

MELBOURNE AVIATION GROUP PTY LTD

ABN 62 004 589 557 ACN 004 589 557

SERVICE AGREEMENT

52 Kingswood Drive, Dingley Village VIC 3172

Revision 14

1 September 2011

AMENDMENT RECORD SHEET

(Latest amendments are shown in **bold** in the text)

Revision	Date	Details of Amendments
10	25/3/05	<p>Clause 1.7 - Added. Clause 3.2 - Flight log input requirement moved to Appendix A Clause 6.6 - Revised to include requirement for an instructor. Clause 6.6 - Revised (correction and clarification). Appendix A - Changed to show requirements previously in Section 3 Appendix B - Added (was Appendix A)</p>
11	1/5/05	<p>Clause 2.8 – Deleted Clause 4.3.1 – Financial Director changed to Accounts Officer Clause 8.2 – Amended (security requirements added) Clause 8.7 – Added (security requirements added)</p>
12	1/1/06	<p>Company address changed New Chairman</p>
13	1/10/08	<p>Clause 2.3, 2.6, 2.7 – the words ‘Booking Co-Ordinator’ removed. Clause 2.8 - Added Clause 7.8 – Updated.</p> <p>Clause 7.9 – Changed to more accurately reflect policy on damage to aircraft. Clause 7.10 – Added, subsequent clauses re-numbered.</p>
14	1/9/11	<p>Amendment Record - Previous Revision Change references 6-9 removed. Contents – Part 8 altered to reflect Asset Replacement, previous Section 8 becomes Section 9. Clause 4.3.1 – altered to include reference to Angel Flights. Clause 7.14 – added to reflect insurance premiums recovery. Various grammatical and descriptors made</p>

FOREWORD

The Board, in the interest of implementing members' privileges and obligations, has approved this Service Agreement.

Peter Cossins
Chairman, Melbourne Aviation Group

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DEFINITIONS

"Board" means a quorum of the MAG Board of Directors

"MAG" means Melbourne Aviation Group Pty Ltd

"Members" means shareholder and supernumerary members of MAG

"90 day period" means any consecutive 90-day period covering both forward bookings as well as historical bookings.

"Day" means 24 hours or part thereof.

"Parked overnight away from Moorabbin" means parked at another airfield and not available, at first light, at Moorabbin the next day.

"Weekend away" means the aircraft is parked on a Saturday night away from Moorabbin.

"Total" means the total bookings on both aircraft.

Part 1.0 - RESPONSIBILITIES

- 1.1 Members undertake to comply with all legislative requirements, regulatory requirements and this Service Agreement.
- 1.2 Members are not to authorize non-Members to pilot MAG aircraft except where a Member is undergoing instruction by an appropriately qualified flight instructor. Test and ferry flights by non-Members require individual authorization by a director of MAG.
- 1.3 Members without 100 hours total aeronautical experience are not to undertake flight in the MAG Cessna 182 as pilot in command.
- 1.4 Members undertake to have conducted at least one takeoff and landing as pilot in command of an aircraft, having within 30 horse power or a greater horse power than the MAG aircraft to be flown, in the 90 days prior to acting as pilot in command of a MAG aircraft.
- 1.5 Members not satisfying 1.4 undertake to satisfactorily complete a check flight with an appropriately qualified flight instructor before flying MAG aircraft as pilot in command.
- 1.6 Members moving aircraft are responsible for the parking and tie-down of aircraft.
- 1.7 Members are not authorised to fly MAG aircraft as PIC without first conducting a satisfactory familiarisation flight with a qualified instructor (in the particular aircraft).

Part 2.0 - BOOKINGS AND CANCELLATIONS

- 2.1 Except as provided for in 2.8, Members undertake not to use MAG aircraft or equipment without bookings.
- 2.2 Members undertake not to fly MAG aircraft when their account is unpaid for more than 60 days.
- 2.3 Bookings for aircraft are made through the Internet Booking System on a first come first served basis.
- 2.4 When booking aircraft, Members undertake to note the flight rules (IFR or VFR), whether the flight is a check flight and the estimated hours to be flown during the proposed booking on the Booking system.
- 2.5 Members undertake to book aircraft only for the period during which aircraft are planned to be used.

- 2.6 Members undertake to amend the booking system of any change to booking or use as soon as practicable.
- 2.7 In any consecutive 90 day period, an individual Member shall not book aircraft for more than:
- 14 consecutive days (two Members may book the same aircraft for 28 consecutive days subject to Board approval).
 - 14 days in total involving any series of bookings in which the aircraft is parked overnight away from Moorabbin.
 - 2 weekends away in total.
- Bookings in excess of this require Board approval. The granting of approval to exceed any of the limits is solely at the discretion of the Board.
- 2.8 For extended bookings, Members are required to demonstrate reasonable usage in hours flown. The minimum requirement is 5 hours/week or pro rata. Extended bookings are deemed to be bookings in excess of two days.
- 2.9 When making bookings through the Internet Booking System, pilots must ensure that pilot recency requirements are valid at the time of the proposed flight.
- 2.10 Irrespective of these rules, the Board may cancel bookings considered to be excessive and in conflict with the needs of other Members.
- 2.11 Any booking disputes shall be resolved by a Director/s in consultation with the conflicting parties.

Part 3.0 – FLIGHT RECORDS

- 3.1 The MAG Flight Log must remain in the MAG box at all times.
- 3.2 All MAG Members must accurately complete the relevant sections of the MAG Flight Log, both before departure and on completion of the flight. Failure to properly complete the Log results in confusion, inaccurate billing and an inability to cross check fuel, oil and miscellaneous charges. Input requirements are noted in Appendices A and B.
- 3.3 If there is an anomaly in the recorded time shown for the last recorded flight in the MAG Flight Log and that shown on the aircraft, please double check and note the discrepancy on the MAG Flight Log.
- 3.4 Before flight carefully check the Maintenance Release for any maintenance requirements or entries by other Members which may be relevant to the intended flight.
- 3.5 The Maintenance Release must be completed for each flight even though there may be other flights for that day. After the daily or pre-flight inspection, sign the Maintenance Release and at the end of the flight, record the number of landings and any items requiring maintenance.

- 3.6 Items requiring attention for aesthetic purposes only and pilot advisories should be noted on the slip provided with the flight log.

Part 4.0 - FUEL

4.1 *General*

4.1.1 During business hours fuel and oil for MAG aircraft at MB is purchased from our current fuel contractor and charged to MAG on account.

4.1.2 After hours, fuel for MAG aircraft may also be purchased from the current fuel contractor at MB by using the swipe card stored in the MAG box. It must be used only for MAG aircraft at MB.

4.1.3 After adding fuel after hours, leave the fuel receipt in the MAG box, endorse the aircraft MAG Flight Log with the fuel quantity added and indicate "A/H".

4.1.4 Claims for reimbursement of fuel and oil expenses must be accompanied by receipts and should be sent to the Financial Director before the end of the month. Details should also be recorded on the MAG Flight Log. Reimbursements will be based on the MB contract price.

4.1.5 Reimbursement claims will not be accepted more than two months after the date of return to MB.

4.2 *Wet Rates*

4.2.1 Wet rates will be charged for single periods of hire that result in less than ten hours of chargeable time.

4.2.2 Fuel and oil purchased away from MB is paid for by the Member and reimbursed according to 4.1.4 and 4.1.5

4.3 *Dry Rates*

4.3.1 Dry rates are available for single periods of hire with at least ten hours of chargeable time with the exception of "Angel Flights" that will be charged at actual hours used. The Member must pay for all fuel added during the trip. Oil is part of the dry rate and will be refunded after receipts are forwarded to the Financial Director.

4.3.2 Record fuel and oil added prior to departure and whether to tabs or full. Ensure that the aircraft is refuelled to the same level on return. The Member should pay for the return fuel directly to the fuel supplier. Enter the fuel quantity added on the MAG Flight Log and "paid/dry". If returning after hours, use the swipe card, record the fuel added and "A/H dry".

4.3.3 The Finance Director has the authority to change the charging basis between Wet and Dry for a particular flight if there is uncertainty about fuelling details or the information supplied or if it is apparent that the normal basis will not result in an equitable charge.

Part 5.0 - MAINTENANCE

- 5.1 MAG aircraft are maintained in accordance with the CASA schedule 5. This requires some procedures and Airworthiness Directives to be completed by specified dates or TTIS that are often unrelated to scheduled 100 hourly inspections.
- 5.2 The Maintenance Director will endeavour to advise members of impending maintenance that may affect bookings.
- 5.3 The Maintenance Director is responsible for authorizing maintenance for MAG aircraft and should be notified in the event of aircraft unserviceability. If contact cannot be made, another director may authorize maintenance.
- 5.4 Where practicable repairs/maintenance required away from MB may only be effected when authorized by a MAG Director unless necessary for the protection of the aircraft from an immediate risk.
- 5.5 After hours repairs will be effected if requested by a member provided the member concerned agrees to pay any additional costs for the afterhours component of the repair.

Part 6.0 - OWNERSHIP

- 6.1 Every Member agrees to own the same number of shares in MAG.
- 6.2 A pilot wishing to join MAG may only purchase a number of shares equal to the number of shares held by the other members. The consideration for the shares is a matter of negotiation between the buyer and seller.
- 6.3 The Company Secretary will on request provide Members with a copy of the last published company accounts and details of recent share sales.
- 6.4 The Financial Director will on request advise Members the approximate cash position of MAG and timing of foreseeable future major maintenance.
- 6.5 A pilot wishing to purchase MAG shares must provide written evidence of licenses, ratings and experience. These pilots must undertake a flight with a qualified instructor and/or a MAG Director to familiarize themselves with MAG aircraft. The Directors may at their discretion determine that a prospective member is unsuitable and refuse to register a share transfer.

- 6.6 Up to four (4) pilots may be permitted to use MAG aircraft as Supernumeraries subject to the same conditions as incoming Members as per Clause 6.5 above. In these cases the Supernumerary will deposit an amount of money equal to the last share sale, plus a non-refundable joining fee. The refundable deposit money will be held by MAG until either the Board or Supernumerary terminates the arrangement or the Supernumerary requests that the deposit money be applied to a share purchase agreed to by a Member. Supernumeraries failing to buy shares on two occasions shall be required to increase their amount held by MAG to maintain parity with the last sale.
- 6.7 Members leaving the group are responsible for finding purchasers for their shares. Members are responsible for all charges incurred until share transfer forms, signed by both parties are received by the Company Secretary.
- 6.8 Members leaving MAG must return all MAG property including the locker keys to the Company Secretary.
- 6.9 The Board can refuse to refund a Supernumerary deposit or approve the registration of a share transfer if MAG property or charges are outstanding.
- 6.10 Pilots buying shares from outgoing Members without first being a supernumerary are required to pay a non-refundable joining fee. Supernumerary pilots buying shares are not liable to a second joining fee.

Part 7.0 - FINANCIAL

- 7.1 Accounts may be issued at the end of every month or other intervals at the discretion of the Board. Members are requested to pay accounts within 14 days of the date of the account.
- 7.2 Accounts must be paid by cheque payable to MAG or by electronic transfer into the MAG account. A shareholder is fully responsible for the sole payment of invoices generated in his or her name. A late payment fee is charged if full payment is not received by the last business day of the month in which the account is due.
- 7.3 The main charges are the fixed levy and flying charges. Other costs include capital raising, late payment penalties, charges incurred from airport operators & other service providers, hire of equipment, after hour repairs, repairs and insurance excesses resulting from damage that is not fair wear and tear.
- 7.4 The fixed levy pays for insurance, FAC General Aviation Infrastructure Tariff and the general expenses of running the company. It may also include an allowance for some or all of the capital cost of aircraft or equipment purchase, replacement or refurbishment.

- 7.5 The annual levy must be paid for each calendar year invoiced at the end of July for payment in the following August.
- 7.6 Flying rates are calculated to cover the direct operating costs of MAG aircraft. The current method for recording use for each aircraft will be recorded on the MAG Flight Log.
- 7.7 Changes to flying rates will be advised by MAG newsletter or other means ASAP.
- 7.8 Airservices Australia (ASA) Landing, En-route, and Met charges may be included in hourly rates. This is dependent on MAG aircraft remaining on the light aircraft option contract. Should a contract not be viable at any time, a fee for service will be added to the monthly invoice. Accounts from other privately owned airports for landing/access charges will be forwarded to the responsible member for direct settlement.
- 7.9 In the event of an accident or incident involving damage to MAG aircraft due to failure to exercise proper care, the Member will be required to meet the full cost of repairs if this cost is less than the excess payable on the current insurance policy.
- 7.10 In the event of an accident or incident involving damage to MAG aircraft due to failure to exercise proper care and there is an insurance claim, the Member will be required to meet the full cost of the insurance excess payable plus a sum equal to the loss of no claim bonus.
- 7.11 Members agree to be responsible for all costs (e.g. flying rates, ferry costs, landing/parking charges etc) incurred by MAG aircraft until returned to MB unless the costs are a result of aircraft unserviceability not attributed to pilot negligence.
- 7.12 All rates and charges may be reviewed by the Board without prior notice.
- 7.13 Members are responsible for familiarizing themselves with the terms and conditions of the MAG insurance policy and arranging any additional cover they may require.
- 7.14 A Member that unintentionally and/or negligently causes damage to an aircraft, is responsible for the cost of repairs to the aircraft. Additionally, should it be necessary for an insurance claim to be made, then the Member is also responsible for the Company's Insurance Excess Fee and any loss of any of the Company's No-Claim Bonus.

Part 8.0 – ASSET REPLACEMENT

- 8.1 MAG has determined that it will replace each aircraft in the fleet approximately every TEN years on average. The staggering of aircraft replacement is

- intended to both limit the size of calls on members and also to spread the effort required to transact aircraft.
- 8.2 The financing of MAG aircraft acquisitions will be made through proceeds of sale (or insurance payout in the event of a loss) and funding calls on members for any difference needed. The Board will secure all the funds required for an aircraft purchase (including the amount needed to re-build reserves to the correct levels given the prospective aircrafts engine and propeller times to overhaul) prior to signing any purchase agreement.
 - 8.3 Approaching the time for an aircraft replacement, the Board will estimate the size of the call likely to be needed and forewarn members of the amount and likely timing.
 - 8.4 In the event of the complete loss of a MAG aircraft, the Board will endeavour to secure a rental aircraft for the group for a period of time whilst a new aircraft is researched and acquired. If possible, a rental aircraft of a type similar to that which is proposed to be acquired will be secured.

Part 9.0 - GENERAL

- 9.1 MAG aircraft are not permitted to be taken beyond the limit of the Australian continental shelf without written authority of the Board.
- 9.2 Members are responsible for correctly securing the aircraft in accordance with the pilot's operating manual, fitting of all locks and security devices and refitting of covers and bird bungs. Always use MAG stakes and ropes as appropriate. At MB use MAG marked parking bays. If other aircraft have occupied these bays, park in the closest free position.
- 9.3 Return headsets, toolkits, lifejackets and other MAG equipment to the MAG box on completion of flights.
- 9.4 Spare keys are wired inside the cowls and are for emergency use.
- 9.5 Supernumeraries are welcome to attend annual general meetings as observers, but do not have the rights of shareholders.
- 9.6 Members agree to provide details in writing of licenses, ratings, aeronautical experience and any other relevant information that may be required by the Board in the management of MAG.
- 9.7 Whenever one of the aircraft is to be left unattended (no matter how long), all security devices are to be locked and the keys taken away. Failure to meet this requirement will render the individual member liable for any legislated or statutory penalties.

Appendix A

Flight Log Entry Requirements

Pilot's Name	Use block letters
Flight Details	Note the following when relevant: <ul style="list-style-type: none">- IFR (if the flight is IFR).- L (if local flight).- Route of planned flight.- DRY (if on DRY rates – See part 4.3.2).- Airwork details.
Date and Time	Record the date and local time (eg 1330) on departure and return.
Tacho/Airswitch Readings	Write down the tacho readings (NBE) or the airswitch readings (CXZ). Note that the tacho reading on NBE is in hours and hundredths of an hour (eg 28.16 hrs) while the CXZ Airswitch readings are in hours and minutes (38:58 – 38 hours 58 minutes).
Fuel	If fuel is added on departure and/or on return, then the amount of fuel added must be recorded and the Full, Tabs or Other circled as appropriate. An accurate record of fuel added must be made to provide a valuable check for following Members and a cross check on fuel accounts. If oil is added on departure or return, the amount added must be recorded.
No of Landings	The number of landings must be accurately recorded.
Initials	Initial the record on completion and checking.

An example of typical flight log entries is given in Appendix B

Appendix B

Typical Flight Log Entries

Show tacho hours in decimals for NBE												
Pilot's Name <small>(Block Letters)</small>	Flight Details <small>(use abbreviations - L = Local) Note if dry rate</small>	Enter line 1 <small>on departure, line 2 on return</small>	Date <small>(Local)</small>	Time <small>(Local 24 hour clock)</small>	Tacho Reading <small>Hrs</small>	Tacho Time Elapsed <small>Hrs</small>	Litres			No. of Land- ings	Init- ials	
							Purchased					
							Fuel	Oil				
NBE	A.NOVICE	L	Departure	29-Feb	10:00	28.16		-	Full Tabs Other	-		
			Return	29-Feb	11:00	29.03	0.87		Full Tabs Other		1	A.N
	FRED NERKS	YMEN - MB circuits	Departure	1-Apr	13:00	51.16		47	Full Tabs Other	1		
			Return	1-Apr	15:00	52.93	1.77		Full Tabs Other		4	F.N
Show airswitch hours and minutes for CXZ - think - from 60 !!												
Pilot's Name <small>(Block Letters)</small>	Flight Details <small>(use abbreviations - L = Local) Note if dry rate</small>	Enter line 1 <small>on departure, line 2 on return</small>	Date <small>(Local)</small>	Time <small>(Local 24 hour clock)</small>	Airswitch Reading <small>hh mm</small>	Airswitch Elapsed <small>hh mm</small>	Litres			No. of Land- ings	Init- ials	
							Purchased					
							Fuel	Oil				
BJZ	RICHARD HEAD	IFR - YBAS - DRY	Departure	9-Apr	8:00	18:25		140	Full Tabs Other	3		
			Return	16-Apr	17:00	38:58	20:33.	Paid/dry	Full Tabs Other		7	R.H
	IVAN EGO	IFR - EN/LS - YMAV	Departure	16-Apr	20:00	38:58			Full Tabs Other			
			Return	16-Apr	21:55	40:36	1:38		Full Tabs Other		1	I.E
Enter fuel and oil when added												
Circle tabs or full as required												
Refer Service Agreement sections - 3.2 and 4.3.2 for further detail												