



# LHM Technologies Inc.

State-of-the-art Technology in Manufacturing  
446 Rowntree Dairy Road, Woodbridge, Ontario L4L 8H2  
Tel. (905) 856-2466 Tor. (416) 747-8876 Fax (905) 856-2474

## PURCHASE TERMS AND CONDITIONS

For purposes of the following Purchase Order Terms and Conditions, LHM Technologies Inc. shall be referred to as “LHM”.

**Customs and Import/Export:** LHM’s Custom Brokers:  
Import – Customs Quote Brokerage Services 1-416-603-0103  
Export – Fedex Trade Networks 1-716-879-1075

**Issuance of PO:** LHM will issue a PO only after receipt of accurate prices and lead times from the Seller; the contracted product or services should not commence until Seller has received LHM’s signed PO.

**Acceptance of PO:** Acceptance of this PO is limited to the terms and conditions herein. Any terms, conditions or requirements explicitly stated on the PO shall take precedence over these general Purchase Terms and Conditions.

**Termination:** LHM has the right to terminate this PO, in whole or in part, if Seller becomes insolvent or is in default of its obligation under this PO, or at any time without cause upon giving written notice to Seller.

**Schedule:** Seller shall adhere to the delivery schedules specified in this PO. In the event of any expected delay, Seller shall promptly notify LHM. Seller shall not deliver goods any earlier than one week in advance of the scheduled delivery dates unless authorized by LHM.

**Payment Terms:** Terms of payment will be Net 60 days.

**Quality Assurance:** Seller shall maintain a quality assurance program that conforms to the requirements set out in this PO, LHM and LHM’s Customer shall have free access at all reasonable times to permit monitoring of work in progress and applicable quality records and procedures. Seller must also comply with all quality specifications set out on the PO which pertains to the contracted goods and services. As applicable, the Seller must obtain and maintain the approval(s) required by customers or registrars to perform any activities, inclusive of special processing, listed on the purchase order.

**Supply Chain Traceability:** Seller shall maintain complete traceability of products supplied to LHM and shall identify all the supply chain intermediaries from the manufacturer to LHM.

**Suspect, Fraudulent or Counterfeit Products:** Seller shall use and provide only new and authentic products to LHM. Supplier may be liable for remedial costs associated with provision of counterfeit products and/or penalties associated with fraud as detailed in applicable law(s).

**Record Retention and Disposal:** Records (certificate of compliance, inspection records, travelers, etc.) related to Aerospace parts shall be retained for a minimum period of 10 years, or as specified by LHM’s customers requirements. Records related to non-aerospace parts shall be retained for a minimum period of 1 year. Records shall be retrieved and submitted to LHM or LHM’s customer on request. LHM must be contacted to seek approval for the destruction/disposal of records. Records shall not be disposed of prior to approval from LHM.

**Seller’s Liability:** Seller is responsible to provide all products, equipment or services as per this PO and shall indemnify LHM from all damages, costs and expenses which may be caused by Seller, directly or indirectly. Seller’s liability shall survive delivery, acceptance, approval or use of the goods by LHM.

**Warranty:** Seller warrants that the goods and services are of good quality, suitable for the intended use and meet the required specifications, and Seller will replace all defective goods without cost to LHM within a timeframe specified by LHM.

**Inspection and Acceptance:** All goods are subject to inspection and approval by LHM prior to acceptance by LHM.

**Non-Conforming Parts/Products:** Sellers providing services on LHM’s parts must notify LHM of any nonconforming parts/products or escapements within 24 hours or per LHM’s customer requirements. The seller shall obtain LHM’s approval for disposition. All parts must be properly identified and tagged upon return to LHM.

**Standards and Specifications:** Suppliers are responsible to ensure that all materials, products and services supplied or provided meet the current requirements of all industry and specific customer/end user standards and specifications. Therefore it is the responsibility of the suppliers to ensure that they are working to the current industry and specific customer/end user standards and specifications.

**Changes to Products and/or Process:** Seller shall notify LHM in advance to their effective date of changes in product and/or process, services, changes of suppliers, changes of manufacturing facility location and, where required, obtain LHM’s approval.

**Flow Down of Requirements:** Seller is responsible for flow down to its suppliers, if applicable, the applicable requirements including LHM/customer requirements. The following approvals apply to supplier subtiers and shall be utilized throughout the supply chain:

If the end user is Boeing D1-4426 approval is required.

If the end user is Safran DK6000 approval is required.

If the end user is Collins (Raytheon) DOC 200 approval is required.

If the end user is Collins (Raytheon) for Boeing DOC 200 and D1-4426 approval is required.

Form# LQS-27, Rev. 15	Dated: Nov 8, 2022	Page 1 of 2
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**Right of Access:** LHM, its customers and regulatory authorities reserve the right of access to all applicable supplier's facilities and to applicable records, at any level of the supply chain for verification and validation of actions performed by the Seller. Verification and validation can include an audit of the Seller's facilities, review of all applicable documentation relevant to LHM, inspection of products/services and a review of delegations of product verification to the external provider.

**Title of Goods:** Seller warrants that delivered goods are free of all liens, encumbrances and other defects of title. Title to the goods shall pass to LHM upon delivery, without prejudice to LHM's right of rejection under Inspection and Acceptance.

**Preservation, Packaging, Shipping and FOD:** Seller will pack goods suitably to protect from possible damage in transit, and will follow specific packaging instructions when outlined in the PO. Shipments will include all pertinent documentation. The seller shall maintain a system in order to maintain and control the requirements for the prevention, detection and removal of foreign object debris/damage (FOD) from product supplied to LHM.

**Insurance:** Sellers providing services on LHM's work in process shall maintain adequate all-risk insurance covering the work and the premises where this service is being performed, and shall provide, on request, proof of such insurance. Seller shall be responsible for damages incurred by LHM arising from the Seller's failure to maintain such insurance. Also, Seller shall be responsible for all costs arising from damage to LHM's work in process when such damage was incurred at the Seller's premises.

**LHM's Proprietary Information:** LHM's Proprietary Information (drawings, models, tooling, etc.) delivered to the Seller with this PO shall be used solely for the purpose of fulfilling the work contracted for under this PO. The Seller agrees that the Proprietary Information will not be copied or provided to any other party unless approved in advance in writing by LHM, and Seller will return all proprietary information to LHM on completion or termination of this PO.

**Applicable Law:** The laws of the Province of Ontario and the Dominion of Canada shall govern the legal obligations of the parties and the interpretation of this PO.

**Obsolete Product:** Obsolescence requirements do not apply to LHM or its subcontractors as LHM manufactures components and assemblies to customer drawing specifications. LHM or its subcontractors are not in a position to determine any part or product as obsolete.

**Monitoring of Performance:** LHM monitors the quality and delivery performance of all Sellers within its supply chain. A Seller's risk is calculated by determining the number of escapes and/or disclosures, product/service rejection rate and on-time delivery as a percentage over a rolling 12 month period.

**Product/Service Safety and Conformity:** It is the combined responsibility of all personnel at the Seller's organization and/or Seller's sub-tiers organization to plan, manufacture, verify and safely deliver all products provided by LHM. Effective activities performed by all functions of a Seller's organization and/or Seller's sub-tiers organization ensure that all products or services supplied to LHM conform to the applicable customer, regulatory and industry requirements which will be safe for the end-user to utilize as intended by the original design. The engineering drawing provided to the Seller may include critical items or key characteristics which must be inspected, verified and recorded on the applicable inspection documents records.

**Competence and Training:** Seller shall maintain a training program to ensure personnel are competent and qualified to perform the processes, as outlined on the PO, specification, and/or drawing.

**Ethical Behavior:** Seller shall employ ethical behavior in its operations to ensure achievement of product conformity and safety. Ethical behavior refers to how an organization ensures actions taken conform to the organizations moral and professional principles. These principles should support all applicable laws and regulations and are the foundation for the organizations culture and values. Ethical behavior involves demonstrating respect for key moral principles that include honesty, fairness, quality, dignity, diversity and individual rights, and should include a safe, healthy and productive work environment for its personnel.

**Conflict Minerals Policy Statement:** LHM requires its suppliers to comply with the Conflict Minerals Rule Act under Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and to support LHM and its Customers in fulfilling its obligations under the rule, including, but not limited to providing LHM with information regarding the country of origin of the 3TG (tin, tungsten, tantalum and gold) utilized in the materials and/or components supplied to LHM. Suppliers are obligated to immediately inform LHM of any non-compliance to the Conflict Minerals Rule Act.

**Human Trafficking Statement:** Seller will not engage in any trafficking in persons or related activities, including but not limited to the use of forced labor, in the performance of this contract. Seller shall have policies to protect the rights of its employees and the rights of subcontractor employees and will comply with those policies in the performance of this contract.

**Class 1 Ozone Depleting Chemicals:** Seller is prohibited from supplying product that was either manufactured with or contains Class 1 ozone depleting chemicals. By certifying the part(s) shipped to LHM, this shall be considered as certifying compliance to this clause.

**Identification:** The seller shall maintain identification from receipt through delivery, whether on the item or on records for material, parts, and components, including partially fabricated assemblies, in accordance with PO requirements. These identification and control measures shall be designed to prevent the use of incorrect or defective material, parts components and assemblies. This identification shall be recorded on all process, inspection, and test records. Identify each item (batch, lot, component, or part) or service to the applicable drawing, specification, or other technical documents, as outlined per the PO.

Form# LQS-27, Rev. 15	Dated: Nov 8, 2022	Page 2 of 2
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