

AERQ General Terms and Conditions of Purchase

1. SCOPE OF APPLICATION

- 1.1 These general terms and conditions ("Conditions") shall govern purchases of goods ("Deliveries") of the AERQ Group (which consists of LG-LHT Aircraft Solutions GmbH, LG-LHT Passenger Solutions GmbH and AerQ GmbH, each with their registered offices at Hindenburgstr. 162, 22297 Hamburg, Germany and hereinafter referred to as "we", "us" or "Purchaser") from the supplier ("Supplier") as well as its performance of services ("Services"). Only the AERQ Group company identified in the individual purchase order shall be the contractual partner of the Supplier for the respective purchase. These Conditions only apply towards businesses ("*Unternehmer*") within the meaning of Sec. 14 of the German Civil Code ("BGB"), governmental entities or special governmental estates within the meaning of Sec. 310 (1) BGB.
- 1.2 The Conditions shall constitute a framework agreement applicable to all current and future Deliveries or Services for the entire duration of our business relationship with Supplier, even if not explicitly referred to or expressly agreed upon again in each individual case. We will inform the Supplier immediately of any changes to our Conditions.
- 1.3 Our Conditions apply exclusively. The Conditions also apply where we have knowledge of conflicting or deviating terms of Supplier or accept the Deliveries or Services without reservation. Differing or contrary terms shall not apply except where expressly agreed upon in writing.
- 1.4 Individual agreements prevail over these Conditions. A written contract shall be decisive with respect to the contents of such agreements.

2. OFFER / ACCEPTANCE

- 2.1 Our offers, especially our written purchase orders ("Orders"), shall be non-binding and may be revoked by us at any time until receipt of a written order confirmation by the Supplier. The Supplier shall accept our Orders in writing (e-mail is sufficient) within 14 days of receipt unless specified otherwise in the Order, including, without limitation, a shorter commitment period for acceptance.
- 2.2 If acceptance is delayed, the offer is considered refused. In that case, a delayed order confirmation shall be considered a binding contract offer by the Supplier. The same shall apply if the Supplier's order confirmation contains changes of or modifications to the Order; the supplier shall expressly highlight such changes and modifications. We may accept such offer within 14 days of receipt in writing (e-mail is sufficient). In the event of delayed or modified acceptance by us, this provision shall apply accordingly. The absence of an express written acceptance by us must under no circumstances be regarded as acceptance, even in cases where we receive goods or services or make payments.
- 2.3 Offers submitted to us by the Supplier are binding. They are to be provided by the Supplier at no cost.

3. TIME OF DELIVERY OR PERFORMANCE / CONSEQUENCES OF DELAY

- 3.1 All delivery or performance dates stated in an order or otherwise agreed upon are binding.

- 3.2 The Supplier shall immediately inform us of any threatening or existing delay in delivery or performance, the reasons for such delay and the anticipated duration of such delay. This shall not affect default ("*Verzug*") of delivery or performance.
- 3.3 In case of default in delivery or performance we reserve all rights under applicable law.
- 3.4 Early delivery or performance and partial delivery or performance shall require our written consent and shall not affect the agreed date of payment.
- 3.5 We shall at any time be entitled to extend the time of delivery or performance and to change the place of delivery or performance as well as the type of packaging by giving written notice no later than 7 calendar days prior to the date agreed upon. The same shall apply with respect to changes of product specifications, always provided that they can be implemented within the framework of the ordinary production and performance process without considerable additional efforts; in this case, the period of notice, as provided for in the preceding sentence, shall be not less than 14 days. Supplier shall notify us in advance about any additional costs incurring due to such changes and we shall reimburse Supplier such notified reasonable and proven additional costs. In the event that such changes result in delays which cannot be avoided by the Supplier by means of reasonable efforts the Supplier shall inform us of such expected delays immediately after becoming aware thereof and the Parties shall mutually agree on a new date of delivery or performance accordingly.
- 3.6 The Supplier shall be in default when it exceeds the date of delivery or performance stated in in the order or otherwise agreed upon according to Clauses 3.1 or 3.5 without the requirement to send a reminder.
- 3.7 In the event of default ("*Verzug*") in delivery or performance, we are entitled to charge a penalty of 0.5 % of the affected order value for each commenced calendar week of delay in delivery or performance, however, not more than a maximum of 5 % of the overall contract value. We are entitled to charge the penalty in addition to delivery or performance. Moreover, the penalty shall not affect damages claims exceeding the amount of penalty.

4. **DELIVERY / RISK TRANSFER**

- 4.1 Unless otherwise agreed, Deliveries and Services shall be made DDP (Incoterms 2010) at our place of business in Hamburg; the respective place of delivery or performance also constituting the place of fulfilment with regard to the delivery or performance ("*Erfüllungsort*"); the same shall apply to the place of any subsequent delivery or performance ("*Nacherfüllungsort*"), unless the respective goods or object of the services have been moved in accordance with the purpose of such goods or objects to another place and cannot be returned to the place of performance at reasonable cost without prior subsequent delivery or performance ("*Nacherfüllung*").
- 4.2 In case of contracts for work ("*Werkvertrag*") or contracts for work and materials ("*Werklieferungsvertrag*"), the risk of loss or damage to Deliveries or Services passes to us upon acceptance. In all other cases risk passes to us upon delivery or performance at the place of delivery or performance. Deliveries and Services shall only be deemed accepted upon our express written statement. An unconditional acceptance shall not constitute a waiver of any claims.
- 4.3 All Deliveries shall be accompanied by a delivery note indicating the content of the consignments (article description, item number and quantity), our order number and order date. If the Supplier fails to comply with this obligation, we shall be entitled to refuse acceptance of the affected (parts of the) delivery and the Supplier shall be liable for all consequences of any failure to comply with this obligation, unless the Supplier proves that non-compliance was not its fault. In case of missing or incomplete delivery notes, we shall not be held responsible for any delays in processing or payment arising as a result.

- 4.4 In the event of any default in acceptance on our side, the statutory provisions shall apply. However, the Supplier must also expressly offer Deliveries and Services even where a specific or specifiable calendar period has been agreed for action or assistance on our part. The Supplier can claim compensation for its additional costs resulting from our default in accordance with the statutory provisions. Where the contract concerns non-fungible goods ("*nicht vertretbare Sachen*") to be produced by Supplier, the Supplier shall only have additional rights if we are obliged to provide assistance and are responsible for the failure to provide such assistance.
- 4.5 Upon request, the Supplier shall provide us with any maintenance manuals, service notifications, service information letters and other information necessary for using, maintaining or repairing the Deliveries or Services ("Documentation") at no cost. If applicable, the Documentation shall correspond to the ARINC 625 standard. The Documentation must be addressed to us at Hindenburgstraße 162, 22297 Hamburg, Germany.

5. **SPECIAL PROVISIONS FOR DELIVERIES AND SERVICES USED IN THE AVIATION INDUSTRY**

- 5.1 Purchaser is a supplier to the aviation industry. Deliveries and Services will, inter alia, be used as or for constituents for aircraft components ("**Aviation Products**"). With regard to Aviation Products, the special duties and requirements set out in this Clause 5 shall apply provided that the relevant Deliveries and Services are – whether by express designation, their nature or other relevant context which Supplier knows or should have known - clearly intended to be used as Aviation Products:
- (a) Unless agreed otherwise in writing, Aviation Products must exclusively be supplied or rendered in compliance with EN 9100 or DIN EN 9001.
 - (b) Without prejudice to any other obligation under these Conditions, in particular in Clause 8, Supplier shall
 - (i) exclusively use material designated in the Order or otherwise agreed upon and adhere to the agreed dimensions and quantities. Deviations shall only be permitted after having obtained our prior written consent;
 - (ii) ensure that Aviation Products comply with all applicable laws and regulations, in particular aeronautical-specific safety regulations, and with recognized rules of technology;
 - (iii) provide us with certificates, documents as well as any other paperwork which are necessary for using the Aviation Products.
- 5.2 The Supplier shall not subcontract any portion of the work required under our orders for Aviation Products to any entity without our prior written approval and shall pass on the obligations under this Clause 5 to all its sub-suppliers.
- 5.3 Upon request, the Supplier shall grant us and our customers as well as the representatives of authorities access to all production and administration facilities related to any specific purchase contract. Moreover, Supplier shall allow us to inspect any production-related records, documents and data carriers within 1 week after request.
- 5.4 The Supplier shall retain quality-relevant documents and records of Aviation Products during the statutory retention period, but at least for a period of 10 years.
- 5.5 The Parties shall define product and process definitions for Aviation Products. Supplier shall not deviate from such product or process definitions without our prior written approval. Moreover,

upon receipt of our Order, Supplier shall not make any changes with respect to sub-suppliers and the location of the production facility of Aviation Products without our prior written approval.

- 5.6 The Supplier shall notify us immediately when it becomes aware that Aviation Products do not comply with applicable laws and regulations, in particular aeronautical-specific safety regulations.
- 5.7 The Supplier shall provide us with reasonable notice and in any event not less than six months' prior notice in writing in the event that the Supplier decides to discontinue production of any of the Aviation Products (or make revisions or amendments to the specifications of the Aviation Products).
- 5.8 The Supplier shall notify us immediately in writing or in text format if Aviation Products ordered by us contain substances which are included in the "List of Restricted and Declarable Substances" as set out in the **Annex**. In the event that Aviation Products contain such substances, we shall be entitled to cancel the respective contract without being due any compensation to the Supplier. Supplier shall conduct regular random checks to identify any such substances in Aviation Products.
- 5.9 In case we place an order for an Aviation Product with a Supplier and we have previously ordered the same Aviation Product from that Supplier ("repeated order"), the Supplier shall immediately notify us if any changes have occurred in its company, especially with regard to organizational processes, the location of the production facility or the manufacturing process which may influence the quality of such Aviation Products. Moreover, we shall be entitled to cancel a contract for such Aviation Products without being due any compensation to the Supplier.
- 5.10 We shall be entitled to conduct quality audits at Supplier's premises, in particular to inspect organizational processes and the manufacturing process relating to Aviation Products. The audits shall take place during normal business hours with a minimum of 14 days prior written notice and without disturbing Supplier's normal business operations. Representatives of the competent regulatory authority may accompany our audits. The Supplier shall grant us access to its premises and cooperate during the audits, in particular provide us with all data and information which may be reasonably requested by us. We shall bear the cost and expense of any audit. Should any audit reveal that Supplier needs to take quality assurance measures to comply with all applicable laws and regulations and with recognized rules of technology, Supplier shall immediately implement such measures at its own expense. If the Supplier refuses the audit without justifiable reason or if the Supplier refuses to take quality assurance measures that are required to comply with applicable laws and regulations we are entitled to cancel all open orders and to terminate all contracts with immediate effect without being due any compensation.

6. **PRICES / TERMS OF PAYMENT**

- 6.1 Unless agreed otherwise in writing, the price stated in the order form shall be binding. In the absence of deviating written agreements the prices are deemed to be DDP (Incoterms 2010) and shall include the respective statutory VAT, if applicable.
- 6.2 All invoices must indicate the order number, order item, order date and the order quantity together with prices per unit and per item and be directed to the invoice address stated in the order or contract. They must comply with all regulations provided for under tax law, especially under VAT law. Invoices for partial deliveries shall be marked as such. Invoices deviating from the provisions set forth in sentence 1 or 2 shall result in a right of retention in our discretion.
- 6.3 The price is due and payable within a term of 30 calendar days from receipt of a proper invoice or receipt of the Deliveries or Services whatever is the later event. Partial invoices shall be

settled after complete fulfilment of the contract only, unless explicitly otherwise agreed in writing. In case of payment by bank transfer, payment shall be deemed to have been made in due time if the bank receives our transfer order prior to expiry of the payment term; we cannot be held liable for delays caused by any bank involved in the payment process.

- 6.4 We do not owe interest at maturity. The statutory provisions shall apply to default in payment ("*Zahlungsverzug*").
- 6.5 We shall be entitled to exercise offsetting rights and retention rights and to raise the plea of non-performance to the extent permitted by law. In particular, we shall be entitled to retain due payments as long as we are still holding claims against Supplier arising from incomplete or faulty deliveries or performances.
- 6.6 The Supplier is only entitled to set-off rights and rights of retention if its counterclaims are undisputed or finally adjudicated by a court judgment or arbitration award.

7. **RESERVATION OF TITLE**

- 7.1 Any processing, mixing or combination of goods or services provided by us shall be carried out on our behalf. The same shall apply if we process Deliveries or Services. We shall be regarded as manufacturer and shall acquire title to the Deliveries and Services in accordance with the statutory provisions not later than with processing.
- 7.2 Title to Deliveries or Services supplied to us shall be transferred unconditionally and regardless of whether the purchase price has already been paid. If, however, we accept in individual cases, a transfer of title to Deliveries or Services being subject to the condition of a paid purchase price, then the title to Deliveries or Services shall be transferred with purchase price payment for the delivered Deliveries or Services at the latest. In the normal course of business, we shall be entitled to resell the Deliveries or Services prior to full payment of the purchase price if advance assignment of such claims takes place. Any other forms of a reservation of title, in particular the extended or transferred reservation, as well reservation of title regarding further processed Deliveries or Services shall be excluded.

8. **WARRANTIES**

- 8.1 Unless otherwise agreed hereinafter, the statutory provisions shall apply regarding our rights in case of defects as to quality and title (including wrong and short delivery, improper installation, defective installation and defective operating instructions) or any other breach of duty committed by the Supplier.
- 8.2 The Supplier warrants that the Deliveries and Services have the agreed quality at the time when the risk passes over to us. The agreed quality shall in any case include product specifications which – in particular by description or reference in our Order – have become part of the respective purchase contract or were included in the same manner as these Conditions. In this respect, it is irrelevant whether the product description and specifications are provided by us or the Supplier. In addition, product specifications and descriptions provided in Suppliers marketing materials shall also define the agreed quality, unless expressly overruled or excluded in the relevant purchase contract.
- 8.3 Sec. 442 (1) sentence 2 BGB shall not apply so that we also shall be entitled to warranty claims for defects if the respective defect remained unknown to us due to gross negligence on conclusion of the contract.

- 8.4 The statutory provisions (Sec. 377, 381 of the German Commercial Code ("HGB")) shall apply regarding the commercial duty to examine the Deliveries or Services and to give notice of any defects under the following conditions: Our duty to examine the Deliveries and Services shall be limited to defects which are clearly noticeable during our incoming goods inspection and our inspection of the shipping documents (in particular transport damage, delivery of wrong goods or of less than the agreed quantity) or which become evident when taking random samples under our quality assurance process. If acceptance has been agreed, there shall be no obligation to examine. Apart from that, an examination shall take place only if it is feasible in the proper course of business, which has to be established for each individual case. Our obligation to give notice of defects discovered at a later time shall remain unaffected. Regardless of our obligation to inspect, our notice of defects shall be regarded as without undue delay ("*unverzüglich*") and timely if it is sent within 10 working days from its discovery or, in the case of obvious defects, from the time of delivery.
- 8.5 Subsequent performance shall be made at our choice either by remedying the defect ("*Nachbesserung*") or by supplying a defect-free Delivery or Service ("*Nachlieferung*") and shall also include the removal of the defective Deliveries and Services and reinstallation, insofar as the Deliveries or Services have been installed in another object in accordance with their intended purpose. The costs incurred by the Supplier for the purpose of inspection and subsequent performance (including any removal and installation costs) shall be borne by the Supplier even if it turns out that no defect actually existed. Our liability for damages in the event of an unjustified warranty claim shall remain unaffected; in this respect, however, we shall only be liable if we knew or grossly negligently failed to discover that no defect existed.
- 8.6 If the Supplier does not fulfil its obligation of subsequent performance ("*Nacherfüllung*") within a reasonable period set by us, we shall be entitled to remedy the defect ourselves and demand reimbursement from the Supplier of the reasonable expenses required for this or an appropriate advance payment. If subsequent performance by the Supplier has failed or is unreasonable for us (e.g. due to particular urgency, endangerment of operational safety or impending occurrence of disproportionate damage), no deadline needs to be set; we shall inform the Supplier of such circumstances immediately, if possible even before the occurrence.
- 8.7 In the event of a defect as to quality or defect of title we may also choose to reduce the purchase price or to cancel the contract ("*Rücktritt*") in accordance with the statutory provisions instead of claiming subsequent performance. In addition, we shall be entitled to claim damages and reimbursement of expenses in accordance with the statutory provisions.
- 8.8 The Supplier warrants that all Deliveries or Services shall be lawful and shall not infringe the intellectual property rights or any other right of any third party and Supplier agrees to indemnify us and hold us harmless in respect of any loss, damage, costs and expenses (including reasonable legal expenses) suffered or incurred by us which arises as a result of a breach of this warranty.

9. **MANUFACTURER LIABILITY / INSURANCE / SECURITY**

- 9.1 If the Supplier is liable as a producer, it shall indemnify us against claims for damages by third parties to the extent that the cause for such damages lies within its range of command and organisation and as far as Supplier would itself be liable in relation to third parties under applicable statutory provisions.
- 9.2 Indemnification by the Supplier according to the foregoing shall also include all our expenses pursuant to Sec 683, 670 BGB that arise out of or in connection with claims made by third parties including for recall measures carried out by us.

- 9.3 We will inform the Supplier of the content and scope of any recall measures to be performed - to the extent possible and reasonable - and allow opportunity for comment. Our further statutory claims remain unaffected.
- 9.4 In the event that Supplier also supplies Aviation Products, Supplier shall effect and maintain an adequate business and product liability insurance including cover for aviation risks with a single limit of liability of not less than 50.000.000 EUR (fifty million EUROS). Upon request, Supplier shall provide us with a certificate of insurance evidencing such coverage.
- 9.5 In the case of contracts for work (*Werkvertrag*) or contracts for work and material (*Werklieferungsvertrag*) we shall be entitled to, for the duration of the warranty period, to withhold 5 % of the contract sum, unless the Supplier provides us with a directly enforceable guarantee from a German major bank or a public saving bank (*Sparkasse*).

10. **STATUTE OF LIMITATION**

- 10.1 Unless otherwise agreed, all mutual claims shall be time-barred in accordance with the statutory provisions.
- 10.2 Irrespective of Sec. 438 (1) no. 3 and Sec. 634a (1) no. 1 BGB, warranty claims shall be time-barred after 36 months after the passage of risk, or if acceptance has been agreed, with the acceptance. However, warranty claims arising out of defects in title (*Rechtsmängel*) shall on no account be time-barred as long as third parties can still assert their rights against us, in particular in the absence of limitation.

For repaired or replaced Deliveries or Services the warranty period shall start anew unless the Parties agree that Supplier has completed the replacement or remedies of defects without obligation as an act of goodwill, or for similar reasons.

11. **EXPORT CONTROL**

- 11.1 The Supplier shall identify any part of the Deliveries or Services which may be subject to export laws and regulations and shall provide us with all information concerning such applicable export regulations as well as with any reasonable assistance we may request in implementing such applicable export regulations. In particular, we may request the Supplier to provide a completed export form identifying any part of the Deliveries or Services which is subject to export laws and regulations and to inform us about the export classification group of Deliveries or Services, for instance in relation to the export list of the Federal Office of Economics and Export Control (*Bundesamt für Wirtschaft und Ausfuhrkontrolle*) or the Export Control Classification Number within the meaning of the Export Administration Regulations (EAR).
- 11.2 The Supplier shall obtain all relevant official approvals, licenses and authorisations required for the worldwide export, delivery and operation of Deliveries and Services by us and/or our lawful customers. "Lawful customer" means any customer who is not subject to any relevant sanctions regime or embargo issued by Germany, the EU, the US or the UN. The Supplier shall provide us, except if prohibited by the applicable export regulations, with a copy of all relevant official approvals, licenses and authorisations.
- 11.3 Notwithstanding any other provision of these Conditions or any other contract entered into with the Supplier, the Supplier shall be liable for all damages, losses and liabilities incurred by us as the result of the Supplier's non-compliance with its obligations under this Clause 11 .

12. COMPLIANCE

The Supplier shall ensure that any activity, including any activities of its employees performed under these Conditions comply with all laws and regulations on bribery and/or corruption, especially the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the respective implementation regulations. If Supplier fails to comply with this provision, we shall be entitled to cancel any order and to terminate any contract with immediate effect.

13. INTELLECTUAL PROPERTY RIGHTS

13.1 Unless expressly agreed otherwise, we maintain ownership in all materials (plans, drawings, other documents and software as well as data) which we provide to Supplier. Upon request, such materials shall be returned without undue delay to us.

13.2 We further remain the owner of all intellectual property rights, in particular trademarks and copyrights, with regard to all such rights provided by us to Supplier, unless expressly agreed otherwise.

14. RESEARCH AND DEVELOPMENT ACTIVITIES

In the event the Services and/or Deliveries contain research and development activities, all rights, title and interest in any and all new developments and research outcomes in connection with such research and development activities (“**Results**”) shall be owned by us. The Supplier shall report any Results made by its employees and shall claim such Result without limitation under the provisions of the Employee Invention Act (*Arbeitnehmererfindergesetz*), if applicable. The Supplier hereby assigns to us its rights in such Results. If a transfer of rights is not possible, the Supplier grants us the exclusive, irrevocable, worldwide, transferable sub-licensable right to use and commercialise the Results for any purposes without any time limitation.

15. CONFIDENTIALITY AND PUBLICITY

15.1 Any and all information relating to an Order or a Purchase Contract and communicated by the us to the Supplier, or to which the Supplier may have access in connection with the Order or respective purchase contract, and/or any information in any form, on any medium, which is declared as being confidential or which reasonably be regarded as confidential because it is by its nature, commercially sensitive or is manifestly of a confidential nature shall be referred to as “Confidential Information”.

15.2 The Supplier shall use Confidential Information exclusively for the purposes of the Order or the purchase contract. In particular, the Supplier shall not perform any reverse engineering on an item, product or material provided by us. Disclosure of Confidential Information to the Supplier’s personnel shall be for the purpose of performance of this Order or purchase contract only and shall be on a strictly need-to-know basis. The Supplier shall not disclose any Confidential Information to any third party without our prior written consent. The Supplier shall be under no obligation of confidentiality if it can prove that the Confidential Information was (i) already publicly known when the Supplier gained access to it or (ii) that it became publicly known through no fault of the Supplier after it gained access to it or (iii) that the Supplier was able to lawfully gain access to the Confidential Information through third party sources with no obligation of confidentiality.

- 15.3 The obligations herein relating to confidentiality shall remain in full force and effect for the duration of any order and continue for a period of five (5) years after the expiry or termination of the order.
- 15.4 The Supplier shall not in any way advertise, publicize or otherwise disclose the fact that it is supplying Deliveries and Services to us without our prior written consent.
16. **FINAL PROVISIONS**
- 16.1 The Supplier is not entitled to assign or otherwise transfer to a third party their rights against us without our prior written consent.
- 16.2 Legally relevant declarations and notifications relating to the Deliveries or Services (e.g. regarding deadlines, reminders, rescissions) must be sent to us in written form (Sec. 126 BGB) or text form (Sec. 126b BGB). The term "written" or "in writing" as used in these Conditions shall cover both written form and text form.
- 16.3 These Conditions shall be governed by the laws of the Federal Republic of Germany (excluding the Convention on Contracts for the International Sale of Goods).
- 16.4 Exclusive place of jurisdiction for all disputes arising out of or in connection with these Conditions shall be Hamburg, Germany.
- 16.5 If any of the above provisions should be or become ineffective, the validity of the remaining provisions shall remain unaffected.
- 16.6 We shall have the right to assign any right out of or to the Deliveries and Services to another AERQ Group company. Further, in the event we intend to transfer an obligation hereunder, we shall inform the Supplier and the Supplier shall not unreasonably withhold its consent which shall be deemed granted if the Supplier does not respond within ten (10) working days.

Annex: Restricted and declarable substance list