Precision Aerospace Corp.
704 Crofton Street SE, Grand Rapids, MI 49507

PAC-L100 - Purchase Order Terms and Conditions

1. **Acceptance of Terms and Conditions.** Acknowledgment of any order, shipment of any goods, or rendering of any services pursuant to a purchase order shall be deemed an acceptance of these terms and conditions. If Seller accepts an order in any other manner, any additional or differing terms stated in Seller's acceptance shall be of no effect.

2. **Modification.** No modification of this Contract, including any addition, deletion, or other modification proposed in Seller's acceptance shall be binding on Buyer unless agreed to by Buyer's authorized Purchasing Representative in writing.

3. **Complete Agreement.** All the terms and conditions in this document (PAC-L100) and any additional terms, conditions, and specifications on the purchase order constitute the complete Contract agreement.

4. **Governing Law**. The purchase order and this Contract shall be governed and construed under the laws of the state of Michigan without regard to its conflicts of laws provisions.
THE UNITED NATIONS CONVENTION ON CONTRACTS FOR THE INTERNATIONAL SALE OF GOODS (CISG) SHALL NOT APPLY TO TRANSACTIONS OR AGREEMENTS BETWEEN BUYER AND SELLER.

5. **Compliance with Law.**
   a) Seller shall comply with all applicable provisions of Federal, state, and local laws; ordinances and all lawful orders; FAA, DOT and other transportation regulations and Hazard Communication Standards promulgated pursuant to the Occupational Health and Safety Act.
   b) Seller shall control the dissemination of and access to technical data, information and other items received under this Contract in accordance with U.S. export control laws and regulations.
   c) Such laws are incorporated by reference as if set forth at length herein. It is Seller's responsibility to identify, locate, review, understand and ensure compliance with the latest revision of any law.
   d) Seller submission of a proposal and/or acceptance of the purchase order is considered Seller's certification of compliance with law.

6. **Government Contracts.** For contracts placed in support of and charged to a U.S. Government Contract:
   a) PAC Supplements 1, 2 and 3 list clauses set forth in the Federal Acquisition Regulation (FAR) and the Defense Federal Acquisition Regulation Supplement (DFARS)
   b) Such clauses are incorporated by reference as if set forth at length herein. It is Seller's responsibility to locate, review, understand and ensure compliance with the latest revision of any clause.

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c) In all clauses listed, the terms “Government”, “Contracting Officer” and “Contractor” shall be revised to suitably identify the contracting parties herein and affect the proper intent of the provision except where further clarified or modified in PAC Supplements 1, 2 and 3. “Subcontractor”, however, shall mean “Seller’s Subcontractor” in the purchase order.
d) Seller submission of a proposal and/or acceptance of the purchase order is considered Seller certification of compliance with this term.
e) Seller agrees to flow-down, as required, FAR and DFAR clauses to its lower-tier suppliers. Seller further agrees that all notifications and other communications required by these clauses shall be made through the Buyer’s Purchasing Representative, unless the Purchase Order specifically provides otherwise.

7. **Contract Changes.** By written order at any time, Buyer may make changes within the general scope of this Contract. However, Buyer reserves the right to obtain a quote for the cost and/or delivery impact of the change prior to making the change. If such changes cause a need for price modification or will adversely impact delivery, equitable adjustments shall be negotiated and the Contract shall be modified in writing accordingly. Seller shall proceed to perform the Contract as changed. Any claim by Seller for adjustment under this clause must be asserted within 20 days from the date of receipt by the Seller of the notification of change or within such further period as Buyer may allow. Where the cost of property made obsolete or excess as the result of a change is included in Seller's claim for adjustment, Buyer shall have the right to prescribe the manner of disposition of such property. Nothing in this clause shall excuse Seller from proceeding with the Contract as changed.

8. **Termination for Default and Force Majeure.**
(a) Buyer may, subject to the provisions of subparagraph (c) below, by written notice of default to Seller, terminate the whole or any part of this Contract in any one of the following circumstances: (i) if Seller fails to make delivery of the goods or to perform this Contract within the time specified herein or any extension thereof; or (ii) if Seller fails to perform any of the other provisions of this Contract, or so fails to make progress as to endanger performance of this Contract in accordance with its terms, and does not cure such failure within a period of ten (10) days (or longer period as Buyer may authorize in writing) after receipt of notice from Buyer specifying such failure.
(b) In the event Buyer terminates this Contract in whole or in part as provided in subparagraph (a) above, Buyer may procure, upon such terms and in such manner as Buyer may deem appropriate, supplies or services similar to those so terminated, and Seller shall be liable to Buyer for any excess costs for the same, including without limitation all costs and expenses of the type specified in the "Supplier’s Warranties" paragraph of this Contract; provided, that Seller shall continue the performance of this Contract to the extent not terminated hereunder.
(c) Except with respect to defaults of subcontractors, Buyer shall not be liable for any excess costs if the failure to perform this Contract arises out of causes beyond the control and

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without the fault or negligence of Seller. Such causes may include, but are not limited to, acts of God, or of the public enemy, acts of the Government in either its sovereign or contractual capacity, fires, flood, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather, but in every case the failure to perform must be beyond the control and without the fault or negligence of Seller. If the failure to perform is caused by the default of a subcontractor, and if such default arises out of causes beyond the control of both Seller and the subcontractor, and without the fault or negligence of either of them, Seller shall not be liable for any excess costs for failure to perform, unless the supplies or services to be furnished by the subcontractor were obtainable from other sources in sufficient time to permit Seller to meet the required delivery schedule. The term(s) "subcontractor(s)" shall mean subcontractor(s) at any tier.

(d) If this Contract is terminated as provided in subparagraph (a) above, Buyer, in addition to any other rights provided in this Contract, may require Seller to transfer title and deliver to Buyer, in the manner and to the extent directed by Buyer, (i) any completed goods, and (ii) such partially completed goods and materials, parts, tools, dies, jigs, fixtures, plans, drawings, information, and Contract rights (hereinafter called "manufacturing materials") as Seller has specifically produced or specifically acquired for the performance of such part of this Contract as has been terminated; and Seller shall, upon direction of Buyer, protect and preserve property in the possession of Seller in which Buyer has an interest. Payment for completed goods delivered to and accepted by Buyer shall be at the Contract price. Payment for manufacturing materials delivered to and accepted by Buyer and for the protection and preservation of property shall be in an amount agreed upon by Buyer and Seller. Buyer may withhold from amounts otherwise due Seller for such completed supplies or manufacturing materials such sum as Buyer determines to be necessary to protect Buyer against loss because of outstanding liens or claims of former lien holders or for damages otherwise caused by Seller's failure to perform its obligations under this Contract.

(e) The rights and remedies of Buyer provided in this paragraph shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Contract.

9. Termination for Convenience. In addition to any other rights, Buyer further reserves the right to terminate Seller's performance under this purchase order in whole or in part at any time without cause by giving written notice of termination, whereupon Seller will cease performance on the date and to the extent specified in the notice and will take such actions as are reasonably necessary to protect property in Seller’s possession in which Buyer has an interest until disposition instructions from Buyer have been received. Seller will promptly advise Buyer of any items acquired in anticipation of completion of its performance and the most favorable disposition that Seller can make thereof. Seller will comply with Buyer's instructions regarding the disposition of such items. Seller will submit all claims resulting from such termination within sixty (60) days of its receipt of such notice. Buyer shall have the right to inspect Seller's records, facilities, work and materials relating to its performance or anticipated performance of the

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purchase order for the purpose of establishing the value of Seller's claims upon reasonable advance notice. Buyer will pay Seller, without duplication, the purchase order price for finished work accepted by Buyer and the cost to Seller of work in progress and raw materials allocable to the terminated work based on Buyer's audit of Seller's records, using generally accepted accounting principles; however, the amount due Seller shall be reduced by the following:

(a) The market value or cost (whichever is higher) of any items used or disposed of by Seller without Buyer's consent;

(b) The agreed value of any items used or disposed of by Seller with the Buyer's consent; and

(c) The cost of any defective or destroyed materials.

Buyer will make no payments for finished work, raw material or other items fabricated or procured by Seller in excess of the lesser of (i) that ordered; (ii) that for which Buyer has issued shipment releases as of the date of the notice of termination released; or (iii) fifteen days supply. Notwithstanding the foregoing, payments under this section shall not exceed the price for the entire performance specified in this purchase order less payments that would otherwise be made to complete performance hereunder. Payment under this section of this Contract will constitute Buyer's sole and exclusive liability in the event Buyer elects to terminate this purchase order without cause by notice. This section shall not apply to cancellation by Buyer hereunder.

10. **Cancellation.** Buyer may cancel this purchase order and Seller's performance hereunder immediately without incurring liability to Seller (A) immediately upon (i) Seller's insolvency; (ii) filing of a voluntary petition in bankruptcy by Seller; (iii) filing of an involuntary petition in bankruptcy against Seller; (iv) appointment of a receiver or trustee for Seller; (v) execution or assignment for the benefit of creditors by Seller; or (vi) any comparable event, and (B) upon thirty days written notice to Seller in the event of Seller's breach of contract or failure to perform.

11. **Insurance.** Seller represents that it has and will maintain the following types and amounts of insurance coverage and agrees to furnish certificates of insurance showing that Seller has insurance coverage in the following minimum amounts:

    Workers Compensation - Statutory limits for the state(s) in which the work will be performed

    General/Products Liability - $1,000,000 per occurrence/$2,000,000 in the aggregate

    Automobile Public Liability - $1,000,000 (per any one accident)

    These certificates of insurance shall set forth the amount of coverage, the number of the policy and the date of expiration. Upon Buyer's request, Seller shall name Buyer or the Buyer Entities as an additional insured on its policies. If Seller is a self-insurer for workers compensation purposes, Seller shall provide Buyer with a copy of the self-insured certificate issued by the state(s) where work will be performed. If this purchase order includes a sale of goods manufactured in whole or in part to Seller's designs or specifications, Seller agrees to provide Buyer, upon request, with a current certificate of product liability insurance and a supplier's endorsement naming Buyer as an additional insured on Seller's policy.

12. **Patent Indemnity.** Seller shall defend Buyer, Buyer's Customers and the users of Buyer's goods against all claims and proceedings alleging infringement of any United States or foreign patent for goods delivered under this Contract, and Seller shall hold them harmless from any resulting liabilities and losses including attorney fees, provided Seller is reasonably notified of such claims and proceedings. Seller's obligation shall not apply to goods manufactured pursuant to detailed designs developed and furnished by Buyer nor to any infringement arising from the use or sale of goods in combination with goods not delivered by Seller if such infringement would not have occurred from the use or sale of such goods solely for the purpose for which they were designed or sold to Buyer.

13. **Assignments.** No assignment of any rights, including rights to monies due to become due hereunder, or delegation of any duties under this Contract shall be binding upon Buyer until written consent thereto has been obtained.

14. **Subcontracting.** No product, processing or service to be delivered under this Contract shall be procured by Seller from a third party without Buyer's prior written consent. Should the Seller be permitted to subcontract, the Seller must use Buyer’s Engineering approved subcontractors.

15. **Responsibility for Property.** Unless there is legal transfer of title or other legally binding agreement to the contrary, Seller shall be financially responsible for loss or damage to any materials, parts, tooling, or any other real property provided to Seller by Buyer for use in executing this Contract. Upon completion of this Contract Seller agrees to return Buyer’s property, except material consumed in production of parts for Buyer’s Contract, in like condition as received, less reasonable wear and tear.

16. **Quality Management System.** While executing this Contract, unless otherwise specified in the body of the purchase order, Seller is responsible for implementing and maintaining on-going compliance with requirements of the current revision of the Quality Management System standard listed below, as applicable given the Seller’s activities and design authority for the type of product, process or service provided to Buyer. SAE AS9100 (c)) is the applicable Quality Management System standard for any Seller that is not specifically authorized by Buyer in writing to use either the SAE AS9120 (a)) or SAE AS9003 (b)) standards.
    a) SAE AS9120 - “Quality Management Systems - Aerospace - Requirements for Stocklist Distributors” is the minimum quality management system requirement, and may be used by Sellers that only procure parts, materials and assemblies and sell these products to Buyer. This includes organizations that procure products and repackage/redistribute them into smaller quantities. This does not include organizations that perform any work that affects or could affect conformance of any specified part, material or assembly characteristic, or organizations that perform any processing in accordance with a specification called out in this Contract.
    b) SAE AS9003 - “Inspection and Test Quality System” is the minimum quality management system requirement to be used by Sellers that manufacture parts and assemblies, provide materials and/or perform processing to a specification for Buyer.

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This standard is intended for organizations that do not have design control over products or processes provided to Buyer.

c) SAE AS9100 - "Quality Management Systems – Aerospace and Defense – Requirements" shall be used by Sellers that have design control over all or some portion of the products and services provided to Buyer.

Seller may at their option, and at no additional cost to Buyer, elect to implement and maintain Quality Management Systems or procedures that meet higher-level requirements than those specified above, and/or establish and maintain certification to a standard through a third-party registration body.

Seller shall fully document and communicate to Buyer changes that may affect the scope or effectiveness of the Seller's QMS within ten (10) days of occurrence. Examples of changes requiring Buyer notification:

Ownership
Senior Management
Industry focus
Renewal or cancellation of any third party QMS registration
Change in status or scope of Nadcap certification(s)

17. **Seller Performance.** Since the impact upon quality varies from product to product, the requirements will also vary from seller to seller. However, the following requirements apply to all Sellers:
    a) Delivery Performance: Buyer expects 100% on-time delivery, and Seller will be rated by this standard.
    b) Quality Performance: Buyer expects 100% quality. Seller's manufactured parts will be checked by inspection. Paperwork is also checked for completeness, including all required certifications.
    c) Responsiveness: Seller will be judged by how quickly and effectively Seller responds to requests and quality problems, including Requests for Quotations and special requests such as short lead-time orders or other issues, and to nonconformance reports and requests for corrective action.
    d) Technology: Buyer expects Seller to pursue current technology in terms of both equipment and manufacturing practices, to pursue and deploy lean manufacturing best practices, and to use the principles of six sigma in their operations.

18. **Calibration System.** Unless otherwise specified in this Contract Seller's calibration system must comply with ANSI-Z540 current revision, or an equivalent calibration system standard. Seller shall provide certification of this compliance to Buyer with shipment.

19. **Special Processes.** A special process is defined as the application of chemical, metallurgical, nondestructive or any other manufacturing, joining, or inspection process that is controlled by Government, Military, Industry, or any other specification. When Seller supplies product to Buyer upon which special processes have been performed by Seller or any subcontractor, processes must be performed and certified in strict accordance with clauses 14 and 31 of this document, and with requirements stated in the body of Buyer's purchase order.

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20. **First Piece.** When Seller manufactures parts for Buyer under this Contract, a first piece must be submitted for Buyer approval prior to commencement of the production run of product.

21. **First Delivery.** When Seller manufactures parts for Buyer under this Contract, the first delivery of each part number must include FAIR (first article inspection report) traceable to an individually identified part in that lot. Subsequent lots of the same part number must be certified to meet all Contract requirements.

22. **Part Revision.** If the revision level of any part is changed during the life of this Contract, or there is any change in the process or equipment used to produce any part, a new first article traceable to an individual part shall be performed on any features affected by the revision of the product, or by the process or equipment change.

23. **Product or Process Changes.** When Seller manufactures parts or provides special processing for Buyer under this Contract, Seller shall notify Buyer of any significant changes in product or process that may affect the quality of the product or process purchased in the Contract.

24. **In-process Inspection.** Unless otherwise specified in writing by Buyer, when Seller manufactures parts for Buyer under this Contract, seller shall perform in-process inspection of the parts, and supply the inspection data to Buyer. When inspection sampling is used as a means of product acceptance, the plan shall be statistically valid and appropriate for use. The plan shall preclude acceptance of lots whose samples have known nonconformities. Depending on Buyer's requirements, Buyer may provide the forms for documenting this inspection.

25. **Product Acceptance/Rejection.** All purchased products and services will be subject to Buyer's final inspection and approval within a reasonable time after delivery, irrespective of payment date. Verification by Buyer shall not absolve the Seller of the responsibility to provide conforming product, nor shall it preclude subsequent rejection by Buyer. Buyer may reject goods not in accordance with the instructions, specifications, drawings, data or Seller's warranty (expressed or implied). Buyer may return rejected goods to Seller at Seller's expense and Buyer shall have no further obligation for such goods. Payment for any article shall not be deemed acceptance and in no event shall Buyer incur liability for payment for rejected goods. Seller shall assume responsibility for and will pay any and all loss, cost, damage, or expense, including attorney fees, and cost of replacement incurred by Buyer attributed to Buyer's rejection of goods due to nonconformance to specifications or untimely late delivery. Buyer shall submit payment for goods only after goods are deemed to meet all purchase order and drawing requirements. If goods are found to be nonconforming for any reason after payment has been made, Buyer shall debit Sellers account on the next PAC payment cycle. If Seller's account payable amount is less than the debit memo then Seller shall reimburse Buyer in full with a check for the debit amount.

26. **Nonconforming Product.** Under no circumstance shall Seller knowingly ship any nonconforming product to Buyer without express written permission from Buyer allowing the shipment. After delivery has started, if the Seller detects nonconforming product, the Seller shall

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notify Buyer within 24 hours or the next business day. Notification shall include a clear description of the nonconformity, part numbers, quantities, and delivery dates of all possibly affected product.

27. **Shipment, Title and Delivery.** Seller shall deliver in accordance with the delivery date(s) specified in this purchase order or, if a delivery date or dates are not specified, then only as authorized in shipment releases issued by Buyer to Seller. Shipment shall be via UPS Collect unless specifically directed otherwise, or unless Seller is delinquent, in which case Seller shall cover freight costs. Failure to adhere to Buyer's routing instructions will affect supplier performance ratings and may result in charges for additional costs to the Buyer. Title and risk of loss will pass upon receipt of Products by the Buyer. If it appears Seller will not meet schedule, Seller shall promptly notify Buyer in writing and, if requested by Buyer, ship via air or expedited routing to avoid or minimize delay to the maximum extent possible, the added cost borne by the Seller. This is in addition to Buyer's other remedies. The dates specified on the purchase order are stock dates, not ship dates. Deliveries will not be accepted more than five (5) business days before the date specified. Any shipment arriving after 4:00pm Eastern Time on the due day shall be considered late. Only shipments arriving inside of this window will be counted as On Time deliveries unless otherwise approved in writing by Buyer prior to shipment.

28. **Invoice and Payment.** A separate invoice shall be issued for each shipment. Unless otherwise allowed in this Contract, no invoice shall be issued prior to shipment of goods and no payment shall be made prior to receipt of goods and correct invoice. Credit, discount and payment periods will be computed from the date of receipt of the correct invoice.

29. **Packing and Shipping.** Seller shall prepare all goods for shipment, and package to prevent damage or deterioration, and comply with carrier tariffs, including export shipping, requirements. No additional charges will be allowed for containers, crating, boxing, bundling, dunnage, drayage, storage or transportation thereof, unless stated in this purchase order. Container and purchase order numbers shall be indicated on bill of lading. One copy of packing sheet, showing purchase order and item number, shall be attached to No. 1 container of each shipment.

30. **Hazardous Material.** When applicable, Seller shall include a current MSDS with shipment.

31. **Certificate of Conformance.** With each shipment, Seller must provide a Certificate of Conformance (C of C) bearing the printed name, title and signature of the person authorizing release of the shipment. The C of C must state that goods, processing and/or services provided to Buyer meet all purchase order and specification requirements, and include Buyer's purchase order number, and line number if applicable, the part number, the engineering change revision level of all applicable drawings and specifications, the part serial numbers (if applicable), and the quantity represented by the C of C.

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32. Raw Material Certification and Control.

a) With each shipment of Raw Material, Seller must provide the actual Mill Certification. This Certification must include the Country of Origin, Melt, and/or Manufacture, the material specification from Buyer's purchase order including the applicable revision level, and the actual test data required by the specification. The Certification must also bear the printed name, title and signature of the person authorizing release of the shipment, unless a C of C is provided including that information. The Certification must be attached to the shipping documents, or incorporate sufficient information to match it with the pertinent purchase order and specific shipment.

b) Under this Contract all material in each shipment must come from one raw material heat lot, unless otherwise allowed in writing by Buyer. Whenever so allowed, different heat lots of raw material, parts, or castings and forgings made from different heat lots of material must be kept separate and clearly identified throughout Seller's operations, and must be segregated and clearly identified within packaging and documents shipped to Buyer.

33. Record Availability and Retention. When the records demonstrating product conformity for this Contract are retained by Seller who certifies their product, Seller shall make records available to Buyer within 48 hours of receiving a written request from Buyer. In the event that Seller ceases to do business prior to the end of the record retention period, the records are to be forwarded to Buyer via the best available method, as agreed by both parties.
Seller shall maintain these records in a way that minimizes deterioration or damage, and ensure that they are legible, retrievable, and identifiable to shipments made to Buyer, and to pertinent suppliers, products, and/or processes, for a period of 10 years after the last delivery on this Contract. After the retention time, paper records are to be destroyed by shredding and recycling or burning, and electronic records are to be permanently deleted. Radiographic records may be recycled or otherwise destroyed by the best available method.

34. Right of Entry for Inspection. Buyer or a representative of Buyer shall be afforded the right to verify at the source that purchased products or services conform to the specified requirements. When Seller manufactures parts for Buyer under this Contract, parts shall be available for inspection and test by Buyer at all times and places, when practicable, during manufacture. Any audit, inspection, or test made on the premises of the Seller or its supplier shall be without additional charge. The Seller shall provide all reasonable facilities and assistance for the safety and convenience of the auditor/inspectors in the performance of their duties. The Seller shall allow right of entry to any place necessary to determine and verify the quality of contracted work, records and materials. All audits, inspections, and tests on the premises of the Seller or its supplier shall be performed in such a manner as not to unduly delay work. Buyer's Customer(s) and applicable regulatory agencies shall also be afforded this right of entry. Proprietary processes may be exempt from this clause if negotiated in advance with Buyer.

Seller's Warranties

A) Duration. Seller warrants that after the acceptance of the end product or parts thereof by Buyer, and if applicable the Buyer's Customer, all product furnished under this Contract will be free

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from defects in material and workmanship that will cause the items to fail to conform to all requirements of the contract.

B) **Remedies:**

1) **Rights to Corrective or Replacement Action.** When required by Buyer, in the event of a breach of Seller's warranty in paragraph A above, Seller shall, at no increase in the Contract price, either:
   a. correct to meet Contract requirements or replace, at Seller's election, nonconforming delivered product at the location of Buyer's choice, or
   b. furnish to Buyer all components and instructions as may be required to successfully accomplish the correction, and credit Buyer for Buyer's costs incurred in accomplishing the correction. Buyer shall provide Seller an accurate accounting of such costs incurred.

   Data and reports applicable to any correction required under this clause, including revision and updating of all affected records called for under this Contract, shall be included in this corrective or replacement action.

2) **Rights to Equitable Adjustment.** If Buyer does not require correction or replacement of nonconforming product, Buyer shall be entitled to an equitable reduction in the price of the contract.

C) **Notification.** Seller shall be notified in writing of any breach of warranty in paragraph B above within thirty (30) days after discovery of the defect by Buyer. Within ten (10) days thereafter, Seller shall submit to Buyer a written recommendation of the corrective action required to remedy the breach. After the notice of breach, but no later than thirty (30) days after receipt of Seller's recommendation for corrective action, Buyer may in writing direct correction or replacement as set forth in paragraph B above, and Seller shall, notwithstanding any disagreement regarding the existence of a breach of warranty, comply with such direction. In the event it is later determined that Seller did not breach the warranty in paragraph A above, the Contract price will be equitably adjusted.

D) **Corrected or Replaced Product.** Any product or parts corrected or furnished in replacement pursuant to this clause shall also be subject to all the provisions of this clause to the same extent as product initially delivered.

E) **Implied Warranties of Merchantability and "Fitness for a Particular Purpose".** These warranties are not excluded from any obligation contained in this Contract. The rights and remedies of the Buyer provided in this clause are in addition to and do not limit any rights afforded to the Buyer by any other clause of this Contract.

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