PAL AEROSPACE STANDARD PURCHASE ORDER TERMS AND CONDITIONS

General Information:

This document establishes terms of purchase and sale of goods and/or services between PAL Aerospace Ltd. and its Suppliers as well as the Standard Quality Provisions guidelines for use in production of PAL Aerospace Products. The supplier is responsible for complying with the general requirements outlined in this document and specific requirements identified in the corresponding purchase order.

The following definitions will be used throughout this document:

> **PAL Aerospace:** PAL Aerospace Ltd, a Canadian corporation, or a subsidiary or affiliate thereof who has issued a purchase order for (or has otherwise arranged to purchase) goods and/or services from the Supplier.
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> **Supplier:** A business that provides materials, parts, assemblies, subassemblies, systems, subsystems or services pursuant to the purchase order.
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> **Sub-Tier Supplier:** A business that provides materials, assemblies, subassemblies, subsystems or services to the Supplier for PAL Aerospace orders.

PAL Aerospace Purchase Terms Binding: The Supplier agrees to sell and PAL Aerospace agrees to purchase the goods and/or services provided by the Supplier in accordance with these PAL Aerospace Standard Purchase Order Terms and Conditions. The purchase of goods and/or services by PAL Aerospace shall not be bound by any of the Supplier's conditions of sale, notwithstanding reference to them in any document, unless duly executed by an authorized representative of PAL Aerospace. However, should a court find that other conditions apply to the supply of goods and/or services by Supplier to PAL Aerospace, then in the event of any conflict or apparent conflict between these and those terms and conditions, these PAL Aerospace Standard Purchase Order Terms and conditions shall always take precedence. **ANY ORDER ACKNOWLEDGMENT, PARTIAL DELIVERY OF GOODS, OR FULL DELIVERY OF GOODS AND/OR SERVICES TO PAL AEROSPACE IN RESPONSE TO A PAL AEROSPACE PURCHASE ORDER SHALL BE TAKEN TO IMPLY THAT THE SUPPLIER HAS ACCEPTED THESE TERMS AND CONDITIONS.**

Industrial and Technological Benefits (ITB) Policy: PAL Aerospace is a leading Canadian aerospace company and a leading defence contractor. PAL Aerospace champions and advances Innovation, Science and Economic Development Canada's Industrial and Technological Benefits Policy by proactively engaging with organizations to support PAL Aerospace's current and/or future ITB obligation(s) on current and/or future Government of Canada defence contract(s). PAL Aerospace may require organizations to identify the Canadian Content Value (CCV) of goods and services provided to PAL, in addition to other documentation, as required under the ITB Policy.

The Supplier is required to provide, on each invoice, the percentage of Canadian Content Value (CCV) (1) as described by the Government of Canada's Industrial & Technological Benefits (ITB) Policy (2), associated with the goods and/or service being invoiced. The buyer reserves the right to request further information to support reporting requirements to the Government of Canada under the ITB Policy including a Certification of Compliance related to the calculation of CCV. (1) CCV is defined in Section 9 of the ITB Model Terms and Conditions published by Innovation, Science, and Economic Development Canada (ISED). The Supplier is required to provide, on each invoice, the percentage of Canadian Content Value (CCV) (1) as described by the Government of Canada's Industrial & Technological Benefits (ITB) Policy (2), associated with the goods and/or service being invoiced. The

buyer reserves the right to request further information to support reporting requirements to the Government of Canada under the ITB Policy including a Certification of Compliance related to the calculation of CCV.

(1) CCV is defined in Section 9 of the ITB Model Terms and Conditions published by Innovation, Science, and Economic Development Canada (ISED): https://ised-isde.canada.ca/site/ised/en/procurement-services/defence-and-marine-procurement/industrial-and-technological-benefits-itb/itb-toolkit/itb-model-terms-and-conditions

(2) Details on the ITB Policy can be found here: https://ised-isde.canada.ca/site/ised/en/procurement-services/defence-and-marine-procurement/industrial-and-technological-benefits-itb/industrial-and-technological-benefits-policy

Modern Slavery: By providing goods and/or services to PAL Aerospace, the Supplier is confirming that it does not and will not employ any use of "child labour" or "forced labour" in its operations and has not identified the use of "child labour" or "forced labour" in the operations of any part of its supply chain in respect of any goods or services being provided to PAL Aerospace, as those terms are defined in Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act*.

Supplier Personnel Requirements: By providing goods and/or services to PAL Aerospace, the Supplier is confirming that all personnel have the required competency and qualifications to perform their duties within the Supplier's organization in relation to the order. In addition, the Supplier shall ensure that all personnel are aware of their contribution to product safety, product/service conformity, and the importance of ethical behaviour.

Ethics Statement: PAL Aerospace values relationships that are grounded in a shared commitment to performing in accordance with the highest standards of professional business conduct and encourages all suppliers to implement an effective ethics program, including adopting a written code of conduct. In performance of any Contract, both PAL Aerospace and the Supplier must conduct themselves in a manner consistent with the principles expressed in the Defence Industry Initiative Model Supplier Code of Conduct available at: https://www.dii.org/resources/featured-tools-all/supplier-code-conduct.

Specifications, Revision Control, Part Substitution: All articles ordered to PAL Aerospace specifications shall comply with such drawings and/or specifications current as of the purchase order unless otherwise specified by PAL Aerospace. Part substitution is not authorized without PAL Aerospace's prior written consent, including part number, description and drawing revision, where applicable.

Changes: PAL Aerospace may at any time by written order make changes or additions within the general scope of this purchase order in or to drawings, designs, specifications, and instructions for work, methods of shipment or packing, or place of delivery. If any such change causes an increase or decrease in the cost of or the time required for performance of this purchase order, Supplier shall notify PAL Aerospace in writing immediately and an appropriate equitable adjustment will be made in the price or time of performance, or both, by written modification within fifteen days after Supplier's receipt of notice of the change or within such other period as may be agreed to in writing by the Parties. Nothing herein shall excuse Supplier from proceeding with the purchase order as changed.

Changes to Product or Process by Supplier: Changes to design, materials, processes, or manufacturing location shall not be implemented without written approval by PAL Aerospace. Written notification is required for any significant changes to Supplier's Quality Management System (QMS) on record at the time of approval, Certification Status, Management location or ownership. The Supplier's system shall assure that the latest applicable drawings, specifications, technical requirements, purchase order information, and changes thereto will

be available at the time and place of Supplier's acceptance of material. All changes shall be processed in a manner which will assure incorporation on the affected supplies at specified affectivity points.

Part Obsolescence: The Supplier will immediately notify PAL Aerospace in writing of any material or component(s) used in the fabrication or assembly of products supplied to PAL Aerospace. A timetable of obsolescence as well as any recommended substitution or other solution to address the obsolescence should also be included in the notification if known.

Document retention: Supplier shall ensure all quality records are easily retrievable and deliverable within 48 hours of request by PAL Aerospace. Retention shall be as follows; (1) Traceable parts or materials: 50 Years, and (2) Non traceable or non-serialized parts or materials (non-Flight critical parts): 10 Years. Upon end of retention, supplier shall communicate with PAL Aerospace for direction on disposition. Supplier shall upon termination of their business or been acquired by another business unit have a system in place to notify PAL Aerospace of the change in business status and offer to supply any Records relevant to PAL Aerospace purchases to either distribute all relevant records to PAL Aerospace or to Company assuming new ownership. Records kept under new ownership must be also retrievable based on PAL Aerospace Purchase order or reference order number.

Flow-down of Requirements to Sub-Tier Supplier: Where critical processes, characteristics, or features are performed outside the Supplier's facility, the Supplier is responsible for ensuring Sub-Tier Suppliers have an adequate Quality Management System and flow-down of these Standard Purchase Order Terms & Conditions and all applicable material, processes and testing requirements as defined by PAL Aerospace and/or their customer.

Termination: Without limiting PAL Aerospace's rights to cancel this order for default of Supplier by (a) failing to deliver within the specified time, or (b) failing to comply with the contract, PAL Aerospace may terminate all or any part of the work under this order and process claims therefore for its convenience in accordance with the provisions set forth in current Federal procurement regulations. Supplier shall submit a claim for equitable adjustment within 30 days of receipt of termination notice.

Delivery: Delivery shall be strictly in accordance with the mutually agreed delivery schedule set out or referred to in this order. If Supplier's delivery shall fail to meet schedule, PAL Aerospace, without limiting its other rights or remedies, may direct expedited routing, and any excess cost incurred thereby shall be debited to Supplier's account.

Shipping Instructions: Supplier shall (a) Utilize the shipping acct # specified on the purchase order, (b) Not deliver more than 10 days ahead of schedule (except Engineering Samples) unless authorized by PAL Aerospace, and (c) Describe shipments in accordance with the carrier's tariffs so as to obtain the lowest applicable freight rate, and (d) not insure or declare value on shipments unless required. When a shipment is subject to freight rates dependent upon value, Supplier shall annotate the bill of lading, air bill or express receipt to show that the shipment is released at the maximum value, which applies to the lowest freight rate provided in the applicable tariffs. Supplier shall consolidate all shipments to be forwarded on one day. Articles furnished in excess of the quantity specified or in excess of any agreed upon overage will be retained by PAL Aerospace at no additional cost unless Supplier notifies PAL Aerospace before forty-five (45) days after shipment that it desires the return thereof. Supplier shall reimburse PAL Aerospace for the full cost of returning such over-shipment or a minimum charge of US$50.00; whichever is higher. No notification will be given to Supplier of any over-shipment unless the value thereof exceeds US$100.00. No extra charge for packaging shall be allowed unless specifically noted herein. Goods shall be packaged to ensure safe arrival at destination. The container within which the shipping documentation, certifications, test data, and inspection data shall be clearly marked. PAL Aerospace's order

numbers and symbols, and identification numbers shall be plainly marked by Supplier on all invoices, packages, bills of lading, packing lists, and shipping orders. Certificates as defined in AC 571-024 requirements must accompany the shipment certifying that the articles listed are in compliance to the contract, drawing, specifications and other applicable documents. The Certificate must be validated by an authorized quality representative and include Purchase Order number, part numbers & revisions, quantity and batch numbers as applicable, shipped in new packaging.

Hazardous Materials: Hazardous material shall be properly identified and included on the Material Safety Data Sheet submitted under this contract. Supplier shall supply PAL Aerospace warning labels and instructional materials appropriate to warn persons that come in contact with the material of the hazard and its effects.

Electrostatic Discharge Damage (ESD) Protection: Components and assemblies that are susceptible to electrostatic discharge damage shall be handled and packaged to prevent ESD damage. All units which contain ESD sensitive devices shall be wrapped in a static shielding barrier in direct contact with and fully surrounding the unit. Containers shall be marked as containing ESD devices.

Calibration: A system for the control and maintenance of measuring and test equipment in accordance with N.I.S.T. or equivalent shall be implemented and maintained. The Calibration System shall be documented, accountable, traceable, and provide for initial and re- calibration during the life of the equipment to traceability to the National Institute of Standards and Technology (NIST).

Segregation of Lots: The Supplier will not co-mingle different date codes or production lots, nor combine resubmitted parts with new production parts. Parts may be submitted in one shipment provided the different lots are identified and segregated when transporting time and temperature sensitive product a report recorder must be provided.

Control and Identification of Items with Limited Shelf Life: Items with limited shelf life shall be marked on the item, package, or container with the manufactured date, storage temperature, special handling requirements, and expiration date of the items. All identification markings shall be placed in accordance with applicable specifications. Items which have less than 80% shelf life from manufacturing date remaining will not be delivered or accepted without prior approval.

Nonconforming Material: The Supplier shall not ship or perform material review action on nonconforming material with the intent of delivering nonconforming material without written authorization from PAL Aerospace. PAL Aerospace reserves the right to reject nonconforming products. Furthermore, the supplier shall notify PAL Aerospace within 24 hours if a product or article has been released and subsequently found not to conform to the applicable design data, or has been found to be subject to a new airworthiness limitation, regulation or requirement.

Inspection: The Supplier shall perform 100% inspection or sampling as appropriate for workmanship, damage, foreign material, plating/finishing anomalies and other visible defects prior to delivery to PAL Aerospace. When suppliers use sampling inspection as a means of product acceptance, the sampling plan shall be justified on the basis of recognized statistical principles and appropriate for use. Inspection/test which cannot be readily examined in the completed products must be performed at the appropriate in-process stages of manufacturing. Adequate records of inspection/test must be maintained by the supplier. First Article documentation for all first manufactured parts must be available upon PAL Aerospace's request.

Records: The Supplier shall maintain adequate records of production, inspections, tests, material certifications and all relevant quality records that provide evidence of conformity to contract requirements and have these records be available for review by PAL Aerospace or its customer.

Traceability: The supplier is required to provide traceability for all production assemblies and manufactured parts for use in production delivered to PAL Aerospace and all such assemblies and parts must be controlled and uniquely identified of its components. Serial numbers, batch numbers, manufacture history and delivery data must be suitably recorded with all data to support traceability. All parts must be in new condition with full trace to the manufacturer. New surplus parts are not allowed unless clearly stated on the purchase order.

Counterfeit/Unapproved Parts Prevention Control Plan: The Supplier is not authorized to deliver any item procured from sources other than OEMs or their Authorized Distributors without prior written authorization from PAL Aerospace. The Supplier shall flow down and ensure compliance with the requirements of this document to lower tier suppliers providing items for delivery to PAL Aerospace under this order.

Warranty: Supplier warrants that all articles, material and work furnished hereunder will be free from defect in material and workmanship and will conform to applicable specifications, drawings, samples and/or descriptions furnished by PAL Aerospace. The warranties of Supplier, shall run to PAL Aerospace and/or its customers for one (1) year from the date of shipment. PAL Aerospace shall provide written notification of any defect discovered within sixty (60) days of delivery of such Product. Seller's only obligation and PAL Aerospace's sole remedy under this warranty shall be limited to the repair or replacement of the nonconforming warranted product, or any part thereof, solely at the option of PAL Aerospace.

Price Warranty: Supplier warrants that the price charged for the supplies/services specified in this order are equal or less than the selling price(s) that Supplier charges its most favoured customer for the same or similar items, whether sold to the Government or to any other purchaser taking in account the quantity purchased and the terms and conditions of sale for a substantially similar quality and quantity of parts.

Taxes: Supplier's prices shall be exclusive of any federal, GST, PST and/or HST use levied upon, or measured by, the sale, the sales price, or use of goods required in the performance of this purchase order. Supplier shall list separately on its invoice (or voucher) any such taxes and shall make appropriate adjustments to afford PAL Aerospace the benefit of any refund or reduction in such taxes.

Payment: The total compensation for the Work and Goods, as applicable, are set out in this Purchase Order. The compensation as set out in this Purchase Order shall be inclusive of all expenses incurred by Supplier, and of all fees for any subcontractors or suppliers engaged by Supplier in relation to this Purchase Order. Supplier shall ensure timely payment of all such subcontractors and suppliers. Upon satisfactory completion of the performance of this Purchase Order by Supplier, Supplier shall deliver to PAL Aerospace an invoice setting out on the Purchase Order number, the outstanding balance owed, and the calculation of the entire compensation and applicable payments and credits. Within 45 days of receipt of the invoice from Supplier, PAL Aerospace shall pay the amount of the balance properly due to Supplier, plus GST and PST, as applicable. If payment required sooner Credit Card payment may be used at PAL Aerospace's sole discretion. PAL Aerospace may withhold or set off against any payment due to Supplier any charge, liability or indebtedness owed by Supplier to PAL Aerospace or which under this Purchase Order is to be paid by or charged to Supplier. PAL Aerospace may, as a condition of making final payment due to Supplier, require Supplier to execute and deliver a full and final release and discharge in favor of PAL Aerospace, in such form as PAL Aerospace may prescribe.

Setoff: PAL Aerospace shall have the right at all times to set-off any confirmed and accepted amounts due or payable to Supplier hereunder against any claim or charge PAL Aerospace may have against Supplier.

Right of Entry: PAL Aerospace hereby reserves the right of entry to the Supplier's and Sub- Supplier's facilities for the purpose of reviewing documentation, procedures and/or inspection of purchased item(s). This right of entry shall extend to PAL Aerospace's customers, Government, or other regulatory agencies. Adequate notification to the Supplier shall be provided in advance of the visit.

Indemnification: To the extent that either Party's agents, employees, or subcontractors enter upon premises occupied by or under the control of the other Party, or any of its customers, or suppliers, in the course of the performance of this purchase order, such Party shall take all necessary precautions to prevent the occurrence of any injury (including causing death) of any persons, or of any damage to any property, arising out of acts or omissions of such agents, employees, or subcontractors; and, except to the extent that any such injury or damage is due directly and solely to the other Party's negligence. Either Party shall indemnify defend, and hold the other Party, it's officers, employees, and agents, harmless from any and all costs, losses, expense, damages, claims, suit, or any liability whatsoever, including attorney's fees, arising out of any or omission of such Party, it's agents, employees, or subcontractors.

Proprietary Drawings and Data: Supplier shall keep confidential all information, drawings, specifications, or data and, upon request, return and/or destroy all documents requested by PAL Aerospace. Supplier shall not divulge or use such information, drawings, specifications, or data for the benefit of any other party. Except as required for the efficient performance of this purchase order, Supplier shall not make copies or permit copies to be made without the prior written consent of PAL Aerospace. Supplier shall thereafter make no further use, whether directly or indirectly, of any such data or any information derived there from without obtaining PAL Aerospace's written consent. The obligations of this clause shall survive the completion, cancellation, or termination of this purchase order.

Patents and Design Rights: Supplier warrants that the sale, use, or incorporation into manufactured products of all machines, devices, material, software, and firmware that are not of PAL Aerospace's design, shall be free and clear of infringement of any valid patent, copyright, trade mark, or other proprietary rights. Supplier shall hold PAL Aerospace, its customers and lessees harmless from any and all expenses, liability, and loss of any kind including but not limited to attorney's fees, all costs, expenses, and fees growing out of claims, suits, or actions alleging such infringements, which claims, suits, or actions Supplier agrees to defend.

PAL Aerospace's Property/Furnished Equipment: Title to all property furnished to Supplier by PAL Aerospace or fully paid for by PAL Aerospace shall remain with PAL Aerospace. Supplier shall not alter or use such property for any purpose or for any other party other than that specified by PAL Aerospace without the prior written consent of PAL Aerospace. Supplier shall keep adequate records which shall be made available to PAL Aerospace upon request, and shall store, protect, preserve, repair and maintain such property in accordance with sound industrial practice, all at Supplier's expense. In the event that PAL Aerospace's property becomes lost or damaged to any extent for any cause while in Supplier's possession, Supplier agree to replace or repair such property, at Supplier's expense, in accordance with PAL Aerospace's request. At the completion or any termination of the work for the goods or services for which PAL Aerospace's property was required, Supplier shall request disposition instructions for all such property, or the remainder thereof, whether in its original form or in semi-processed form. Supplier shall make such property available to PAL Aerospace at PAL Aerospace's request, including preparation, packaging, and shipping as directed. Expense for preparation for shipment shall be for Supplier's account and shipment shall be made FOB Supplier's plant. Supplier assumes complete liability for any tooling, articles, or

materials furnished by PAL Aerospace to Supplier in connection with this purchase order and Supplier agrees to pay PAL Aerospace for all such tooling, articles or material spoiled by it or not otherwise accounted for to PAL Aerospace's satisfaction. The furnishing to Supplier of any tooling, articles or material in connection with this purchase order shall not, unless otherwise expressly provided, be construed to vest title thereto in Supplier.

Special Tooling: Dies, tools and patterns specially developed for and used in the manufacture of the articles herein ordered shall be furnished by and at the expense of Supplier and shall be kept in good condition and; when necessary, shall be replaced by Supplier without expense to PAL Aerospace. PAL Aerospace may at any time become the owner and entitled to possession of any or all such special tooling acquired or manufactured specially for use in the performance of this order if any portion of the cost of such special tooling is separately stated or included in the price of articles, material or work covered by this order upon Supplier being reimbursed the unpaid amount of Supplier's cost of such special tooling.

Canadian and International Export Regulations: PAL Aerospace is required by law to comply with all Canadian and International regulations that apply to the Export/Import or Transfer of regulated or restricted goods, products, materials, technology, data, etc., which may also include information transfers via conversations, e-mails, drawings, repair procedures, installation manuals, specification documents or any electronic or written technical data, considered under Canadian or International Export Control. This includes all regulations that apply within Canada under The Export-Import Permits Act (EIPA), The Controlled Goods Regulations (CGR), and The Canadian Defence Production Act (DPA), as well as the U.S. ITAR (International Traffic in Arms Regulations), and all other International Export Control Legislation or Regulations that may apply to any goods from a foreign (non-Canadian) country of origin. These regulations will apply to PAL Aerospace as well as its suppliers, vendors, clients/customers, partners, sub-suppliers, transporters, or any other consignee, user, or party to which the transfer of the goods in question will apply.

The Supplier must also provide PAL Aerospace with the following details to the best of their abilities (as known or applicable) for each Product or Part Number that is part of this transaction to ensure all International Export Controls are met: **1)** Any Canadian Export Controls, including the ECL Number; **2)** Any other Country of Origin Controls that may apply and the corresponding control classification number(s); **3)** Any U.S. Export Controls that may apply, including the ECCN (Export Control Classification Number), and/or the USML/ITAR Classification, that may apply; **4)** Any evidence of other Export Approval documentation that is required by the Supplier to transfer the goods to PAL Aerospace in Canada; **5)** The HTS classification number (Harmonized Tariff Schedule) of the product(s); **6)** Certificate of Origin or a Manufacturers Affidavit of the product(s); and 7**)** any other evidence that the transaction here meets any International Trade Agreements or Exceptions that may apply to or be relevant for the transfer of goods to Canada, or any other foreign country.

PAL may provide an Export Control Classification Declaration to the Supplier to provide all of the above information. PAL will also accept any other source of information or forms required by the Supplier that may address these criteria.

The Supplier shall also provide PAL with any other required forms or processes required by their organization in order to meet the required regulations of their own country to comply with Export Control in order to transfer goods to PAL in Canada, or elsewhere, as required or specified.

Hold Harmless: To the fullest extent permitted by law, Supplier shall indemnify and hold harmless PAL Aerospace and its agents, directors, shareholders and employees, from and against any and all claims, damages, losses and expenses, including but not limited to attorneys' fees, arising out of or resulting from performance of work,

provided that such claim, damage, loss or expense is attributable to bodily injury, sickness, disease or death, or to injury to or destruction of tangible property, but only to the extent caused by the negligent acts or omissions of Supplier, anyone directly or indirectly employed by them or anyone whose acts they may be liable, regardless of whether or not such claim, damage, loss or expense is caused in part by a party indemnified hereunder.

Governing Law and Choice of Forum: This agreement between PAL Aerospace and the Supplier for the supply of goods and/or services shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, without giving effect to any choice or conflict of law provision, principle or rule. The parties agree that *the United Nations Convention on Contracts for the International Sale of Goods* does not apply to this agreement. Any action or proceeding arising out of or related to this agreement will be instituted in the courts of Nova Scotia and each party hereby irrevocably submits to the exclusive jurisdiction of these courts in any such action or proceeding.