



CMC ELECTRONICS AURORA, INC.
84 N. Dugan Rd Sugar Grove, IL 60554

STANDARD TERMS AND CONDITIONS OF PURCHASE

ENTIRE AGREEMENT. These terms and conditions, the Purchase Order or Order to which these terms and conditions are attached, and any specifications, attachments, statement of work, drawings, and other written attachments to the Purchase Order constitute the entire and exclusive agreement (collectively the "Agreement") between CMC and Seller (each a "Party", collectively the "Parties") for the Purchase of the Items and Services described in the Purchase Order. This Agreement supersedes all prior and contemporaneous oral and written communications relating to the same Items or Services described in the Purchase Order.

Clause 1 – DEFINITIONS

- 1.1 The following definitions shall apply unless otherwise specifically stated:
- (1) "Items" means the equipment together with special test equipment, data and services to be supplied to CMC.
 - (2) "Purchase Order" or "Order" means CMC's purchase order or other written or electronically transmitted communication identifying the Items to be purchased, their price and other information as required herein.
 - (3) "Seller" means the entity to which a Purchase Order is issued for the purchase of Items by CMC.
- 1.2 The titles of the Clauses herein are inserted for convenience and shall not be construed to limit or modify the scope of any provision, or affect the interpretation thereof.

Clause 2 – ORDER OF PRECEDENCE

- 2.1 In the event of a conflict or inconsistency in this Purchase Order, the inconsistency shall be resolved by giving precedence in the following order:
- i. Written or typed provisions on the face of the Purchase Order, as applicable.
 - ii. Written master agreement executed between CMC and Seller covering the procurement of the Products or Services described in the Purchase Order.
 - iii. These Standard Terms and Condition of Purchase.
 - iv. FAR and DFARS supplement provisions and other Agency Supplemental clauses, if applicable.
 - v. Statement of Work, if applicable.
 - vi. Specifications/Drawings, if applicable.
 - vii. Quality Assurance Requirements, if applicable.
 - viii. Other referenced documents.

Clause 3. - PURCHASE ORDER ACCEPTANCE AND ADMINISTRATION

- 3.1 Orders shall contain a description of the Items ordered, Item part numbers, delivery schedule, place of delivery, quantities, prices and shipping instructions. The terms of this Agreement shall apply to and be deemed a part of all Orders. The Parties agree that any proposal for additional or different terms, conditions, provisions, requirements in Seller's quotation, acknowledgement, acceptance, or other document Seller submits to CMC with respect to the transaction modifying or being inconsistent with the terms and conditions hereof shall be deemed inapplicable, null and void and in lieu thereof, the terms of this Agreement shall govern all such Orders with the same force and effect as if they physically appeared thereon.
- 3.2 Seller shall promptly acknowledge receipt of each Order but no later than ten (10) working days indicating either its acceptance or rejection thereof. Seller shall not reject or fail to accept any Order which is consistent with the terms of this Agreement. All rejection notices shall set forth the reasons therefor, including the changes required by Seller for its acceptance of CMC's Order. CMC shall advise Seller whether such changes are accepted or rejected. If CMC accepts such changes by issuing an Order revision which provides for the changes requested by

Seller, the Order, as so revised shall be deemed to be an accepted Order with respect to such Items.

- 3.3 Notwithstanding clause 3.2 above, acceptance of an Order occurs (i) upon receipt by CMC of the acknowledgement copy signed by Seller, or (ii) upon Seller's commencement of performance, or (iii) ten (10) working days from receipt by Seller of the Order (unless written rejection by Seller in accordance with clause 3.2 is provided to CMC within the said ten (10) working days, whichever first occurs.

Clause 4. – SPECIFICATIONS AND RESPONSIBILITY FOR COMPLIANCE

The Items shall comply with the agreed drawings and specifications. Seller represents and warrants

- (i) it is competent to perform the work.
- (ii) it has the necessary knowledge, skill, experience, qualifications and equipment to perform the work.
- (iii) acknowledges that CMC has relied on and is entitled to rely on Seller, as an expert fully competent in all phases of the work under this Order. Seller shall deliver new parts and material only.
- (iv) he is aware of its contribution to product safety.
- (v) product conformity to CMC product and customer requirements.
- (vi) deviation from drawings, specifications, processes and/or procurement requirements are prohibited without prior written deviation authorization from CMC.
- (vii) Non conformances discovered after delivery will be flagged to CMC within 24 hours of discovery. Detailed information regarding the description, severity, and impact of the nonconformance will be provided together with the information to allow affected product to be traced (lot number, date code, etc.).
- (viii) approval and/or review of any documents or data by CMC in no manner whatsoever limits or reduces Seller's obligations to comply with the requirements of the Order.

Clause 5. – CHANGES

- 5.1 CMC may at any time by written notice to Seller make changes within the general scope of the Order in any one or more of the following: drawings, design, or specifications where the Item(s) to be supplied are specifically manufactured for CMC, method of shipping, packaging, or packing, place of delivery and reasonable adjustments in quantities and/or delivery schedules
- 5.2 If any such changes cause an increase or decrease in the cost of or time required for performance of the Order, a mutually agreed equitable adjustment shall be made in price, delivery schedule or both, and the Order shall be modified in writing accordingly.
- 5.3 Any claim by Seller for an adjustment must be made in writing, in the form of a complete change proposal, fully supported by factual information, to CMC within thirty (30) days of receipt of the change notice. Nothing in this clause shall excuse Seller from proceeding with performance of the Order as changed, without delay.
- 5.4 Seller shall not make any changes to the Items which may affect form, fit, reliability, function, weight or any other specified requirements of the Order without obtaining CMC's prior written consent. This list shall also include changes to the place of manufacture, outsourcing of key operation or process and significant change in the supply chain for custom made parts for CMC.
- 5.5 CMC may reschedule a confirmed Purchase Order in whole or in part, the delivery dates, modify method of shipping, packaging, place of delivery, or quantity without liability to Seller, by notifying Seller ultimately thirty (30) days prior to the original Delivery Date. In case of rescheduling



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of an accepted Purchase Order, Seller shall make best efforts to accommodate such request.

Clause 6. - PRICES AND PAYMENT TERMS

- 6.1 Prices and payment terms are detailed in the Order. Seller warrants that the prices in this Agreement are complete, including without limitation, charges for preservation, packaging, packing, marking, labelling, storage, boxing and crating, and no additional charges of any type shall be added without CMC's express written consent.
- 6.2 Seller warrants that prices to be paid by CMC for the Items shall not exceed current prices charged to any other customer of Seller for the same or substantially similar quality and quantities of the same or similar Items or Services. If more favorable prices for the Items are offered to other purchasers, such prices shall also be granted to CMC. If Seller reduces its prices for such Items or Services during the term of this Purchase Order, Seller will reduce CMC's price accordingly.
- 6.3 Standard terms are net thirty (30) days from receipt of Seller's proper invoice and final acceptance of the Items or Services by CMC unless otherwise specifically indicated in the Purchase Order.
- 6.4 CMC may withhold from payment to Seller any invoiced amount that is subject to a good faith dispute, and/or an amount sufficient to reimburse CMC for any loss, damage, expense, cost or liability relating to Seller's failure to comply with any requirement of this Purchase Order.
- 6.5 The prices payable for the Items and/or Services will be the prices set out in this Order. Unless otherwise expressly stated in this Order, the prices will be firm fixed price.

Clause 7. - SHIPPING, PRESERVATION, PACKAGING, PACKING, AND MARKING

Seller shall ship in accordance with shipping instructions on the face of the Order or attachments thereto. All the Items must be suitably preserved, packaged, packed, marked and prepared for shipment in compliance with instructions or specifications mentioned in the Order and, in the absence of such instructions or specifications, in compliance with best commercial practice and carrier regulations. No charges will be paid by CMC for preservation, packaging, packing, marking or shipping unless stated in the Order. Packing sheets showing the Order number, item number and quantity must be included with each shipment. Each container must be marked to show the Order number. The container and Order numbers must be indicated on the bill of lading. CMC insures all incoming shipments; therefore, CMC will not pay for insurance charges claimed for by Seller.

Clause 8 – INVOICES AND TAXES

- 8.1 Invoices must contain the following information (when applicable): Item number, description of the Items and/or Services, quantities, unit price, freight charges.
- 8.2 Seller is responsible for all federal, state, provincial or local taxes, duties, tariffs, fees, imposts, levies, charges (including customs duties and import charges), and other costs whatsoever which is required to be imposed upon the Items ordered, or by reason of their sale or delivery, other than any applicable Sales Taxes.

Clause 9. – DELIVERY

- 9.1 Time shall be of the essence. The Items shall be delivered strictly in accordance with the Order delivery schedule and early or partial shipments are not permitted unless expressly authorized in writing by CMC. CMC reserves the right to return any unauthorized early shipments at Seller's expense or to retain same at CMC's facilities at Seller's risk. Payment will be in accordance with the original or amended delivery schedule.
- 9.2 In the event Seller foresees or encounters difficulty in meeting the

delivery requirements of an Order, it shall immediately notify CMC in writing giving pertinent details and a recovery schedule acceptable to CMC. This provision shall not be construed as a waiver by CMC of any performance requirements of an Order or of any rights or remedies provided by law.

- 9.3 All Items shall be delivered to the delivery point specified in the Order. Title to the Items shall pass from Seller to CMC upon delivery.
- 9.4 In the event that the Supplier fails to fulfill any of its obligations as outlined in this Purchase Order, or if there is a reasonable expectation by CMC that such failure may occur, and the Supplier does not rectify the situation to CMC's satisfaction within five (5) Days from the receipt of the CMC's written notice, then CMC retains the right to intervene in the management of the Work. Furthermore, CMC is authorized to take any actions deemed necessary to exercise this right, and such actions will be at the expense of the Supplier. This intervention does not absolve the Supplier of its ongoing obligations as specified in this Purchase Order. Nothing in this clause shall affect CMC's rights under Clause 15 - **TERMINATION FOR DEFAULT**

Clause 10. – STOP WORK

- 10.1 CMC may at any time, by written notice to Seller, require Seller to stop all or any part of the work called for by this Agreement or any Purchase Order. Any such notice shall be specifically identified as a "Stop Work Notice."
- 10.2 Upon receipt of a Stop Work Notice, Seller shall promptly comply with its terms and take all reasonable steps to minimize the costs arising from the work covered by the Stop Work Notice during the period of work stoppage.
- 10.3 Within the period established in the Stop Work Notice, including the extension thereof, Buyer shall either (a) cancel the Stop Work Notice or (b) terminate this Agreement or any Purchase Order, totally or partially.
- 10.4 In the event Buyer cancels the Stop Work Notice Seller shall promptly resume work in accordance with the terms of this Agreement. If Seller shall notify CMC that the production hiatus during the term of the Stop Work Notice renders the original delivery schedule no longer practicable, then CMC and Seller shall agree to an equitable adjustment to the delivery schedule for the effected Purchase Order(s).
- 10.5 In the event CMC terminates this Agreement, the provisions of Clause 14 shall apply.

Clause 11. – FORCE MAJEURE

- 11.1 The Parties shall not be liable for any delay in the performance of or failure to perform any of their obligations hereunder in the event of Force Majeure i.e. an unforeseeable, irresistible, unavoidable event beyond the control of the Party suffering the said event. The contractual obligations of the Party claiming the case of Force Majeure shall be suspended as from the date of notification, providing proof of the effectiveness of this event can be submitted in writing.
- 11.2 The Seller agrees to notify CMC of any case of Force Majeure occurring in its plants and/or in the plants of its suppliers or subcontractors, within three (3) calendar days following its occurrence, to the extent that it prevents the Seller from fulfilling its contractual obligations.
- 11.3 Notwithstanding the foregoing, if the delay in delivery of an Item exceeds thirty (30) days due to Force Majeure, CMC may terminate any or all Orders affected by the Force Majeure immediately upon notice to Seller, in which event, all obligations and liabilities of the Parties hereunder with respect to said Items will be deemed discharged and terminated. The Seller agrees to repay CMC the portion of any advance payment that is unliquidated at the date of the termination.
- 11.4 Any case of Force Majeure not notified in writing to CMC within the three (3) calendar days following its occurrence shall not confer to the Seller the right to use this clause.
- 11.5 Notwithstanding anything to the contrary in this Agreement, the Seller shall remain responsible for all Items while they are in his care,



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custody and control and shall indemnify CMC for any loss, damage or destruction of Items even if caused by a case of Force Majeure.

Clause 12 - INSPECTION AND ACCEPTANCE

- 12.1 All the Items shall be subject, at CMC's discretion, to inspection and/or test by CMC, third-party representative and/or CMC's customer(s) at all times and places and at any stage of production and, if at Seller's facilities and/or at sub-tier facility, Seller without additional charge shall provide all reasonable facilities and assistance required for safe and convenient test and inspection. The right of inspection and test shall extend to representatives of the Federal Aviation Administration, Transport Canada and other equivalent government agencies, if applicable. The foregoing shall not relieve Seller of its obligation to make full and adequate test and inspection. CMC may base acceptance or rejection of any or all the Items on inspection by sampling.
- 12.2 If inspection and/or test is to be performed at Seller's facilities Seller shall notify CMC of the date the Items are ready for inspection and/or test giving at least ten (10) working days advance notice. If, on arriving at Seller's facilities, on the date given, the Items are not ready for such inspection/verification, Seller shall be liable for any cost incurred by CMC as a result of Seller's non-readiness.
- 12.3 If upon inspection and/or test any of the Items are found to be defective in material or workmanship, or otherwise not in conformity with the requirements of the Order, CMC may, require in addition to its other rights (i) prompt correction or replacement thereof at Seller's expense, including any transportation charges, or (ii) rework or have reworked any such Items at Seller's expense for the purpose of having such Items brought into conformity with the requirements of the Order, or (iii) require Seller to make delivery of any such Items as is with a reduction in the price as may be mutually agreed, or (iv) reject any such Items and, as necessary, require the immediate removal thereof from all areas concerned in the procurement, manufacture, test or supply of the Items, and CMC shall be promptly repaid the full invoice price therefore, plus any brokerage fees, packaging and transportation charges, or (v) recover by debiting Seller's account, the cost incurred by CMC for screening and additional inspection and/or (vi) terminate the Order in whole or in part under the provisions of the Default clause hereof. CMC may, return the Items without any obligation to obtain authorization from Seller.
- 12.4 Final acceptance shall be at CMC within a reasonable time after delivery. Payment shall not constitute acceptance. Acceptance shall be conclusive except as regards latent defect, fraud, or such gross mistakes as amount to fraud.
- 12.5 Nothing in this clause shall relieve Seller from any responsibility regarding defects or other failures to meet the requirements of the Order.

Clause 13. - QUALITY PROGRAM REQUIREMENTS

- 13.1 All Items shall be designed, manufactured and supplied in accordance with a quality program that meets the requirements of ISO 9001 or any other equivalent, relevant and recognized Quality System. Seller's facilities, manufacturing processes, quality control, and inspection system are subject to review, inspection, audit and analysis by CMC, its representatives and its customers. Seller shall also comply with the quality clauses specified in the Order.
- 13.2 The seller shall implement processes to secure adequate monitoring of its supply chain. Suppliers shall be adequately qualified, audited and monitored. Performance scorecard shall be periodically distributed, reviewed and associated objectives should be communicated.

Clause 14. -WARRANTY

- 14.1 Seller warrants that each Item furnished (including any replacement item

or repaired Item) shall conform to and meet the specifications, drawings, descriptions and samples; and shall be merchantable, free from defects in material and workmanship. Unless manufactured pursuant to detailed design furnished by CMC, Seller assumes design responsibility and warrants the Items to be free from design defects and suitable for the purposes intended by CMC. Such warranties, together with Seller's service guarantees, if any, shall survive inspection, test, acceptance of and payment for the Items and shall run to CMC, its successors, assigns and CMC's customers and shall remain in full force 18 months after delivery to CMC or 12 months after delivery to the end customer whichever occurs first..

- 14.2 Seller shall repair or replace free of charge any defective Item within the Turn-Around-Time. Items or part thereof so replaced or repaired shall be subject to this warranty for the balance of the original warranty period outstanding at the time of discovery of the defect or six (6) months from the date of receipt of the repaired or replaced Item whichever is longer, and such balance of the warranty period shall begin to run only from the date of receipt of the repaired or replaced Item by CMC. Seller upon receipt of a defective Item will prepare a failure analysis report and submit it to CMC within fifteen (15) days of receipt of the defective Item.

Clause 15. - TERMINATION FOR DEFAULT

- 15.1 CMC may, by written notice to Seller, terminate the whole or any part of the Order in any one of the following circumstances: (i) if Seller fails to make delivery of any of the Items within the time specified herein or any authorized extension thereof; or (ii) if Seller fails to comply with any other provisions of the Order, and does not cure such failure within a period of ten (10) days after receipt of CMC's notice specifying such failure, or (iii) If Seller is in receivership, or becomes insolvent or bankrupt.
- 15.2 Upon the giving of the notice provided for in clause 15.1, the Seller shall have no claim for further payment other than as provided in this clause but shall be liable to CMC for any advance amounts paid by CMC and for all losses and damages which may be suffered by CMC by reason of the default or occurrence upon which the notice was based, including any increase in the cost incurred by CMC in procuring the Items from another party. Seller agrees to repay immediately to CMC the portion of any advance payment that is unliquidated at the date of the termination. Upon termination of the Order(s), CMC may require the Seller to deliver to CMC any completed parts of the Items which have not been delivered and accepted prior to the date of termination and any materials, parts, tooling, equipment or work-in-process which the Seller has acquired or produced specifically in the fulfillment of the Order(s). Seller shall continue performance of the Contract and/or the Order to the extent not terminated under provisions of this clause.
- 15.3 Automatically upon termination of the Order pursuant to clause 15.1, Seller hereby grants CMC title to that portion of tooling which is necessary to manufacture the Items and a world-wide, perpetual, unconditional, royalty free manufacturing license (including the rights to further sublicense and/or to have manufactured by a third party) to Seller's proprietary information, processes, drawings and manufacturing data for the sole purpose of the manufacture, use and support of the Items. Seller shall assign to CMC rights to all existing agreements or contracts it may have with its subcontractors and suppliers where the same is related to the manufacture of the Items. Seller shall assist, (including the loan of suitably qualified and experienced employees), cooperate with, and provide CMC with all relevant information in respect of which the license has been granted.

Clause 16. - TERMINATION FOR CONVENIENCE

- 16.1 CMC may at any time, by written notice to Seller, terminate for its convenience the Order in whole or in any part or parts thereof not completed. Upon receipt of such notice, Seller shall cease work (including the manufacture and procuring of materials, supplies, parts, accessories and equipment and subcontracts for the fulfillment of the



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Order) in accordance with and to the extent specified in such notice. CMC may, at any time or from time to time, give one or more additional notices with respect to any or all parts of an Order not terminated by any previous notice or notices.

- 16.2 In the event of any notice being given pursuant to this clause:
- (i) All Items completed hereunder before the giving of such notice, and all Items completed thereafter in accordance with and to the extent specified in such notice, shall be paid for (subject to acceptance by CMC in accordance with the provisions of the Order) on the basis provided in the Order, and Seller shall protect the Items in its possession in which CMC has or may acquire an interest.
 - (ii) In respect to the Items not completed hereunder before the receipt of such notice, not completed thereafter pursuant to such notice and not previously paid for, Seller shall be entitled to reimbursement of costs necessarily incurred by Seller thereon and to receive in addition an amount representing a fair and reasonable profit in respect to work done thereon.
 - (iii) No payment and/or reimbursement shall be made for Items whether raw or in the course of manufacture or manufactured, which have been or may be rejected after inspection as not complying with the terms and conditions of the Order.
 - (iv) In no case shall Seller be entitled to any amount which taken together with any amounts paid or due to Seller under the Order, would exceed the total amount payable for the Items to be supplied under the Order.
 - (v) The Items in process, in respect of which amount is payable to Seller as provided under this clause, shall be delivered to CMC, but the Items so delivered shall in no case be in excess of what would have been required for performing the Order in full if no notice of termination had been given.
 - (vi) Seller shall have no claim for damages of any kind including but not limited to compensation, loss of revenue or profit, allowance or otherwise by reason of or directly or indirectly arising out of any action taken or notice given by CMC pursuant to the provisions of this clause except and to the extent expressly provided in this clause.
 - (vii) Seller agrees that if a claim is filed as provided in this clause, Seller's books and records and its facilities shall at all reasonable times be subject to inspection and audit by an authorized representative of CMC.
- 16.3 Seller agrees that it shall exclude from any claims hereunder and shall not be entitled to reimbursement for any Items or parts thereof which are:
- (i) standard products or parts which it normally sells to customers; or
 - (ii) Any parts which Seller uses in its normal operations or Seller could use in producing work for its other customers.

Clause 17. – TOOLING

Title and right of immediate possession of all tooling, equipment or materials furnished or paid for by CMC directly or indirectly for use under the Order shall be vested in and remain in CMC. CMC does not guarantee or warrant the accuracy or adequacy of any tooling furnished by it. Seller shall (i) be responsible for all loss or damages to such tooling, equipment and materials while in its custody or control, normal wear and test excepted, (ii) clearly mark same as property of CMC, and in accordance with any other requirements of the Order, (iii) treat it confidentially, (iv) keep same in good operating condition, (v) use the same exclusively for the performance of the Order unless otherwise authorized in writing by CMC, and (vi) on completion of deliveries under the Order hold such tooling, equipment or materials in safe custody awaiting CMC's disposal instructions.

Clause 18. - PATENT PROTECTION AND INDEMNITY

Seller hereby agrees to defend, at its own expense, any and all claims, actions, suits or proceedings based on a claim or alleged claim that any Items furnished under the Order constitute an infringement of any patent, trademark, registered design or other intellectual property rights

and to indemnify and save harmless CMC, its customers, and those for whom CMC may account to as agent in the purchase of said Items, both as to liabilities and damages, including costs and expenses, resulting from such claims, actions, suits or proceedings.

Clause 19. – INDEMNITY

- 19.1. Seller shall take all necessary precautions to prevent the occurrence of any injury to persons or property during the progress of such work. Seller shall indemnify and keep CMC, its directors, officers, agents and employees and CMC's Customer(s) harmless from and against all claims, demands, losses, suit or action which may result from any default, act or omission of Seller, its agents, employees or subcontractors which arise out of or in connection with the performance of the obligations pursuant to this Order. Seller shall maintain such public liability, commercial general liability, aviation liability, property damage and contingent liability insurance as will protect CMC and CMC's Customer(s) from said risks and from any claims under any applicable law or regulation or act respecting industrial accidents and occupational diseases. Certificates of insurance evidencing such coverage shall be provided to CMC upon request.
- 19.2. EXCEPT IN THE CASE OF GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR LOSS OF PROFITS OR OTHER ECONOMIC LOSS OR FOR INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR OTHER SIMILAR DAMAGES ARISING OUT OF OR IN CONNECTION WITH THIS ORDER, EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

Clause 20. – CONFIDENTIALITY

Seller shall protect and keep confidential any and all information provided by CMC with the same degree of care as it normally exercises to preserve its own proprietary information. Such information shall only be disclosed to those of its employees having a "need to know". Seller shall use such information solely for the purpose of the Order. Any and all rights, including without restriction, any copyright, patent right or other intellectual property right, to such information shall remain with CMC. Upon termination or expiration of the Order, the Seller shall promptly return all information provided by CMC. Seller shall not use CMC's name in any marketing activity without prior written consent of CMC.

Clause 21. - CONTINUED SUPPLY

- 21.1 The Seller undertakes to supply the Items, including spare parts and repair services for the Items to CMC and CMC's for so long as any aircraft fitted with the Items is in service anywhere in the world, at fair and reasonable prices to be agreed upon by the Parties at the time of such request.
- 21.2 Should the Seller discontinue the manufacture of the Items during said period, the Seller shall notify CMC by written notice at least one (1) year in advance of such discontinuance to permit the purchase of Items and spares for the remaining period of this undertaking or, at the discretion of CMC, either make satisfactory arrangements with a third party, manufacturing instructions, patterns to establish a continuing source of Items and spares or provide to CMC or its customer(s), at no charge, a non-exclusive royalty-free license to manufacture and have manufactured for its own use, spare parts and provide copies of all drawings, technical information, specifications, tooling and other things necessary or appropriate for the manufacture of such Items and spares.

Clause 22. - SURVIVING CONDITIONS

The provisions of this Agreement relating to All representations, confidentiality, warranty, indemnity, Laws and other provisions that expressly or by their nature are intended to continue to have effect, shall survive termination or expiration of this Agreement, shall bind the Parties, their successors, their permitted assigns, and their legal representatives,



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and shall include, but not be limited to, the following Clauses: Specifications, Inspection and Acceptance, Warranty, Termination for Default, Tooling, Patent Protection and Indemnity, Indemnity, Confidentiality, Continued Supply, Laws and Counterfeit Parts Prevention and Notification.

Clause 23. – APPLICABLE LAWS

- 23.1 The Order shall be governed, construed and interpreted in accordance with the laws of the Illinois, Canada and specifically excludes the United Nations Convention on Contracts for the International Sale of Goods.
- 23.2 Items delivered by Seller under this Agreement may be incorporated into deliverable goods for use in the European Economic Area (EEA) and subject to the European Union Regulation (EC) No. 1907/2006 or the latest version in force on the date of the purchase order is required concerning the Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH).
- 23.3 The Seller must support and provide information on the Substances of Very High Concern (SVHC) present in the Goods (including components, materials, parts, and products) at or above the 0.1% weight by weight (w/w) concentration.
- 23.4 If an SVHC is present at or above 0.1% w/w, the Seller must provide a declaration to CMC meeting the requirements of Article 33 of the EU REACH Regulation. must be dated and include the SVHC name, Chemical Abstracts Service (CAS) number, safe handling instructions, and the weight of the deliverable and % w/w contained in Article 33.
- 23.5 Seller shall timely respond to any request from CMC will all relevant information on the Items so that the intents of REACH, are met for communicating with downstream users, and in any case, Seller shall provide all information necessary for CMC and any downstream user to timely and accurately fulfill their obligations under REACH.

Clause 24. - NON-WAIVER AND INVALIDITY

No delay or failure by either Party to enforce any provision herein shall constitute a waiver of such provision nor prejudice its right to enforce such provision at any subsequent time. Waiver of any provision shall only be deemed to have been made if expressed in writing by the Party granting such waiver. The remedies of CMC under the Order are cumulative and are in addition to any other remedies provided by law.

Clause 25. – EXPORT REGULATIONS

- 25.1 Seller shall comply with any law, regulation, order, or directive from any relevant authority governing or controlling the transfer, export, retransfer, re-export ("Export") of any Item or technology ("Export Regulations"). Seller shall, furthermore, inform CMC of any restriction or control applying to the Export of a given Item or technology prior to CMC having custody and control of such Item or technology, or as soon as possible after such restriction or control comes into force if it was not in force prior to CMC having custody and control of such Item or technology.
- 25.2 Seller shall declare to CMC if Items or technologies supplied are or become subject to the Export Administration Regulations ("EAR"), the International Traffic In Arms Regulations ("ITAR"), the Canadian Controlled Goods Program, ("CGP") or any other Export Regulation, or if the transaction is or becomes subject to the Office of Foreign Assets Control Regulations ("OFAC"), as this legislation may be amended from time to time. In the case where Items or technologies are subject to any such control, Seller shall provide CMC with the Export classification number applicable to the Items or technologies at the time of the Order.
- 25.3 Seller shall obtain and renew any governmental export permit, license or similar authorization which may be required for the Export of any Item or technology and relevant supporting data. Seller shall have no liability in the event that any governmental authority cancels or fails to issue or renew any export permit or authorization which may be required for the Export of any Item

or technology and relevant supporting data, but solely to the extent that such refusal or cancellation («Export Permit Denial») was unforeseeable and not due to Seller's fault or negligence. In the event of an Export Permit Denial, Seller shall promptly notify CMC

- 25.4 Without limiting the foregoing, in the event that an Item, a part or a technology thereof, is or becomes subject to ITAR or any other Munitions List requirements, Seller shall exhaust all reasonable means, to the extent that it is technically feasible and mutually agreeable by the Parties, to eliminate any resulting Export restriction, whether on the Item, the part or the technology, or the Aircraft itself, including by substituting the Item, the part or the technology with a commercial equivalent which is not subject to any such Export restriction. Seller shall not, however, file any Commodity Jurisdiction, or any similar application, to remove the Item from under any applicable Munitions List, without first consulting with CMC. Should the Seller be unable to eliminate the Export restriction, CMC shall not unreasonably deny Seller from filing a Commodity Jurisdiction or any similar application. If, following such consultation, the decision is taken to file such applications, Seller shall, with the cooperation of CMC, where Seller requests it, be responsible for the complete re-designation process, and shall, to the extent permissible under applicable laws and regulations, share with CMC any and all information related to CMC in support of such applications and address all reasonable concerns expressed by CMC regarding the re-designation process.
- 25.5 Should Seller be unable to eliminate Export restrictions that have subsequently become applicable as described in Clause 23.2, Seller and CMC shall negotiate a mutually agreeable resolution provided the coming into force of such Export restriction was unforeseeable and not due to Seller's fault or negligence. In the event of such restrictions coming into force, Seller shall promptly notify CMC.

Clause 26 – GOVERNMENT CONTRACTS

- 26.1 If a Canadian Government contract number appears on the face of the Order, the Canadian Government Standard Acquisition Clauses and Conditions (SACC) Manual, as applicable, is incorporated herein by reference.
 - 26.2 If this order is placed under a U.S. Government prime Non-Commercial contract or Non-Commercial subcontract, the following provisions of Federal Acquisition Regulation Supplement (DFARs), which can be found from <https://www.acquisition.gov/dfars>, apply to all Purchase Orders: 252.204-7015, 252.227-7015, 252.227-7016, 252.227-7019, 252.228-7001, 252.228-7005, 252.244-7000, 252.246-7007, 252.246-7008
- Further, the following terms of DFARs apply to the Purchase Orders exceeding the US dollar amount listed below:
- \$5,000: 252.211-7003
 - \$150,000: 252.249-7002
 - \$250,000: 252.247-7023
 - \$500,000: 252-226-7001
- 26.3 If this order is placed under a U.S. Government prime Non-Commercial contract or Non-Commercial subcontract, the following provisions of Federal Acquisition Regulations (FAR) which can be found from <https://www.acquisition.gov/fars>, apply to all Purchase Orders: 52.203-19, 52.204-25, 52.204-26, 52.222-41, 52.222-55, 52.222-62, 52.225-13, 52.244-6, 52.246-7003, 52.204-27

Further, the following terms of DFARs apply to the Purchase Orders



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exceeding the US dollar amount listed below:

- \$10,000: 52.222-21, 52.222-26, 52.222-40
- \$15,000: 52.222-36
- \$150,000: 52.203-07, 52.203-12, 52.222-35, 52.222-37
- \$250,000: 52.203-06, 52.219-08, 52.219-9, 52.227-02
- \$550,000: 52.222-50
- \$2,000,000: 52.215-20
- \$6,000,000: 52.203.13

- 26.4 CMC will promptly notify Seller of any additional Federal Acquisition Regulations (FAR) and Defense Federal Acquisition Regulation Supplement ("DFARS") flow down provisions in effect on the date of this Purchase Order. Unless otherwise specified, such FARs and DFARS are applicable to and are incorporated by reference into this Order (in addition to any other incorporated terms and conditions).
- 26.5 Seller shall incorporate the applicable Canadian Government or U.S. Government clauses in each lower-tier subcontract placed in support of this Order.
- 26.6 In accordance with Article 2 Order of Precedence, in the event of a conflict between a provision in this clause and Buyer's Standard Terms and Conditions of Purchase, this clause shall control to the extent permitted by law.

Clause 27 - COUNTERFEIT PARTS PREVENTION AND NOTIFICATION

- 27.1 For purposes of this Order, (i) "Counterfeit Part" is one that is (1) an unauthorized copy or substitute that has been identified, marked, and/or altered by a source other than the item's legally authorized source and has been misrepresented to be an authorized item of the legally authorized source and/or (2) previously used parts provided as "new." A part is a "suspect counterfeit electronic part" if visual inspection, testing, or other information provide reason to believe that the part may be a counterfeit part and (ii) "authentic" shall mean (A) genuine; (B) from the legitimate source claimed or implied by the marking and design of the product offered; and (C) manufactured by, or at the behest and to the standards of, the manufacturer that has lawfully applied its name and trademark for that model/version of the material.
- 27.2 Seller represents and warrants that only new and authentic materials are used in the Items and that the Items delivered contain no Counterfeit Parts. To further mitigate the possibility of the inadvertent use of Counterfeit Parts, unless expressly authorized in writing by CMC, Seller shall only purchase authentic parts/components directly from the Original Equipment Manufacturer" (OEM) or Original Component Manufacturer" (OCM) or through the OEM's/OCM's authorized distribution chain). Seller must make available to CMC, at CMC's request, OEM/OCM documentation that authenticates traceability of the components to that applicable OEM/OCM.
- 27.3 Seller shall maintain a documented system (policy, procedure, or other documented approach) consistent with AS5553, for the detection and avoidance of counterfeit electronic parts and suspect counterfeit electronic parts, including policies and procedures for training personnel, designing and maintaining systems to mitigate risks associated with parts obsolescence, making sourcing decisions, prioritizing mission critical and sensitive components, ensuring traceability of parts, developing lists of trusted and non-trusted suppliers, flowing down requirements to subcontractors, inspecting and testing parts, reporting and quarantining suspect counterfeit electronic parts and counterfeit electronic parts, and taking corrective action.
- 27.4 Seller shall flow the requirements of this provision to its subcontractors and suppliers at any tier for the performance of this Order.
- 27.5 Should Seller become aware of a confirmed or suspect counterfeit part that, by any means, has been delivered to CMC, or acquired for this Order whether or not delivered to CMC, notification will be made as soon as possible but not later than seven (7) days of discovery to CMC. Seller will verify receipt of this notification by CMC. Additionally, for confirmed Counterfeit Parts, notification will also be made not later than 60 days after discovery to the Government-Industry Data Exchange Program

(GIDEP).

- 27.6 Seller shall be liable for cost of counterfeit parts and suspect counterfeit parts and the cost of rework or corrective action that may be required to remedy the use or inclusion of such parts.
- 27.7 Seller shall quarantine suspect counterfeit electronic parts and counterfeit non-electronic parts, and make them available for investigation by appropriate government authorities.
- 27.8 Once the disposition is taken, all suspect counterfeit or counterfeit parts are to be permanently render as unusable and dispositioned for scrap to prevent re-entry in the supply chain.

Clause 28 – LATE DELIVERIES

- 28.1 If the Seller cannot meet the agreed delivery schedule or that such a delay seems likely, the Seller shall notify CMC in writing of the reason for the delay and the new delivery time.
- 28.2 When a delivery is delayed, CMC is entitled to liquidated damages without proving that the delay has caused damage or loss. The liquidated damages shall be one (1.0) per cent for each day late commencing after one (1) week grace period. The liquidated damages are calculated from the price of delayed milestone(s), Items or Services, and not to exceed the maximum period of ten (10) weeks. CMC is entitled to deduct the liquidated damages from its payments to the Seller. These liquidated damages do not apply in case of proven force majeure. During the time Contract is accruing liquidated damages the Contract will not be terminated for default due to delay.
- 28.3 CMC is entitled to receive compensation from the Seller for the direct expenses and damages caused by the delay whenever they exceed the liquidated damages payment specified in Clause 28.2. However, the total of the liquidated damages and compensation shall not exceed the price of the Item or component that forms the basis for delay penalty calculation. If the delay is due to gross negligence or willful act by the Seller, compensation shall be paid in full both for the direct and indirect costs and damage.

Clause 29 – OBSOLESCENCE

- 29.1 For the purpose of this Clause, obsolescence ("Obsolescence") means either a part or parts (including but not limited to raw materials, components or software) of an Item, manufactured by Seller or by a third party, which has (have) been taken out of production and cannot be purchased on the market or spare parts which have been declared obsolete by an aviation authority note or a service bulletin.
- 29.2 The Seller agrees that, throughout the period of its obligations under Clause 21, Continued Supply, any Obsolescence of a part or parts (including but not limited to raw materials, components or software) of an Item shall use diligent efforts to minimize cost and operational impact of Item Obsolescence, including the effects of interchangeability, to CMC. Seller shall source, at no cost to CMC and/or its customers, a suitable replacement for the said obsolete Items. This replacement shall be made available without disrupting the CMC's operations. In no event will CMC or its customers be charged all or part of the development or the development certification cost related to the obsolescence.

Clause 30 – CONFLICT MINERALS

In compliance with Dodd-Frank Act Section 1502, Seller agrees to SEC Reporting Requirements for Issuers Using Conflict Minerals. Conflict minerals are: columbite-tantalite (coltan), cassiterite, wolframite, and gold, which are used to finance conflict in the Democratic Republic of Congo or adjoining country.



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Clause 31 - MISCELLANEOUS

- 31.1 Seller shall not, without the prior written consent of CMC, make any news release or public announcement concerning any part of the subject matter of the Order or its contents.
- 31.2 The Order, its performance or any interest herein, or any monies due or to become due hereunder may not be assigned by Seller without CMC's prior written consent.
- 31.3 Should any provision of the Order be invalid, illegal or unenforceable in any respect, such provision shall be severed and the remaining provisions shall continue as valid, legal, and enforceable. Any such invalid, illegal or unenforceable provision shall be replaced by a valid, legal and enforceable provision corresponding as closely as possible to the intentions of the Parties as expressed in the invalid provision.
- 31.4 It is agreed that the Order does not constitute either Party the agent or legal representative of the other Party for any purpose whatsoever. Neither Party is granted any right or authority to assume, or to create any obligation or responsibility, express or implied, on behalf of, or in the name of the other Party, or to bind the other Party in any manner or thing whatsoever.
- 31.5 In the event that CMC receives a Government priority rating on any Order, CMC shall flow down such rating to Seller and Seller agrees to comply with such rating.
- 31.6 Seller shall have documented processes in place to ensure that (i) all parts and material to be supplied either embodied in the Item or supplied separately are non-counterfeit, (ii) the impact of Obsolescence is mitigated or eliminated, (iii) chemicals used in manufacture comply with applicable environmental regulations, and (iv) export requirements are achieved. CMC shall have the right to audit these processes.

Clause 32 – OFFSET CREDIT / COOPERATION

This Purchase Order has been entered into in direct support of CMC's international offset program. All offset benefit credits resulting from this Purchase Order are the sole property of CMC to be applied to the offset program of its choice. Seller shall assist CMC in securing appropriate offset credits from the respective country government authorities.

Clause 33 – RETENTION OF RECORDS / AUDIT

- 33.1 Seller shall maintain complete and accurate records to verify the performance of its obligations under this Purchase Order. All such records shall be subject to review and audit by CMC on reasonable notice.
- 33.2 Seller shall provide access to all requested records and cooperate fully in the conduct of any such review or audit. All records to be maintained under this provision shall be retained for a period of not less than 10 years from the later of the date of acceptance of the final payment or until all audit findings have been fully resolved.
- 33.3 If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the retention period, the records shall be retained until completion of the action and resolution of all issues which arise from it, or until the end of the ten (10) years, whichever is later, and until any outstanding litigation, audit, or claim has been fully resolved.

Clause 34 – TURNAROUND TIME FOR REPAIR

- 34.1 Turnaround Time (TAT) for repair or overhaul begins on the date that Seller receives the Items, including Repair instructions, at Seller's repair facility and ends on the date the repaired or overhauled Item is available to ship in accordance with CMC's instructions. If CMC's quote response requires additional information from Seller, the TAT clock shall resume and run for the number of days it takes for Seller to provide such information.
- 34.2 Seller's TAT for normal repair or overhaul on Items installed, operated and maintained in accordance with Seller's written instructions shall

be: (i) Ten (10) calendar days or less for electronics Items, (ii) Fifteen (15) calendar days or less for other Items, and (iii) for modifications or conversion programs, TAT shall be mutually agreed between Seller and CMC.

Clause 35 – COMPLIANCE WITH AVIATION AUTHORITIES

- 35.1 If applicable, at the time of delivery thereof the Products sold, repaired or overhauled shall meet all applicable requirements of the Aviation Authorities such as but not limited to Transport Canada, the FAA, EASA or JCAB for operation by Buyer's customers in domestic and international airline transport service. Seller shall obtain all Aviation Authorities certificates which may be required for installation or operation by Buyer's customers.

Clause 36. – Business Conduct and Ethics

- 36.1 By accepting this Purchase Order, Seller represents that it has not participated in any conduct in connection with the Purchase Order that violates CMC's Code of Business and Ethics, as published and made publicly available at <https://cmcelectronics.ca/About/CodeofConduct.aspx>, and Seller will adhere to CMC's Code of Business Conduct and Ethics or if available, Seller's version which is consistent with the CMC's Code of Business and Ethics.
- 36.2 The Seller agrees that integrity and ethical behaviors are important in all aspects of the business and covenants that no bribe, gift, benefit or other inducements has been or will be paid, given, promised or offered directly or indirectly to any official or employee of CMC or to a member of the family of such person with the view to influencing the entry into or the administration of the Order resulting therefrom.
- 36.3 Failure of Seller to comply with this clause may, at CMC's option, result in immediate termination for default hereunder, without provision for cure. Should Seller access CMC's premises in performance hereunder, Seller agrees to comply with and to not violate any code of conduct, and policies adopted by CMC including those related to security, health and safety.
- 36.4 If Seller has cause to believe that CMC or any employee or agent of CMC has behaved improperly or unethically in connection with this Purchase Order, Seller shall report such behavior to CMC in accordance with the CMC's Code of Business Conduct and Ethics.

Clause 37.-Cybersecurity

- 37.1 If CMC provides the Seller with CMC and CMC's customer's data, confidential information, and any other sensitive information provided by CMC then Seller shall implement and maintain appropriate technical and organizational measures to protect all such information.
- 37.2 In the event of a cybersecurity incident or data breach that may affect CMC's data, Seller shall promptly notify the CMC in writing within 72 hours providing all relevant details about the incident. Seller shall cooperate fully with the CMC in investigating and resolving the incident and take all necessary actions to mitigate its impact.
- 37.3 Seller agrees to adhere to industry-recognized cybersecurity standards, guidelines, and best practices relevant to its operations, including but not limited to NIST Cybersecurity Framework, CMMC, SOX or any other cybersecurity frameworks that may be required by CMC.
- 37.4 Seller shall implement appropriate access controls and authentication mechanisms to ensure that only authorized personnel can access CMC's data and systems. Multi-factor authentication should be used where feasible.
- 37.5 Seller agrees that when sensitive information is shared or access



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- provided to 3rd parties, that they meet any data handling requirements
- 37.6 Upon CMC's request, Seller shall provide evidence of third-party security assessments, audits, or certifications relevant to its cybersecurity practices. CMC reserves the right to conduct its own security assessments or audits of the Seller's systems and facilities.
 - 37.7 Seller shall ensure that its employees and subcontractors receive regular training and education on cybersecurity best practices and data protection.
 - 37.8 Seller shall maintain adequate business continuity and disaster recovery plans to ensure the business continuity. Seller shall indemnify and hold the CMC harmless from any losses, damages, or liabilities arising from the Seller's failure to comply with the cybersecurity measures and requirements specified in this agreement.
 - 37.9 Seller shall ensure that all purchased software for use in the execution and support of this contract will have a decreased attack surface foot point to include the removal of non—used software, services, daemons, or other libraries. The software utilized will have all relevant security features enabled and configured to best practices to mitigate industry threats.
 - 37.10 This Cybersecurity Clause shall remain in effect for the duration of the agreement between Seller and CMC. Both parties shall review and update this clause periodically to ensure its continued relevance and effectiveness. In the event of a material breach of this Cybersecurity Clause, reserves the right to terminate the agreement with Seller immediately without any liabilities.

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