

1. Subject Matter

- 1.1. These Terms and Conditions of Spare Parts Sale, Exchange, Repair and Lease contain the entire agreement in connection with and shall be applicable to all offers and deliveries of spare parts, components, materials and equipment (including tools, test equipment and ground support equipment) (hereinafter collectively – the "Spare Parts") on sale (as defined in Exhibit A), exchange (as defined in Exhibit B), repair (as defined in Exhibit C) and lease (as defined in Exhibit D) basis.
- 1.2. The placing of any Purchase Order and / or acceptance of delivery of the Spare Parts / services shall be deemed conclusive evidence of the Customer's acceptance of these Terms and Conditions.
- 1.3. All Spare Parts quoted are subject to prior sale. Magnetic MRO shall provide the Customer with Spare Parts as detailed in Customer's Purchase Order (accepted by Magnetic MRO in written form) and Magnetic MRO Quotation.
- 1.4. If not stated otherwise, Customer may make changes in the quantity, character, specifications, delivery and other terms of the Purchase Order by a written change order, subject to written acceptance by Magnetic MRO. Change fee will correspond to 15 % of the total Purchase Order value for each change. If Customer cancels Purchase Order or Magnetic MRO cancels Purchase Order due to Customer's fault, Magnetic MRO shall charge restocking fee up to 15% of total price of Purchase Order. Customer shall also cover Magnetic MRO costs incurred up to the date of Purchase Order change or cancellation.
- 1.5. Magnetic MRO shall send the Spare Parts to Customer EXW Magnetic MRO facilities (Incoterms 2010), unless otherwise specified in the Quotation.

2. Commercial Terms

- 2.1. Prices and other commercial terms shall be specified in Purchase Order and Quotation.
- 2.2. Unless the contract states price(s) to be fixed, Magnetic MRO may increase prices for undelivered balances in accordance with increases in Magnetic MRO's costs and/or general price list increases occurring after the date of acceptance of Purchase Order but before despatch and/or performance. Customer shall pay any increases in delivery costs after the date of acceptance of order.
- 2.3. Prices are exclusive of duties, fees or taxes and Customer shall pay these in addition to the purchase price. Any delivery charge will be at cost or as otherwise agreed in writing.
- 2.4. All Spare Parts transportation expenses and related taxes and duties shall be borne by Customer.
- 2.5. Any payment shall be prepaid in full, unless otherwise agreed by the Parties in written form. In certain cases it can be agreed in writing that payment shall be performed in particular amount of days after the shipment. Invoices will be issued by Magnetic MRO, including the price of services and the Spare Parts. In the event of repair, Pro Forma invoice shall be issued for the repaired Spare Part for the repair that is known. Possible non-routine findings that appear during repair process will be invoiced additionally after the repair is completed and must be settled in 10 calendar days.
- 2.6. All payments will be made in currency stipulated in the invoice by bank transfer to the account specified in the invoice. Any fees charged by a bank in connection with the transfer of funds by Customer will be borne by Customer.
- 2.7. Should any delay of the payments occur, the Customer shall pay to Magnetic MRO a penalty at the rate of 0.1% of the value of the late-payment for each day of delay.
- 2.8. In the event that any sum is not paid by the Customer when due then Magnetic MRO shall be entitled to suspend further performance of its obligations until all outstanding amounts have been received by Magnetic MRO and the time for performance of such obligations might, at Magnetic MRO's option, be re-scheduled.
- 2.9. In case payments are due under one or more invoices, Magnetic MRO shall be entitled at its own discretion to set off any amounts paid by Customer against any outstanding invoices due under any agreement between the Parties without regards to the actual purpose of the payment (reference) indicated by Customer at the time when the payment (transaction) was made.
- 2.10. In the event the Customer fails to make payments due according to the terms of payment specified in this Agreement and the invoice, Magnetic MRO reserves its retention rights of any Spare Parts held in its possession belonging to the Customer or held on behalf of the Customer until the outstanding debt has been paid.

3. Excusable delays

- 3.1. Magnetic MRO shall not be liable for any failure to comply with the contract related to any circumstances whatever (whether or not involving Magnetic MRO's negligence) which are beyond Magnetic MRO's reasonable control and which prevent or restrict Magnetic MRO from complying with the contract.
- 3.2. Magnetic MRO shall not be responsible for excess of performance dates and / or delays, and / or non-performance of its obligations if (i) the Customer fails to make any payment due on time and Magnetic MRO suspends further performance of its obligations until all outstanding amounts are received by Magnetic MRO; or (ii) the Customer fails to provide required and necessary information for execution of Purchase Order on Magnetic MRO request or (iii) Customer delays to perform its obligations.

4. Warranty

- 4.1. The quality of the Services and Parts to be delivered shall be in full conformity with the technical conditions stipulated by the manufacturer's specification and with FAA or EASA requirements.
- 4.2. Magnetic MRO is not the manufacturer of the Spare Parts. Where Magnetic MRO procures on behalf of, or sells Spare Parts to the Customer, Magnetic MRO shall use reasonable endeavours to transfer or assign any warranty made available to Magnetic MRO by any manufacturer or other third party supplier, to the extent that any such warranty shall be capable of transfer or assignment to the Customer.
- 4.3. Any Spare Part returned for failure or warranty must be received at Magnetic MRO's facility within 7 calendar days from the defect claim date. If warranty is denied, or no trouble is found with the returned Spare Part, Customer shall be responsible for any and all costs associated with such Spare Part.
- 4.4. All transportation costs and risk of loss of warranted Spare Part shipped for correction of defects to and from the facility designated by Magnetic MRO shall be borne by Customer.
- 4.5. The warranty shall not be applicable in case of improper use, unqualified repairs or repairs in contradiction with repair instructions and operation and maintenance manuals, or in case warranted Spare Part has been subject to the misuse, mishandling, negligence, accident, or ingestion of foreign material. The warranted Spare Part must not be altered, repaired, or serviced since purchase by anyone other than Magnetic MRO or manufacturer. The warranty shall also not be applied until the Customer has paid full price for the Spare Part / service according to the Purchase Order and the terms specified in the invoice. All original documentation supplied together with the Spare Part as well as an engineer's report detailing the reason for removal or failure, need to be returned with the warranted Spare Part for warranty consideration. The Customer is obliged to count the flight hours / cycles of the Spare Part and submit relevant data on demand of Magnetic MRO. In case the Customer does not have records of flight hours / cycles of a Spare Part, warranty shall not be applicable on this specific Spare Part.
- 4.6. In case the defect of the Spare Part is caused by defective workmanship by Magnetic MRO, Magnetic MRO shall take such steps as Magnetic MRO deems necessary to rectify the fault by repair, replacement or refund. Any obligations and liability of Magnetic MRO are subject to and depend on the fault appearing during the Warranty period and the written notice from the Customer about the fault within 10 calendar days from becoming aware or should have become aware of the circumstances which have caused the Warranty claim. Any obligations and liability of Magnetic MRO in respect of defective workmanship shall in any case be limited with the labour costs and material required to replace or repair the defective Spare Part.

4.7. In case of a remedial action, the initial warranty period shall continue for the remaining period of the warranty.

5. Liability

- 5.1. Magnetic MRO shall not be liable for any damage to, or loss of, property including the aircraft and engines, or injury or death or any other damage directly or indirectly caused to the Customer or third parties during or after, due to, or in connection with, or in consequence of the performance or non-performance of supply by Magnetic MRO to the Customer, unless caused by wilful misconduct or gross negligence of Magnetic MRO, and the Customer shall indemnify and hold harmless Magnetic MRO and its subcontractors against any and all such claims including costs and expenses. Magnetic MRO's total liability for any and all demands, pretensions or claims, whether in contract between Magnetic MRO and the Customer, warranty, tort, product liability, patent infringement or otherwise, for any damages arising out or connected with, or resulting from the performance, or non-performance of any service will not exceed the price allocable to the services which give rise to the demand, pretension or claim. In no event, whether as a result of breach of contract, warranty, tort, product liability, patent infringement, or otherwise, Magnetic MRO will be liable for any special, consequential, incidental, resultant or indirect damage (including, without limitation, loss of use, revenue, good will) or punitive or exemplary damages.
- 5.2. The Customer acknowledges that the Spare Parts, including but not limited to commodities, technology and software, and/or services to be provided by Magnetic MRO may be subject to export control laws and regulations (under such jurisdiction as, inter alia, the United Nations, the European Union, the United States of America or the Republic of Estonia), and any supply or use of such Spare Parts and/or services contrary to such laws and regulations is prohibited. The Customer shall indemnify and hold Magnetic MRO harmless against any losses, damages, fees or monetary sanctions imposed as a result of Customer's failure to comply with any applicable export control law or regulation.
- 5.3. The party who is the importer or exporter of the Spare Parts will be responsible for obtaining any licence, exchange permit or other required governmental authorisation relating to the shipment of the Spare Parts and shall be responsible for complying with all licensing and reporting requirements in connection with such supply. The Customer shall be responsible for all customs issues if not otherwise agreed by the Parties.

6. Governing Law. Dispute Resolution. Other

- 6.1. Sale of Spare Parts is contracted, executed and shall be interpreted according to the laws of the Republic of Estonia and the Parties hereby expressly opt out of the application of the United Nation Convention on Contracts for the International Sale of Goods (Vienna Convention of 1980) (CISG).
- 6.2. It is further agreed that legal action required regarding the supply of Spare Parts will be subject to the laws of the Republic of Estonia and the disputes shall be settled by competent courts of the Republic of Estonia.
- 6.3. Any deviations from these Terms and Conditions need to be agreed in writing. Customer's standard contract terms and conditions are not applicable and Customer shall not be entitled to make any reference to it unless it is agreed by Magnetic MRO in writing. Magnetic MRO reserves the right to change, modify, add or remove these Terms and Conditions at any time without prior notice.

EXHIBIT A. SALE

- A.1. Magnetic MRO will sell the Spare Parts, if available, to the Customer from Magnetic MRO's or its partners' stock (hereinafter "Sale").
- A.2. In case the Spare Parts requested by the Customer are not available in Magnetic MRO's or its partners' stock, Magnetic MRO may order the Spare Parts from the manufacturer listed as the Approved Supplier.
- A.3. Spare Parts shall be sold "as is where is", unless otherwise agreed. Magnetic MRO does not warrant that Spare Parts are fit for any particular purpose or an intended use by Customer and Customer shall satisfy itself that Spare Parts are so fit.
- A.4. The Sale Price shall be agreed by the Parties in each particular case.
- A.5. Payment of the Sale Price must be performed before delivery of the Spare Part, unless agreed otherwise.
- A.6. The title of Parts sold to the Customer shall pass from Magnetic MRO to the Customer when the payment has been in full received by Magnetic MRO and Parts are delivered to the Customer, whichever occurs later.

EXHIBIT B. LEASE

- B.1. Magnetic MRO shall lease the Customer the Spare Parts available in Magnetic MRO's or its partners' stock on the basis of lease (hereinafter "Lease").
- B.2. Spare Parts provided on Lease (hereinafter "Lease Part") remain the property of Magnetic MRO / its partner. Customer shall redeliver Lease Parts free from any liens, right or claim of a third party or the Customer.
- B.3. Whenever Lease Part has left Magnetic MRO or its partners' stock, Customer bears risk of loss until it is redelivered to Magnetic MRO.
- B.4. Parts shall be leased "as is where is", unless otherwise agreed.
- B.5. Lease Part must be returned to Magnetic MRO by the Customer at the expiry of the Lease Term in the same condition or serviceable condition (EASA Form 1) as delivered, standard wear and tear accepted.
- B.6. The Lease Fees shall be agreed by the Parties in each particular case.
- B.7. In addition to the Lease Fee, Magnetic MRO reserves the right to charge the Customer the following additional charges: (i) If the Lease Part is not returned to Magnetic MRO with release documentation of the standard and level of completeness of that of the Lease Part when it was supplied – re-certification charges; (ii) Should the Lease Part be returned to Magnetic MRO in an unserviceable condition – inspection charges and either: (a) repair charges, in the event that the Lease Part is repaired by the Workshop in accordance with the CMM; or (b) the Outright Price of the Lease Part, should the Lease Part be deemed BER by the Workshop; (iii) any transportation costs Magnetic MRO may incur for the inspection, re-certification or repair of the Lease Part. Any Disbursements made by Magnetic MRO due to inspection, certification or repair of the Lease Part will be charged at cost price plus an 10% mark-up.
- B.8. Customer shall pay Lease Fee for the Lease Term and the Deposit (if applicable) 3 calendar days before commencement of the Lease. After the end of the Lease as defined in Clause B.12 Magnetic MRO shall issue final invoice for remaining lease amounts and additional expenses (if any) and such invoice is to be paid by the Customer in 10 calendar days.
- B.9. The Lease Term shall be agreed by the Parties in each particular case.
- B.10. The Lease Term shall commence on agreed date.
- B.11. In case the Customer fails to return the Lease Part at expiry of the Lease Term, Magnetic MRO shall have the right to charge the Customer at the double rate of the Lease Fee until Lease end as defined in Clause B.12. The Customer still has the obligation to return the Lease Part. During such delayed delivery Magnetic MRO shall be entitled to convert Lease into Sale for Outright Price which shall be charged in addition to Lease Fees charged previously.
- B.12. The Lease shall end on the later of: (i) the day the Lease Part is returned to Magnetic MRO; (ii) if the Lease Part requires re-certification (due to it being returned to Magnetic MRO with incomplete records) the day on which the Lease Part is re-certified; (iii) if the Lease Part is returned in an unserviceable condition, the day on which the Lease Part is either returned to a serviceable condition or determined to be BER by the Workshop.

EXHIBIT C. EXCHANGE

- C.1. Magnetic MRO will, for an agreed Exchange Fee, exchange an unserviceable Spare Part (hereinafter "Core Unit") of the Customer for a serviceable Spare Part, pursuant to the terms and conditions described herein (hereinafter "Exchange").
- C.2. The Customer shall pay the Exchange Fee, and cover all transportation (including freight, customs fees and charges for the serviceable Part, the Core Unit, and the freight incurred sending the Core unit to repair organization and back to Magnetic MRO), re-certification, and / or modification, and / or overhaul and / or test costs incurred and compensate the relevant costs borne by Magnetic MRO plus 10% handling fee.
- C.3. The cost of repair, overhaul, testing, and recertification of the Core Unit shall be specified by Magnetic MRO in each particular case and shall be invoiced to the Customer.
- C.4. The Customer must deliver a Core Unit acceptable to Magnetic MRO within 14 calendar days after the shipment of the serviceable Spare Part. Core Unit returned to Magnetic MRO must be repairable and of the same part number, dash number, and modification level as the Serviceable Part. Any deviation must be approved in writing by Magnetic MRO prior to delivery of the Core Unit to Magnetic MRO by the Customer. If the Core Unit does not comply with the preceding requirements it will be returned to Customer at Customer's expense and any and all charges incurred associated with the Core Unit will be charged to and payable by the Customer.
- C.5. If Magnetic MRO has not received an acceptable Core Unit including its documentation within 14 calendar days from the date of the shipment of serviceable Spare Part, then the Customer will be billed an additional amount equal to the Exchange Fee and the terms of these Terms and Conditions will continue to apply. If an acceptable Core Unit has not been received by Magnetic MRO within 28 calendar days from the date of the shipment, the exchanged unit will be considered to have been sold to Customer at its outright value, plus the Exchange Fee and any additional amounts already billed to the Customer. Alternatively, Magnetic MRO may elect to invoice additional Exchange Fees every 14 calendar days until an acceptable Core Unit is received.
- C.6. The Core Unit returned to Magnetic MRO will not be accepted by Magnetic MRO unless it is accompanied by the following Documentation: (i) unserviceable tags, containing reason for removal information; (ii) non-incident statement from the Customer and the airline from which part is removed, proof of trace from the airline via packing slip or a signed statement from the operator indicating part number and serial number; (iii) records for life-limited parts (i.e.: vanes, disk, etc.); (iv) cargo customs declaration (the component must be released to free circulation) for Magnetic MRO review shall be supplied in advance. The Core Unit will not be considered received until all of the required documentation has been provided to Magnetic MRO.
- C.7. In the event (i) the Core Unit is unacceptable for Magnetic MRO; or (ii) the repair cost of the Core Unit exceeds 65% of the agreed outright value of the Core Unit, i.e. the Core Unit is deemed BER by the repair station, then the Customer shall be invoiced the aforementioned outright value as well as the original Exchange Fee, transportation and assessment fees of the Core Unit by Magnetic MRO. Upon the Customer's request Magnetic MRO will return such Parts to the Customer on Customer's expense with complete shop report (hereinafter "Shop Report").
- C.8. In the event the Core Unit is deemed BER, Magnetic MRO has the right to refuse to repair the Core Unit.
- C.9. In the event that unmodified Parts are removed from the aircraft due to unserviceability or by FAR / JAR / EASA or OEM directive and Magnetic MRO has supplied modified Parts, the Customer agrees to incur the costs arising from the modification of Core Unit, to modify the Parts to the appropriate standard. The modifications in the meaning of this Agreement are, but not only, differences in modification level, difference in Part numbers, submission of an alternative Part.
- C.10. Life Limited Parts i.e. Core Units subject to life time limitations must be accompanied by TSO / TSN, CSN / CSO & date of manufacture.
- C.11. The Customer shall perform incoming inspection of all delivered serviceable Spare Parts. Defect claim must be raised in writing within 7 calendar days of receipt of the serviceable Spare Part, prior to returning a failed and / or warranty Spare Part, otherwise the returned Spare Part will be processed as a normal Core Unit and the Customer will be liable for any and all re-certification, modification and / or overhaul costs.
- C.12. The Customer agrees and warrants, that title to and ownership of the serviceable Spare Part shall remain with and be vested in Magnetic MRO without encumbrances, until the Customer returns a Core Unit acceptable to Magnetic MRO as described above and until payment in full to Magnetic MRO is received from the Customer. Simultaneously, title to and ownership of the Core Unit will vest, without encumbrances, with Magnetic MRO.

EXHIBIT D. REPAIR

- D.1. Magnetic MRO will, for an agreed fee, make a Part serviceable by replacing or processing failed or damaged parts and return the repaired Spare Part to the Customer (hereinafter "Repair").
- D.2. Magnetic MRO shall perform Services within its capability certified by EE CAA iaw EASA Part-145 requirements. For Spare Parts that do not fall within Magnetic MRO capabilities, Magnetic MRO can locate and utilise subcontractors.
- D.3. Magnetic MRO shall release all repaired / overhauled, inspected and tested Spare Parts in ready to service condition (no additional work such as testing, recharging, putting to service or other to be carried out), accompanied with the EASA Form 1 as requested by the Customer. All repaired / overhauled and tested Spare Parts will be accompanied with a full Shop Report.
- D.4. Any claims related to Repair must be raised in writing within 7 calendar days of receipt of the repaired Spare Part, otherwise the repaired Spare Part will be considered accepted by the Customer.
- D.5. In case the repair cost exceeds (\pm 10%) the Spare Part price, Magnetic MRO must inform the Customer in advance to make the decision regarding expediency of this repair.
- D.6. In the event of an AOG / IOR request by the Customer for a unit that is within the agreed TAT, Magnetic MRO reserves the right to charge the Customer an additional fifteen percent (15%) as a result of the additional costs incurred.
- D.7. The guaranteed TAT relate to standard Maintenance (i.e. initial inspection and test stipulated in the relevant CMM, replacement of a defective component that has failed during the normal operation of the Part, and its subsequent final test). The non-standard Maintenance (i.e. Customer mishandling or misconduct, Part received physically damaged or supplied to Magnetic MRO as incomplete, Part with unusual damage or wear, Spare Part with results of damage due to improper installation or removal, improper or unauthorized maintenance outside of established Part-145 providers or as a result of an incident not arising out of normal aircraft operation, etc. and in some rare cases of Excusable Delay this will not be covered by agreed TAT.
- D.8. Magnetic MRO warrants that the Repair performed by Magnetic MRO shall be free from fault due to defective workmanship for a period as stated below from the date that the Spare Part was received by the Customer:
- Wheels – 3 months from the Spare Part delivery or 300 FC from the moment the Spare Part installation on the aircraft, whichever comes first;
 - Brakes – 6 months from the Spare Part delivery or 500 FC from the moment the Spare Part installation on the aircraft, whichever comes first;
 - Spare Parts where FC is not applicable – 3 months from the Spare Part delivery or 300 FH from the moment the Spare Part installation on the aircraft, whichever comes first.