



PalNet GmbH Air Cargo Products (PalNet) General Terms and Conditions of Purchase

1. Foreword

For PalNet GmbH Air Cargo Products (hereinafter referred to as “PalNet”) it is very important to have a well-functioning partnership with its suppliers (hereinafter referred to as “Contract Partners”) which is fair to both parties (hereinafter referred to as “the Parties”) and sustainable. These are the cornerstones of a successful, resilient business relationship. In order to avoid a lack of clarity and misunderstandings, it is necessary to have clear rules for cooperation, which ensure that dealings between the Parties are as trouble-free as possible. These General Terms and Conditions were developed in order to achieve these objectives.

2. Scope of General Terms and Conditions of Purchase Contracts

All contracts concluded by PalNet concerning the purchase of goods and services and orders, including without limitation purchase contracts, project contracts, and service contracts (hereinafter referred to as “Contracts”) shall be exclusively subject to these General Terms and Conditions of Purchase Contracts. Any general terms and conditions of the Contract Partner, which deviate from these General Terms, and Conditions of Purchase Contracts shall not apply unless PalNet has expressly accepted them in writing. Any failure by PalNet to object to such general terms and conditions of the Contract Partner shall not be deemed an acceptance thereof by PalNet even in cases where PalNet has received such general terms and conditions of the Contract Partner.

3. Offers, Acceptance, Orders, Prices

- 3.1. Any orders placed by PalNet shall be non-binding and may be revoked in any form until PalNet has received an order confirmation from the Contract Partner.
- 3.2. Any order confirmation by the Contract Partner in deviation from the order placed by PalNet shall be subject to written acceptance by PalNet. If any such order confirmation by the Contract Partner is not confirmed by PalNet, no Contract shall be deemed to have been concluded between the Contract Partner and PalNet.
- 3.3. The prices stated in orders placed by PalNet shall be deemed not to include value added tax, if applicable, but shall be deemed to include any and all ancillary expenses (including without limitation carriage, customs, packaging, insurance and the cost of taking back and disposing of packaging) free to the destination specified by PalNet. If Incoterms apply, the delivery conditions shall be DDP.

4. Obligations in Connection with Framework Contracts; Subcontractors

- 4.1. Quantities and terms stated in framework contracts are agreed on the basis of preliminary delivery quantities stated by customers of PalNet. In any such case, if the requirements of PalNet change, PalNet reserves the right to adjust delivery quantities upwards or downwards.



- 4.2. The Contract Partner shall not engage subcontractors to perform services or supply goods under Contracts without the prior written permission of PalNet.

5. Invoices, Payments, Set-off, Retention

- 5.1. All invoices issued by the Contract Partner shall state the order number, the item number, the order date and quantities with unit and item prices and shall be sent to the invoicing address stated in the Contract. All such invoices shall meet the requirements of tax regulations, including without limitation value added tax regulations. Invoices concerning partial deliveries shall clearly indicate that this is the case. PalNet shall be under no obligation to pay invoices not meeting these requirements.
- 5.2. Invoices issued by the Contract Partner shall be paid within 60 days of the full performance of the Contract by the Contract Partner and the receipt of the invoice but not before the delivery date agreed under the Contract (due date). In the event that PalNet pays any invoice received from the Contract Partner within 21 days, PalNet shall be entitled to deduct cash discount of 3% from the amount of said invoice.
- 5.3. PalNet shall be entitled to set off counterclaims irrespective of whether they have been accepted or are the subject of an enforceable judgement. The Contract Partner shall not be entitled to set off or retain any amounts except in respect of claims, which are the subject of an enforceable judgement or have been accepted by PalNet.

6. Delivery and Performance, Acceptance, Notification of Defects and Complaints

- 6.1. The place of performance shall be the registered office of PalNet or any other place, which may be designated by PalNet.
- 6.2. PalNet shall be entitled to refuse to accept deliveries before the agreed date if such deliveries are not in the interests of PalNet; Payment for deliveries made prior to the agreed date shall not be due until the agreed date. In any such case, the statutory rights of PalNet going beyond the rights provided for in this paragraph shall not be affected.
- 6.3. Each delivery by the Contract Partner shall be accompanied by documents, which provide the following information:
- a) Delivery note number
 - b) Sender
 - c) Quantity
 - d) Weight
 - e) Designation of article including PalNet article number (stated in the order)
 - f) Number of packages
- If required by the order, each consignment shall be accompanied by inspection certificates or test reports in accordance with DIN EN 10204 for each batch of the consignment. Each individual package shall be marked with the quantity, article number, article designation and, if applicable, the batch number.



6.4. Upon the receipt or taking delivery of goods or services by PalNet or the handing over of goods or services to PalNet, PalNet shall acquire full title to such goods and services. Any simple or extended retention of title by the Contract Partner shall be excluded.

7. Transport, Delay; Transfer of Risks, Retention of Title

7.1. In the event of actual or impending delay in delivery, the Contract Partner shall promptly notify PalNet in writing, stating the order number and the probable delivery date. Such notification shall not relieve the Contract Partner from its obligation to pay damages for delay in delivery.

7.2. If a fixed delivery or performance date or a delivery or performance date which may be calculated has been agreed and the Contract Partner fails to deliver the goods or perform the services concerned by the agreed date, the Contract Partner shall be deemed to be in default with delivery or performance without it being necessary for PalNet to issue a reminder to the Contract Partner (Section 286 BGB (German Civil Code)). In the event of such default, PalNet shall be entitled to claim from the Contract Partner liquidated damages in the amount of 2.0% of the value of the Contract concerned per week or part thereof of delay, provided however that the total amount of such liquidated damages shall not exceed 5% of the value of the Contract concerned. Said liquidated damages shall be set off against claims for damages as a result of default in the event that the Contract Partner proves that the actual loss or damage suffered by PalNet is lower than the amount of such damages. Notwithstanding the payment of liquidated damages, PalNet shall continue to be entitled to rescind the Contract or to claim damages.

8. Guarantees, Warranty, Notification of Defects, Insurance

8.1. The Contract Partner shall guarantee that:

- a) all goods will be manufactured from the agreed materials and comply with the specified dimension and quantity requirements;
- b) the agreed documents and certificates will be in accordance with the legal requirements for the aviation industry and will be supplied with the goods together with the PalNet order number;
- c) the goods, services and works delivered will be in accordance with the applicable national and international laws and regulations. For the transportation of goods, the Contract Partner shall comply with the applicable provisions for materials relevant to aviation safety;
- d) the goods delivered will be free from third-party liens.
- e) The Contract Partner shall retain all documents, records and data for a period of at least 10 years.

8.2. Claims by PalNet against the Contract Partner under Contracts with respect to defects in goods or services shall be forfeited unless made within three years of the delivery, handing-over or acceptance of the goods or services concerned at the place of performance. In the event that the applicable law provides for longer forfeiture periods, such longer forfeiture periods shall apply.



- 8.3. Except as provided for in these General Terms and Conditions, the statutory warranty rights and other statutory liability provisions (including without limitation product liability) shall apply. The rights of PalNet to claim damages shall not be limited to its interest in the proper performance of the Contract.
- 8.4. PalNet shall be deemed to have complied with its commercial law obligations concerning the inspection of goods and complaints if it notifies the Contract Partner of evident defects within two weeks of delivery and latent defects within two weeks of the date when such defects come to its attention. Depending on the circumstances of the individual case, it may be sufficient for PalNet to notify the Contract Partner of defects at a later date.
- 8.5. The issue of receipts, the payment for services of the Contract Partner or the acceptance of works without reservation shall be without prejudice to possible warranty and other claims of PalNet.
- 8.6. The Contract Partner shall be obligated, within the scope of its activities for PalNet, to conclude an appropriate business operations and product liability insurance contract, which shall provide adequate coverage for the liability of the Contract Partner towards PalNet and third parties. Upon request by PalNet, even after the performance of the Contract, the Contract Partner shall submit to PalNet evidence of such insurance contract. If the Contract Partner has not concluded such insurance contract, PalNet shall be entitled to request the Contract Partner to conclude such insurance contract and to provide evidence of such contract within a period set by PalNet. Should the Contract Partner fail to conclude such insurance contract and provide evidence thereof within the period set by PalNet, PalNet shall be entitled to rescind the Contract.
- 8.7. In the case of continuing business relations, PalNet shall be entitled to carry out quality audits on the premises of the Contract Partner at any time, also with representatives of the competent aviation authorities, if applicable. The Contract Partner hereby undertakes to grant PalNet any support and access to its relevant documents, production facilities and other premises, which may be required for such audits. Quality assurance measures, which are necessary as a result of an audit or otherwise required by PalNet shall be implemented by the Contract Partner at its own expense. In the event that the Contract Partner refuses to have any such audit conducted, PalNet shall be entitled to grant the Contract Partner a period for the conduct of such audit and, if such audit is not conducted within said period, to rescind the Contract and to claim damages either instead of or in addition to the performance of the Contract. The rights connected with quality audits may also be exercised separately (e.g. by requiring the Contract Partner to complete questionnaires or to submit test or inspection certificates. The Contract Partner shall notify PalNet promptly of any changes, which may affect quality.

9. Tools

- 9.1. The Contract Partner shall maintain any and all tools, which are the property of PalNet and are provided by PalNet to the Contract Partner in a properly functioning condition, which is, free from defects at all times. The Contract Partner shall ensure that any such tools function properly and are free from defects by maintaining such tools and storing such tools properly.



- 9.2. Tools produced by the Contract Partner for PalNet shall become the property of PalNet upon the receipt by the Contract Partner of payment therefor.
 - 9.3. Adaptations or changes to tools, which are the property of PalNet, shall not be made without the prior written permission of PalNet.
 - 9.4. In connection with the use of each new or modified tool by the Contract Partner, the Contract Partner shall submit to PalNet a first article inspection report for approval by PalNet. For each first article inspection, at least 10 parts shall be inspected and submitted to PalNet for approval. In addition, the Contract Partner shall submit to PalNet an inspection plan for the first article inspection.
 - 9.5. The Contract Partner hereby undertakes to use tools, which are the property of PalNet only for the production of goods, which are to be supplied to PalNet. The Contract Partner shall not supply goods produced using tools, which are the property of PalNet to any third party without the prior written permission of PalNet.
 - 9.6. The Contract Partner shall not dispose of tools, which are the property of PalNet without the written permission of PalNet. If PalNet refuses such permission, the Contract Partner shall deliver the tools concerned to PalNet.
- 10. Origin of Goods, Preferential Origin, International Trade in Goods**
- 10.1. The Contract Partner hereby undertakes, no later than the submission of the delivery documents, to submit a supplier's declaration confirming the preferential origin status of the goods (goods with or without EU preferential origin status). The wording of an individual supplier's declaration shall be in accordance with Annex I to Regulation (EC) No.1207/2001. In the case of the regular delivery of goods over a lengthy period, it shall be sufficient for the Contract Partner to submit a long-term supplier's declaration in accordance with Annex II to Regulation (EC) No. 1207/2001, which shall be renewed each year. Contract Partners from countries which are not members of the EU shall submit, as evidence of origin, a movement certificate or a declaration of origin. If the origin status of the Contract Partner is not established by its own company, the Contract Partner shall submit to PalNet the supplier's declaration of its supplier and, if applicable, the supplier's declaration of its supplier's supplier (evidence of uninterrupted supply chain).
 - 10.2. Payment to the Contract Partner shall not be due until and unless the Contract Partner has submitted to PalNet an individual supplier's declaration or declaration of origin or a valid, long-term supplier's declaration.
 - 10.3. The Contract Partner hereby undertakes to investigate whether its products are subject to any export bans, restrictions and/or licensing obligations for re-exports under German, European and US export and customs regulations as well as the export and customs regulations of the country of origin (e.g. as regards export list, dual use, US re-export requirements, etc.) and to clearly state any such bans, restrictions or licensing obligations in its proposals, order confirmations and any shipping documents, together with clear information thereon. At the request of PalNet, the Contract Partner shall be obligated to notify PalNet in writing of any further export trade data concerning its goods and the components thereof and also to notify PalNet promptly of any changes in such data.



10.4. In the event of failure by the Contract Partner to comply with the provisions of this Section 10 or in the event of errors in declarations made by the Contract Partner, the Contract Partner shall be liable for any and all loss or damage suffered by PalNet including without limitation additional payments of foreign import duties, fines, etc.

11. Confidentiality

11.1. The Parties hereby undertake to deal with any non-obvious commercial or technical information, which may come to their attention as a result of their business relations as trade secrets.

11.2. Drawings, models, templates, specimens and similar objects shall not be handed over or otherwise made available to unauthorized third parties. Such objects shall only be copied as required in connection with Contracts and in compliance with the applicable copyright provisions.

11.3. The Parties shall impose obligations equivalent to those stated in Sections 11.1 and 11.2 hereinabove on their subcontractors.

11.4. Neither of the Parties shall use its business relations with the other Party for promotion purposes without the prior written permission of the other Party in each case.

12. Force Majeure

12.1. In the event of force majeure, industrial action, unrest, acts of authorities and other unforeseeable, unavoidable and serious events, the Parties shall be released from their obligations under the Contract for such time as and to the extent that they are prevented from performing said obligations by said events. This shall also apply if the Party, which is affected, is already in default when such events occur. The Parties shall be obligated to provide each other promptly with such information as is required and is reasonably possible and to adapt their obligations to the changed conditions in accordance with the principle of good faith

13. Venue for Disputes, Applicable Law

13.1. In the event that the Contract Partner is a commercial enterprise, the venue for any disputes arising out of or in connection with Contracts concluded by PalNet, including such disputes concerning the validity, revocation or termination of such Contracts, shall be the place where PalNet has its registered office, provided however that PalNet shall be entitled to bring proceedings against the Contract Partner at any other legally admissible venue.

13.2. Any and all legal relationships between PalNet and the Contract Partner shall be governed by and construed and interpreted in accordance with German substantive and procedural law, provided however that the provisions of German law concerning conflict of laws shall not apply.

February 2016