

AERO PRECISION, LLC. – PURCHASE ORDER TERMS AND CONDITIONS

APPLICABLE LAW-FORUM: The definition of terms used, interpretation of this purchase order, and rights and liabilities of parties hereof shall be constituted under, and governed by the laws of the State of California. Furthermore, in the event any legal or equitable action is brought to enforce or to interpret any of the terms and conditions herein, such action shall be brought in the Superior Court. County of Alameda. State of California.

CONFIRMATION OF ORDER: The **SUPPLIER** must acknowledge the order and accept **AERO PRECISION's** offer within eight (8) business days after **SUPPLIER's** receipt thereof.

ACCEPTANCE: If this order is an offer, **SUPPLIER's** acceptance of this order shall be on, and expressly limited to, the terms and conditions hereof. If this order is an acceptance of an offer, acceptance is expressly made conditional on **SUPPLIER's** assent to the terms and conditions of this order. Shipment of any goods hereunder shall constitute acceptance or assent. **SUPPLIER** may not ship under reservation. No change to or modification of this Purchase Order will be binding upon **AERO PRECISION** unless in writing, specifically identifying that it amends this Purchase Order, and signed, or approved electronically, by an authorized procurement representative of **AERO PRECISION**. These terms and conditions together with specifications, drawings, or other documents referred to on this Purchase Order, or attached, or any documents incorporated by reference, supersede any prior communications, representation, promises or negotiations, whether oral or written, respecting the subject matter of this Purchase Order.

ASSIGNMENT and SUBCONTRACTING: **SUPPLIER** shall not obligate any duty or assign this order in whole or in part nor make any subcontract for furnishing goods or services hereunder nor assign any claim arising or sum payable hereunder without prior written consent to **AERO PRECISION**. Any attempted delegation, subcontract or assignment shall be void.

TERMINATION: Should **AERO PRECISION's** need for the goods or services to be supplied hereunder be reduced or eliminated, **AERO PRECISION** may terminate this order in whole or in part. If **SUPPLIER** is unable to make other disposition of the goods, **AERO PRECISION** shall pay **SUPPLIER** the responsible value of the work performed by **SUPPLIER** in respect of such goods to the time of written notification or termination by **AERO PRECISION**. **AERO PRECISION's** liability under this paragraph shall not exceed the aggregate price specified in this order.

In the event that **SUPPLIER** breaches its obligations per Purchase Order, which can include but not limited to, late delivery or delivery of non-conforming Goods, **AERO PRECISION** can terminate the Purchase Order in whole or in part. **AERO PRECISION** may charge **SUPPLIER** for any additional cost it incurs in performing **SUPPLIER's** obligations or in having such obligations performed by a third party.

RISK OF LOSS: Risk of loss of goods purchased hereunder shall be borne by **SUPPLIER** until goods are delivered at the F.O.B. point specified in this order or, if no point is given, until delivery to **AERO PRECISION**; provided, however, if the goods purchased are explosive, flammable, toxic, or otherwise hazardous. **SUPPLIER** shall hold **AERO PRECISION** harmless against all claims asserted against **AERO PRECISION** for any personal or property damaged caused by such goods or by the transportation thereof before unloading at **AERO PRECISION's** plant or warehouse. The above stated does not relieve **SUPPLIER** of any responsibility for hidden damages discovered after acceptance of the Goods.

DELAYS: Time is of the essence hereof. If any goods are not delivered within the time specified in this order, **AERO PRECISION**, in addition to other remedies provided by law, may either (I) refuse to accept such goods and cancel this order or (ii) cause **SUPPLIER** to ship the goods by the most expeditious means of transportation, with any additional transportation charges for **SUPPLIER's** account. However, **SUPPLIER** shall not be liable for delays in delivery or failure to manufacture or deliver due to acts of God, acts of civil or military authorities, Government priorities, fires, strikes, floods, epidemics, war or riot, provided that the cause for such delay is reported in writing to **AERO PRECISION** within seven (7) days from the commencement of such delays.

TRANSPORTATION: Unless otherwise indicated, transportation and pricing will be FCA SELLER'S FACILITY (INCOTERMS® 2010). Contact **AERO PRECISION** before shipping orders weighing more than 40 LBS or if total volume is greater than 5 cubic feet (L" x W" x H" divided by 1728). Less than truckload shipments should be sent to **AERO PRECISION**, Freight Collect, using **AERO PRECISION's** designated carrier. Small parcel shipments shall be made using **AERO PRECISION's** designated carrier and account number, as provided on the purchase order. Extra charges resulting from noncompliance with this requirement will be deducted from **SUPPLIER's** invoice.

TRANSPORT INSURANCE: **AERO PRECISION** will insure the items for transport from **SUPPLIER** to **AERO PRECISION**, or other destination as may be directed by **AERO PRECISION**. Any transport insurance taken out by the **SUPPLIER** will be deducted from **SUPPLIER's** invoice by **AERO PRECISION**. **AERO PRECISION'S** purchase order number must be referenced on all shipping documents.

INSPECTION: All goods ordered shall be subject to inspection by **AERO PRECISION** or its duly authorized representatives. Payment for any goods shall not be deemed acceptance thereof or waiver of any right to test or inspect such goods. No inspection, test, approval, or acceptance of Goods relieves **SUPPLIER** from responsibility for warranty or any latent defects, fraud, or negligence.

INVOICES: Invoices for goods or services purchased hereunder shall be submitted in duplicate and shall contain the following information: (a) **AERO PRECISION's** purchase order number, (b) item numbers, (c) description of goods or services, (d) size, (e) quantities, (f) unit prices, (g) extended totals, (h) shipping dates, (i) time and material charges and subcontract charges, if applicable. It should also include the name of the **SUPPLIER**, and payment terms. Payment of invoice does not constitute acceptance of the Goods and is subject to appropriate adjustment should **SUPPLIER** fail to meet the requirements of the Purchase Order.

PAYMENT: All invoice payments will be issued in accordance with agreed payment terms after the receipt and acceptance of items and payment terms. If the order requirements are not met, payment, including COD shipments, will be delayed a corresponding amount of time until such requirements are met.

VARIANCE: No variance in quantity is acceptable unless specifically agreed to in writing by Aero Precision. Should a shipment be received with less than the quantity stated on the purchase order, **AERO PRECISION** shall pay the amount calculated by the price and quantity stated on purchase order less the price and quantity not shipped **after** the **SUPPLIER** has given **AERO PRECISION** a recovery date for the quantity remaining in writing.

PRICES: All prices are stated in U.S. Dollars and shall stay firm during the entirety of the purchase order. Any price increases will be absorbed by the **SUPPLIER**.

PRICE; OFFSET: Any price decrease announced by **SUPPLIER** for the same or similar goods or services shall automatically reduce the price of the goods or services purchased hereunder by a comparable amount or percentage. **AERO PRECISION** shall have the right (but no duty) to withhold monies payable by it hereunder and apply them to the payment of any obligation of **SUPPLIER** to **AERO PRECISION** or any other party arising in any manner out of this order.

WARRANTIES: **SUPPLIER** warrants to **AERO PRECISION**, its customers, and end users that upon delivery, and during the entire Warranty Period: that (a) goods and services when delivered pursuant hereto will be merchantable and free from defects in workmanship or material will conform strictly to the specifications, drawings, samples or other description specified herewith, and will be fit for their ordinary intended purposes and any special purpose specified by **AERO PRECISION**; (b) it has good title to the goods free from all encumbrances; and (c) the goods. If produced in the United States, were or will be produced in compliance with the Fair Labor Standards Act of 1938, as amended. The warranties set forth herein are in addition to and not in limitation of all expressed or implied warranties of **SUPPLIER** and all warranties provided by law.

QUALITY: **SUPPLIER** shall maintain a quality management system which is acceptable and appropriate for the items supplied hereunder and shall comply with general industry standards. Items supplied shall meet the requirements in the applicable technical specifications and documentation (drawings, specifications, standards, etc.) It shall be the sole responsibility of **SUPPLIER** to monitor that the technical specifications regarding materials, methods, form, fitness, and function are observed, whether or not the items have been manufactured by **SUPPLIER** or by any of **SUPPLIER's** subcontractors. If no specific requirements are stated, good industry and craftsman-like practice shall be observed. Items are to be manufactured in accordance with spares configuration guidelines.

The following quality clauses apply to the purchase/repair orders;

1. The clauses associated with this purchase order will flow down to supplier's supplier if supplier transfers the work.

2. Approval of product, procedures, process and equipment:

The Supplier shall follow all requirements stated on the purchase order, drawing, data specifications and process instructions to ensure product, procedure, process and equipment conformity.

3 . Qualification of Personnel

The Supplier shall employ competent personnel to ensure **AERO PRECISION** requirements are met for approval of product, processes, procedures, and equipment.

4. Quality Management System

The Supplier shall have a Quality System acceptable to the Supplier. The Supplier reserves the right to verify said system.

5. Identification and Revision Status

The Supplier shall maintain the identification and revision status of the Supplier's specifications, drawings, process requirements, inspection/verification instructions and other relevant technical data.

6. Product Acceptance

The Supplier shall follow all requirements stated on the purchase order, design, test, inspection, verification, use of statistical techniques for product acceptance and related instruction for acceptance by organization.

7. Notification of Nonconformance Product

Supplier must notify the Supplier of any nonconforming products verbally and in writing as soon as nonconformance is detected.

8. Product Disposition

Supplier must obtain AERO PRECISION written approval for nonconforming product disposition.

9. Notification of Product/ Process Changes

Supplier must notify Supplier in writing of changes in product and/or process, changes of suppliers, changes of manufacturing facility location and, where required, obtain Supplier written approval.

10. Record Retention

The Supplier shall maintain records regarding Aero Precision's purchase/repair order, specifications, drawings, process requirements, inspection/verification instructions and other relevant technical data. Records shall be maintained by the Supplier for a minimum of seven years.

11. Access to Facilities

The Supplier shall permit access to the Suppliers facility and any sub-tier Suppliers for surveying/auditing. The survey/audits may include personnel from the AERO PRECISION, Supplier's customer representative and/or regulatory authorities, and shall include access to all records applicable to AERO PRECISION product or orders.

Supplier's performance will be evaluated every quarter. If the supplier does not perform at an acceptable level for at the end of two quarters, (On Time Delivery and/or Quality) they will receive a warning letter along with the supporting performance data. If the supplier continues to underperform for an additional two consecutive quarters, they will be removed from approved supplier list; exception would be an OEM /MFG or sole source of the product line.

Vendor scorecard evaluation will be done quarterly by using below chart

ON-TIME DELIVERY

On-time	Rating	
%95 and Above	A	
Between %80 and %94	B	
Between %65 and %79	C	
Lower than %65	F	Below acceptable level

QUALITY

Rejection rate	Rating	
Less than < %1	A	
%2 or %3	B	
%4, or %5 or %6	C	
Less than %6	F	Below acceptable level

All **SUPPLIER's** who don't supply at least one order per quarter will not be evaluated.

SUPPLIER's should find a resolution (Path to resolve issues) to the reported Non-conformances in timely manner. Time frame to present resolution to the issues given below.

Reason for NCR's	Goal to find a resolution for NCR's
VENDOR RECALLS	2
QTY ERRORS	5
WRONG CONDITION CODE	5
WRONG PART NUMBER	5
FAILED TO FLOW DOWN CUSTOMER REQUIREMENTS	5
PAPER WORK (NO COC, 8130, IMPORT DOC. ETC)	5
NO OPEN SALES ORDER or PO	7
SHELF LIFE EXPIRED OR NOT ENOUGH	7
SHIPPING/EXPORT ERRORS	21
FAILED CUSTOMER PHYSICAL/FUNCTIONAL ACCEPTANCE	21
OTHER	21
VISUAL NON-CONFORMANCE (CORROSION, DINGS ETC)	21
SERIAL NUMBER PROBLEM	21

Aero Precision reserve it's right to cancel the contract and/or remove **SUPPLIER** from its approved supplier list if the **SUPPLIER** does not meet above goals.

CERTIFICATE OF CONFORMANCE: All items must conform to the Original Equipment Manufacturer's (OEMs) specifications and tests. Certification of Conformance of said items must accompany the items from **SUPPLIER's** facility, including a statement of the condition of the item, back-up data on file for inspection, and signed by an authorized representative of the **SUPPLIER**. Should such certification not accompany the shipment, items will be held in quarantine and no payment will be processed until the proper certification is received. **AERO PRECISION** reserves the right to be supplied with and/or audit such certification on all new items purchased. This may require traceability and full source documentation. All raw material, machining, and processing certifications shall be supplied at no cost if requested. All Certifications and related documentation must be retained on file by **SUPPLIER** for a period of at least seven (7) years after completion of this order.

CONDITION OF MATERIAL: Items shall be labeled as one of the following five (5) conditions: "New" – factory new; "Rep" – repairable; "NS" – new surplus; "Serv" – tagged serviceable fit for use; "OHC" – overhauled in accordance with the appropriate overhaul manual.

LIABILITY: The **SUPPLIER** is liable for all defects in items delivered, including concealed defects, even if they are recognizable and discovered only upon processing, installation, and/or use, and this is not subject to any time limit for claim by **AERO PRECISION**. The **SUPPLIER** shall indemnify and hold **AERO PRECISION** harmless from all claims arising from infringement of industrial property rights, patents, copyrights, and other third-party rights, and **SUPPLIER** agrees that it will defend at its own expense any and all suits against **AERO PRECISION** for infringement of any United States or foreign patent, copyright, or other intellectual property right. **AERO PRECISION** has the option to reject nonconforming items. All rejected items will be returned at **SUPPLIER's** expense. In urgent cases or in the event of delay in supplying a replacement, **AERO PRECISION** shall, at the **SUPPLIER's** expense, have the right to remedy the defects, to have them remedied, or to procure a replacement elsewhere. This shall not affect **AERO PRECISION's** statutory warranty and liability claims, which are in addition to those expressly set forth herein. **SUPPLIER** shall maintain Aviation Product Liability Insurance in a reasonable amount, and shall provide a Certificate of such insurance to **AERO PRECISION** upon request.

PACKAGING: Unless otherwise specified, all packing and packaging shall comply with best commercial practice. The price includes all charges for such packing, packaging, and transportation to the FCA shipping point. All items must be packed in accordance with manufacturer specifications. All shipments to **AERO PRECISION** must be visually identified with the Purchase Order number on the exterior of package/box so that packages/boxes do not have to be opened to verify order. Unidentified shipments may be refused and returned to sender. All crating and pallet materials used in shipments to or on behalf of **AERO PRECISION** must comply with the International Plant Protection Convention's (IPPC) International Standards for Phytosanitary Measures (ISPM). Refer to the ISPM's publication Guide for Regulating Wood Packaging Material in International Trade located on the IPPC website at <http://www.ippc.int>. All Shipments must be packaged for international shipment, failure to do so will cause to repackage and assess **SUPPLIER** for any associated charges. All Hazardous Materials/Dangerous Goods shipped to or on behalf of **AERO PRECISION**, must be packaged, labeled, and shipped in accordance with, and comply with the International Air Transport Association (IATA) and Federal Aviation Administration (FAA)

regulations, as well as any and all other applicable laws and regulations. UN number required with hazardous materials as per IATA and FAA regulations.

SHELF LIFE: Unless otherwise proven or provided by vendor, items received by **AERO PRECISION** that do not have shelf life remaining or an expiration date noted, will be recorded as having unlimited shelf life or no shelf life. Unless otherwise specified in writing, all material supplied to **AERO PRECISION** must have a shelf life of 75% remaining. Any purchase order issued by **AERO PRECISION** which references a US Government contract requires all ordered materials to have at least 85% shelf life remaining. Any material supplied which does not meet this requirement shall be returned to **SUPPLIER** to be replaced with material conforming to the shelf life requirements. Bearings must be individually packaged in original manufacturer's package. For Sealed bearings: lube date and re-lube date/shelf life are required. Must have a minimum of 85% of life remaining prior to re-lube date upon receipt at Aero Precision.

MATERIAL SAFETY DATA SHEET (M.S.D.S.): If an M.S.D.S. is required for this material, the **SELLER** shall include one copy of the M.S.D.S., and it shall be identifiable and provided with each shipment of the items furnished under this order.

COMPETENT APPROVAL AUTHORITY: If an approval from a competent approval authority is required for shipment of the ordered item, such document must be included with the ordered item.

TECHNICAL DOCUMENTS: Drawings, samples, data carriers, and other documents provided by **AERO PRECISION**, or developed on behalf of **AERO PRECISION** in compliance with a **AERO PRECISION** purchase order do not become the **SUPPLIER's** property and may not be delivered to, or used for or by **SUPPLIER** or any third parties. **AERO PRECISION's** technical documents are protected by copyright, must remain confidential, and may not be copied or reproduced without **AERO PRECISION's** written consent.

TOOLING: If **SUPPLIER** uses any technical specifications or drawings ("Data") furnished by **AERO PRECISION** in the fulfillment of this order, any personal property developed or manufactured from such Data is the property of **AERO PRECISION**. **SUPPLIER** may not use such Data for any purpose other than the fulfillment of orders for **AERO PRECISION**, and **SUPPLIER** shall retain possession of such personal property. Items manufactured to technical specifications / drawings furnished by **AERO PRECISION** required for special fixtures, tooling, or particular procedures developed under this order will remain the property of **AERO PRECISION** and, unless otherwise instructed, are to be retained in **SUPPLIER's** possession for use exclusively in filling orders for **AERO PRECISION**. **SUPPLIER** may not scrap, sell, or otherwise dispose of such personal property without **AERO PRECISION's** prior written consent.

NONCONFORMING PRODUCT: Nonconforming items that result from this purchase order, whether produced through manufacturing process, or a product from overhaul/repair maintenance activity, shall be destroyed if they cannot be repaired.

RIGHT OF ENTRY: **SELLER** hereby grants to **AERO PRECISION**, its customers, and any applicable regulatory agencies, the right to enter on its premises as well as other necessary places, during normal business hours, for the purpose of inspection of **SUPPLIER's** facilities and systems to ensure **SUPPLIER's** compliance with the terms and requirements of this order, including the quality of the contracted work, records, and materials.

IMPORT/EXPORT COMPLIANCE: **SUPPLIER** shall provide to **AERO PRECISION** at its earliest convenience, but in no cases less than twenty-four (24) hours before shipment, the following information for all items: (1) the applicable United States Munitions List (“USML”) category or Export Control Classification Number (“ECCN”); (2) the Harmonized Tariff Schedule code; and (3) the Country of Origin. If an item is controlled by the International Traffic in Arms Regulations (“ITAR”), **SUPPLIER** shall also advise **AERO PRECISION** if the item is Significant Military Equipment (“SME”), a Major Component, or under the Missile Technology Control Regime (“MTCR”). For orders shipping from outside of the United States, **SUPPLIER** shall strictly follow all **AERO PRECISION** shipping instructions and shall provide copies of the following documents to **AERO PRECISION** prior to, but in no case no later than the time of shipment: (1) FAA/EASA/TCCA or other civil aircraft certification, if applicable; (2) Commercial Shipping Invoice; (3) Packing List; (4) Airway Bill; (5) Foreign Sales Declaration, if applicable; and (6) any other document required per commodity type (e.g. Bearing Summary Worksheet). If **SUPPLIER** is engaged in the United States in the business of exporting, manufacturing, brokering, or any other value added service of items controlled by the ITAR, **SUPPLIER** represents that it is registered with the Directorate of Defense Trade Controls (“DDTC”), as may be required by 22 C.F.R. 122.1 and/or 22 C.F.R. 129.3 of the ITAR and that it maintains an effective export/import compliance program in accordance with DDTC guidelines.

DEBARMENT OF SUPPLIER: If **SUPPLIER** (or any of its subcontractors) is debarred by the U.S. Government from participating in transactions which involve the export of items (whether commercial or military), **AERO PRECISION** has the immediately available option of canceling this order without liability of any kind to **SUPPLIER**. If **SUPPLIER** (or any of its subcontractors) is debarred by the U.S. Government from selling items either directly to the government or from providing items as a subcontractor in fulfillment of requirements originating with the U.S. Government, **AERO PRECISION** has the immediately available option of canceling this order without liability of any kind to **SUPPLIER**. If **AERO PRECISION** only becomes aware of such status of **SUPPLIER** (or any of its subcontractors) after receipt of the ordered items, **AERO PRECISION** may return such items to **SUPPLIER** and **SUPPLIER** shall immediately refund all amounts paid by **AERO PRECISION**, if any, for such items. It is **SUPPLIER**'s responsibility to determine if its subcontractors meet the requirements of this paragraph.

INTERPRETATION AND ARBITRATION: This order shall be governed by and construed in accordance with the Laws of the State of California, without reference to its conflict of laws rules and also excludes the UN Convention on Contracts for the International Sale of Goods. Any and all disputes, controversies, differences, or claims arising out of or relating to this order, which cannot be settled through the mutual consultation of **AERO PRECISION** and the **SUPPLIER** shall, under the rules of the American Arbitration Association, be settled by a single arbitrator selected in accordance with such rules. Arbitration proceedings shall be held in Livermore, California, USA. The award rendered by the arbitrator shall be binding, and judgment upon such award may be entered in any court having jurisdiction thereof. **OTHER:** The **SUPPLIER** will comply with all provisions of executive order 11246 as amended, and the provisions found in 41 C.F.R. SEC. 60-741.5 (disabled persons) and SEC. 60-250.4 (veterans), and all relevant rules, regulations, and orders of the secretary of labor. If the price of **AERO PRECISION** 's contract with its customer is reduced for a violation of the Procurement Integrity provisions of the Office of Federal Procurement Policy Act (41 U.S.C. 423) and if the violation is by or attributed to **SUPPLIER**, then **SUPPLIER** will indemnify and hold **AERO PRECISION** harmless. **SUPPLIER** shall abide with the Arms Export Control Act and the Export Administration Act, and their regulations, at all times under this purchase order.

GENERAL INDEMNIFICATION: **SUPPLIER** will, at its expense, defend and indemnify **AERO PRECISION** and its agents, customers from and against any and all loss, cost, expense, damage, claim, demand, or liability, including reasonable attorney and professional fees and costs, and the cost of settlement, compromise, judgment, resulting from or in connection with **SUPPLIER's** Goods or Services, or due to breach of the terms of Purchase Order.

INTELLECTUAL PROPERTY INDEMNIFICATION: For Goods provided under this Purchase Order, **SUPPLIER** will, at its expense, defend and indemnify **AERO PRECISION** and its agents, customers from and against any and all loss, cost, expense, damage, cost of settlement, compromise, judgment, resulting from or in connection with (a) patent, copyright, or trademark infringement; (b) unlawful disclosure, use or misappropriation of a trade secret; or (c) violation of any other third-party intellectual property right.

NOTES & INSTRUCTIONS TO VENDOR:

1. Our P.O. number must appear on shipping notices, invoices, packing slips, packages and correspondence.
2. Acknowledged copy must be properly filled in and returned at once.
3. Packing slip must accompany each case or parcel showing our P.O. number and complete description of contents.
4. No charges will be allowed of packing, handling or cartage unless otherwise expressly agreed.
5. Goods shipped not in conformity with this Purchase Order are returnable at **SUPPLIER's** expense.
6. No substitutions are to be made against this order without written permission.
7. Unauthorized overages are returnable at **SUPPLIER's** expense.
8. Any deviation from routing specified on face of Purchase Order may be cause for penalty or other charges being back charged to **SUPPLIER**. Sub-vendors, if any, should be notified.
9. Prepaid freight charges, IF FOR OUR ACCOUNT, must be rendered by invoice with copies of supporting documents attached.