

CONTRACT No.02/18/40

1. INTRODUCTION

1.1. **State joint stock company “Latvijas gaisa satiksme”**, VAT reg. No.LV40003038621, with the place of business in Muzeju iela 3, Lidosta “Rīga”, Mārupes novads, LV-1053, Latvia, hereinafter referred to as LGS, represented by Chairman of the Board Mr. Dāvids Tauriņš and Member of the Board Mr. Elmārs Švēde from one side, has decided to enter into a contract, hereinafter referred to as the Contract, with **Serbia and Montenegro Air Traffic Services SMATSA Llc** (hereinafter referred to as SMATSA), VAT reg. No.103170161, with the place of business in Trg Nikole Pašiča 10, 11000, Belgrade, Serbia, hereinafter referred to as Flight Inspection Provider, represented by CEO Predrag Jovanovic, from another side, to perform the flight inspection of air navigation aids in Latvia in 2018/2019, starting from contract signing day. LGS and Flight Inspection Provider are hereinafter referred to as “the Parties”.

1.2. Annex 1, which is an integral part of this Contract, describes the specified extent and nature of the flight inspection work to be performed. If the nevoid installations change, Annex 1 may be amended by mutual consent between the Parties without such modification constituting a breach of the Contract. Should such amendments of Annex 1 be made, such amendments shall be agreed between the Parties in written form no less than 10 days prior to the commencement of the desired schedule.

1.3. The purpose of the above mentioned flight inspection is to determine if the air navigation aids meet the standards and requirements as stated in ICAO Annex 10 for safe navigational use.

2. SPECIFICATION STANDARDS

2.1. The flight inspection service shall be conducted in accordance with flight inspection procedures, specified within RFP and standards, which are in accordance with ICAO doc 8071, ICAO Annex 10. These standards, as well as the parameters to be measured are listed in the Flight Inspection Provider’s Operating Manual for Flight Inspection. Those materials are open and can be copied by LGS upon request and shall be handled in accordance with commercial confidence. The Latvian Civil Aviation Authority’s Approval No.01-8/1806 of Flight Inspection Provider dated 29th of December, 2017 is part of this Contract as Annex 2. The National Civil Aviation Authority’s Aerial Work Operator Permit RS 111 including Operation Specification dated 12.04.2017., is part of the Contract as Annex 2.

2.2. Flight Inspection Provider will perform the flight inspection with crew of sufficient knowledge and experience and with equipment of appropriate standard and functionality. The aircraft shall be fully equipped for the flight inspection and for safe conduct of positioning flights.

3. SCOPE AND PURPOSE

3.1. The flight inspection shall consist of flight procedures and measurements to determine if the operational performance of the air navigation aids in Latvia meet the requirements in ICAO Annex 10 for safe navigational use by aircraft. The navigation aids agreed to be flight inspected, periodicity and the procedures of the inspection is given in Annex 1, as well as in Tender Invitation Annex 2 - Technical Specification, which is an integral part of this contract.

3.2. Flight Inspection Provider shall perform the flight inspection of the air navigation aids given in part A of Annex 1. Maximum contract price shall not exceed **EUR 230 631,70 EUR (two hundred thirty thousand and six hundred thirty one euros and 70 cents)**, including price for options specified in Annex 1 and extra charges specified in Annex 1 (items 1.10 up to 1.15), and is dependent upon actual services requested. The Scope of Flight Inspection may be altered or extended based on mutual agreement. The total Contract Price does not include any value added taxes or customs duties, or any other duties or taxes levied by the Client's country, all of which are the responsibility of the Client.

3.3. Latvian State Authority approvals for all radio transmission devices utilized during inspection shall be received at Flight Inspection Provider's own expenses.

4. FLIGHT INSPECTION SCHEDULE

4.1. The flight inspection of the navigation aids is to be scheduled according contract Annex № 1 in close co-ordination and communication between the Parties.

4.2. The specific dates of execution of scheduled flight inspection is to be specified by Flight Inspection Provider with appropriate advance notice and is to be confirmed and approved by LGS without undue delay. Changes are only to be made in written form signed by both the Parties.

4.3. LGS will advise Flight Inspection Provider in due time of their need for any non-scheduled flight inspection, and the desired nature of such flight inspection.

5. GENERAL FLIGHT INSPECTION CONDUCT

5.1 Flight Inspection Provider shall be responsible for recording the measurements of each navigation aid according to their approved practice, including all relevant parameters to assess the performance of the navigation aid under test.

5.2 One representative of LGS can be present on board the flight inspection aircraft as coordinator and general observer of the proceedings.

5.3 Flight Inspection Provider's flight inspector should on-fly, after each performed flight inspection procedure, notify the ground LGS personal in case of any general parameters of inspected nav aids is shifted from nominal more than 20% of the corresponding alarm limit defined within ICAO Doc. 8071 4th edition. In case when above specified situation appears LGS reserve the right to request Flight Inspection Provider's flight inspector to repeat procedure after nav aids adjustments, taking into account charge rates in Annex 1.

- 5.4 A briefing and a de-briefing session shall be held between relevant representatives of the Parties before and immediately after the completion of the flight inspection mission, respectively, to analyze and discuss the results and follow-up actions as required. Flight Inspection Provider's flight inspector during debriefing shall submit the preliminary flight inspection reports, filled and signed, as well as print-outs and recorded files with flight calibration data for each inspected navaids to the LGS representative person. The report shall contain information regarding already performed adjustments and advisory information about the status of the navigation aids. Suggestions and recommendations for corrective actions and possible improvement of the performance of the navigation aids shall be included as appropriate.
- 5.5 Within two week after debriefing Flight Inspection Provider's shall submit the complete set of flight inspection reports, recorded data files and Work Acceptance Protocol, the form of which is Annex 3, as reference to confirm that scope of work for current flight inspection mission is performed according to the present contract.
- 5.6 LGS reserves a right to submit to Flight Inspection Provider reclamations with regard to the performed flight inspection mission reports and data. In case when any reclamation will be defined by LGS, all of them should be submitted to Flight Inspection Provider in writing not later than 14 days since reception of flight inspection reports and data.
- 5.7 Flight Inspection Provider should take into account all reclamations. The final version of reports and amount of data should be agreed by both of the Parties and submitted by Flight Inspection Provider to LGS without delay.
- 5.8 LGS reserves a right not to pay the sum for performed mission until Flight Inspection Provider has submitted corrected versions of flight inspection reports and data.
- 5.9 In case LGS within 14 days from the date of reception of flight inspection report has not submitted any reclamation with regard to received reports and data contents, it should sign the Work Acceptance Protocol and shall pay for the performed mission in accordance with Payment Terms of this Contract.

6. FLIGHT INSPECTION PROVIDER'S RESPONSIBILITIES

- 6.1 Flight Inspection Provider shall provide:
- a) Latvian CAA permission to perform flight inspections of navaids.
 - b) Flight inspection aircraft with necessary on-board flight inspection equipment.
 - c) Qualified pilots and flight inspection crew to operate aircraft and equipment.
 - d) Facilities for providing provisionally printouts of results.
 - e) Airborne element of VHF radio set for communication with LGS ground personnel.
 - f) Perform ILS inspections with local area DGPS system, requiring only a local technician to operate the ILS during test.
 - g) Perform VOR/DME Calibration "on-the-fly" without surface based assistance except a local technician to operate the VOR/DME during test.
 - h) To facilitate LGS with the possibility to printout flight inspection data from flight inspection software program.

- i) Perform flight inspection data recording according LGS Technical Specification paragraph 4.12. to facilitate data integration to EUROCONTROL DEMETER software and ENAC ATOLL/LAGON software.
- j) necessary geographical co-ordinates for flight inspection reference systems placement on LGS sites.
- k) Latvian State Authority approvals for ground based radio transmission devices utilised during inspections at his own expenses. The copy of such approval shall be e-mailed to Head of LGS Navigation Division.

6.2 Flight Inspection Provider shall be responsible for:

- a) All expenses outside and inside Latvia such as overflying, landing, fuel, de-icing, parking and any aerodrome services or charges and etc.
- b) The adherence to ATC clearances and regulations while operating inside Latvian air territory.
- c) Without any delay notify LGS in writing in case any changes have been made within the Latvian or National Approval of Flight Inspection Organization, Flight Inspection Equipment calibration Certificate, Manual's specified within approval, National Registration Certificate, National VAT Registration Certificate, ISO 9001 Certificate.
- d) In the case of non-weather, traffic and/or nav aids malfunctions delays, complete the inspections within the followings periods:
 - One ILS Cat I/II including DME annual inspection – 3 hours,
 - One ILS Cat I/II including DME routine inspection – 2 hours,
 - One VOR/DME annual flight inspection – 2 hours.

7. LGS RESPONSIBILITIES

7.1. LGS shall provide:

- a) Qualified person for administrative support, flight clearances and co-ordination of the airborne and the ground based element of flight inspection of the navigation aids.
- b) Preparation and readiness of navigation aids to be flight inspected on scheduled dates.
- c) 3D WGS-84 geographical co-ordinates with sufficient accuracy of thresholds and navigation aids to be flight inspected.
- d) Qualified ground personnel for adjustment of navigation aids during flight inspection.
- e) Ground based element of VHF radio set for communication between aircraft and ground personnel.
- f) Clearances as necessary for efficient conduct of the flight inspection.
- g) Compliance with all elements of the payment terms as specified in paragraph 8 and Annex 1.

8. FINANCIAL ARRANGEMENTS

8.1 Remuneration:

For the work as described in the preceding (paragraph 1 – 7) and further as specified in Annex 1, Flight Inspection Provider shall receive an appropriate remuneration as specified in Annex 1. Should the number and/or category of nav aids change during the tenure of the Contract, Annex 1 shall be modified accordingly by written consent between the Parties.

8.2 Payment terms:

- a) All payments for performed flight calibration missions should be based on the prices specified within Annex 1 to this contract, where cost is given in EUR.
- b) Each payment shall be paid within 15 calendar days after Parties have signed the Work Acceptance Protocol and invoice is received by the LGS.
- c) Prices in Annex 1 include domestic and international positioning, landing, fuel, deicing and parking costs, crew costs, surface transportation, navigation charges etc.
- d) Reasonable weather delays are included in the prices in Annex 1.
- e) All commissioning calibration as depending on traffic and weather delays shall not be a subject to additional charges and are included in the rates in Annex 1.
- f) All flight inspection procedures additionally performed or repeated upon request of LGS representatives are the subject for extra charges in accordance with prices specified within Annex 1.
- g) Re-inspections becoming necessary due to faulty or malfunctioning nav aids, or similar circumstances beyond Flight Inspection Provider's control, will be charged additionally according to rates under Annex 1.
- h) The Parties agree that the invoice for any contractual payment may be scanned and delivered electronically to the LGS e-mail address: lgs@lgs.lv. The original invoice will be sent to the LGS via the regular mail.

9. INSURANCE

9.1. The flight inspection aircraft, equipment and personnel are covered by normal insurances used for commercial air operations of the present nature per international practice and agreements. The insurances are upheld and paid for without cost to LGS.

10. REPRESENTATIVES AND/OR SUBCONTRACTORS

10.1. Flight Inspection Provider shall be free to appoint representatives, local or otherwise, which may, on behalf of Flight Inspection Provider, co-ordinate with LGS to arrange logistics and mission schedules.

10.2. Flight Inspection Provider shall also be free to subcontract all or part of the work, assuming always the responsibility for the overall standard and quality as described in previous chapters of this Contract. The subcontractor shall receive permission from Latvian CAA to perform flight inspection works.

10.3. Flight Inspection Provider shall advise LGS and ask their approval of such intended arrangement prior to the commencement of the work. LGS shall respond prior to the commencement of the work.

11. MODIFICATIONS

11.1. This Contract including Annex 1 constitutes the whole and complete agreement between the Parties. Alterations, additions and amendments may only be made if agreed between the Parties.

12. NON-DISCLOSURE

12.1. Any information disclosed by Flight Inspection Provider to LGS and/or its representatives with reference to the flight inspection equipment, its procedures and performance are not to be disclosed by LGS and/or its representatives to other entities unless authorized by Flight Inspection Provider, excluded certification of Flight Inspection Provider in Latvian Aviation Administration.

12.2. Flight Inspection Provider shall not disclose any information about the status and performance of navigation aids obtained during the missions in Latvia to other entities.

13. LIABILITY

13.1. Flight Inspection Provider shall be liable for damage to property caused by negligence on the part of Flight Inspection Provider, or its employees, or its subcontractors. Flight Inspection Provider's liability for damages payable to LGS for such damage to the property of LGS or to the property of a third party shall only cover compensation for direct loss.

13.2. If LGS fails to fulfil its obligations within the agreed payment schedule, then from fifth day from the agreed day of payment LGS shall pay the contractual penalty fee of 0,5 % of the delayed payment for each day of delay. The penalties for delay shall not exceed 10 % of the total contract price.

13.3. If Flight Inspection Provider fails to fulfil its obligations within the agreed time Schedule or fails to fulfil its obligations set out in Article 5.5, then Flight Inspection Provider shall pay the contractual penalty fee of 0,5 % for each day of delay. The penalties for delay shall not exceed 10 % of the total contract price.

13.4. If Flight Inspection Provider knowingly fails to fulfil its obligations within the agreed schedule and has reached the maximum amount of the contractual penalty fee, then LGS has the right to terminate the present Contract 10 (ten) days after written notice given to Flight Inspection Provider.

14. ORDER TO ENSURE SAFETY AND QUALITY REQUIREMENTS IN PUBLIC PROCUREMENT

14.1. Flight Inspection Provider shall ensure setting up an occurrence reporting system and delivery of reports to LGS about the provided service.

14.2. Flight Inspection Provider shall ensure a full investigation of all occurrences and submission of the final report to LGS.

14.3. Flight Inspection Provider shall allow LGS to audit the safety and quality of the provided services in compliance with the Commission Implementing Regulation (EU) No 1035/2011 of 17 October 2011 laying down common requirements for the provision of air navigation services.

15. RELATIONS

15.1. The Parties shall at all times conduct themselves in a business-like and considerate manner during the implementation of the Contract. Any dispute arising out of this Contract shall be settled amicably between the Parties, otherwise, shall be referred to regular institutions for settlement.

16. DURATION AND TERMINATION

16.1. Term of duration

The Contract shall come into force on the date of signing and shall remain in force until the full completion of flight inspection resultant from the paragraph 3 and until the settlement of other liabilities resultant from this Contract by the Parties.

16.2. Termination

- a) This Contract may be terminated at any time, if agreed by both Parties, for the purpose of establishing a new form of contractual relationship between the Parties in the field of equipment and/or services for navigation aids flight inspection.
- b) This Contract may be terminated by either Party in case of the other Party's failure to fulfill its obligations under this Contract and such failure not having been remedied or made good within thirty days of notice by the first Party.

17. FORCE MAJEURE

17.1. Neither of the Parties shall be considered in default in performance of their obligations under this Contract if such performance is prevented or delayed because of war, hostilities, revolution, civil commotion, strikes, lock-outs, accidents, fire, winds, floods, earth-quakes or because of any law or order, proclamation, regulations or ordinance of any government or of any sub-division thereof, or for any other reason reasonably beyond the control of the Party thereby affected provided notice in writing of any such cause with necessary evidence that the Contract obligation thereby affected or prevented or delayed is given within fourteen days of the happening of the event and in case it is not possible to serve the notice within the said period of time, then within the shortest time possible without delay.

17.2. As soon as the cause of force majeure has been removed the Party whose ability to perform its obligation has been thereby affected shall notify the other Party of such discontinuance and inform the other Party stating in such notice the actual delay incurred in such affected activity.

18. DISPUTE

18.1. Any dispute arising in the execution or performance of the present Contract shall be settled through amicable consultations between both Parties.

18.2. If the parties will not come to an agreement about solution of disputes or differences during 30 working days in the way of discourse, any dispute, differences or claim that is consequent to this Contract, affect it or its contravention, termination, modification, translation or validity and/or invalidity, will be referred to the court of the Republic of Latvia according to regulations and legislation of Latvia.

19. GOVERNING LAW

19.1. This Contract as well as the questions arising out of or in connection with the present Contract are governed and constructed in accordance with the laws of Republic of Latvia.

20. SIGNING

20.1. This Contract is produced as 2 (two) original copies in the English language. Each party has one copy. Each original copy consists of 7 (seven) pages including 20 (twenty) pages of annexes No.1, 2 and 3.

Signing for and behalf of:
SJSC „Latvijas gaisa satiksme”
VAT reg. No. LV 40003038621
Bank: AS „SEB banka”
Account No. (EUR):
LV20UNLA0003029070855
S.W.I.F.T. UNLALV2X

Signing for and behalf of:
SMATSA Llc
VAT reg. No. 103170161
Bank: Banca Intesa AD Beograd
Account No (EUR).
00-501-0001380.8
IBAN: RS35160005010001380863
S.W.I.F.T. DBDBRSBG

(signature)
Chairman of the Board
Mr. Dāvids Tauriņš

(signature)
Member of the Board
Mr. Elmārs Švēde

Place: Marupe Municipality
Date: March 15th,2018

(signature)
CEO Predrag Jovanovic
Place: Belgrade

Date: March 20th,2018.