

-----Original Message-----

From: Rich Neill [mailto:rich.neill@magellan.aero]

Sent: 02 August 2006 13:21

To: FAIRBAIRN, Jim

Cc: Brian Little; Jim Butyniec

Subject: Your Negotiations with Magellan UK and MOU2

Jim I have been attempting to call you without success getting nothing but busy signals to a mobile no . It may be caused by the Canadian end since we are suffering from "congestion" at least that's what the Blackberry says !! . I regret I do not have your land line number maybe you can reply with that..... so the next best is E mail. To explain the time we are taking to get the sign off ; We are working diligently to achieve all the approvals s internally and in Brian's defence he is doing his best to push this thru urgently to achieve resolutionASAP. Reasons for the slowness are tied to the need to get our Board on side given the length and the nature of the contract being negotiated . There is a view within the Board that the Moore's deal did not work for us as planned and hence we are getting additional scrutiny on this amendment From management's viewpoint we want to get this in place asap since we see this as an additional step forward in our relationship with Airbus . So I hope you will be patient as we go thru this process When I get our no,I will call Thanks Rich

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From: Brian Little <litbr@magellan.com>
Sent: Thursday, August 3, 2006 8:49 PM
To: Rich Neill <rich.neill@magellan.aero>
Subject: FW: Your Negotiations with Magellan UK and MOU2

rich please discuss - this is much worse than i had understood from Phil / the telecon - I know Jim well enough to know that email was not crafted quickly and is based on a number of people"s input regards brian

From: FAIRBAIRN, Jim [mailto:jim.fairbairn@airbus.com]
Sent: 03 August 2006 08:57
To: Rich Neill
Cc: Brian Little; Jim Butyniec; BURNS, Paul L; VANDERSTEEN, Steve; PRICE, Simon
Subject: RE: Your Negotiations with Magellan UK and MOU2

Rich.

I had my mobile on most of the time yesterday, but switched off during the flight to and from our Chester facility.

My office landline is UK 1179-364176, my home number is UK 1454-778414 and my mobile UK 797-134-2796.

The delay in agreeing to our letter and the comments below cause us considerable concern. I cannot understand the comment regarding the length and nature of the contract being negotiated. Our contracts and MOU were negotiated over 2 years ago, there is no suggestion on our side that the principles are to be amended merely a degree of detail. Your comments that the Moores deal did not work for Magellan suggests a possible re think by Magellan of all the existing arrangements.

Airbus has worked diligently with Magellan. We have provided Magellan with opportunity after opportunity to bid for additional work.

In many instances Magellan have been successful, to the extent that there is no disagreement that the requirements which trigger the additional work discount in the MOU have been fully met.

We have protected Magellan at our own cost for the increases in material.

The performance of Magellan and particularly the Moores site has caused enormous problems and cost to Airbus, and continues to do so today.

We have worked hard in particular with Brian to achieve a win win scenario in what has been a very difficult time for Airbus.

Airbus are under substantial pressure to continue to reduce cost. To have price increases on Airbus and Hawker work worth in excess of \$4m at the current time is not something we view with relish.

On top of that we have not sought to impose the full weight of liquidated damages that could have been applicable because of the Magellan performance, and our costs are far above the sums that liquidated damages could possibly recover.

We have had to place our own people within Magellan to ensure that the focus necessary to meet deliveries was maintained.

Additionally we have suggested that provided we can achieve cost reductions offsetting the price increases then we will waive our rights to the additional work discount.

It is our view, which we know that Brian and his team share, is to now ensure that sufficient resources are given to drive down costs. That is the only way to go forward and to do so jointly in a totally open manner. Against that background perhaps you can understand our concerns over what we thought was reasonable and that we were in agreement with the full Magellan board.

Without any agreement on the way ahead we cannot progress the invoice already received for the £200k.

I hope you understand our concerns as we do not appear to know where we are going with Magellan, when we had already thought we were in full agreement.

Regards
Jim Fairbairn
Commercial Manager