



Purchase Order Terms and Conditions

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Release Oct 2021

PURCHASING TERMS & CONDITIONS

1. Definitions: The term "Contract" means the written purchase order, contract or agreement which attaches, incorporates or otherwise references these terms and conditions. The term "Company" means Pacific Aerospace Corporation (PAC). The term "Seller" means any individual, corporation or other entity who is to supply Products purchased by the Company pursuant to this Contract. The term "Products" means the goods and or Materials sold by Seller and purchased by Company pursuant to this Contract.

2. Price/Terms: Seller warrants that the prices set forth in this Contract are complete and that no additional charge of any type will be added without Company's express written consent in advance.

3. Taxes: Seller will bear and pay all applicable taxes of the United States or any state or any foreign government including political subdivisions of any of them, which are based on or measured by net income, gross income or gross receipts including any withholding taxes levied against Seller for the privilege of doing business in a jurisdiction. If Seller is required by law to collect sales and use tax (including any gross receipts tax imposed similar to sales and use tax) from the Company on behalf of any taxing jurisdiction, Seller will provide to Company invoices which separately state and clearly indicate the amount of tax, and Company will remit any such tax to Seller. Seller will have the responsibility of complying with all applicable foreign, national, state, or local laws regarding value added tax and sales and use tax or substitutes therefore including registration, collection of taxes and the filing of returns where applicable. If applicable, in lieu of payment for any sales and use tax, Seller will accept a properly executed exemption or direct pay certificate from Company with the exception of sales and use tax as described above, all other taxes, however denominated or measured imposed upon the Seller, or the price or compensation under this contract, or upon the predict provided hereunder, shall be the responsibility and liability of Seller.

4. Order of Precedence: At all times the order of precedence for the product specifications, product packaging, material handling, transportation and any other quality and Engineering matters shall be Buyer's PO instructions followed by supplied Drawings/CAD Data and Procedures.

5. Inspection: Quality Assurance, and Audit: All products and services will meet the requirements of the PAC Purchasing Quality Clauses Document. It is the Suppliers responsibility to determine the requirements and perform all actions required, provide all documentation, and follow all directions called out on that document. The PQC is readily available on PAC website. It is the responsibility of the Supplier to follow the generic clauses in the table on the first page in accordance with their Product or Service and to also follow any additional requirements that may be listed on the Contract.

6. Delivery and Rejection: Seller assumes full responsibility for the safe arrival of all shipments except those routed by common carrier. All shipments will comply with Company's packaging requirements specified in this Contract (if any) and all shipping containers must provide adequate protection for all materials during handling and transportation. Unless otherwise expressly agreed in writing all shipments shall be FOB shipping point, and risk of loss as to such Products shall transfer to Company in accordance with the applicable shipping terms. The party bearing the risk of loss shall be responsible for providing



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adequate insurance on shipments. Products will be received subject to inspection and approval by Company after delivery. Upon inspection, Company may give Seller notice of rejection or revocation of acceptance, notwithstanding any payment, passage of title, approval, prior test, or inspection. No inspection, approval, test, delay or failure to inspect or test, or failure to discover any defect or other nonconformance, will relieve Seller of any obligations under this Contract or impair or waive any right or remedy of Company with respect to Seller's performance hereunder. If the Products are damaged due to improper packaging or do not otherwise conform with the requirements of this Contract, Company will have the right to reject the Products and in addition to any other rights and remedies it may have, Company may, in its sole discretion:

- (1) return any or all the Products to Seller for reimbursement, credit, replacement, and/or repair;
- (2) correct, rework, and/or repair the Products with all costs associated therewith to be charged to and paid by Seller; or
- (3) hold any or all the Products, at Seller's risk and expense, for disposal or correction according to Seller's instructions. Any Products rejected by Company and returned to Seller will be returned, at Seller's risk and expense, with the cost of packaging, handling, inspection, transportation, and any other costs incidental thereto to be charged to and paid by Seller.

7. Warranty: In addition to Seller's standard warranty and all warranties implied by applicable laws, Seller warrants, for the longer of either 12 months after the Company's acceptance of Products or Seller's standard warranty period, that all Products will conform to all applicable specifications, drawings, instructions, data, samples, industrial or governmental standards and regulations, and will be merchantable, free from defects in design, material and workmanship, will be as described and advertised, of good quality, and fit for the intended purposes. Seller will indemnify, defend and hold Company harmless from any breach of these warranties without prejudice to any other rights or remedies of Company. All warranties and other provisions of this paragraph will survive inspection or acceptance of, payment for, and use of the Products and completion, termination, or cancellation of this Contract, and will run to Company, its customers, successors, and assigns. This transaction will be governed by the Uniform Commercial Code, including all warranty protections (express or implied) and all buyer remedies set forth therein. Seller shall also extend to Company the warranties or guarantees, if any, given to Seller by any third-party manufacturer of component parts and accessories incorporated into the Products said hereunder. Seller agrees to use its best efforts and will cooperate with Company in enforcing any claims against such third-party manufacturer(s) for defects that may occur.

8. Infringement: Seller will indemnify, protect; defend and hold harmless Company, its successors and assigns, its customers and the users of Products from all claims, demands, judgments, settlements, costs, losses and damages (including, without limitation, court and attorneys' fees) incurred as a result of actual infringement of any patent, copyright, trademark, trade secret, or other actual intellectual property right of any third party arising from Company's purchase, use or sale of Products supplied under this Contract



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9. Seller's Liability and Indemnification: Seller will indemnify, protect, defend and hold harmless Company, its successors and assigns from and against all claims, demands, judgments, settlements, costs, losses and damages (including, without limitation, court and attorneys' fees) arising from personal injury, including death, or property loss or damage to Company or to others arising out of or in any manner connected with the production and delivery of, or any defect in, Products supplied hereunder, or any breach of this Contract, whether caused by Seller, or a supplier of Seller, or employees of either of them, and to defend at Seller's sole expense, any and all suits or actions, based on such claims. WITH RESPECT TO CLAIMS AGAINST COMPANY BY SELLER'S EMPLOYEES, SELLER AGREES TO, AND HEREIN DOES, EXPRESSLY WAIVE ITS IMMUNITY, AS A COMPLYING EMPLOYER UNDER WORKERS' COMPENSATION LAW, FOR ANY AND ALL ACTS OF NEGLIGENCE, WHETHER PASSIVE OR ACTIVE, BUT ONLY TO THE EXTENT THAT SUCH IMMUNITY WOULD BAR OR AFFECT RECOVERY UNDER OR ENFORCEMENT OF THIS INDEMNIFICATION OBLIGATION. This waiver will apply to any immunity conferred upon an employer by any state's constitution or workers' compensation laws with respect to liability for claims asserted against a third party by a Seller's employee.

10. Insurance: Seller agrees to maintain Workers Compensation Insurance in accordance with all applicable Federal, State and local laws.

11. Cancellation: Company will have the right to cancel this Contract if:

- 1) the Products are non-conforming or defective or not delivered as scheduled;
- 2) Seller fails to comply with or fulfill any of the terms and conditions of this Contract;
- 3) Seller fails to pay sub-tier supplier or subcontractor amounts due and owing;
- 4) Seller fails to comply with Company's shipping and billing instructions
- 5) Seller becomes insolvent or becomes subject to any bankruptcy proceedings and such proceedings, if involuntary, are not dismissed within 60 days.

12. Termination: Unless otherwise expressly agreed in writing, Company may terminate this Contract, in whole or in part, at any time by giving written notice to the other party. After receiving written notice of termination from Company, Seller will immediately cease production and delivery of all Products indicated in the notice of termination. Company will pay Seller for Products completed as of the date of termination, and for actual, reasonable expenses incurred by Seller for work-in-process up to and including the date of termination but only to the extent that such prices do not exceed the prices set forth in this Contract. Upon such payment, all work-in-process and finished goods for which Company has paid will, at Company's option, become the property of Company and will be released by Seller to Company for pick-up and removal, upon demand. The provisions of this clause are without prejudice to any other rights or remedies of Company, including those resulting from default by Seller hereunder.

13. Payments: Unless otherwise expressly agreed in writing, the terms of payment are NET30 days after Company's receipt of either Seller's valid invoice, or the Products, whichever is later. Payment by Company of an invoice from Seller does not constitute acceptance of the Products covered by the invoice. Company shall have the right to withhold payment for any amounts disputed in good faith.

Document is UNCONTROLLED when printed.

Pacific Aerospace Corp.

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14. Liens: Seller expressly waives and releases any and all claims or encumbrances upon any Products owned or purchased by the Company and warrants that Company will, at the time of delivery to Company, have title to the Products and the right to sell such Products and that no lien, encumbrance or security interest will be filed by anyone against Company, Company's property or Products as a result of Products furnished by Seller.

15. Confidentiality/Intellectual Property: Both parties agree not to disclose or publicize the fact that the parties have contracted with one another, and not to disclose any details, specifications, designs, drawings or other information contained in this Contract, without the other party's prior written permission. Unless otherwise generally known to the public, all information disclosed by one party to the other party is confidential and proprietary, and receiving party agrees that it will not disclose or use such information except for the purpose of performing its obligations under this Contract. All things (such as drawings, documents, etc.) containing such information are the property of tendering party and are to be delivered to the tendering party upon demand. Company retains title to and all rights in all information and materials provided by it (including, but not limited to, all drawings, designs, specifications, technical data, production, or product "know-how", and/or proprietary information of Company. Seller agrees to assign to Company and not otherwise to make use of any invention, improvement, or discovery, whether or not patentable, which is derived from Company's information or materials or is conceived in performance of the work under this Contract by any employee or agent working under Seller's direction and shall cooperate with Company to complete such assignment and shall execute all documentation reasonably requested by Company to effect the assignment.

16. Independent Contractor/Safety: Seller is and will remain an independent contractor of the Company. No employee, agent, or representative of Seller or its subcontractors will be deemed to be an employee of Company. Seller will provide all reasonable safeguards, and take all precautions, necessary in connection with the production and delivery of the Products sold hereunder to prevent the occurrence of any accident, injury, death, loss, or damage to any person or property. Seller warrants that all Products hereunder will be provided in a safe, proper; and workmanlike manner and in compliance with all applicable codes, regulations, laws, standards, specifications, and Company requirements concerning safety performance and otherwise.

17. Assignment; Subcontracting: Neither this Contract, nor either party's rights and obligations hereunder, are assignable by the respective party without the prior written consent of the other party. No such consent or assignment shall release either party or change either party's liability to perform all of its obligations under this Contract. Seller shall not subcontract all or a substantial portion of this Contract or its obligations hereunder without prior written authorization from the Company.

18. No Violation of Law: Seller warrants that it will comply with all applicable foreign, federal, state and local laws and regulations in producing, testing, packaging and delivering Products hereunder. Upon request, Seller will furnish Company with certificates of compliance therewith. Unless this Contract is otherwise exempted by law. Seller will comply with Executive Order 11246, as amended by Executive Order 11375 (Equal Employment Opportunity) the Rehabilitation Act of 1973, the Vietnam Era Veteran's Readjustment Assistance Act of 1974, the Americans with Disabilities Act, as they have been



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or may be amended from time to time, and regulations implementing such statutes, and any similar state and local laws and ordinances and the regulations implementing such statutes. Seller warrants that the Products delivered hereunder were produced at Company facilities complying with all applicable provisions of the Occupational Safety and Health Act and applicable regulations under that Act.

19. Hazardous and Dangerous Goods and Materials: Seller warrants:

(1) that any chemical substance or mixture delivered to Company pursuant to this Contract is on the Toxic Substance Control Act inventory or that the pre-manufacture notice requirements thereof have been satisfied and such chemical substance or mixture is lawfully available for production, delivery, sale and use;

(2) that chemical substances or mixtures delivered hereunder will be properly packaged with all warning labels, instructions for use, and notices required by applicable industry and government standards and regulations, and that, if such chemical substances or mixtures are supplied in bulk Seller will provide Company with an adequate supply of such warning labels, instructions and notices for use in Company's facilities; and

(3) that Seller will ascertain and furnish all information about Products reasonably required by Company to comply with all safety-related laws and regulations and with laws and regulations regarding composition, ingredients, or otherwise, including promptly furnishing copies of MSDS sheets.

20. Import/Export Compliance: If any Products are to be delivered into any other country, the Seller will be responsible for strict compliance with all legal regulatory and administrative requirements associated with any importation or exportation of such Products, including obtaining any required licenses or approvals and, unless otherwise agreed between the parties elsewhere in this Contract, the payment of all associated duties, taxes, and fees.

21. Duty Drawback: Upon request of Company, Seller will reasonably cooperate with Company in seeking any duty drawback available to Company in connection with export by Company of any Products imported by Seller and provided to Company under this Order, or incorporating, or manufactured by Company from, such Products.

22. Changes: The parties may, at any time, in writing, make changes to the general scope of this Contract, and Seller will continue performance of this Contract as so changed. If any such change causes an increase or decrease in the cost of, or time required for, the performance of either party's obligations under this Contract, an equitable adjustment to the price or delivery schedule, or both, shall be agreed by the parties as soon as practicable, and this Contract will be modified in writing accordingly.

23. Electronic Commerce: Upon Company's request, Company and Seller will facilitate business transactions by electronically transmitting data. Any data electronically transmitted pursuant to this section will be as legally sufficient, binding and enforceable upon the parties as a written, signed paper document exchanged between the parties, notwithstanding any legal requirement that the data be in writing or signed.



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24. Notifications: Seller agrees to promptly notify Company of any actual or possible safety problems involving the Products delivered hereunder. Seller also agrees to give Company reasonable advance notice of potential material shortages, labor disputes, insolvency or other matters that might delay or interfere with its performance of this Contract. Seller is to immediately notify Company in writing of any nonconforming Product that the Seller plans to send to the Company and obtain Company approval for nonconforming Product disposition if appropriate. Seller must notify the Company in writing of changes in Product and/or process, changes of suppliers, changes of manufacturing facility location and where required, obtain Company approval and flow down to the supply chain the applicable requirements including customer requirements.

25. Company's Property and Parts: All tooling (as defined below) and other property of any kind supplied to Seller, or paid for, by Company, or used exclusively for supplying Products to Company, will be and remain the property of Company. Seller will maintain such property in good condition and repair while in Seller's custody or control. Seller agrees to obtain Company's prior written approval for the purchase of any new tooling, describing in detail in such request each item and its price. Upon termination of this Contract, Seller will comply with Company's instruction as to the return or disposal of such property. Materials or parts provided by, or on behalf of, Company which have been, or are to be, processed by Seller are consigned to Seller solely for purposes of such processing and remain Company's property. All Company property will be used solely for supplying Products to Company and, while in Seller's custody or control, will be held at Seller's risk, free of all liens, encumbrances or security interests of Seller, and will be kept insured by Seller at Seller's expense in an amount equal to replacement cost with loss payable to Company. All property of the Company is subject to removal by Company at any time, and to return upon Company's request or upon termination of this Contract. As used herein, "Tooling" means all patterns, dies, fixtures, molds, jigs, models, gauges, inspection devices, special cutting tools, special test devices, drawings, and templates, and any replacements thereof, which are to be used solely for the purpose of furnishing Products under this Contract.

26. Seller's Contribution: Seller shall ensure that its employees/personnel are aware of:

- (1) Their contribution to the product or service conformity. The Seller shall have Procedures in place and Personnel should be trained and be capable of producing Products and Services that conform to all Data, Procedures and Requirements per the Contract.
- (2) Their contribution to product safety. The Seller shall have Procedures in place and Personnel should be trained to understand their contribution to Product safety. Personnel should be made aware of the affect that delivering unsafe or non-conforming Products or Services can have on the safety of an Aircraft, Vehicle, or Personnel.
- (3) The importance of ethical behavior. The Seller shall have Procedures in place and Personnel should be trained to understand their contribution to Ethical Behavior. Seller's Personnel shall perform all activities following all laws, rules, and regulations required by all Federal, State, and local laws.



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27. Force Majeure: Neither Seller nor Company shall be liable for any failure or delay in performing its obligations hereunder, or for any loss or damage resulting therefrom, due to any cause beyond their commercially reasonable control and without their fault or negligence which cause prevents a Party from performing its obligations under the Contract or results in the inability of a Party to perform its obligations under the Contract. Such causes include, but are not limited to:

- (i) acts of God, war, riot, embargos, acts of civil or military authorities, fire, flood, epidemics, terrorism, quarantinerestrictions, freight embargoes, or unusually severe weather affecting either party; or
- (ii) similar causes beyond their commercially reasonable control and which are not foreseeable or causes beyond the commercially reasonable control of their subcontractors which are not foreseeable.

The Party whose performance is so affected shall notify the other Party in writing within ten (10) days after the beginning of any such cause(s). In all cases, the Parties shall use reasonable efforts to avoid or minimize all such failures or delay in performing their obligations hereunder, including exercising work-around plans or obtaining the Work from other sources.

28. Entire Agreement: These terms and conditions, and any Contract which attaches, incorporates or otherwise references these terms and conditions, together set forth the entire agreement between Company and Seller with respect to the subject matter hereof and supersede all other prior negotiations, commitments and writings between the Parties with respect hereto. All Products supplied pursuant to this Contract will be provided pursuant to the terms and conditions hereof, which will supersede and override any and all preprinted terms and conditions contained on any documents provided by Seller in connection with its obligations hereunder; including but not limited to, sales order acknowledgment forms, packing slips, bills of lading and invoices. This Contract will become legally enforceable on the delivery of an acknowledgment from Seller; Seller shall be deemed to have acknowledged this Contract if Seller begins performance of any part hereof or fails to reject this Contract within ten (10) working days of receipt.

29. Other Provisions: This Contract is governed by the laws of the State of California. If any provision or part of a provision of this Contract is found to be illegal, invalid or unenforceable under any applicable law; such provision or part of a provision shall, insofar as it is severable from the remaining terms, be deemed omitted from this Contract and shall in no way affect the legality, validity, or enforceability of the remaining terms.

30. Delivery, Notice of Delay: Seller's timely performance is a critical element of the Contract, thus if Seller fails to deliver in accordance with the delivery schedule under the Contract, the Seller is required to notify the Company as soon as possible. Upon notification the Seller will advise the Company of the revised ship date and provide Company with a plan or schedule of recovery. Early delivery is permitted unless stated on the Contract. Seller shall not provide more than the quantities shown on the Contract unless written permission is obtained from the Company.



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31. Sellers Performance: Seller's performance will be tracked by the Company. On time Delivery will be tracked and monitored by the Company. Product and Service conformity will be tracked by the Company. Sellers that underperform or have non-conformances will be evaluated and may be suspended dependent on severity of occurrences.

End of Document