



GENERAL TERMS AND CONDITIONS

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1. MRO Services Terms and Conditions

1.1. Preamble

WHEREAS, M1 Composites Technology, Inc. (M1) is a Transport Canada approved Maintenance Organization (MRO) providing certain aircraft and component maintenance, repair, overhaul and modification services for which it is rated and other ancillary goods and services.

WHEREAS, CUSTOMER desires M1 to provide certain goods and services on aircraft components owned, operated or managed by CUSTOMER as may be requested by CUSTOMER from time to time.

WHEREAS, M1 desires to provide such goods and services under the terms and conditions set forth herein. All terms and conditions are governed by the laws of Quebec.

1.2. Definitions

In this Agreement the following definitions shall have the meanings set out below.

"Agreement" means this Component Service Agreement General Terms and Conditions including any Appendices and other attachments, and amendments either now existing or later added in accordance with the terms herein.

"BER" (Beyond Economical Repair) means the state of a Component for which the estimated Service cost is considered too expensive by the customer and they choose to no longer move forward with the repair.

"Component(s)" means the parts and/or assemblies as requested in writing by CUSTOMER to be serviced by M1 under this Agreement.

"CUSTOMER" means any person or entity issuing an Order requesting Service(s).

"DDP" means Delivery Duty Paid (INCOTERMS 2010 wherein CUSTOMER shall mean "Seller" and M1 shall mean "Buyer").

"Ex Works" means Ex Works (INCOTERMS 2010 wherein CUSTOMER shall mean "Buyer" and M1 shall mean "Seller").

"Inspect" or "Inspected" or "Inspection" means the performance of an examination, bench check or test of a Component necessary to determine its condition.

"Non-Repairable" means Component(s), which have defects, or discrepancies, considered to be beyond established and approved repair criteria.

"Order" means a CUSTOMER issued order to initiate Inspection, Repair or Overhaul Services pursuant to this Agreement.

"Overhaul" means a full refurbishment of a Component in accordance with the manufacturer's Overhaul manual or other approved data.

"Repair" means the correction of discrepancies to the extent that a Component can be tagged airworthy, time continued, by M1 without performing an Overhaul.

"Service(s)" means goods and services provided to CUSTOMER by M1, including Inspection, Repair, Modification and Overhaul of Components, pursuant to this Agreement.

1.3. Agreement

This agreement (“Agreement”) is entered into between Company and Customer (hereinafter each a “Party” and, collectively, the “Parties”). This Agreement supersedes all prior or contemporaneous understandings, agreements, negotiations, representations and warranties, and communications, both written and oral between the Parties. No course of prior dealings between the parties and no usage of the trade shall be relevant to determine the meaning of this Agreement.

All acknowledgements, sales, acceptances, and services by company are expressly limited to and made conditional upon the terms and conditions contained herein and no others, and any of customer’s terms and conditions which are in addition to, or different those contained herein are hereby objected to in advance and not included in this agreement. As such, fulfillment of customer’s order does not constitute acceptance of an of customers terms and conditions and does not serve to modify or amend this agreement, unless specific and explicit reference to changes to this agreement are made in writing by an authorized representative of the company.

1.4. Delivery to M1

CUSTOMER shall deliver the Component(s) for Service to the M1 facility DDP as specified by M1. CUSTOMER will bear all costs incurred to ship the Components to the shipping destination (including costs of freight and transit insurance) and will prepay all such shipping costs. If CUSTOMER ships Components to M1 facilities from outside Canada, CUSTOMER will list itself as importer and nominate a customs broker. CUSTOMER is responsible for payment of all customs duties, taxes and other charges. CUSTOMER shall include applicable Service requirements for each Component in the Order.

CUSTOMER shall pack the Component(s) in accordance with ATA 300 and good commercial practices for protection against damage and deterioration during shipment and storage. CUSTOMER shall be liable for any damage to Component(s) due to improper packing by CUSTOMER. CUSTOMER and its insurers, if any, will relieve M1 of responsibility for all risks of loss or damage up until the delivery of the Component(s) to M1’s designated facility.

Upon completion of Service, or return of non-repairable and BER components, M1 shall ship the Component(s) Ex Works M1’s facilities.

M1 shall pack the Component(s) in accordance with ATA 300 and good commercial practice.

1.5. Service Order

CUSTOMER shall request Services by submitting Orders to M1. Each Order shall be subject to the terms and conditions of this Agreement and shall be governed by and deemed to include the provisions of this Agreement. M1 will, upon acceptance of a CUSTOMER Order, perform the ordered Services on Component(s). Specific requirements for the Component(s) Service may be described in attachments to this Agreement or the applicable Order. CUSTOMER must provide M1 with all required information regarding components.

1.6. Invoicing, Payment, and Taxes

1.6.1. Invoicing

Unless otherwise agreed to between M1 and Customer, M1 shall invoice Services after completion of the Inspection, Repair Modification or Overhaul of the Component(s) and upon shipment of the applicable Component(s) to Customer for redelivery. All invoicing, payment and taxes are subject to Quebec law.

1.6.2. Payments

Payments are prior to shipment, unless other arrangements are made. Payment of the entire invoice amount shall be made in the currency agreed to by both parties.

Any sum due M1 under this Agreement that is not paid when due shall thereafter bear interest until paid at the lesser of, (i) no less than one and one-half percent (1.5%) per month, or (ii) the maximum rate of interest allowed by applicable law. Any sum due M1 under this Agreement that is not paid will also accrue Storage fees. These fees will be charged on a per month basis depending on the actual crate size of the unit.

If CUSTOMER fails to pay any amount when due under this Agreement, M1 shall have the right upon notice to CUSTOMER to suspend performance of Services and to terminate this Agreement. No forbearance or course of dealing shall affect these rights of M1. In the event that the repair is not paid for a duration over 6 months the units become the property of M1 Composites.

Should CUSTOMER dispute any invoice, CUSTOMER shall notify M1 within 10 days of the reasons that it disputes that invoice or any part of that invoice. Any adjustment of the invoice will be subject to mutual agreement. CUSTOMER shall not set off, withhold or deduct in whole or in part any undisputed portion of any invoice or any sums due on undisputed invoices in favor of disputed invoices.

CUSTOMER represents that it has all necessary authority to authorize the Services. Notwithstanding any agreements that CUSTOMER may have at any time with third parties, and without limiting M1's rights or remedies upon CUSTOMER's default, CUSTOMER shall at all times remain primarily liable to M1 for all payment and performance obligations of CUSTOMER under this Agreement. CUSTOMER shall hold harmless and defend M1 and its directors from and against any claims or charges asserted by any third parties claiming an interest in the Components, or questioning the purchase of the Services by CUSTOMER from M1.

1.6.3. Taxes

The agreed prices and any other charges payable by CUSTOMER hereunder are exclusive of any sales tax, value added tax or similar charges, duties or taxes, which are or may be levied or assessed on the prices and charges hereunder. CUSTOMER shall be responsible for the amount of any Federal, Provincial, or local taxes that result from the delivery or performance of the Services or the purchase, sale, lease, exchange, transfer, replenishment or maintenance of parts and supplies and other personal property for use in connection with the Services as contemplated hereby, except for transactions for which an appropriate tax exemption certificate is furnished to M1 by CUSTOMER. The amount of any such taxes for which CUSTOMER is responsible, if paid by M1, shall be billed to Customer and CUSTOMER shall promptly pay the billed amount to M1.

1.7. Limitation of Liability

All risk of loss of or damage to each Component will remain with CUSTOMER at all times, including when any Component is in the possession, care custody or control of M1 unless, when in the possession, care, custody or control of M1, any loss of or damage to the Component is caused solely by the negligence of M1.

The maximum liability of M1 to customer under this agreement shall be limited to the aggregate fees paid to M1 for component(s) repaired under this agreement during the twelve months prior to when damages first arose. No action arising out of any claimed breach of this agreement may be brought more than one (1) year after the events giving rise to the cause of action have occurred.

1.8. Indemnity

CUSTOMER shall defend, indemnify and hold harmless M1, its include if applicable: affiliates, and their respective officers, directors, employees, agents, successors, assigns and affiliates (and their respective officers, directors, employees and agents) from and against any claims, actions, damages, losses, liabilities, costs and expenses (including attorneys' fees) to the extent arising from a claim of (a) damage to any tangible personal property or fixtures, including any aircraft or injury, sickness or death to any person, including without limitation any CUSTOMER Representative or any subcontractor, employee or agent of CUSTOMER or M1, occurring as a result of the action or inactions (negligent or otherwise) of CUSTOMER, any CUSTOMER Representative, subcontractor, employee or agent of CUSTOMER, or (b) any infringement, misappropriation or violation of any proprietary right of any third party, including trade secrets, which results from any use by M1 of any technical data or other materials or information furnished to M1 by CUSTOMER, including without limitation information obtained in the process of M1's compliance with any of CUSTOMER's requirements, specifications or instructions by M1.

1.9. Warranty

Company warrants that all part(s) Serviced by Company will conform to the appropriate technical data referenced by the Transport Canada Form 1 release form and in accordance with all other Transport Canada requirements, and will be free from defects in workmanship.

Unless otherwise provided to Customer by Company, parts Serviced are subject to Company's standard warranty. M1's standard warranty is for a period of twelve (12) months or one thousand (1,000) flight hours, whichever occurs first, for repair, from the date of tagging. There shall be no warranty with respect to re-certifications and bench checks. Company's workmanship shall not be deemed defective if such workmanship complied with applicable manufacturer's operating and maintenance instructions, quality instructions provided by Customer or procedures or applicable governmental regulations for such Service in effect at the time of such Service.

This warranty shall not apply and Company shall bear no liability if: a) the part(s) are subjected to any further repair, maintenance, overhaul, installation, storage, operation, or use, handling or environment that is improper; b) the part(s) are subjected to any accident, misuse, neglect or negligence after delivery to Customer; c) Customer makes any further use of such parts after giving such notice; (d) the defect arises because Customer failed to follow Company's written instructions as to the storage, installation, use or maintenance of the parts; (e) the parts are altered, modified or repaired without the prior written consent of Company; or (f) Customer is in default with its payment obligations. (g) the warranty is not transferable to another customer upon sale of the aircraft or unit.

Any warranty claim must be raised by Customer within ten (10) days after the defect has or could have become reasonably apparent. Company shall not be liable for breach of warranty unless Company is given a reasonable opportunity after receiving the notice to examine such parts and Customer (if requested to do so by Company) returns such parts to Company's place of business at Company's cost for the examination to take place there, and Company reasonably verifies Customer's claim that the parts are defective. In the event of a defect of workmanship, Company will either, at its option, repair or replace the non-conforming part(s). In no event shall Company's total liability for any warranty repair or replacement cost exceed the original invoice amount for the Services.

The warranty set forth in this Section shall be the exclusive and sole remedy for Customer in the event of any non-conforming part(s).

1.10. Force Majeure

Neither Party will be liable for, or be considered to be in breach of or default under this Agreement on account of any delay or failure to perform as required by this Agreement (other than with respect to the obligation to make payments hereunder) as a result of any cause or condition beyond such Party's reasonable control, including, but not limited to: fire, explosions, earthquakes, storms, flood, wind, drought and acts of God or the elements; court orders; acts, delays and failures to act by civil, military or other governmental authority; strikes, lockouts, labor interruptions or slowdowns, riots, terrorism or acts of terrorism, insurrections, sabotage and war; breakdown or destruction of, or damage or casualty to, any equipment, facilities or other property; interruption, suspension, curtailment or other disruption of utilities; unavailability of materials, supplies, parts, equipment, personnel or other necessary items; and, acts or omissions of persons or entities other than such Party (each such event being herein sometimes referred to as an event of "Force Majeure"). Upon the occurrence of an event or condition of Force Majeure affecting M1, M1 shall have reasonable opportunity to make alternative satisfactory arrangements to perform its obligations under this Agreement.

1.11. Confidentiality

Except as otherwise expressly agreed in writing, each of M1 and CUSTOMER shall retain all of their own proprietary rights of any kind in and to their respective patents, trademarks, names, information, documents, procedures, methods or know-how that may be used or disclosed in respect of the Services. M1 will own all intellectual property and proprietary rights that it develops in connection with the performance of the Services. Any such items or information of a confidential or proprietary nature disclosed or made available by one Party to the other pursuant to this Agreement that are marked as confidential or otherwise would be understood by a reasonable person to be confidential ("Confidential Information") shall be held in confidence and shall not be disclosed or provided to any third party except as permitted herein without prior written approval of the disclosing Party, and neither Party shall reproduce any documents reflecting the same except for copies necessary for its own internal usage and the performance of the Services. The receiving Party shall restrict disclosure of the confidential information to its officers, employees, agents, contractors or its tax, legal or other advisors with a need to know and not disclose it to anyone else without the disclosing Party's prior written consent. The receiving Party will take reasonable measures to avoid disclosure, dissemination or unauthorized use of Confidential Information. The receiving Party may disclose confidential information as required to comply with orders of governmental entities that have jurisdiction over it or as otherwise required by law, provided that the receiving Party gives the disclosing Party reasonable written notice to allow the disclosing Party to seek a protective order or other appropriate remedy (except to the extent the receiving Party's compliance with the foregoing would cause it to violate a court order or other legal requirement). The term "Confidential Information" shall not include any information that (i) is generally publicly available to the public through no fault or action by the receiving Party or by its agents, (ii) is available to the receiving Party on a non-confidential basis from a source other than the disclosing Party or the disclosing party's agents, which is not prohibited in any way from disclosing such items, or (iii) was within the receiving Party's possession prior to its being furnished to the receiving Party by or on behalf of the disclosing Party, provided that the source of such information was not bound to confidentiality, or was not subject to any duty, contractual or otherwise, prohibiting disclosure to the disclosing Party.

1.12. Termination

Either Party may terminate this Agreement, including any Order, for cause upon the other Party's material breach of this Agreement, if the other Party fails to cure such breach within thirty (30) days after receipt of written

notice specifying the breach. Notwithstanding, the termination of this Agreement shall not relieve either Party of its obligations hereunder up to and including the date of termination.

In addition, either Party may terminate this Agreement if: (A) the other Party applied for, or consents to, the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (B) upon the other Party ceasing to conduct business, voluntary filing for protection from creditors under bankruptcy, insolvency or other similar laws, becoming or being declared by a federal bankruptcy court to be insolvent or bankrupt, or being the subject of any involuntary proceeding under the federal bankruptcy code or under any other law relating to relief from creditors generally that is not dismissed within sixty (60) days; or (d) the other Party's liquidation, dissolution or winding-up.

1.13. Insurance

Customer shall ensure, at its own expense and responsibility, to maintain and carry liability insurance in full force and effect which includes, but is not limited to, commercial general liability (including product liability) and for direct damages. Customer shall provide Company with thirty (30) days advance written notice in the event of a cancellation or material change in Customer's insurance policy. Except where prohibited by law, Customer shall require its insurer to waive all rights of recovery or subrogation against Company, its subsidiaries and affiliated companies, and its and their respective officers, directors, shareholders, employees, and agents. Company liability is limited to damage resulting from negligence from the time the Customer property is received by Company until property is available for transport by the Customer.

2. M1 Purchase Order and Repair Order Terms and Conditions

2.1. Price and Delivery

The Supplier agrees to maintain the pricing and delivery schedule as agreed on the purchase order or repair order.

2.2. Material Substitution

Unauthorized material substitutions are not permitted without M1 COMPOSITES written consent.

2.3. Reporting Discrepancies

Discrepancies, omissions, and the need for clarifications or interpretations of any nature encountered by Supplier in respect of furnished drawings or engineering data will be brought to the attention of M1 COMPOSITES within twenty-four 24 hours of the identification of the discrepancy for resolution.

2.4. Product and Service Conformity

Supplier's acceptance of M1 COMPOSITES's purchase order or repair order certifies that the materials and processes supplied under the purchase order shall be or have been controlled and inspected in accordance with M1 COMPOSITES's purchase order or repair order and they meet the specified order requirements, referenced specifications and drawings. Supplier must provide a Certificate of Conformance for all orders and lots, verifying that all products and lots meet those requirements. All products and lots must be clearly identified and labeled and must be traceable to and linked to the Certificate of Conformance.

2.5. Aviation Certified Parts

For Aircraft parts, components, or subassemblies, new or previously serviced, a release certificate is required (FAA 8130-3, TCCA/EASA Form 1 or equivalent).

2.6. Change in Process, Product or Location

Supplier shall notify M1 COMPOSITES of intended or actual changes that may affect the quality of delivered goods and services. This includes: Changes to the Quality Management System, the Manufacturing Line, Facility Location, Processes, or Natural Disasters. Quality data and/or approved design data to be available in the English language.

2.7. Counterfeit Parts

The Supplier shall certify that only new and authentic materials are used in products or goods delivered to M1 COMPOSITES and that the products/goods delivered contain no counterfeit parts. The supplier must establish provisions to detect, avoid, incorporate, or send any suspected counterfeit parts. A mechanism for reporting suspected counterfeit parts or un-approved parts must be in place to report any possible occurrence.

2.8. First Article Inspection

For a new part, A FAI IAW AS9102 may be requested and the report submitted for approval prior to shipment

2.9. Process

Machined and/or sheet metal parts shall be accomplished with an Inspection Report.

2.10. Shelf-life limited Materials

Materials with limited shelf life (epoxy, paint, adhesives, etc.) shall indicate the date of manufacture, lot number and applicable specification on the container. The Supplier shall supply life limited product with at least 75% of the life remaining.

2.11. Control of Drawings & Specifications

The Supplier shall ensure that the drawings and specification are the relevant revision status specified on the purchase order or repair order. The Supplier shall comply with any special requirements requested by M1 COMPOSITES regarding the control of drawings and specification i.e. ITAR compliance.

2.12. Special Processes

Supplier shall provide certifications for all special processes and non-destructive test results performed with each shipment. The certificate shall identify the processor, process used, controlling specification & revision, and the results of test or measurement performed. Supplier used shall be a M1 COMPOSITES and/or Customer approved source for said Processes. These include operations subject to process controls such as: coating, joining, heat treating, cleaning, non-destructive test, etc. The Supplier shall be approved as per above to perform specific required Special Processes, or use Special Process vendors acceptable to M1 COMPOSITES.

2.13. Non-Conforming Products and Material

Supplier shall obtain M1 COMPOSITES's prior written approval with respect to the disposition of any nonconforming products or materials supplied, that does not meet engineering drawing or documents under contract or purchase order or repair order. In the event that non-conforming materials are present, and the materials are deemed acceptable of useable by the supplier, it is still the responsibility of the Supplier to inform M1 COMPOSITES so that a determination can be made for the use of said materials.

2.14. Digital Product Definition (DPD)

Supplier is required to obtain approval as a Digital Product Definition (DPD)-capable supplier if Supplier receives, downloads, and/or uses Computer Aided Design (CAD) geometry in any format.

2.15. Foreign Object Debris/Damage

Supplier is required to establish and maintain a Foreign Object Debris/Damage (FOD) prevention program that employs appropriate housekeeping practices to assure timely detection and removal of residue/debris generated, during operations and normal daily tasks.

2.16. Subcontracting

The Supplier may subcontract to a sub-tier if agreed upon in advance and in writing by M1 Composites.

2.17. Flow Down to Sub-Tier Suppliers

Suppliers shall flow-down to Sub-Tier Suppliers the applicable requirements as required by the purchase order or repair order either specifically or by reference.

2.18. Quality Control**2.18.1. Quality/Inspection Systems**

Supplier shall maintain a quality/inspection system that will ensure all goods and services conform to contract requirements whether manufactured or processed by Supplier or procured from Sub-Tier Suppliers.

2.18.2. Calibration System

All Inspection Measuring & Test Equipment used by the Supplier during in-process and final inspection to make a compliance evaluation shall be calibrated to the national standard.

2.18.3. Supplier Corrective Action

Supplier shall, on request, provide statements of corrective action on nonconformities or failures of Supplier's goods or services.

2.18.4. Letter of Disclosure

When a nonconformance is determined to exist or is suspected to exist on goods and/or services provided to M1 COMPOSITES under this Contract, Supplier shall provide written Post Delivery Notification Letter or Letter of Disclosure.

2.18.5. Documented information

Supplier shall maintain records of inspections, tests, and process controls called for by this contract. Unless specified elsewhere in contracts or attachments, these documents shall be on file, stored and protected in such a manner that they remain legible, readily identifiable, and readily available to M1 COMPOSITES for no less than 10 years.

2.19. Right of Access

M1 COMPOSITES, its customers, and regulatory authorities shall be granted the right of access to all Supplier and sub-tier Supplier facilities and records involved in fulfilling the purchase order or repair order requirements to ensure conformance with the requirements. This shall be done by providing written request and acceptance (fifteen)15 working days prior to the visit.

2.20. Packaging and Handling

As a minimum, the Supplier shall package all material in a manner that will ensure protection against corrosion, oxidation, deterioration and physical damage during shipment. Electrostatic sensitive product shall be pack in an ESD protective bag. In addition, when materials delivered are lot-controlled and multiple material lots are shipped, each lot shall be separately packaged and identified.

2.21. Social Responsibility – Ethical Purchasing

M1 COMPOSITES aim to develop strong relationships with our suppliers, based in mutual trust, understanding, and respect. M1 COMPOSITES expect suppliers to ensure that they adopt and implement acceptable safety, environmental, product quality, labour, human rights, social and legal standards in line with our own code and to ensure these issues are acceptably managed within the supply chain for any products/services supplied to M1 COMPOSITES.

2.22. Awareness

Suppliers to M1 COMPOSITES are required to ensure that the top management, employees and subcontractors are aware of:

- Their contribution to product and service conformity
- Their contribution to product safety
- The importance of ethical behaviour

2.23. Confidentiality

Suppliers shall hold all information received from M1 COMPOSITES in confidence and no third-party request for information will be authorized unless approved, in writing, by M1 COMPOSITES.