

Terms & Conditions of Purchase

1. In General

MSI undertakes to carry out maintenance and repair work on aircraft as well as on spare parts and equipment of its customers. MSI is also purchaser of aircraft spare parts, components and systems. The following Terms and Conditions of Purchase shall be applicable to all goods and/or services purchased or acquired from a Supplier being a businessperson or a legal entity under public law.

Any Terms and Conditions of Business stipulated by the Supplier and divergent from or supplementary to these Terms and Conditions of Purchase shall not be binding on MSI even if not expressly objected to by MSI or in cases where the Supplier stipulates his General Terms and Conditions of Business as the exclusive basis for delivery.

2. Conclusion of Contract

- 2.1. If the Supplier fails to accept a purchase order from MSI in writing within a period of two weeks after receipt of the purchase order, MSI shall be entitled to cancel the purchase order. Receipt of the acceptance at MSI shall determine the expiration of the acceptance period.
- 2.2. The acceptance of the purchase order shall include all significant order data, in particular the precise designation of the delivery objects, order numbers and the order and delivery dates.
- 2.3. Supplements or changes to the purchase order by the Supplier shall only be effective if they have been confirmed by MSI in writing.
- 2.4. The Supplier shall not be entitled to subcontract the purchase order in whole or in a substantial part to third parties or to have it subcontracted by third parties without the prior written consent of MSI. Unauthorized subcontracting to third parties shall entitle MSI to cancel the contract in whole or in part and to demand compensation for damages.

3. Prices

- 3.1. All prices from the supplier shall be considered ex works Supplier's facilities, unless otherwise agreed upon.
- 3.2. The agreed prices are fixed prices and any supplementary claims or price increases are excluded.

4. Payment

- 4.1. Invoices from the Supplier shall be submitted in duplicate and must include for each delivery all the information requested in the purchase order.
- 4.2. Unless otherwise agreed to, payments by MSI shall always be made by bank transfer within 30 days.
- 4.3. The Supplier shall not be entitled to assign any account receivables or collect through a third party without first obtaining MSI's written approval. This provision shall not be applicable to the extended reservation of ownership. The provision of article 354a German Commercial Code (HGB) remains unaffected.

5. Delivery and place of performance

- 5.1. The agreed delivery date shall be binding. Any early deliveries and deliveries after the agreed delivery date are only permissible with the written consent of MSI.
- 5.2. Deliveries are considered timely when received in due course at the delivery address specified by MSI. The Supplier shall immediately inform MSI if and as soon as it becomes evident that he will be unable to meet the delivery date. Acceptance of a delayed delivery by MSI shall not be deemed to imply the waiving of any claims for compensation.
- 5.3. If a delivery by Supplier is delayed, MSI shall be entitled to claim liquidated damages of 0,5 % of the order value for each week of delay or fraction thereof, up to an aggregate maximum of 5 % of the order value. The Supplier shall be entitled to provide evidence that MSI sustained a lower level of damage or no damage at all as a result of the delay. MSI shall be entitled to claim consequential damages exceeding the amount of liquidated damages if it can provide evidence it have sustained such damages.
- 5.4. MSI is not obliged to accept partial deliveries. If partial shipments have been agreed, the quantity outstanding for delivery shall be recorded in the delivery note.
- 5.5. The place of performance for goods or services provided by the Supplier shall be the delivery address specified in the relevant purchase order. Where no delivery address is specified and if the place of performance does not result from the nature of the obligation, MSI registered office shall be deemed the place of performance.

6. Shipment and passing of risk

- 6.1. The Supplier shall pack and ship the delivery objects duly and properly. All regulations relating to packaging and shipment must be complied with. The Supplier shall be liable for all damages and losses sustained by MSI as a result of incorrect or insufficient packaging.
- 6.2. Each consignment shall be accompanied by shipping documents, e.g. delivery notes, packing notes, etc.. Order numbers and other data specified by MSI in the purchase order must be entered on all pertinent documents. MSI must be provided with a notice of shipment on or before the day of shipment.
- 6.3. Any additional cost incurred by MSI due to non-observance of the provisions defined above shall be charged to the Supplier.
- 6.4. In the case of deliveries not involving installation or erection, the risk will pass when the goods are received at the delivery address specified by MSI. If deliveries involve installation or erection or for services, the risk will pass when the goods or services are accepted on site as agreed.

7. Warranty

- 7.1. The supplier shall be responsible for any defects in the delivery of articles for the period of two years from the date of delivery in the case of sale and purchase and with acceptance in the case of contract for work or services.
- 7.2. MSI will immediately notify the Supplier of defects in writing if these are identified during the normal course of business activities.
- 7.3. In the case of a sale or purchase contract, a delivery object proves to have defects in the sense of the legal provisions during the warranty period; MSI shall be entitled to demand a remedy, i.e. correction of the defect or supply of an article free of defects at the discretion of MSI. MSI shall also be entitled to assert these rights before the transfer of risk alongside the claim to performance, if defects are identified at this point in time. If remedy by the Supplier fails, the Supplier refuses to provide a remedy, or the Supplier fails to provide a remedy within a reasonable period of time specified by MSI. MSI shall be entitled to reduce the purchase price or withdraw from the contract or, if the legal prerequisites are met, demand compensation for wasted resources or compensation for damages instead of the goods or service.
- 7.4. The Supplier shall carry out a thorough examination for defects and shall furthermore do everything in his power in order to avoid product liability. If a claim is made against MSI as a result of product nonconformity and if the nonconformity is based in whole or in part on nonconformity in the delivery of the Supplier, MSI shall also be entitled to indemnity in respect to the third party instead of compensation for all damages and losses. The obligation of the Supplier to pay compensation for damages shall also include the cost of a precautionary recall to prevent losses, if this is feasible. The Supplier shall take out reasonable insurance to cover the risk of such losses.
- 7.5. If a third party makes a claim against MSI on the basis of breach of industrial property rights, copyright or other right in respect to goods and/or services provided by the Supplier and used by MSI in accordance with the contract, the Supplier shall provide MSI with comprehensive indemnity from any claims made by third parties. MSI shall provide the Supplier with reasonable support and the Supplier shall assume the cost incurred by MSI in this connection.
- 7.6. If in the case of a contract for work or services the results prove to be defective during the warranty period, MSI shall be entitled to demand a remedy in form of a correction of the defect or manufacture of a new work. MSI shall also be entitled to assert these rights before the transfer of risk alongside the claim to performance if the defect is identified at this time.
- 7.7. If the remedy by the Supplier fails, the remedy is not reasonable in the view of MSI, the Supplier refuses to provide a remedy, or the Supplier fails to provide a remedy within a reasonable period of time specified by MSI, MSI shall be entitled to remedy the defect and demand compensation for the necessary expense from the Supplier.
- 7.8. Alternatively, MSI can reduce the price under the provisions of section 7.6.2 or withdraw from the contract or, if the legal prerequisites are met, demand compensation for resources expended in vain or compensation for damages instead of the work or services.
- 7.9. In all the cases specified above, the Supplier shall not be entitled to make the remedy dependent on partial or complete payment of the remuneration agreed. The Supplier shall bear the expenses necessary for the remedy in particular expenses for transport, travel, work and materials.

8. Duty of instruction, information and care

MSI needs its suppliers to:

- implement a quality management system;
- use customer-designated or approved external providers, including process sources (e.g. special processes);
- notify MSI of nonconforming processes, products or services and obtain approval for their disposition;
- prevent the use of suspected unapproved, unapproved and counterfeit parts;
- notify MSI of changes to processes, products or services, including changes of their external providers or location of manufacture;
- flow down to external providers applicable requirements including customer requirements;
- provide a certificate of conformity, test reports or authorized release certificate, as applicable;
- retain documented information, including retention periods and disposition requirements;
- grant the right of access by MSI, their customer and regulatory authorities to the applicable areas of facilities and to applicable documented information, at any level of the supply chain;
- ensure that persons are aware of:
 - their contribution to product or service conformity;
 - their contribution to product safety;
 - the importance of ethical behavior.

MSI measures the performance of its suppliers in regard to Quality and On-time delivery.

9. Customer supplied items

- 9.1. All documents and other items supplied by MSI to the Supplier shall remain the property of MSI. They must be used exclusively for the provision of ordered goods. The Supplier shall insure any materials transferred to him against loss and deterioration. There shall be no right of retention on the part of the Supplier vested in materials belonging to MSI.
- 9.2. To the extent that any of the items provided by MSI are processed or transformed by the Supplier to form a new movable product, MSI shall be deemed to be the manufacturer of such product. If an item is combined with or inseparably integrated in other objects, MSI shall acquire a joint title and ownership in the said objects in the ratio of the value that the items provided had at the time of combination or integration. If the items are combined or integrated in such a manner that the Supplier's property shall be regarded as the primary product, it is understood and agreed that the Supplier assigns and transfers to MSI a prorated interest in a joint title to such products. The Supplier shall not hold the products subject to joint ownership in trust on behalf of MSI free of charge.
- 9.3. The Supplier shall, at his own expense, perform any maintenance and inspection work required and shall further take out adequate insurance cover for the items provided by MSI. Proof of such insurance cover must be furnished to MSI on request.

10. Confidentiality

- 10.1. The purchase order placed by MSI shall be kept confidential. The Supplier shall keep secret and confidential any commercial and technical information and documents that are not generally known in the public domain and which have been disclosed in the course of the business relationship. The supplier further undertakes to use such information and documents exclusively for the provision of the goods ordered. Any subcontractors shall also be obliged to maintain confidentiality and secrecy in this respect.
- 10.2. Any mention by the Supplier of the corporate name or trademarks of MSI in advertising material references, credentials or other publication shall require prior written consent by MSI.

11. Spare parts availability

- 11.1. The Supplier shall supply at reasonable conditions the spare parts required for a period equivalent to the anticipated technical service life or for at least 10 years after the previous delivery.
- 11.2. If the Supplier discontinues delivery of the goods for supply after expiry of the delivery period defined in section 11.1 or during the said period, MSI shall be offered the opportunity to place a final order.

12. Force Majeure

Either party shall be released from the performance of its obligations under this contract to the extent and for so long as the performance is impeded by reason of Force Majeure. The party claiming Force Majeure shall give prompt notice of the commencement and cessation of any such event. For the purposes of this article the expression "Force Majeure" means, but shall not be limited to, industrial dispute, fire mobilization, requisition, embargo, currency transfer prohibitions, insurrection, lack of means of transport, restriction of the use of energy, bankruptcy or delay of the subcontractor, and generally any circumstances which are beyond the control of the parties and hinder performance by one party of its obligations. If an event of Force Majeure continues for a period exceeding three months either party shall be entitled to terminate the Contract by notice in writing without incurring any further liability.

13. Partial Invalidity

The parties are agreed that in the event that any of the foregoing provisions should prove null or void, the remaining provisions shall remain fully in force.

14. Legal Provisions

- 14.1. The contract shall be governed exclusively by the law of the Federal Republic of Germany.
- 14.2. As far as the Customer is a business person, a legal entity under public law, the exclusive place of jurisdiction for all disputes arising out of this business relationship shall be Frankfurt, Germany.
- 14.3. Any changes and amendments to the contract and supplementary agreements must be made in writing. This provision shall also be applicable for any waiver to this requirement for the written form.