



TERMS AND CONDITIONS OF PURCHASE Rev 2.3, September 7, 2018

1) Applicable Terms and Conditions

These terms and conditions are an integral part of Orders issued by AEM. As used herein below, the following terms shall have the indicated meanings:

- 1.1) "Seller" or "Supplier" shall mean the recipient of this Purchase Order
- 1.2) "Buyer" shall mean Anodyne Electronics Manufacturing Corp
- 1.3) "Order" shall mean the Purchase Order and/or the Purchase Order number listed on the face of the order.

2) Product Safety, Packaging and Shipping

- 2.1) The Seller is to contribute to product safety by following all Order and product documentation requirements. Seller shall ensure that articles are packaged in a manner and with materials necessary to prevent deterioration, corrosion or damage. Seller shall consider all points of product safety and protection: while in production at Seller's facility, in transportation to destination and the expected or specified conditions at the destination. The Seller shall provide sufficient packaging for articles sensitive to handling damage. Electrostatic sensitive components shall be handled, packaged, stored and shipped in accordance with the latest revision of DOD-STD-1686, EIA-625 or ANSI/ESD 502.20-2007. Moisture sensitive components shall be handled, packaged, stored and shipped in accordance with IPC-M-109 and/or J-STD-033.
- 2.2) F.O.B point and cash discount terms must be shown on all invoices.
- 2.3) Charges for prepaid transportation must be substantiated by attaching to the invoice the original transportation bills, receipted by the carrier.
- 2.4) No charges for packaging or shipping will be accepted, except by express agreement to such charges.
- 2.5) Drafts against Buyer will not be honoured, nor COD shipments accepted except by express agreement to that effect.
- 2.6) Shipments for which Buyer is responsible for transportation charges must be properly described on the bill of lading to obtain the lowest possible charge. The lowest valuation available must be declared when the carrier offers released valuation rates.

3) Contract

- 3.1) This order becomes a binding contract on the terms set forth herein when accepted by Seller by any of:
 - 3.1.a) Giving Buyer formal written acknowledgement on Purchase Order in "Please confirm acceptance of Purchase Order" line, hereof
 - 3.1.b) Seller's order acknowledgement form
 - 3.1.c) The commencement by Seller of any of the work called for by this order
- 3.2) It is a condition of this order that any provisions printed or otherwise contained in any acknowledgement hereof, which provisions are inconsistent with, or in addition to, the terms and conditions herein contained, and any alterations to this order, shall have no force or effect and that Seller by such acceptance thereby agrees that any such provisions therein or any such alterations in this order shall not constitute any part of the contract resulting from Seller's acceptance of this order. Such contract contains the entire agreement of the parties and failure of Buyer to enforce any of its right there under shall not constitute waiver of such rights or any other rights.
- 3.3) This order is non-assignable by the Seller. If any term or provision of this order or the application thereof shall, to any extent be invalid or unenforceable, the remainder to this order or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term and provision of this order shall be valid and be enforced to the fullest extent permitted by law.



4) Delivery Schedules

4.1) Deliveries are to be made in quantities and at times specified in the order or on schedules furnished by the Buyer. Buyer will have no liability for payment for material or items delivered to Buyer which are in excess of the quantities specified. Buyer may from time to time change delivery schedules or direct temporary suspension of scheduled shipments. Goods shipped to Buyer in advance of the times specified, without express written consent of Buyer, may be returned to Seller at Seller's expense.

5) Excusable Delays

5.1) Strikes, fires, accidents or other causes beyond the reasonable control of the Buyer which affect its ability to receive and use the material ordered hereunder shall constitute valid grounds for suspension of shipment under this order upon notification to Seller by fax, email or letter, and any such suspension of shipment shall be without penalty or cost to Buyer except for delays of Seller's subcontractors. Seller shall not be liable for damages to Buyer or its customers for delays or defaults in deliveries due to unforeseeable contingencies beyond Seller's control and without Seller's fault or negligence. Seller's delays or defaults in deliveries shall be grounds for cancellation of this order regardless of the cause thereof. Seller shall within five (5) days of the occurrence thereof notify Buyer in writing of the occurrence of any cause which will give rise to delay in delivery.

6) Warranty

6.1) Seller expressly warrants that all the material and work covered by this order will conform to the specifications, drawing, samples, or other description furnished or specified by the Buyer, and will be merchantable, of good material and workmanship and free from defects. Seller expressly warrants that all the material covered by this order which is the product of Seller, or is in accordance with Seller's specifications, will be fit and sufficient for the purposes intended, will be free from defects in design, and will be merchantable.

7) Extension of Warranty

7.1) Any right, cause of action or remedy under the terms and conditions hereof, including Warranty and Patent Indemnity, assumed by or imposed upon Seller, shall extend without exception to any company:
7.1.a) Affiliated with Buyer
7.1.b) Upon whose behalf this order is issued by Buyer, and shall also extend to the customers of Buyer.

8) Quality Control

8.1) Seller shall maintain a Quality Program in compliance to ISO 9001 and/or AS9100 or otherwise approved by AEM. The Seller shall also control processes appropriately to prevent the sale of counterfeit parts. Seller may be monitored for performance and control purposes.

9) Inspection

9.1) All material received shall be subject to Buyer's inspection and acceptance or rejection. In case any of the material is found to be defective or otherwise not in conformity with the requirements of this order, Buyer shall have the right to reject the same or require that such material be corrected or replaced promptly with satisfactory material. If Buyer so rejects the material or if Seller, when requested by Buyer fails to proceed promptly with replacement or correction thereof, Buyer may terminate this order for default or may replace or correct such material and in either event may charge Seller the cost of the damages occasioned Buyer thereby. Rejected defective material or rejected material not in accordance with Buyer's specifications will be held for Seller's instructions and at Seller's risk and expense and if Seller so directs will be returned at Seller's expense. Unless Buyer, at its option notifies Seller to the contrary, no material returned as defective shall be replaced without a new order. Payment for material on this order prior to inspection shall not constitute acceptance thereof.

10) First Article Inspection

10.1) When indicated on the Buyer's Purchase Order, a First Article Inspection will be required per the latest revision of AS9102, Aerospace First Article Inspection Requirements. If Seller is incapable of providing a First Article Inspection to AS9102 requirements, Seller must inform Buyer of such. When acceptable to Buyer, Seller's FAI report may be deemed adequate. The Buyer may elect to perform the First Article Inspection in place of the Seller if the Seller's FAI is deemed inadequate.



- 11) Key Characteristics and Process Parameters:
 - 11.1) When the Buyer specifies on the Purchase Order that a certain Characteristic or Process Parameter has been designated as a “Key” requirement for Commercial and/or Proprietary items, the Seller agrees to statistically control that designated “Key” Characteristic and/or Process Parameter in accordance with the latest revision of AS9103, Variation Management of Key Characteristics. The Seller must specify, in a written plan, how each designated “Key” Characteristic or Process Parameter will be statistically monitored and controlled. The Buyer must approve these plans and/or methods of statistical control prior to receiving of any product. The Seller must provide, with each shipment, suitable Statistical Process Control data for each designated “Key” Characteristic and Process Parameter, as evidence that the variation in the designated “Key” Characteristic and/or Process Parameter has been statistically controlled in accordance with the approved Statistical Process Control plan.

- 12) Designated Sources
 - 12.1) When the Buyer indicates on the Purchase Order that “the sources for raw material and/or processes are restricted,” the Seller agrees to use only those sources designated on the Buyer’s Approved Supplier List.
 - 12.2) For “Raw Board” procurement, the type of material specified on the drawings is restricted and no alternative raw material types can be substituted. Unless otherwise specifically stated on the design documentation, the Buyer will not limit raw material to a specific brand name.

- 13) Raw Material and Process Certification/Validation
 - 13.1) When the Seller utilizes test reports, raw material certifications and/or component certificates of compliance to validate and/or certify product, material, or process conformance, the data in those reports must be acceptable per the applicable specifications. A copy of these reports/certifications must be filed at Seller’s facility for future reference and/or forwarded to Buyer upon request.
 - 13.2) When requesting “Raw Board” certifications, all data received from bare board manufacturer (e.g.-micro-section analysis, electrical test results, raw material certifications etc.) must be filed at Seller’s facility for future reference and at a minimum, copies of raw material certifications must be forwarded to Buyer with Seller’s version of Certificate of Compliance.
 - 13.3) The Seller must periodically validate these test reports either through inspection or an independent organization or laboratory for accuracy and correctness. The Seller agrees to provide copies of the validated results to the Buyer, upon request, as evidence that the certified results have been periodically validated

- 14) Test Specimens
 - 14.1) When the Buyer specifies requirements on the Quote Request and/or Purchase Order for test specimens for First Article Inspection, Design Approval, Inspection, Auditing, and/or Investigation, the Seller agrees to supply representative specimens in accordance with the agreed upon requirements on the Quote Request or Purchase Order.

- 15) Shelf Life Material
 - 15.1) Unless otherwise specified on the Purchase Order, all shelf-life materials shall be delivered to the Buyer with a minimum of 75% shelf life remaining. The date of manufacture and expiration dates are required to be on the Certification of Compliance and/or the packaging of the part supplied.

- 16) Inspection at Source
 - 16.1) Seller agrees that the Buyer, at its option, may perform material and/or product inspection at Seller’s facility.

- 17) Non-Conforming Material
 - 17.1) Seller must not ship non-conforming material to the Buyer and must have controls in place to control non-conforming product at Seller’s facility. Seller must have procedures in place to notify Buyer of non-conforming product on a positive recall basis if product or material is found to be non-conforming after shipment to Buyer.



- 18) Records:
18.1) Seller shall retain all records that affect quality for a minimum of 10 years or inform the Buyer of the inability to retain such records. The Buyer, at its option, may elect to keep these records on behalf of the Seller.
- 19) Changes
19.1) The Buyer reserves the right at any time to make changes in:
19.1.a) Drawings and specifications
19.1.b) Methods of shipment and packaging
19.1.c) Schedules
19.1.d) Quantities
19.1.e) The place of delivery
19.2) The changes can be made for any material or work covered by this Order. Any difference in price or time for performance resulting from such changes shall be equitably adjusted and the Order shall be modified in writing accordingly, but any claim by Seller for any adjustment must be made within thirty (30) days of the receipt of such changes.
19.3) The Seller will notify the Buyer of any changes that may affect the quality of product such as changes in product or process, change of suppliers and change of location.
- 20) Remedies
20.1) The remedies contained herein shall be cumulative, and additional to any other or further remedies provided in law or equity. No waiver of a breach of any provision of this contract shall constitute a waiver of any other breach, or such provision.
- 21) Patent Indemnity
21.1) By accepting this Order, Seller guarantees that the material hereby ordered and the sale or use of it will not infringe on any Canadian or foreign Patent, Trademark, Trade Name or Registered Design. Seller agrees to indemnify, defend, protect and save harmless the Buyer, its successors, assigns, customers and users of its products, from all damages, costs and expenses, including attorney's fees, arising from claim for actual or alleged infringement of any Patent, Trademark, Trade Name or Registered Design by reason of the manufacture, use or sale of the material hereby ordered, and Seller agrees at its own expense to undertake the defense of any suit against Buyer brought upon such claim or claims.
- 22) Indemnification Insurance
22.1) In the event Seller, its employees, agents or subcontractors, enter premises occupied by or under the control of Buyer or its customers in the performance of this Order, Seller agrees that will indemnify and hold harmless Buyer, its customers and their officers and employees from any loss, cost, damage, expense or liability by reason of property damage or personal injury of whatsoever nature of kind, occasioned in whole or in part by the actions or omissions of Seller, its employees, agents or subcontractors, and Seller agrees that it and its subcontractor will maintain public liability and property damage insurance in reasonable amounts covering the obligations set forth above, and will maintain proper workmen's compensation insurance covering all employees performing this order. Seller shall provide written evidence of such insurance upon request of Buyer. While on the premises of Buyer, Seller and its employees shall comply with all statutory and governmental safety and health regulations, and with the safety, health and plant regulations of Buyer.
- 23) Advertising
23.1) Seller shall not, without first obtaining the written consent of Buyer, in any manner, advertise or publish the fact that Seller is contracted to furnish Buyer the material herein ordered, and for failure to observe this provision, Buyer shall have the right to terminate the contract resulting from the acceptance of this Order without any obligation to accept deliveries after the date of termination or make further payments except for completed material delivered prior to termination.
- 24) Insolvency



24.1) This Order may be terminated by Buyer by giving written notice to Seller, in the event Buyer has a reasonable basis for concluding that Seller's financial condition is such that Seller is at or near insolvency, and Seller, within 10 days after receipt of such notice, does not provide acceptable information upon which it is reasonable to conclude that Seller is not at or near insolvency and will be able to perform its obligations under this contract.

25) Compliance with Laws

25.1) Seller guarantees that all equipment, work and other items supplied by Seller pursuant to this Order will comply with all applicable federal, provincial, and local laws, ordinances and regulations. Unless otherwise expressly set forth herein, the laws of the province from which this Order issues as shown by the address of Buyer shall apply to and govern the interpretation, performance and enforcement of this order. Seller agrees, in connection with the production of the material specified herein and services performed hereunder, to comply with all applicable local, provincial and federal law, regulations and rulings issued pursuant thereto, and agrees to indemnify Buyer against any loss, cost, liability, or damage by reason of Seller's violation of this paragraph.

26) Independent Contractor

26.1) Seller agrees that the relationship established by this Order constitutes him as an independent contractor, and that no tax, assessment or legal liability of Seller, or of his/her agents or employees, becomes, by reason of this order, an obligation of Buyer.

26.2) Should Seller decide to sub-contract all or part of this Order, Seller shall be responsible for flow down of all the requirements and provisions of Buyer's purchase order applicable to the Seller's subcontractors.

27) Buyer's Design and Property

27.1) Seller shall keep confidential the features of any equipment, tools, gauges, patterns, designs, drawings, engineered data or other technical or proprietary information furnished by Buyer and will use such items only in the production and/or supply of material covered by this order or other orders from Buyer. In no event shall Seller use data, designs, or information supplied by, or on behalf of, Buyer for manufacture of Buyer's products or cause others to do so without express written consent of Buyer. Upon completion or termination of this order, Seller shall return all such items and copies thereof made by Seller to Buyer or make such other disposition thereof as may be directed or approved by Buyer. Any material furnished by Buyer on other than a charge basis in connection with this order shall be deemed to be held by Seller on consignment. Seller agrees to pay for any such material damaged, destroyed or not satisfactorily accounted for. Buyer will specify acceptable scrap allowances, if any, and any amount in excess of this will be paid for by Seller at Buyer's cost. All tools, gauges, patterns, dies, and other equipment furnished to Seller by Buyer shall remain the property of Buyer. Such property shall be plainly identified by Seller as "AEM" and shall be safely stored and not used except in filling Buyer's orders. Such property, while in Seller's possession, shall be maintained in good condition at Seller's expense and shall be kept insured at Seller's expense in an amount equal to the replacement cost with loss payable to the Buyer. Buyer's property may be removed by Buyer at any time.

28) Patent Rights

28.1) Where payment is made for experimental, developmental or research work to be performed or actually performed under this Order, Seller agrees to disclose to Buyer and, on request, to assign Buyer without additional compensation full and complete title to each improvement and invention conceived or reduced to practice there under, free and clear of any encumbrances or restrictions, and for this purpose Seller will procure the execution of all documents necessary to vest full title to such improvements and inventions in Buyer and, where Buyer decides to file foreign or domestic patent applications on such inventions, Seller will procure the execution of all oaths, declarations and other documents necessary or required to file such patent application and vest full title therein in Buyer.

29) Termination Clause

29.1) Buyer may terminate work under this Order in whole or in part at any time by written notice to Seller. Such notice shall state the extent and effective date of such termination, and upon receipt thereof, Seller will, as and to the extent directed by Buyer, stop work under this Order and the placement of further orders or sub-contracts hereunder,



terminate work under orders and subcontractors outstanding hereunder, and take any necessary action to protect property in Seller's possession which Buyer has or may acquire an interest.

- 29.2) If the parties cannot by negotiation agree within a reasonable time upon the amount of fair compensation to Seller for such termination, Buyer, in addition to making prompt payment of amounts due for material delivered or services rendered prior to the effective date of termination, will pay to Seller the following amounts without duplication:
- 29.2.a) The contract price for all material or services which have been completed in accordance with this Order and not previously paid for.
 - 29.2.b) The actual costs incurred by Seller which are properly allocable or apportionable under recognized commercial accounting practices to the terminated portion of this Order, including the cost of discharging liabilities which are so allocable and apportionable.
 - 29.2.c) The reasonable costs of Seller in making settlement hereunder and in protecting the property in which Buyer has or may acquire an interest. Payments made under this paragraph (29.2), exclusive of payments under this sub-paragraph (29.2.c), shall not exceed the aggregate price specified in this order, less payments otherwise made or to be made.
- 29.3) With consent of Buyer, Seller may retain, at an agreed price, or sell, at an approved price, any completed articles, or any articles, material, work in process or other things, the cost of which is allocable or apportionable to this order under sub-paragraph (29.2.b) received as Buyer directs. As directed by Buyer, Seller will transfer title to and make delivery of any such articles, and materials or work.
- 30) Cancellation
- 30.1) Buyer reserves the right to cancel all or any part of the undelivered portion of this Order if Seller does not make deliveries as specified in the schedules as promised, or if Seller breaches any terms hereof, including the warranties of Seller, said rights to cancellation to be exercised by Buyer without penalty.
- 31) Location Change
- 31.1) Supplier shall notify Buyer immediately of changes to facility location.
- 32) Right of Access
- 32.1) During the manufacture of any product for Buyer Orders, all of Seller's processes are subject to review, verification and analysis by Buyer, Buyer's customers, applicable regulatory agencies (Transport Canada, FAA etc.) and any other applicable government authorities. This applies to contracted suppliers and any subcontract suppliers utilized in the process.
- 33) Conflict Minerals
- 33.1) With respect to any and all Goods delivered under the Order, Seller warrants and represents that it has conducted a reasonable review of its supply chain, and confirms that such Goods will at no time contain any "conflict minerals" as such term is defined in the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act Section 1502 including, without limitation gold (Au), tantalum (Ta), tungsten (W) and tin (Sn) or any other mineral or its derivatives sourced from areas identified as conflict regions, including the Democratic Republic of the Congo (DRC), or an adjoining country determined by the U.S. Secretary of State to be financing conflict in the Democratic Republic of the Congo (DRC). For the purposes of making such representation and warranty, Supplier will use reasonable practices, standards, and procedures that meet or exceed the reasonable country of origin inquiry described in the SEC rules and the relevant best practices developed by industry. Seller will immediately notify Buyer in writing if at any time the foregoing representation becomes inaccurate or incomplete. It is our policy that we will not accept any materials containing Conflict Minerals unless the vendor can certify to us that the Conflict Minerals in questions did not originate in the DRC or adjoining countries.
- 34) Supplier Code of Conduct
- 34.1) AEM is committed to conducting its business in an ethical, legal, safe, environmentally and socially responsible manner. AEM requires its Suppliers to share this commitment and, therefore, has established a Supplier Code of Conduct, available for viewing at www.aem-corp.com/legal. AEM requires its Suppliers to consistently meet the requirements of the Supplier Code of Conduct.