



Purchase Order Terms and Conditions

Purpose

This document establishes and flows down requirements to items ordered under the purchase order of which this form is a part, to assure that such items are of the required quality and reliability.

Definitions

1. The term "Order" means the purchase order, subcontract or other written agreement with the Seller (supplier) in which this form is incorporated by reference.
2. The term "Buyer" means Aviation Equipment Processing.
3. The term "Seller" means the legal entity which is the contracting party with the Buyer with respect to the Order.

Purchase Order Terms and Conditions

1. **Acceptance** – The Order constitutes Buyer's offer to Seller and is a binding contract on the terms and conditions set forth herein when it is accepted by Seller either by written acknowledgement or the commencement of performance hereunder. No condition stated by Seller in accepting or acknowledging the Order shall be binding upon Buyer if in conflict with, inconsistent with, or in addition to the terms and conditions contained herein unless accepted by Buyer's written approval. The Seller must acknowledge the Buyer's offer within five (5) working days.
2. **Changes** – Buyer may at any time by written Order, without notice to any surety, make changes or additions within the general scope of the Order in or to drawings, designs, specifications, instructions for work, method of shipment or packing, quantity, delivery schedule or place of delivery. If any such change causes an increase or decrease in the cost of, or the time required for, performance of the Order, Seller shall notify Buyer in writing immediately and an appropriate equitable adjustment will be made in the price or time of performance, or both, by written modification within thirty (30) days after Seller's receipt of notice of the change or within such other period as may be agreed to in writing by the Parties. No revisions of the Order or any of the terms or conditions hereof shall be valid unless in writing by an authorized representative of Buyer's Purchasing Department. Information, advice, approvals, or instructions by Buyer's technical personnel or other representatives shall be deemed expressions of personal opinions only and shall not affect Buyer's and Seller's rights and obligations hereunder unless set forth in a writing which is signed by a member of Buyer's Purchasing Department and which expressly states that it constitutes an amendment or change to the Order. Nothing herein shall excuse Seller from proceeding with the Order as changed. No waiver of any provision or waiver of any failure to perform any provision of the Order shall be effective unless consented to by Buyer in writing, nor shall such waiver constitute a waiver of any other provision or failure to perform.
3. **Quantity** – Buyer need not accept any variation in the quantity excepted as specified herein.
4. **Prices** – Seller represents that the prices specified in the Order are based on current pricing data and do not exceed the current selling price for the same or substantially similar supplies to any other purchaser, taking into account the quantity and schedule under consideration and that such prices include all applicable federal, state and local taxes in effect on the date of the Order, except any sales or use tax payable at source.
5. **Delivery** – Delivery shall be made strictly in accordance with the delivery schedule set out or referred to in the Order. Notwithstanding this provision, the Seller shall not be liable for delays or defaults due to causes beyond its control and without its fault or negligence, provided, however, that if Seller has reason to believe that deliveries will not be made as required, due to such causes, written notice setting forth the cause or any anticipated delay shall be given immediately to Buyer which shall be subject to written acceptance by Buyer. In case of delay in delivery, Seller reserves the right to cancel the Order without liability to Seller or any other third party. Standard delivery window is ten (10) working days early and zero (0) days late. The Seller is hereby instructed not to declare any value on all Bill's of Lading wherein Buyer is going to pay the shipping charges. If the Seller does declare a value without the permission of the Buyer, all insurance charges will be deducted from the Seller's invoice.
6. **Packing and Shipment** – Deliveries shall be made as specified, without additional charge for boxing, crating, carting or storage. Unless otherwise specified, an article shall be suitably packed to secure the lowest transportation cost in accordance with the requirements of common carriers. Unless otherwise specified on the face of the Order, all purchases are F.O.B Destination. All items must be packed in accordance with manufacturer specifications. All Hazardous Materials/Dangerous Good shipped to or on behalf of Buyer, must be packaged, labeled and shipped in accordance with, and comply with the International Air Transport Association (IATA) regulations, as well as any and all other applicable laws and regulations. Hazardous materials shipped in cans must have lid-locking devices. UN Number required with hazardous materials as per IATA regulations. Bearings must be individually packaged in original manufacturer package. All rubber products must be individually packaged per MIL-P-4861C. Protective coating is required with sheet metal. If a Material Safety Data Sheet (MSDS) is required for the material, the Seller shall include one copy of the MSDS, and it shall be identifiable and provided with each shipment of the items furnished under the Order. Material shall be described in bills of lading in accordance with current national mode of freight or uniform freight classification, whichever is applicable. Buyer's Order numbers and symbols, and identification numbers must be plainly marked on all invoices, packages, bills of lading and shipping orders. Packing lists shall accompany each box or package shipment showing Buyer's Order number and symbol, item number and description materials. Buyer's count or weight shall be final and conclusive on shipments not accompanied by packing lists. Shipping receipts or bills of

- loading shall be sent to Buyer on the date material is shipped. Articles shall be packed to assure against damage from weather or transportation.
7. **Transportation** – Unless otherwise specified in the Order, Seller shall tender delivery of supplies and/or services as specified herein at the point of destination specified on the face hereof. The time for tender of delivery must be at a reasonable hour, and if supplies, they must be kept available for a reasonable period of time to enable Buyer to take possession thereof. Except as may be specified otherwise in the Order, deliveries shall be strictly in accordance with the delivery schedule set forth in the Order. If seller's deliveries fail to meet such schedule, with the result that Buyer elects to call upon Seller for premium shipment, Seller will pay for all increased rates for such premium shipments. Extra charges resulting from noncompliance with this requirement will be deducted from invoice.
 8. **Invoicing** – Invoices shall be mailed in duplicate, only one of which shall be identified as "original", immediately after each shipment to Buyer's Accounting Department, at the address shown on the face of the Order. Delays in receiving invoices, errors or omissions on invoices, or lack of supporting documentation required by the terms of the Order will be cause for withholding settlement without losing discount privileges. All shipping costs and all Federal manufacturers' and retailers' excise and state or local sales or use taxes, when applicable must be billed as separate items on Seller's invoices. All prices must be stated in US Dollars. In addition to any other remedies that may be available at law or in equity, Buyer shall have the right to recover from Seller by offset or otherwise the price of any items returned to Seller under the terms of the Order.
 9. **Payment** – Seller's right to payment shall be contingent upon Buyer's approval and acceptance of supplies delivered or services rendered. Payment of the stipulated price shall not be evidence of Buyer's final acceptance of such supplies or services. Discount terms and payment of invoices will be based upon the date specified on the Order for delivery of supplies or services or the actual delivery date of such supplies or services, whichever date is later. If no discount is offered, payment of invoices will be made within forty-five (45) days after receipt and acceptance of supplies or completion and acceptance of services or forty-five (45) days after the delivery date specified on the Order, whichever is later.
 10. **Inspection** – If a specification number is noted for articles ordered, Seller shall, upon request, furnish a report confirming manufacture of articles according to specification. All articles are subject to final inspection and acceptance by Buyer within a reasonable time after receipt at the designated destination, irrespective of prior payment. Buyer may base acceptance or rejection of any or all articles on inspection by sampling. If, upon inspection, any of the articles shall be found to be defective in material or workmanship, or otherwise not in conformity with the requirement of the Order, Buyer may, in addition to its other rights (a) require prompt correction or replacement thereof at Seller's expense, including transportation charges, or (b) rework, or have reworked, any such article at Seller's expense, for the purpose of conforming the articles to contractual requirements, or (c) reject any such articles and require the immediate removal thereof, Buyer is to be repaid or credited the full invoice price thereof, plus transportation charges, or (d) cancel the contract in whole or in part. From the time of notice of rejection of defective articles upon inspection, or for breach of warranty, risk of loss thereof shall be upon Seller until redelivery, if any, to Buyer.
 11. **Right of Entry** – The articles may be inspected by Buyer and/or Government or Buyer's customer at all times and places and at any stage of production, including but not limited to Seller's premises and Seller's sub-contractor's premises. Seller, without additional charge, shall provide all reasonable facilities and assistance required for safe and convenient test and inspection. The foregoing shall not relieve Seller of its obligation to make full and adequate test and inspection.
 12. **Warranty** – In addition to all other warranties expressed or implied in law, Seller warrants that the items delivered hereunder will conform to all applicable specifications, drawings, samples, symbols or other description furnished by Buyer and will be merchantable, of good material and workmanship and free from defects for a minimum period of one (1) year after acceptance. In case any such item shall be defective or otherwise not in conformity herewith, Seller shall, at Buyer's option and in addition to all other remedies of Buyer, either credit Buyer for any such nonconformity or defect or at Seller's expense replace, repair, or correct any such article. Seller agrees to make all corrections to the satisfaction of Buyer. Should Buyer elect to accept items that do not conform to all specifications or other descriptions, payment shall be made at an equitable reduction in price. This warranty shall survive acceptance and run to Buyer, its successors, assigns, customers and users of its products.
 13. **Patent Indemnity** - For all supplies not manufactured in accordance with Buyer's designs, Seller shall indemnify Buyer, its successors, assigns, agents and users of its products against loss, damage or liability, including costs and expenses which may be incurred on account of any suit, claim, judgment, demand involving infringement of any patent trademark, trade name, rights or copyrights in the manufacture, use, or disposition of any article or material supplied hereunder. Buyer shall give notice to Seller of any such suit, claim, judgment or demand within a reasonable time after Buyer has actual knowledge thereof.
 14. **Proprietary Information** – Any patterns, designs, drawings, engineering data or technical or proprietary information furnished and originated by Buyer is the property of Buyer and no other use, disclosure or reproduction of any part thereof may be made. Upon completion or termination of the Order or when requested by Buyer, Seller shall return all such items to Buyer to make such other disposition thereof as Buyer may direct or approve.
 15. **Disclosure** – Seller shall not, without prior written approval of buyer, publicize the Order or disclose, confirm or deny any details thereof to third parties, or use Buyer's name in connection with Seller's sales promotion or publicity without prior written approval of Buyer.
 16. **Sub-Contracting** – Seller agrees to obtain Buyer's written approval before sub-contracting the Order or any substantial portion thereof, provided, however, that this limitation shall not apply to the purchase of standard commercial supplies or raw materials on which Seller will perform further work.
 17. **Assignment** – The assignment of any right or interest in the contract without the written permission of the Buyer, shall be wholly void and totally ineffective except that the Seller may with written consent of Buyer, assign claims for money due or to become due hereunder through a bank, trust company, federal lending agency or other financing institution. Buyer and Seller also agree that neither shall delegate any obligation that he has under the Order without the written

permission of the other party and any attempted delegation without written permission shall be wholly void and totally ineffectual for all purposes. Any permitted assignment shall provide the payment to an assignee of any such claim shall be subject to set off or recoupment for any present or future claim or claims which Buyer may have assigned against Seller and shall be valid only after Seller has supplied Buyer with two properly executed copies of the assignment.

18. **Termination -**
- A. For Default
1. Buyer may terminate the Order, or any part thereof, by written notice of default to Seller under any of the following circumstances.
 - a. If Seller fails to perform within the time specified.
 - b. If Seller fails to comply with other provisions of the Order and does not cure any such failure within a period of ten (10) working days after receipt of notice from Buyer specifying failure.
 - c. If Seller becomes insolvent or makes a general assignment for the benefit of creditors or files or has filed against it a petition of bankruptcy or for reorganization, or pursues any other remedy under any other law relating to the relief for debtors in the event a receiver is appointed for Seller's property or business.
 2. In the event of such termination, Buyer may purchase or manufacture similar supplies and/or require Seller to transfer title and deliver to Buyer any and all property produced or procured by Seller under the Order and Seller shall be liable to Buyer for any excess cost to Buyer.
- B. Buyer may terminate the Order in whole or in part by notice to Seller in writing. On receipt by Seller of such notice, Seller shall, to the extent specified therein, stop work hereunder and the placement of subcontracts, terminate work under subcontracts outstanding hereunder, and take any necessary action to protect property in Seller's possession in which Buyer has or may acquire an interest. In such event, Buyer shall pay to Seller, without duplication the (1) amounts due for supplies delivered and accepted or services completed in accordance herewith prior to the effective date of termination; plus (2) actual costs incurred by Seller if property allocable or apportionable under recognized commercial accounting practices to the terminated portion of the contract, including liabilities to the subcontractors which are so allocable and excluding any charges for interest or material or parts which may be delivered to others; plus (3) a reasonable profit on work actually done by Seller prior to such termination; plus (4) the reasonable costs of settlement, provided that the total settlement shall not exceed the contract price and provided further, that it appears that Seller would have sustained a loss on the entire contract had it been completed, no profit shall be included or allowed and an appropriate adjustment shall be made reducing the amount of the settlement to reflect the indicated rate of loss. In the event of a termination, Seller shall use its best efforts to reduce costs incurred on terminated work and, to the extent not terminated, shall diligently continue performance of the work not terminated in accordance with the terms of the Order. The Seller agrees to negotiate termination claim with Buyer. Such termination claim shall be submitted to Buyer within sixty (60) days after the effective date of the termination and any suit to enforce such a termination claim must be commenced within one year of Buyer giving written notice of termination. The remedies provided herein to Seller in the event Buyer unilaterally terminates the Order by notice are the exclusive remedies of the Seller.
- C. Any termination by Buyer, whether for default or otherwise, shall be without prejudice to any claims for damages or other rights of Buyer against Seller.
- D. Buyer shall have the right to audit all elements of any termination claim and Seller shall make available to buyer on request all books, records and papers relating thereto.
- E. Seller shall continue performance of the Order to the extent not terminated. Any provisions for delivery or acceptance of the supplies in installments shall not make severable the obligations of the Seller.
19. **Suspension** – Seller shall suspend work hereunder for a period of up to ninety (90) days in accordance with notice thereof from Buyer and shall take all reasonable steps to minimize costs during the period of work stoppage. Equitable adjustment shall be made to the price, delivery schedule or other provisions affected by the suspension, provided that the claim for equitable adjustment is made within thirty (30) days after continuation.
20. **Buyer Furnished Property** – Seller assumes complete liability for any tooling, articles or materials furnished by Buyer to Seller in connection with the Order and Seller agrees to pay Buyer for all such tooling, articles or material spoiled by Seller or not otherwise accounted for to Buyer's satisfaction. The furnishing to Seller of any tooling, articles or material in connection with the Order shall not, unless otherwise expressly provided in writing, be construed to vest title thereto in Seller. All drawings, designs, tools, patterns, equipment and information supplied by Buyer hereunder and proprietary rights embodied therein are reserved and their uses restricted to work to be performed for Buyer. Seller will not use Buyer Furnished Property in the execution of any other contract without the express written permission of Buyer. Upon completion of contract or at any time required by Buyer, Seller shall return such property to Buyer or to any other owner as Buyer may direct. Where no government contract number is shown on the face of the Order and where payment is made for experimental, developmental or research work performed hereunder, Seller shall disclose and does hereby assign to Buyer all inventions resulting therefrom and does grant Buyer the right to use for any purpose all data specified to be delivered under the Order. If any Government property including, but not limited to, materials and/or special tooling is furnished to the Seller in connection with the Order, the appropriate provisions of current Federal procurement regulations on handling and control of Government Property shall be applicable to and form a part of the Order. Notwithstanding any other provisions of these terms and conditions, upon prior written notice to Buyer and to the extent such use will not interfere with Seller's performance of Orders with Buyer at the time, Seller with the U.S. Government's authorization, may use on other contracts all material, engineering data or other technical or proprietary information, which the Government owns or has the right to authorize use thereof.
21. **Special Tooling** – Dies, tools and patterns specially developed for and used in the manufacture of the articles herein ordered shall be furnished by and at the expense of Seller and shall be kept in good condition and, when necessary,

- shall be replaced by Seller without expense to Buyer. Buyer may at any time become the owner and entitled to possession of any or all such special tooling acquired or manufactured specially for use in the performance of the Order if any portion of the cost of such special tooling is separately stated or included in the price of articles, material or work covered by the Order upon Seller being reimbursed the unpaid amount of Seller's cost of special tooling. If the price stated on the face hereof includes separately the entire cost of any such dies, tools and/or patterns acquired by Seller for the purpose of filling the Order, such dies, tools and/or patterns shall become the property of Buyer. To the extent feasible, Seller shall identify said property as Buyer directs and shall retain such property for the exclusive use of Buyer. At completion of the Order, such tools, dies and/or patterns shall be stored for a reasonable time by Seller at no cost to Buyer and until disposed of as Buyer may direct. Notwithstanding any other provisions of the terms and conditions, upon prior written notice to Buyer and to the extent such use will not interfere with Seller's performance of Orders with Buyer at the time, Seller with the U.S Government's authorizations, may use on other contracts all material, engineering data or other technical or proprietary information, which the Government owns, or has the right to authorize use thereof.
22. **Indemnity and Insurance** – If Seller, in connection with the performance of the Order, shall send any of its agents or employees onto premises owned or controlled by Buyer, Seller shall (1) provide safety protection for persons and property in accordance with all applicable laws and regulations and (2) indemnify and save harmless Buyer from and against any and all liabilities and losses whatsoever (including without limitation cost and expenses in connection therewith) on account or by reason of injury to or death of any person whatsoever or loss of or damage to any property whatsoever suffered or sustained in the course of or in connection with the performance of the work. Buyer, at its option, may require Seller to furnish evidence of insurance reasonably satisfactory to Buyer covering the liabilities and indemnifications provided above, but no acceptance of such evidence by Buyer shall be deemed a waiver or release of such liabilities or duty to indemnify. Seller agrees, if and when requested by Buyer, to procure a policy or policies of insurance in a form satisfactory to Buyer insuring all property on Seller's premises owned by Buyer against loss or damage resulting from fire (including extended coverage), malicious mischief and vandalism. Satisfactory evidence of such insurance shall be submitted to Buyer within a reasonable period of time after requested by Buyer.
23. **Security Regulations** – Seller shall provide and maintain a system of security controls in accordance with the security requirements of the Order, if any, and any other security requirements that may be imposed by Buyer's customer. Seller further agrees that, if required, prior military security clearance will be obtained by any of its personnel requiring access to Buyer's plant premises for the purpose of performing the work covered by the Order.
24. **Labor Disputes** – Seller agrees that whenever an actual or potential labor dispute delays or threatens to delay the timely performance of the Order, Seller shall immediately give written notice to Buyer.
25. **Interpretation and Disputes** – The Order shall be construed and all disputes hereunder shall be settled in accordance with the laws from which Buyer's Order is issued without resort to said state's Conflicts of Law rules. Pending final resolution of a dispute hereunder, Seller shall proceed diligently with the performance of the Order and in accordance with Buyer's decision.
26. **Compliance with Laws and Regulations** – Seller agrees that the articles will be produced and all work hereunder will be performed in accordance with the applicable statutes and laws (including, but not limited to, the Fair Standards Act, the Walsh-Healey Act, the Occupational Safety and Health Act, the Equal Opportunity and Affirmative Action Executive Order 11246 and all lawful orders, rules and regulations thereunder), all executive orders, regulations of any of the Executive Departments of the U.S. Government, or any state or political subdivision thereof, and agrees to indemnify Buyer against any loss, cost liability or damage by reason of Seller's violation of any such applicable laws, orders, rules or regulations.
27. **Additional Provisions for Government Contracts** – When a Government contract is indicated on the face of the Order, the clauses as set forth in current Federal procurement regulations and supplements as listed on an attachment to the Order are incorporated herein by reference. In addition, where any such provisions of said regulations relate to specific statutes and are in furtherance of the provisions of such statute, such statutes shall also be incorporated into the contract and shall be applicable to the extent required. Where necessary to make the context of the above regulation applicable to the Order, the term "Government" or "Contracting Officer" and equivalent phrase shall mean the Buyer and the term "Contractor" shall mean Seller hereunder and the term "contract" shall mean the Order.
28. **Quality** – Seller and its suppliers shall establish and maintain a quality control and inspection program as required by the quality assurance requirements of the Order. Any changes, deviations or waivers from the requirements of the Order shall have the prior written approval of the Buyer. In Order to ensure that the equipment satisfies the contract requirements and to demonstrate compliance with applicable technical specifications, Seller and Seller's suppliers shall perform factory tests as required by the Order and the Buyer or Government Representatives may witness such tests and review the test data. Seller shall give Buyer advance notice as is reasonably necessary to allow Buyer to witness any required test. The work set forth in the Order is subject to inspections and monitoring in accordance with the requirements of the Order and the quality program set forth at the Seller's or Seller's supplier's facility and may be performed by the Buyer or a Government authorized representative at their sole discretion. Inspection by the Buyer or the Government Representative shall not relieve the Seller from responsibility for any omission, defect, fault or other failure to meet the requirements of the Order. If any item is found to be defective in material, workmanship or otherwise not in conformance with the requirements of the Order, the Buyer shall have the right to reject such defective item(s) or require its prompt correction all at Seller's expense. Seller shall keep and maintain proper and adequate inspection, test and related records which shall be available for inspection by the Buyer or the Government Representative and shall allow copies to be made and extracts to be taken and shall furnish all information which may be required by the Buyer or the Government Representatives. All items also may be subject to further inspection and acceptance at Buyer's plant, Seller's plant or site of installation, notwithstanding any payments or other prior inspection. Final acceptance shall be at Buyer's facility or such other place as may be designated in writing by Buyer's representative.