

## CAE PURCHASING- GENERAL TERMS & CONDITIONS

1. **Purchase Orders:** These General Terms and Conditions (“GTC”) form part of and apply to each Purchase Order (“PO”) that CAE Inc. or its affiliated companies (“CAE”) may issue, making reference to these GTC, by an authorized procurement or global strategic sourcing representative (“**Representative**”), to the addressee (“**Seller**”). The PO, including any documents incorporated by reference with these GTC, constitutes a binding contract (“**Contract**”) between CAE and Seller. Each PO shall contain a description of any required services (the “**Services**”), goods, materials or items ordered under the PO (the “**Goods**”), and development of any intellectual property (“**Work**”). The terms “Work” or “Services” may be used interchangeably where Services include the development of intellectual property. The PO will identify any applicable specifications, drawings, statement of work. The PO shall also contain the quantities, prices, delivery schedule, place of delivery or performances, shipping terms, identification of CAE’s Representative, and indicate any additional terms applicable to the Services, Goods or Work requested by CAE.
2. **Acceptance of Contract:** Seller’s consent and acceptance of this Contract shall occur upon the earlier of (i) a written acceptance via e-mail or otherwise of the PO; or (ii) the commencement of the performance by Seller of any Services, Work or delivery of Goods identified in the PO. No change or modification to the PO by Seller (including any additional or different terms in Seller’s acceptance) shall be binding on CAE. CAE may withdraw the PO at any time before it is accepted by Seller.
3. **Changes:** The Contract may only be altered, modified or amended by a written acknowledgment of such change by both parties (via e-mail or otherwise) (the “**Change Order**”). Notwithstanding the previous sentence, CAE may, at any time, by written notice, make changes that are within the general scope of the Contract and specifically relating to: Specifications (as that term is defined in clause 9 (Specifications)); method of shipment or packing; place of inspection; acceptance or delivery point; delivery schedule and quantities of Goods, Work and Services. Should any such change cause an increase or decrease in the cost of performance, or the time required for performance of the Contract, an equitable adjustment to the Contract shall be agreed between the parties and deemed a Change Order. Seller shall be deemed to have waived any claim for adjustment unless, within ten (10) days from receipt by Seller of CAE’s notification of the change, Seller asserts a claim in writing accompanied by a firm quotation, including the cost or the additional time required for performance of the change. However, nothing in this clause will excuse the Seller from proceeding with the Contract as changed. Note that CAE may, at its discretion, automatically change the Contract delivery schedule, with no cost impact, if the change does not impact a delivery schedule date due within the next four week time period.
4. **Price and Payment:** CAE shall be invoiced at the price(s) stated on the PO. Payment shall be made within sixty (60) days from (i) CAE's acceptance of the Goods, Work and/or Services; and (ii) CAE's receipt of an accurate invoice detailing the Work, Goods and Services performed as per the requirements of CAE, stated in the PO. If Seller is Canadian, the invoice shall itemize separately the Good & Services Tax, Quebec Sales Tax or Harmonized Sales Tax and, when applicable, other provincial sales tax. If Seller is not Canadian, the price shall include all taxes, duties, and other like charges, imposed by any taxing authority or any other body having jurisdiction outside of Canada under any present or future law. CAE shall have the right to set off any amounts owing to Seller against any payments due under any other contract between the parties. CAE may withhold from payment any amount that is subject to a good faith dispute, and/or an amount sufficient to reimburse CAE for any Liabilities (as such term is defined in clause 26 (Liability) relating to Seller’s failure to comply with any requirement of the Contract. Unless otherwise expressly agreed between the parties, CAE is not responsible for the payment of any invoice issued more than six (6) months after the date upon which Seller provided the Goods, Work or Services.
5. **Compliance with laws:** Throughout the performance of the Contract, Seller shall comply with best industry standards and practices, its code of ethics/business conduct, as well all applicable laws, regulations, ordinances and any government directives and orders including, without limitation, laws related to health and safety of employees, export and import laws, laws combatting bribery (local or foreign), and laws prohibiting the use of children or forced labour, as well as any rules and regulations of CAE or of any customer when Seller needs to access CAE or customers premises (“**Laws**”). Seller represents and warrants that its code of ethics/business conduct contains similar commitments as contained in the CAE’s Code of Business conduct, which can be downloaded at <http://www.cae.com/en/investors/corporate.governance.asp>, and that it shall maintain such code in place throughout the performance of its obligations under the Contract. Seller (or any agent or representative of Seller) shall not offer or provide gifts or gratuities to any employee and other contractors of CAE except as authorized by the CAE’s Code of Business Conduct. Seller acknowledges that allegations of, bribery, use of children or forced labour, non-compliance with security or health and safety Laws, or any criminal activities, may cause CAE to be in breach of CAE’s contract with a customer and may seriously impact CAE’s reputation, therefore conviction

or judgement is not a pre-requisite for CAE to immediately terminate this Contract where such situation arises. Upon request, Seller shall provide its code of ethics/business conduct to CAE. Seller shall maintain in effect all licenses, permissions, authorizations, consents and permits that it needs to carry out its obligations under the Contract. Seller agrees that CAE may, upon written notice, audit Seller to verify its compliance with the Contract.

6. **Delivery:** Time is of the essence for Seller's performance, and Seller acknowledges that Goods may be used in a "just-in-time" environment. The Goods, Work and/or Services shall be delivered complete on the delivery date(s), and place(s) specified on the PO, unless otherwise requested by CAE. Seller shall not ship in advance or make partial shipment unless otherwise agreed in writing by CAE. CAE reserves the right to retain any early delivery and/or excess quantities of Goods delivered, and make payment as if delivery was made per schedule, or return the early or excess Goods at Seller's expense. Risk of loss and shipping charges for any excess quantity shall be borne by Seller. Unless the delay is an Excusable Delay, as defined in clause 21 (Excusable Delay), Seller is liable for any damages resulting therefrom.
7. **Packing and Shipping:** The Goods shall be packaged and shipped as specified on the PO and CAE's Supplier Quality Manual ("SQM"), which Seller acknowledges receipt of, as well as, without limiting clause 5 (Compliance with laws), in accordance with all industry standards respecting the safe and proper handling, packing, transportation, delivery, use or mode of employment of such Goods and, in the event of any conflict amongst any of them, the most stringent provisions shall apply, the whole in order to ensure that the Goods are delivered in undamaged condition. Seller shall ship the goods FCA (INCOTERMS 2010) Seller's facilities (unless otherwise specified on the PO) as per CAE routing instructions (copy available upon request). Separate invoices indicating PO number, line item number(s), quantity, unit price and extended value are required for each PO. Separate packing lists, certificates of compliance and any necessary export, import or other permits or licenses if applicable are required for each PO and must accompany each shipment. The location of the packing slip must be clearly marked on the container. The complete PO number shall appear on all documents. Seller shall provide with each shipment a bar-coded label as per CAE standard bar-coding policy. Without limiting Seller's obligations under clause 12 (Hazardous Material), Seller agrees that it will not ship to CAE, or any of CAE's customers, any Goods which contain any hazardous substances including, without limitation, any ozone depleting substances such as, but not limited to, halon contained in fire extinguishers.
8. **Product Origin and Export:** Seller shall provide (i) a NAFTA Certificate of Origin, when Goods provided under the PO originate in North America or a statement specifying the country of origin when Goods originate outside North America; (ii) the appropriate U.S. Schedule B or HTS tariff classification, and (iii) NAFTA Preference Criteria if applicable. In order to facilitate CAE's ongoing ability to support its customers with the Goods provided by Seller, Seller shall, in a method acceptable to both parties (electronic or written), provide CAE with U.S. Export Administration and U.S. Bureau of Census information, or any other document required in any other jurisdiction, which will be adequate in form and content for CAE to determine the appropriateness of its imports/exports. Additionally, Seller agrees to resubmit this information upon any changes, including changes to Goods that impact the applicable information.

Without limiting the terms of clause 5 (Compliance with laws), Seller shall be responsible for obtaining and complying with all applicable import and export laws including government approvals, licenses, permits, or any other required documents, as well as any applicable industry guidelines and standards that might be necessary to import, use or return the Goods or Works or to perform the Services in CAE's country, or the country of CAE's customer as indicated in the PO, and shall assist CAE in complying with all such requirements. Should any Goods, Works and Services include any item subject to export restrictions within the International Traffic in Arms Regulations ("ITAR") and/or the Export Administration Regulations ("EAR") or any other applicable restrictions, Seller agrees to disclose this to CAE. Seller shall immediately notify CAE if it is or becomes listed on any Excluded or Denied Party List of an agency of the U.S. Government, or under similar list in Canada or in CAE customer country, or its export privileges are denied, suspended or revoked, any such situation constituting a Default.

9. **Specifications:** In addition to compliance with clause 5 (Compliance with laws), Seller agrees to design, manufacture and supply the Goods and perform the Work or Services listed in the PO in accordance with any applicable drawings, designs, patterns, computer software, programs, modules, flow charts, models, data, specifications, samples or other description or instructions furnished or agreed to by CAE (the "**Specifications**"). Any special dies, tools, software or equipment ("**Tools**") required for the manufacture or maintenance of the Goods shall be furnished by Seller at no cost to CAE. Any Tools supplied to Seller by CAE shall remain the property of CAE and shall be maintained in good condition. Seller shall replace lost or damaged Tools at no cost to CAE. Seller acknowledges that the Specifications furnished by CAE are CAE proprietary and/or confidential information, whether or not any portion thereof is copyrighted, patented or trademarked or whether or not it bears any proprietary notices or markings, and in which case they shall never be removed. More

specifically, Seller agrees to use the Specifications only for the purpose specified in the PO and the SQM, and not to copy, modify, reverse engineer, disassemble, network, distribute, take out of Seller's premises, disclose, permit access to third parties to the Specifications, or any part thereof, if any, or otherwise use them in whole or in part, for any product or service that Seller would make available to a third party, on a commercial basis or otherwise. Seller agrees to return to CAE such Specifications after completion of its obligations under the PO or in the event of termination of the Contract. Unless a Change Order is agreed to, only Specifications in effect on the date of the PO apply to the Goods, Work or Services ordered under that PO.

10. **Technical Direction and Authorization:** While CAE's engineering and technical personnel may from time to time render assistance to Seller concerning the Goods, Work and Services to be furnished by Seller, CAE's Representative, identified in the PO, is the only individual authorized to direct/redirect Seller's effort, and Seller shall coordinate all such activities through CAE's Representative.
11. **Quality Assurance, Inspection and Acceptance:** Without limiting the generality of clause 5 (Compliance with laws), the Seller shall further comply with the CAE's SQM and a recognized international Quality Management System acceptable to the CAE's Quality Assurance Department. At CAE's request, the Seller shall provide any specific quality documentation including a quality manual, which describes the Seller's quality system, or a quality plan, which details the application of the quality system for the specific procurement. The Seller's quality manual/plan shall be approved by CAE prior to commencement of the Goods, Work or Services. The Seller agrees to abide by the quality standard provisions indicated on the PO and/or in the CAE approved Seller quality manual/plan. All deliveries shall be subject to final inspection (at either CAE's or Seller's premises, or any other location indicated in the PO) and acceptance by CAE. Any initial inspection performed by CAE on receipt of the Goods, Work or Services is a conditional acceptance only, and shall not constitute a waiver of the CAE's right to reject such Goods, Work or Services during final inspection, installation or testing. No inspection of, payment for, or receipt of the Goods, Work or Services shall constitute their acceptance by CAE, or of their conformity with the PO. The Seller shall be responsible for ensuring that the Goods, Work or Services supplied meet all Specification requirements. A certificate of conformance shall be issued and shipped with the Goods, duly signed by the Seller's Quality Assurance representative, indicating compliance to CAE's requirements and Specifications, in accordance with CAE's SQM.

Any non-conforming Goods will, at CAE's discretion, either be returned to Seller to be repaired at no cost to CAE, FCA (INCOTERMS 2010): freight collect, or repaired by CAE, at Seller's sole cost and expense, and CAE shall debit Seller's account accordingly. Seller shall provide CAE with new, replacement Goods, FCA (INCOTERMS 2010), within ten (10) days of receipt of the non-conforming Goods. Should the Services be non-compliant, at CAE's option, Seller shall re-perform the Services, or refund to CAE the portion of the price under the PO for the Services not meeting the conformity. The Seller shall respond to any CAE request for root cause analysis of the defect and corrective action within fifteen (15) working days, and implement respective corrective action within a mutually acceptable time frame and comply with the CAE's SQM.

CAE reserves the right to audit the Seller's approved quality manual/plan or any specific process, and to witness acceptance testing of the equipment/product at the Seller's facility. Quality records shall be retained by Seller for a period of seven (7) years after completion of its obligations under the PO or in the event of termination of the Contract, after which, CAE shall be provided reasonable notice prior to destruction.

12. **Seller's employees (training-health & safety):** Without limiting the generality of clause 5 (Compliance with laws), Seller shall provide competent and trained personnel for the performance of its obligations under this Contract. Any installation related Services shall be performed in accordance with applicable Laws and, as determined by CAE, with either CAE's methods of installation and/or directives or with Seller's methods of installation. Where CAE requests that Seller uses its methods of installation, Seller shall, within the timeframe requested by CAE, provide to CAE for approval, a description of its methods of installation. Seller's methods of installation shall meet the requirements of CAE, customers, parties providing the installation sites, as well as applicable authorities (collectively "**Interested Parties**"), as communicated to Seller. CAE may request Seller to modify its methods of installation to comply with such requirements. At CAE's request, Seller shall provide information on the experience of its personnel and their training. CAE may determine that health and safety training is required, and CAE shall, at Seller's costs, provide such training to Seller's personnel. Any approval by CAE under this clause 12 does not release Seller of its obligations under this Contract. Seller shall ensure that it has paid its dues/fees to any government worker's compensation regime, and where such regime is not in place, it agrees to maintain insurance for its employees (worker's compensation/employer's liability) in accordance with all applicable Laws.

Prior to execution of any Services, Seller shall provide CAE with evidence of compliance with the obligations stated in the previous paragraph. Seller agrees that any information related to Seller, or its employees, may be provided by CAE, without consent, to any Interested Parties and their advisors. Seller further agrees to cooperate, and obtain that its employees cooperate, with CAE, and with other Interested Parties as instructed by CAE, in relation to any inquiry made further to any accident, injury or death occurring to anyone related to or caused by the Goods, Work or Services.

13. **Hazardous Material:** Without limiting the terms of clause 5 (Compliance with laws), clause 7 (Packing and Shipping), and clause 12 (Seller's employees (training-health& safety), Seller represents and warrants that it is in compliance with the Canadian Environmental Protection Act, Canadian Hazardous Products Act or the U.S. Occupational Safety and Health Act (OSHA), as applicable. Seller also represents and warrants that the Services, Goods or Work are compliant with rules and regulations of the European Union on the Limitation of Dangerous Substances, the Restriction of Hazardous Substances (2002/95/EC, 27 January 2003 (RoHS) and Waste of Electrical and Electronic Equipment (2002/96/EC, 27 January 2003 WEEE), as they may have been amended, as well as any national regulations and procedures enacted on the basis thereof, as applicable. Furthermore, if the Goods purchased herein are considered toxic or hazardous as defined in any laws or regulations, Seller shall provide a copy of the Material Safety Data Sheet (MSDS) with each shipment or as otherwise specified in the PO.

The Seller further represents and warrants that the Services, Goods or Work are compliant to the European Union's Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH) Regulation 1907/2006 or the latest version in force on the date of the purchase order. In particular, the Seller must identify any Substances of Very High Concern (SVHC) present in the Goods (including components, materials, parts, and products) at or above the 0.1% weight by weight (w/w) concentration. If an SVHC is present at or above 0.1% w/w, the Seller must provide a declaration to CAE meeting the requirements of Article 33 of the EU REACH Regulation. At the time of delivery, declaration to the CAE must be dated and include the SVHC name, Chemical Abstracts Service (CAS) number, safe handling instructions, and the weight of the deliverable.

14. **Conflict Minerals:** Seller shall support CAE in its obligation to conform to Section 1502 (the Conflict Minerals Statutory Provision) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). Seller shall not use Conflict Minerals originating from the Democratic Republic of Congo (DRC) or Covered Countries in, or to produce Goods delivered to CAE, or in performing Services or Works in favor of CAE. "Conflict Minerals" and "Covered Countries" have the meaning ascribed to such terms in the Act.

In those limited circumstances where CAE's product documentation or Specifications specifically call for the use of a Conflict Mineral or the PO is for the supply of solder containing tin, the following shall apply: (i) Seller whose Goods or Works contain Conflict Minerals that are necessary to the functionality or production of the Goods or Works manufactured or contracted to be manufactured shall adopt policies and establish systems to procure these minerals from sources that have been verified as "DRC conflict free", (ii) Seller of such Goods or Works shall provide supporting data on its supply chains for Conflict Minerals to CAE on the EICC (Electronic Industry Citizen Coalition) Conflict Minerals Reporting Template. This report must be approved by CAE. Traceability data shall be maintained for 5 years minimum, (iii) Seller shall perform "Reasonable Country of Origin Inquiries" (RCOI) to ensure it has traceability throughout its supply chain to establish the origin of Conflict Minerals to designate one of the following sources or exemption: (a) the smelter (tin, tantalum, tungsten), or refiner (gold); Seller shall ensure that purchased metals originate from smelters validated by Seller as "DRC Conflict Free", (b) scrap or recycled, or (c) the rule exempts any Conflict Minerals that are "outside the supply chain". Conflict Minerals are outside the supply chain if, by January 31, 2013, they have been fully smelted or refined; or they are located outside the Covered Countries, and (iv) if, based on its RCOI, the Seller determines that its Conflict Minerals did originate from a Covered Country or has reason to believe that such minerals may have originated in a Covered Country and are not from recycled or scrap sources, it is required to develop and report to CAE what measures it will take to minimize the risk of purchasing "Not DRC Conflict Free" conflict minerals in the future. This report must be approved by CAE.

15. **Counterfeit Deliverables:** Seller agrees and shall ensure that Counterfeit Parts or supporting counterfeit documentation are not delivered to CAE. "**Counterfeit Part**" means a suspect part identified as a copy or substitute without the legal right or authority to do so or a part whose material, performance, or characteristics are knowingly misrepresented by a supplier in the supply chain. The intentional or unintentional use, incorporation, or delivery of Counterfeit Parts or counterfeit work is strictly prohibited. This includes it being provided either as an end item deliverable or as a component or subcomponent of an end item deliverable pursuant to these Terms and Conditions or under a PO. Seller shall maintain a documented system (policy, procedure, or other documented approach) that ensures traceability of all components, and shall provide copies of

such documentation for its system to CAE upon request. If Seller furnishes CAE with any Counterfeit Part, CAE shall have the right to impound such items, and Seller shall promptly replace such items with items acceptable to CAE. In such case, Seller shall be liable to CAE for all costs relating to impoundment, removal, replacement and proof of physical destruction. CAE may withhold payment for any Counterfeit Part and may turn such items over to governmental authorities for investigation. This “**Counterfeit Deliverables**” clause applies whether Seller is a distributor that purchases parts with the intention to sell and redistribute them back into the market or not and whether the parts are obtained from original equipment manufacturers or contract manufacturers (typically from excess inventories), from other independent distributors or otherwise.

16. **Offset:** This Contract is in support of CAE’s offset commitments in Seller’s country. Seller commits that all Goods, Work and Services ordered by CAE shall be manufactured and/or performed exclusively in Seller’s country. Seller agrees to provide CAE promptly, upon request, with all relevant details supporting all performance of the Contract in order to assist CAE for offset reporting purposes. Seller further agrees to support CAE, as reasonably requested by CAE, to negotiate a factor with the relevant government officials to be applied to increase the value credited as offset if technology, investment and/or significant added value is transferred with the Goods, Work, or Services. Seller acknowledges that its commitment as indicated above is an important consideration for CAE’s selection of Seller.
17. **Stop Work:** When directed by written notice from CAE, Seller shall immediately stop all or part of its performance under this Contract to the extent specified in the notice for a period of up to one hundred and eighty (180) calendar days or longer if extended by mutual agreement (“**Stop Work Notice**”). If a Stop Work Notice is cancelled or the period of the Stop Work Notice expires, Seller shall resume work and the parties will agree upon a reasonable adjustment in the delivery schedule. In no event shall such adjustment exceed the period of time during which the Stop Work Notice was in effect. Except as otherwise provided herein, no adjustment in the total PO price will be incurred by issuance of a Stop Work Notice.
18. **Termination for Convenience:** Notwithstanding any other provisions of the PO, CAE may terminate the Contract or PO for convenience in whole or in part for any reason, at any time, by written notice to Seller. Should the PO be so terminated by CAE, Seller shall immediately cease all work, including but not limited to the manufacture and procurement of materials for the fulfilment of the terminated portion of the PO. The parties will agree upon an equitable adjustment of the PO price provided that: (i) Seller shall be entitled solely to reimbursement of the reasonable demonstrated cost Seller has incurred in the performance of the PO prior to the effective date of termination, but in no event shall such reimbursement exceed the price(s) indicated on the PO for the part so terminated; (ii) Seller’s written intent to file a claim for adjustment is received within fifteen (15) calendar days from the effective date of termination; (iii) Seller’s final claim is received within sixty (60) calendar days from the date that intent to claim is filed. Seller shall waive all claims and have no remedies after such sixty (60) day period, and shall continue to perform its obligations under the PO for any portion thereof that is not terminated. In the case of a partial termination of a PO, no adjustment will be made on the portion that is not being terminated. Failure to act in accordance with this clause will constitute a dispute under clause 37 (Disputes and Jurisdiction). Save as provided above, the Seller shall have no claim for damages, compensation, loss of profit, allowance or otherwise by reason of, or directly or indirectly arising out of, any action taken or termination notice given by the CAE under this clause.
19. **Termination for Default:** If Seller ceases, omits, refuses to perform or is in default in carrying out any of its obligations under the Contract and/or is in breach of any of the terms of this Contract, in whole or in part (“**Default**”) and CAE believes, acting reasonably, that such Default can be cured, CAE shall, prior to termination of the whole or part of this Contract or PO, give Seller notice of such Default. The Seller shall have ten (10) calendar days (or more if authorized by CAE) from the date of receipt of such notice in which to cure the Default or satisfy CAE that such Default shall be cured within a period acceptable to CAE. Upon failure to cure the Default, or if CAE’s determination is that the Default cannot be cured, CAE may give Seller written notice of termination of the Contract for Default, in whole or in part, with immediate effect, without prejudice to any of its other rights and recourses.

Where (i) Seller becomes or is about to become bankrupt or insolvent, makes an assignment for the benefit of creditors or takes the benefit of any statute relating to bankrupt or insolvent debtors; (ii) a receiver is appointed under a debt instrument; (iii) a receiving order is made against Seller; (iv) an order is made or a resolution passed for the winding up of the Seller; or (v) Seller breaches any of its obligations hereunder, CAE may, upon giving notice to the Seller, immediately terminate the whole or any part of this Contract, without prejudice to any of its other rights and recourses.

Upon the termination of the Contract, the Seller shall have no claim for further payment, but shall be liable to CAE for any amounts paid by CAE and for all Liabilities (as defined in clause 26 (Liability) which may be suffered by CAE by reason of the Default or occurrence upon which the notice was based, including any increase in the cost incurred by CAE in procuring the Goods, Work or Services, or any part thereof, from another source.

20. **Return:** All Specifications, Tools and Confidential Information must be returned to CAE, or destroyed as instructed by CAE, immediately upon termination of the Contract for any reason whatsoever.
21. **Excusable Delay:** A delay in the performance by either party of any obligation under the Contract which is caused by an event which: (i) is an act of God, war, severe weather, or any other event which constitutes a superior force and is beyond the reasonable control of that party, and without any fault on the part of the party invoking it; and (ii) interferes with the performance of such party's obligations; and (iii) the effects of which could not reasonably have been avoided by that Party shall, subject to compliance with the provisions of this clause 21 (Excusable Delay), constitute an "**Excusable Delay**". Except as otherwise provided in this clause 21, the following shall not be considered as events beyond the reasonable control of the party attempting to claim Excusable Delay: (i) lack of financial resources of a party; ii) changes in market conditions or (iii) any labour disturbances including strikes/lock-outs experienced by a party. To claim an Excusable Delay, a party shall notify the other party in writing upon the occurrence of an event that has resulted or is likely to result in an Excusable Delay and provide the other party with an acceptable "work-around" plan within ten (10) calendar days of such facts coming to the attention of that party. The other party shall accept or reject such "work-around" plan in writing and, if accepted, the party proposing the plan shall promptly implement such "work-around" plan at their sole expense. In the event of an Excusable Delay, any affected delivery date shall be extended by a time period equivalent to the time period in which the Excusable Delay was in effect. No adjustment will be made to the PO price; adjustment to the delivery schedule is the exclusive remedy of a party in the case of an Excusable Delay. Notwithstanding the above, after an Excusable Delay has continued for a period of thirty (30) calendar days in the aggregate, the other party may terminate this Contract, or any part thereof. In the event of such termination, the rights and obligations of the parties shall be determined in accordance with clause 18 (Termination for Convenience).
22. **Confidential Information:** Under this Contract, "**Confidential Information**" shall mean information of a technical, scientific, strategic, corporate or commercial nature, including, without limitation, all Specifications, data, documents, computer software, programs, technology, concepts, processes, methodologies, samples, business plans, forecasts, products and accounting records, whether or not acquired through visits or discussions and whether or not covered by intellectual property rights, which is in the possession of or belonging to CAE, whether written or oral, and whether or not explicitly designated as confidential. Seller agrees to keep the Confidential Information obtained hereunder in strict confidence and to use it only for the purpose of Seller's performance of its obligations under this Contract, and otherwise not to disclose directly or indirectly to any third party, nor to use, copy, summarise, evaluate or incorporate within or outside of its business. Seller agrees that the Confidential Information should be accessed and disclosed only to its employees having a need to know who have been properly advised of the confidential nature of the Confidential Information, and who are under binding obligations of confidentiality, use and non-disclosure complying with the requirements hereunder. The obligations of confidentiality, use and non-disclosure referred to in this clause shall not apply to information which: (i) is or becomes publicly available through no fault of Seller; (ii) is independently developed by Seller without recourse to the Confidential Information provided hereunder; (iii) is obtained by Seller in good faith and on a non-confidential basis and without a use restriction from a third party who lawfully obtained and disclosed such information; or (iv) is required to be disclosed by law following advance notice to CAE to allow for protection of its rights. Seller agrees that the Contract is confidential information and that it shall not be disclosed without express written consent of CAE.
23. **Advertising:** Seller shall not use or disclose any information relating to this Contract or its performance, including without limitation, that it is a supplier of CAE, the name of CAE or any of its affiliated companies, CAE's trademarks, photographs, logos or any other identifying information in any advertisement or publicity in any medium whatsoever including, without limitation, any print, broadcast, sales promotion materials, press releases, internet web site, social media of any type, without prior written consent of CAE.
24. **Title:** Each Party shall retain ownership of its intellectual property rights existing prior to entering into this Contract. Unless otherwise agreed in writing between the parties, title and ownership to any Work shall vest with CAE upon its creation. Seller shall ensure it has obtained all required assignments from its employees or contactors as well as waivers of moral rights. CAE shall have all right to use, modify, further develop and create derivative works or otherwise alter, sell, distribute or otherwise transfer the Work as part of products sold or services rendered by CAE on a commercial basis. As part of the price, Seller grants to CAE a non-exclusive perpetual license (with the right to sublicense to any end-user, as CAE Purchasing General Ts &Cs v. 2014-08-14.docx

applicable) of Seller's intellectual property rights existing prior to entering into this Contract required to fully exercise all CAE's rights in the Services, Work and/or Goods, which license cannot be restricted in any way by the Seller, including the wording on any shrink-wrapped license attached to any deliverable. Title to and full ownership of any Goods will pass to CAE upon delivery and acceptance of the Goods. Seller shall execute any documentation required by CAE to give effect to the foregoing.

25. **Warranty:** Seller warrants that: a) it has the right to enter into the Contract; b) that all Goods, Work or Services supplied under the Contract shall be free of any liens, encumbrances or claims c) that Seller has full right and authority to sell such Goods or Work and to provide the Services. Seller also warrants that it is the owner of the intellectual property in the Goods, Work and Services or has the right to license for further resale of the Goods or Work or for performance of the Services; and that the rights granted herein do not infringe the intellectual property rights of any third party or misappropriate any trade secrets. The foregoing warranties are not limited by the warranty period indicated hereafter. Seller warrants that all Goods or Work delivered under the Contract shall be free from defects in design, material and workmanship and will conform to applicable descriptions in the PO, Specifications, are suitable for the purpose intended and comply with all Laws and terms of this Contract and this for a period of thirty-six (36) months from acceptance of the Good or the Work by CAE and the customer. Seller also warrants, for a period of thirty-six (36) months following the completion of any Services provided by Seller under the PO, that such Services shall: (i) conform to the Specifications; and (ii) be performed in a professional manner in compliance with best industry practices for the performance of such Services. The warranties described in this clause 25 shall be assignable to CAE's customers. These warranties are in addition to any other warranty provided by law.

Any defective Goods or Work will, at CAE's discretion, either be returned to Seller to be repaired or replaced at no cost to CAE, FCA (INCOTERMS 2010): freight collect, or repaired by CAE, at Seller's sole cost and expense, and CAE shall debit Seller's account accordingly. For valid warranty claims, CAE shall debit Seller's account for actual freight charges incurred both from and to CAE. Should the Services not meet said warranty, at CAE's option, Seller shall re-perform the Services, or refund to CAE the portion of the price under the PO for the Services not meeting the said warranty.

26. **Liability:** Seller agrees to indemnify CAE, its agents, directors, officers, employees, affiliates, successors and assigns, sub-contractors and customers ("**Indemnified Parties**") from and against any and all losses, injuries (including death), damages, liabilities, penalties, costs and expenses of any kind whatsoever (including without limitation costs associated to any recall campaign, as well as reasonable attorneys' fees and other costs of defending any action) (the "**Liabilities**") which such Indemnified Parties may sustain or incur in connection with (i) the performance by Seller and/or any Default by Seller under the Contract; ii) any action, claim or other proceeding to the extent that it is based on a claim that the Goods, Work, or the performance of any Services, infringe any copyright, trademark, patent or other intellectual property right, or incorporate any misappropriated trade secrets; and/or iii) their enforcement of the Contract as a result of any claim whatsoever, except to the extent caused by the sole gross negligence or willful misconduct of the Indemnified Parties.

In addition, should CAE or its customers be enjoined or directed to stop using the Services, Goods or Work as a consequence of a claim of third party infringement, CAE shall have the right to require that Seller, at Seller's costs, either (i) procure the right to use the infringing element of the Services, Goods or Work in accordance with this Contract; (ii) modify the affected Services, Goods or Work, or parts thereof, without detracting from its overall performance in order to cease the infringement; or (iii) replace the affected Services, Goods or Work or parts thereof with alternative good that performs the substantially the same functions of the affected Services, Goods or Work.

27. **Sales Limitation:** For clarity, without the prior written consent of CAE, Goods carrying CAE's part numbers or produced wholly or in part from CAE's proprietary Specifications may not be sold by Seller to third parties.
28. **Insurance:** Seller shall be responsible for maintaining, at Seller's expense, at all times during the performance of the Contract, all insurance that a reasonable and prudent seller would carry for the provision of Goods, Work, or performance of the Services hereunder. This insurance shall, at a minimum, include a liability insurance coverage including broad form property damage coverage, products/completed operations coverage and contractual liability coverage, with limits of not less than \$10,000,000 CDN combined single limit per occurrence, and \$10,000,000 CDN annual aggregate for products/completed operations. Said liability insurance shall i) name CAE as additional insured or loss payee and ii) shall provide that the policy shall not be cancelled without a thirty (30) day prior written notice to CAE. Seller shall, upon request, provide CAE with proof of such insurance.

29. **Notices:** Any notice, consent or other communication hereunder shall be given in writing hand delivered, by recognized

courier or fax. Notice shall be deemed to have been received by the addressee: (i) on the day when same shall have been so delivered if delivered by hand; (ii) on the day it was signed as received if sent by courier; (iii) on the date indicated on the electronic acknowledgement if same is faxed. No notice or communication pertaining to this Contract shall be deemed to have been duly given by Seller to CAE unless addressed as follows: CAE Inc., 8585 Côte-de-Liesse Road, Saint Laurent, Quebec, H4T 1G6, Canada, Attention: Vice President Global Strategic Sourcing, with copy to any other individual as specified in the PO.

30. **Assignment:** This Contract shall not be assigned, subcontracted or otherwise disposed of, in whole or in part, by the Seller (by operation of law, merger or otherwise) without the prior written consent of CAE, and any such assignment or disposition without CAE's written consent shall be considered null and void. A change of control (actual or legal) of the Seller is deemed an assignment. CAE may assign this Contract, in whole or in part, at its sole discretion.
31. **Third Party Beneficiary:** Save and except for CAE's affiliates, and CAE customers mentioned in the PO, this Contract is for the sole benefit of the parties hereto and their respected successors and permitted assigns, as indicated in clause 30 (Assignment), and nothing in this Contract, express or implied, is intended to or shall confer upon any other person or entity any rights, benefits or remedies of any nature whatsoever under this Contract.
32. **Independent Contractors:** The parties hereto are independent contractors engaged in the operations of their respective businesses. Neither party is, or is to be considered, as the agent or employee of the other for any purpose whatsoever. Neither party has the authority to enter into contracts or assume any obligations for the other Party or make any warranties or representations on behalf of the other party. Nothing in the PO shall be construed to establish a relationship of co-partners or joint venture between the parties.
33. **Severability:** If any term or provision of this Contract is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Contract shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either party. Upon such determination that any term or provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify the PO so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner, in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible. Headings are included for convenience only and shall not affect the interpretation of the Contract.
34. **Survival:**  
The obligations of Seller under clauses 9 (Specifications), 22 (Confidential Information), 23 (Advertising), 24 (Title), 25 (Warranty), 26 (Liability), 35 (Waiver), 36 (Governing Law), 37 (Disputes and Jurisdiction), as well as any other provisions of these GTC which, by their nature and context are intended to survive, shall survive the termination or expiration of the Contract for any reason.
35. **Waiver:** The failure by a party to enforce at any time any of the provisions of this Contract, or to require at any time the performance by the other party of any of the provisions hereof, shall in no way be construed to be a waiver of such provisions, nor in any way affect the validity of this Contract or any part thereof, or the right of a party thereafter to enforce such provision.
36. **Governing Laws:** These terms and conditions shall be governed and interpreted in accordance with the laws of the Province of Quebec and the laws of Canada applicable therein, without reference to its conflict of law rules. The parties also agree to specifically exclude the application of the United Nations Convention on Contracts for the International Sale of Goods, 1980, as may be amended.
37. **Disputes and Jurisdiction:** The parties shall attempt to resolve any disagreements, disputes, controversies or claims arising out of, or relating to this Contract, or the breach, termination, invalidity or interpretation of any part hereof, by escalating the matter through their respective management structures. The parties will use all efforts in good faith to resolve the dispute. If the parties cannot resolve the dispute with ninety (90) days of commencement, each of the parties, unless they otherwise agree, irrevocably and unconditionally: a) agrees that any suit, action, or other legal proceeding arising out of or relating to these terms or this Contract shall be brought in the courts of the Province of Quebec, in the City of Montreal; b) consents to the exclusive jurisdiction of each such court in any such suit, action, or proceeding; and c) waives any objection which it may have to the laying of the venue of any such suit, action or proceeding in any of such courts. Notwithstanding the foregoing, each of the parties is entitled to take injunctive proceedings in the court of any



competent jurisdiction to protect its confidential information or intellectual property rights. Pending final resolution of any dispute or appeal hereunder, the Seller shall proceed diligently with the performance of its obligations under this Contract as directed by the CAE.

38. **Language:** The parties declare that they have requested and hereby confirm their express wish that this Contract as well as any present and subsequent documents attached thereto, be drawn up in the English language. Les parties déclarent qu'elles ont demandé et par les présentes confirment leur désir exprès que cette convention ainsi que les documents actuels et futurs s'y rattachant soit rédigée en anglais.
39. **Entire Agreement:** This Contract, with all documents referred to herein, constitutes the entire agreement between the parties and supersedes and replaces all prior discussions, representations, understandings or agreements whether verbal or written, between the parties, with respect to or in connection with the subject matter hereof, save and except for the provisions of any confidentiality agreements, whether verbal or written, entered into prior to the date of issuance of the PO, which, unless changed by the terms of the PO, remain in full force and effect.