

STANDARD PURCHASE ORDER TERMS AND CONDITIONS

1. PURPOSE

This document defines the Terms and Conditions governing all Purchase Orders issued by CFN Precision Ltd. ("CFN" or "Customer") to Suppliers ("External Providers") for the supply of products and/or services.

2. SCOPE

These Terms and Conditions apply to all Suppliers providing materials, components, processing, special processes, assemblies, or services that affect CFN product conformity, safety, or regulatory compliance.

3. DEFINITIONS

Terms used in this document are defined in AS9100D and ISO 9000, aligned terminology, including: Counterfeit Part, Critical Item, Key Characteristic, Nonconformance, Product Safety, Risk, Special Requirements, Traceability, External Provider

4. ORDER ACCEPTANCE

4.1 Acceptance of a Purchase Order (PO), whether written, electronic, or by performance (including shipment or commencement of work), constitutes acceptance of all CFN requirements.

4.2 Suppliers shall review all PO requirements and notify CFN immediately of any discrepancies prior to acceptance.

4.3 No changes are permitted unless formally approved in writing by CFN.

4.4 CFN reserves the right to revise, amend, or modify Purchase Order requirements by written notification or formal Purchase Order amendment. Suppliers shall review all revised requirements and notify CFN of any impact on cost, delivery, capacity, product conformity, regulatory compliance, or quality requirements prior to implementation.

No changes to the affected products, processes, materials, sources, manufacturing location, or approved methods shall be implemented by the Supplier without written authorization from CFN where required by contract or applicable quality requirements.

Any request for adjustment resulting from a Purchase Order amendment shall be submitted in writing to CFN within ten (10) business days of receipt of the amendment unless otherwise agreed in writing by CFN.

5. QUALITY MANAGEMENT SYSTEM REQUIREMENTS

5.1 Suppliers shall maintain a Quality Management System compliant with AS9100D, ISO 9001, or an equivalent aerospace-approved system.

5.2 CFN reserves the right to request evidence of certification or system effectiveness.

5.3 Suppliers shall ensure compliance with Regulatory requirements, Customer flow-down requirements. Applicable aerospace standards (AS, MIL, AMS, ASTM).

5.4 All products, materials, and services supplied to CFN shall be manufactured, processed, inspected, tested, and documented in accordance with the latest applicable revisions of drawings, specifications, standards, Purchase Order requirements, and customer flow-down requirements, unless otherwise specified by contract.

Applicable standards may include, but are not limited to, AS, MIL, AMS, ASTM, ISO, customer-specific specifications, and regulatory requirements.

The Supplier shall maintain a documented process for controlling applicable technical data and specifications to ensure that current authorized revisions are identified, available at points of use, reviewed prior to implementation, and effectively incorporated into production and verification activities.

Obsolete or superseded specifications shall be removed from use or otherwise controlled to prevent unintended application.

6. RISK MANAGEMENT (AS9100D REQUIREMENT)

6.1 Suppliers shall implement risk-based thinking in all processes affecting CFN requirements.

6.2 Risk considerations shall include Product conformity, On-time delivery, Process stability, Supply chain integrity, Safety and regulatory compliance.

6.3 Suppliers shall notify CFN of any identified risks that may impact delivery, quality, or safety.

7. PRODUCT SAFETY

7.1 Suppliers shall ensure that all products and processes support aerospace product safety requirements.

7.2 Any condition that could compromise product safety shall be immediately reported to CFN.

7.3 Safety-critical issues require immediate containment and formal notification.

8. HUMAN FACTORS (ERROR PREVENTION)

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- 8.1 Suppliers shall implement controls to reduce human error, including Training and competency validation, Process standardization, Error-proofing (poka-yoke) where applicable.
- 8.2 Personnel shall be trained in awareness of product conformity impact and human error consequences.

9. DELIVERY AND TITLE

- 9.1 Unless otherwise stated, shipments are F.O.B. Destination with freight prepaid by Supplier.
- 9.2 Title transfer occurs upon acceptance at the CFN facility unless otherwise agreed.
- 9.3 The maximum allowable material weight per forklift shall not exceed 1,600 lbs.

10. INSPECTION AND ACCEPTANCE

- 10.1 All products are subject to CFN incoming inspection and verification.
- 10.2 Delivery does not constitute acceptance.
- 10.3 CFN reserves the right to reject nonconforming products at Supplier expense.

11. NONCONFORMING PRODUCT CONTROL

- 11.1 Suppliers shall not ship known nonconforming products without CFN writing concession approval.
- 11.2 Suppliers must: Notify CFN of nonconformances immediately, Contain affected product, Await disposition instructions
- 11.3 Unauthorized shipments are subject to rejection.

12. CHANGE CONTROL (MANDATORY)

- 12.1 Suppliers shall not change Materials, Processes, Design, Sub-tier suppliers, Manufacturing location, Inspection methods without prior written CFN approval.
- 12.2 All changes must be formally approved before implementation.

13. TRACEABILITY REQUIREMENTS

- 13.1 Suppliers shall maintain full traceability to raw materials, processes, and sub-tier suppliers where required.
- 13.2 Records must be retained in accordance with contractual regulatory requirements.

14. COUNTERFEIT PART PREVENTION

- 14.1 Suppliers shall ensure all delivered products are authentic and conforming.
- 14.2 Suppliers shall implement counterfeit mitigation controls consistent with AS9100D.
- 14.3 Suspected counterfeit parts shall be quarantined and reported immediately.

15. ON-TIME DELIVERY AND DELAYS

- 15.1 Delivery dates are mandatory.
- 15.2 Supplier shall notify CFN immediately of any potential delay.
- 15.3 CFN reserves the right to: Cancel orders, Source alternate suppliers, Recover damage resulting from delays

16. OVER-SHIPMENT

- Any quantity exceeding PO requirements may be rejected and returned at Supplier expense.

17. PRICING AND PAYMENT

- 17.1 Payment terms are per PO or Net 60 days unless otherwise stated.
- 17.2 All invoices must reference the PO number.
- 17.3 GST/HST compliance is required for applicable Suppliers.

18. TOOLING AND INTELLECTUAL PROPERTY

- 18.1 All CFN-supplied tooling, data, drawing, and proprietary information remain CFN property.
- 18.2 Such information shall not be disclosed or used outside PO execution.

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19. SPECIAL PROCESS REQUIREMENTS

Suppliers performing special processes (e.g., heat treatment, plating, welding) shall ensure: Quality personnel, Approved procedures, Required certifications

20. FLOW-DOWN REQUIREMENTS

Suppliers shall flow down all applicable CFN requirements to sub-tier suppliers, including Quality requirements, Regulatory requirements, Customer-specific requirements, Traceability and documentation requirements.

21. PACKAGING AND HANDLING

21.1 Packaging must protect product integrity during transport.

21.2 Requirements include Corrosion prevention, Thread and surface protection, Compliance with MIL-STD-2073 where applicable.

22. DOCUMENTED INFORMATION

Suppliers shall provide the required documentation, including Certificates of Conformance, Material certifications, Inspection reports, Test data. All records must be legible, controlled, and retrievable.

23. RIGHT OF ACCESS

CFN, its customers, and regulatory authorities shall have access to Supplier facilities, Quality records, Applicable processes related to CFN orders.

24. REGULATORY AND LEGAL COMPLAINT

Suppliers shall comply with all applicable laws, including Occupational Health and Safety (Ontario OHSA), Environmental regulations, Trade and export control laws.

25. HAZARDOUS MATERIALS

Hazardous material must be: Properly classified, Documented (SDS required), Shipped in compliance with applicable regulations

26. CODE OF CONDUCT

Suppliers shall maintain ethical business practices, including Legal compliance, Safe working conditions, No child or forced labour, Anti-corruption compliance, Environmental responsibility.

27. CONFLICT MINERALS

Suppliers shall comply with conflict minerals reporting requirements (tin, tungsten, tantalum, gold) and provide sourcing transparency when applicable.

28. FORCE MAJEURE

Neither party shall be liable for delays caused by events beyond reasonable control, including natural disasters, war, strikes, or governmental actions.

29. INSURANCE

Suppliers shall maintain: Worker's Compensation (as required by law), General Liability Insurance, Employer's Liability Insurance

30. GOVERNING LAW

This agreement shall be governed by the laws of the Province of Ontario, Canada.