the Company, including all applicable receipts. The Company will pay Vendor within thirty (30) days of the receipt of an undisputed invoice.

2. TERM and TERMINATION

2.1 *Term* . The term of this agreement is for one (1) year unless earlier terminated or extended by the parties to this agreement. Extension of this agreement must meet the requirements of Section 7.8 below. The Services will commence as per Company’s 8-k filing, June 11, 2017. The Vendor will invoice for the services starting July 1, 2017.

2.2 *Termination for Convenience* . The Company may terminate this agreement upon five (5) days written notice to Vendor.

2.3 *Liability Upon Termination* . Following termination of this agreement, Company’s liability to Vendor will be limited to payment for services rendered prior to termination.

3 CONFIDENTIALITY

While this agreement is in effect, Vendor might have access to or be exposed to information or material that is confidential, proprietary or has commercial value or other utility to the Company or its competitors. Voluntary access to this information must be authorized by Vendor's supervisor, as detailed in Section 1.1 above. Vendor agrees to protect and preserve the strict confidentiality of any such information disclosed by the Company, whether voluntary or involuntary pursuant to Exhibit A, Non-Employee Confidentiality Agreement.

4 INDEMNITY

Subject to the provisions of this Agreement, Vendor agrees to defend, indemnify and hold harmless Customer and their respective directors, officers, agents, contractors, subcontractors, invitees and employees from and against any and all liabilities, claims, actions, damages, suits, fines, penalties or judgments for injury or death to persons and damage or destruction to property, including any environmental claim or impairment and property damage and/or injuries to third persons (collectively, "Damages"), arising out of the sole negligence or willful misconduct of Vendor pursuant to its performance of the Services or any other goods, materials, Ancillary Services, or equipment provided under this agreement. The termination of this agreement shall not affect any rights or obligations which shall have accrued prior to the effective date of such termination. The foregoing indemnity shall survive the termination of this Agreement for a period of one (1) year.

5 RELATIONSHIP OF THE PARTIES

This agreement is not intended to constitute, create, give effect to or otherwise recognize a joint venture, offer of employment, partnership or formal business entity of any kind, and the rights and obligations of the parties shall be limited to those expressly set forth herein. Vendor is an independent contractor and is solely responsible for any and all federal, state and local taxes.

6 NOTICE

Any notice required by this agreement shall be provided in writing and shall be delivered (i) by hand, (ii) by certified mail, postage prepaid, return receipt requested, (iii) by electronic mail, or (iv) overnight by a nationally recognized express transportation company, addressed as follows:

Company: Legal Department
 471 McLaws Circle
 Williamsburg, VA 23185
 legal@tempus-as.com

Vendor: Santiago Business Co. International Limited
 18 Athol Street
 Douglas, Isle of Man
 IM1 1JA

Notice is effective upon delivery. Either party may change its address by providing notice to the other party.

7 MISCELLANEOUS

- 7.1 *Assignment* . By means of a written agreement satisfactory to the other party, each party shall require any successor to all or substantially all of its assets to assume that party's obligations under this agreement and agree to perform them in the same manner and to the same extent that such party would have been required to if that succession had not taken place.
- 7.2 *Authority* . Each person signing this agreement represents that he or she is duly authorized and has legal capacity to execute and deliver this agreement. Each party represents to the other that the execution and delivery of this agreement and the performance of such party's obligations hereunder have been duly authorized and that the agreement is a valid and legal agreement binding on such party and enforceable in accordance with its terms.
- 7.3 *Choice of Law* . The laws of the Commonwealth of Virginia, without giving effect to the principles of conflict of laws, govern all matters arising under this agreement, including all tort claims.
- 7.4 *Counterparts* . The parties may sign this agreement in several counterparts, each of which will be deemed an original but all of which together will constitute one instrument.
- 7.5 *Entire Agreement* . This agreement constitutes the entire agreement of the parties and supersedes all prior communications, understandings and agreements relating to the subject matter hereof, whether oral or written.
- 7.6 *Headings* . The headings used herein are for convenience only and do not define, limit or describe the scope of this agreement or the intent of the provisions herein.
- 7.7 *Legal Costs* . In any litigation, arbitration or other proceeding by which one party either seeks to enforce its rights under this agreement, whether in contract or tort, or seeks a declaration of any rights or obligations under this agreement, the prevailing party shall be awarded its reasonable legal costs incurred.
- 7.8 *Modification* . This agreement may be amended, modified or supplemented only by the mutual agreement of the parties. No amendment, modification or supplement shall be binding unless in writing and signed by an authorized representative of each party.
- 7.9 *Remedies* . The rights and remedies with respect to any term or condition of this agreement shall be cumulative and not exclusive, and shall be in addition to all other rights and remedies under applicable law.
- 7.10 *Severability* . If any provision of this agreement is unenforceable to any extent, the remainder of this agreement, or application of that provision to any person or circumstance other than those to which it is held unenforceable, will not be affected by that unenforceability and will be enforceable to the fullest extent permitted by law.
- 7.11 *Waiver* . Waiver of any provision herein shall not be deemed a waiver of any other provision herein, nor shall waiver of any breach of this agreement be construed as a continuing waiver of other breaches of the same or other provisions of this agreement.
- 7.12 *Waiver of Jury Trial* . Each party, to the extent permitted by law, knowingly, voluntarily and intentionally waives its right to a trial by jury in any action or other legal proceeding arising out of or relating to this agreement and the transactions contemplated herein. This waiver applies to any action or legal proceeding, whether sounding in contract, tort or otherwise.

The parties are signing this vendor agreement on the date stated in the introductory clause.

TEMPUS APPLIED SOLUTIONS, LLC

Scott Terry,
CEO

Santiago Business Co., International Ltd.

Director

EXHIBIT A

NON-EMPLOYEE CONFIDENTIALITY AGREEMENT

FOR GOOD CONSIDERATION, and in consideration as an individual vendor, a non-employee, and continued use by Tempus Applied Solutions Holdings Inc. ("Tempus"), I, the undersigned an individual contractor and non-employee, hereby agree to the terms of this Agreement.

As a non-employee of Tempus Applied Solutions Holdings, Inc. I may have access to confidential and/o proprietary information. As a condition to being granted such access, I agree to the following:

I understand that in the course of my working relationship with Tempus I share the responsibility of maintaining the confidentiality of any information that I may have available to me. I understand that it is my responsibility to follow Tempus policies and procedures as they relate to the assurance of the confidentiality of information both written and verbal.

Computer Systems: I understand that I may receive a unique User-Id and a personal password necessary for me to gain access to Tempus computerized system. I understand and agree that both the User-id and my Password are for my own personal use and are not to be disclosed to or used by third parties. If at any time, I feel that the confidentiality of my User-id or password has been compromised, I will contact appropriate management (Tempus employee that approved your access) for direction within 24 hours.

Conduct and Confidentiality: I understand that I must maintain the confidentiality of any written or verbal: terms of contracts, suppliers, vendors, customers, Information received by Tempus from third persons to whom it owes a duty of confidence, or employee information that I have access to or view as a result of my working relationship with Tempus, unless already exist in the public domain prior to this agreement. I acknowledge that all Confidential Information constitutes a proprietary right which Tempus and its affiliated organizations are entitled to protect. I understand that the release of information of any kind is only allowed by Tempus policy guidelines. If I am uncertain or do not understand the Tempus policy guidelines, I will contact the appropriate Tempus manager for assistance and direction within 24 hours. I agree to only release information under Tempus guidelines or as required by law.

I acknowledge that all information involving terms of contracts, flight and other operations, records and employee information is private and confidential. I agree that I shall access only that data necessary for the proper performance of my job responsibilities under my business relationship with Tempus. I further agree to keep confidential any and all information that I access, receive or transcribe, and not to disclose any such information to third parties. I am aware, that, unless specifically identified as part of my job by Tempus, I am not authorized to discuss any information concerning data. I am responsible for ensuring that discussions regarding information involving contracts, flight and other operations, records and employee information is held in appropriate locations with only authorized individuals.

Non-solicitation: I agree for a period of twelve (12) months after leaving Tempus, for any reason whatsoever, from the date of termination of my employment with Tempus not to directly or indirectly solicit competitive business from any client or customer of the organization (including any potential client of Tempus) that was contacted, solicited, or served by me or about which I received confidential information while I was employed by Tempus. I agree not to directly or indirectly recruit, solicit, or otherwise induce or attempt to induce any employee of Tempus to terminate his or her employment with the Company or otherwise to act contrary to the interests of Tempus.

Severability: In the event that any provision of this Agreement or part thereof shall be deemed void, invalid, illegal or unenforceable in whole or in part, the remaining provisions or parts shall remain in full force and effect.

Any unauthorized disclosure on my part or my representatives will be a very serious offense to Tempus. Such unauthorized disclosure may result in Tempus repossession of all of my or my representative's access to information, Tempus may also act up to and including termination of my business relationship with Tempus and asserting its full rights under the law.

WHEREFORE, the parties acknowledge that they have read and understand this Agreement and voluntarily accept the duties and obligations set forth herein.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECURITIES EXCHANGE ACT RULES 13A-14(A) AND 15D-14(A)
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Benjamin Scott Terry, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tempus Applied Solutions Holdings, Inc. (the “report”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: November 28, 2017

By: /s/ Benjamin Scott Terry
Name: Benjamin Scott Terry
Title: Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECURITIES EXCHANGE ACT RULES 13A-14(A) AND 15D-14(A)
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Johan Aksel Bergendorff, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tempus Applied Solutions Holdings, Inc. (the “report”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: November 28, 2017

By: /s/ Johan Aksel Bergendorff
Name: Johan Aksel Bergendorff
Title: Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this quarterly report on Form 10-Q of Tempus Applied Solutions Holdings, Inc. (the "Company") for the quarter ended September 30, 2017, (the "Report"), I, Benjamin Scott Terry, the Principal Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 28, 2017

By: /s/ Benjamin Scott Terry

Name: Benjamin Scott Terry

Title: Chief Executive Officer
(Principal Executive Officer)

This certification accompanies this report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purpose of Section 18 of the Securities Exchange Act of 1934, as amended.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this quarterly report on Form 10-Q of Tempus Applied Solutions Holdings, Inc. (the "Company") for the quarter ended September 30, 2017, (the "Report"), I, Johan Aksel Bergendorff, the Principal Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 28, 2017

By: /s/ Johan Aksel Bergendorff
Name: Johan Aksel Bergendorff
Title: Chief Financial Officer
(Principal Financial Officer)

This certification accompanies this report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purpose of Section 18 of the Securities Exchange Act of 1934, as amended.