

AVIATION TECHNOLOGIES, INC.  
PURCHASE ORDER TERMS AND CONDITIONS

1. APPLICABILITY

This purchase order is an offer by Aviation Technologies, Inc. ("**Buyer**") for the purchase of the goods or services specified on the face of this purchase order from the party to whom the purchase order is addressed ("**Seller**") in accordance with and subject to these terms and conditions (the "**Terms**"; together with the terms and conditions on the face of the purchase order, the "**Order**"). This Order, together with any documents incorporated herein by reference, constitutes the sole and entire agreement of the parties with respect to Buyer's purchase order, and supersedes all prior or contemporaneous understandings, agreements, negotiations, representations and warranties, and communications, both written and oral, with respect to the subject matter hereof. **Seller's acceptance is expressly limited to the terms of this Order. These Terms prevail over any terms or conditions contained in any other documentation and expressly exclude any of Seller's general terms and conditions of sale or any other document issued by Seller in connection with this Order.** If this Order has been issued by Buyer in response to an offer, the terms of which are additional to or different from any of the provisions hereof, then the issuance of this Order by Buyer is subject to the express condition that Seller assent that this Order constitutes the entire agreement between Buyer and Seller with respect to the subject matter hereof and thereof. These Terms apply to any repaired or replacement goods provided by Seller hereunder.

2. ACCEPTANCE

Seller's written acceptance or commencement of performance of this Order shall constitute acceptance. If Seller does not accept this Order in writing within ten days of Seller's receipt of this Order, this Order will be deemed accepted by Seller. Buyer may withdraw this Order any time before acceptance.

3. DEFINITIONS

a. The following terms shall have the meanings set forth below;

- i. "Government" means the United States Government.
- ii. "Product" means any goods, supplies or services provided by Seller to Buyer in accordance with the terms herein.
- iii. "Purchase Order" means (i) the terms and conditions set forth on any paper or electronic document issued by Buyer; (ii) the terms and conditions set herein; and (iii) all supplemental sheets, schedules, exhibits, specifications, drawings, data or riders which may be annexed hereto or references in (i), (ii), or (iii).
- iv. "Supplies" means a stock of resources from which a product is made.
- v. "Controlled Material" means any substance, material, or item, in any form, whether solid, liquid, gaseous, semisolid, or any combination thereof, whether waste materials, raw materials, chemicals, fuels, by products, ash, or other substances that are regulated by or form the basis of liability under any Environmental Law, including, without limitation, hazardous waste, hazardous substances, pollutants, contaminants, asbestos, polychlorinated biphenyls ("PCBs"), petroleum (including, but not limited to, crude oil, petroleum-derived substances, waste, breakdown, or decomposition products thereof, or any

fraction thereof), coal and any waste, breakdown, or decomposition product thereof, natural gas and any waste, breakdown or decomposition product thereof, and radioactive substances.

- vi. **"ITAR Defense Article"** means any item or technical data specifically designed, developed, configured, adapted, or modified for military, missile, satellite, or other controlled use listed on the USML.
- vii. **"ITAR Technical Data"** means any information for the design, development, assembly, production, operation, repair, testing, maintenance, or modification of a defense article. Technical data may include drawings or assembly instructions, operations and maintenance manuals, and email or telephone exchanges where such information is discussed. However, technical data does not include general scientific, mathematical, or engineering principles commonly taught in schools, information present in the public domain, general system descriptions, or basic marketing information on function or purpose.
- viii. **"Special Tooling or Special Test Equipment"** means jigs, dies, fixtures, molds, patterns, taps, gauges, other equipment and manufacturing aids, all components of these items, and replacements of these items that are of such a specialized nature that without substantial modification or alteration their use is limited to the development or production of particular supplies or parts thereof or performing particular services.

#### 4. APPLICABLE LAW AND DISPUTES

Any dispute arising under or related to this Order shall be governed by the law of State of California. However, if this Order is placed under a government prime or higher tier contract, it shall be construed and interpreted according to the law of Government contracts, as enunciated and applied by federal judicial bodies, Boards of Contract Appeals, and quasi-judicial agencies of the federal Government. Pending the resolution of any disputes, Seller shall proceed as directed by Buyer.

#### 5. ASSIGNMENT AND SUBCONTRACTING

- a. This Order and any interest hereunder shall not be assigned or transferred by Seller without the prior written consent of Buyer.
- b. Notwithstanding the foregoing, any amounts due or to become due hereunder may assigned by the Seller, provided that such assignments shall not become binding upon the Buyer unless and until the assignment agreement is received by Buyer.

#### 6. BUYER FURNISHED PROPERTY

- a. Title to all property furnished to Seller by Buyer, or paid for by Buyer, shall remain with Buyer. Seller shall not alter or use such property for any purpose other than that specified by Buyer without prior written consent of Buyer. Seller shall keep adequate records, which shall be made available to Buyer upon request, and shall store, protect, preserve, repair, and maintain such property in accordance with sound industrial practice, all at Seller's expense.
- b. Buyer does not provide any warranties with respect to its property, which is to be provided to Seller in "as is" condition, and notwithstanding the actual condition of such property, all

items delivered, or services performed by Seller shall be in strict accordance with the requirements of this Order; unless otherwise expressly provided for elsewhere within this Order.

- c. In the event that Buyer's property becomes lost or damaged for any reason while in Seller's possession, Seller agrees to replace (if lost or irreparable) or repair (if repairable) such property, at Seller's expense, in accordance with Buyer's request. At the completion of delivery of the goods or services ordered by Buyer in this Order for which Buyer's property was required, or the termination of this Order, Seller shall request disposition instructions for all such Buyer's property, or the remainder thereof, whether in its original form or in semi-processed form. Seller agrees to make such property available to Buyer at Buyer's request, in the manner requested by Buyer, including preparation, packaging, and shipping as directed. Expenses for preparation and for shipment shall be for Seller's account, and shipment shall be made FOB Seller's plant. Buyer may, at its sole discretion and by written notice, divest itself of title in favor of Seller.

**7. BUYER'S RIGHTS IN SELLER'S DATA AND PATENTS**

If at any time during the performance of this Order (a) Seller suspends business operations or becomes bankrupt or insolvent, (b) this Order is terminated for default, or (c) if at any time within five (5) years from the date of this Order Seller for any reason discontinues acceptance of follow-on orders, the Buyer shall have a royalty-free nonexclusive license to use, and right to license others to use, Sellers' patents, designs, processes, know how, drawings, and technical data relating to the Products contracted for under this Order for purposes of producing and selling items required to be supplied by Buyer's existing or follow-on contracts with its customers. In order to accomplish an orderly transition to Buyers' new source, Seller further agrees to provide Buyer with necessary technical aid and assistance at agreed-upon rates.

**8. CHANGES**

Buyer may, at any time, in writing, make changes within the general scope of this Order, in any one or more of the following: (a) applicable drawings, designs or specifications; (b) method of shipment or packing; (c) place or timing of delivery; (d) materials, methods or manner of production; or (e) quantity. If any such change causes an increase or decrease in the cost of or the time required for performance of this Order, an equitable adjustment shall be made in the price or delivery schedule or both, and this Order shall be modified accordingly. Any claim by Seller for adjustment hereunder must be asserted within 20 days from Seller's receipt of the change notice, but such period may be extended upon Buyer's written approval. However, nothing in this clause will excuse Seller from proceeding with this Order as changed or modified.

**9. COMPLIANCE WITH FEDERAL, STATE, AND LOCAL LAWS**

Seller has complied with and shall comply with all applicable Federal, State and Local laws and ordinances and all orders, rules and regulations thereunder, including, without limitation. In addition, Seller agrees to promptly provide Buyer any and all information and certifications requested by Buyer in this regard. Seller shall defend, indemnify, save and hold harmless Buyer from, and reimburse it for, any and all cost, damages and expenses (including attorney's fees)

suffered or occasioned to it through any failure of Seller to comply with any laws, orders, rules, regulations or ordinances.

10. EXPORT CONTROL

a. The Supplier shall:

- i. Comply with all applicable import and export control laws and regulations in fulfilling the Agreement; and
- ii. Provide all information about the Supplies, including without limitation, information regarding constituent parts thereof, that may be necessary for the Purchaser's compliance with all applicable import and export control laws and regulations.

b. The Supplier shall:

- i. Notify the Buyer in writing at the time the Order is accepted or as soon as the Supplier is aware, but no later than thirty (30) calendar days prior to the first agreed scheduled delivery or performance date, as well as when any changes occur, or subsequent information is received by the Supplier, whether the Supplies (or any part thereof) constitute Controlled Material;
  - ii. In addition to clause 9.a.i, when requested by the Buyer, provide a completed and signed Declaration Form, certifying the jurisdiction and classification of Controlled Material. The Buyer will provide the Supplier with a Declaration Form for completion which the Supplier will return to the Buyer within thirty (30) calendar days of the date of the Agreement and in any event in advance of receipt by the Buyer of any Controlled Material provided under the Agreement. The Supplier shall provide the following information as a minimum: (a) a description of the Controlled Material; (b) the name and address of the US exporter and/or manufacturer of all ITAR/EAR Controlled Material; (c) the part reference number for the Controlled Material; and (d) the ITAR US Munitions List category and paragraph number (and any special designation as Significant Military Equipment or Major Defense Equipment); the EAR Commerce Control List Export Control Classification Number (ECCN) (or other EAR designation); or the Military or Dual Use List Classification Number and identification under UK, EU and Australian regulations;
  - iii. Obtain all required export licenses, agreements and other authorizations necessary to ensure delivery of the Supplies to the Buyer in accordance with the delivery dates required under the Agreement; and
  - iv. Comply with all conditions relating to export, re-export, transfer or use of Controlled Material contained within export licenses, agreements and other authorizations.
- c. If any of the Controlled Material, including any constituent part thereof, to be provided by or through the Supplier under the Agreement is regulated under the ITAR or EAR (unless such are classified by the US exporter/manufacturer as EAR99 in which case the Supplier shall notify the Buyer of this status in writing), the Supplier shall:
- i. Immediately after the Order is accepted, consult with the Buyer about the relevant authorizations required from the appropriate US authorities and request from the

- Buyer information necessary to make the Supplier's authorization request to the US authorities complete and accurate, including without limitation, full details of end use, end user(s), foreign consignees, intermediate consignees, sublicensees and any other requirements such as information on dual or third country national employees, contract employees, location, or pre-existing company organization authorizations which may be applicable; and
- ii. Provide to the Buyer the following further information and documentation in writing at the time the Order is accepted or no later than thirty (30) calendar days prior to the first agreed scheduled delivery or performance date: (a) details of the relevant US export license, agreement or other authorization (including details of any exemptions or exceptions), such details to include the reference numbers and dates, authorized parties and end use as specified in clause 9.c.i, and any limitations/provisos; or (b) full copies of such US export licenses, agreements or other authorizations, including any correspondence with the US Department of State or the US Department of Commerce consenting to or giving guidance on the use of exemptions or exceptions or listing limitations/provisos that are necessary for the Purchaser's compliance.
- d. **ITAR DELIVERY.** Unless the applicable regulations have been revised to require otherwise, for each **ITAR Defense Article** being delivered by the Supplier, the Supplier shall include as an integral part of the invoice and, in the case of **ITAR Technical Data**, on the document itself: (a) the country of ultimate destination; (b) the end user; (c) the license or other approval number or exemption citation; and (d) the Destination Control Statement required under the ITAR (i.e. 22 C.F.R. 123.9).
- i. In respect of **ITAR Technical Data** the following additional marking must be included on the cover sheet or document itself: "**EXPORT CONTROLLED DATA:** This document contains technical information and the export, re-export and transfer (in-country) is governed by the U.S. International Traffic in Arms Regulations (ITAR)".
  - ii. When also exporting or re-exporting **items subject to the EAR** pursuant to a Department of State license or other authorization or approval, the Supplier must also provide the Buyer with the appropriate EAR classification information for each item. This includes the Export Control Classification Number (ECCN) or EAR99 designation.
- e. **EAR Delivery.** Unless the applicable regulations have been revised to require otherwise, for each item of **EAR Controlled Material** being delivered by the Supplier, the Supplier shall include as an integral part of the invoice that accompanies the shipment, and, in the case of EAR Technology, on the EAR Technology itself: (a) the country of ultimate destination; (b) the end user; (c) the license or other approval number or exemption citation; and (d) the Destination Control Statement required under the EAR (i.e. 15 C.F.R. 758.6).
- i. In respect of **EAR Technology**, the following additional marking must be included on the cover sheet or document itself: "**EXPORT CONTROLLED DATA:** This document contains technical information and the export, re-export and transfer (in country) is governed by the U.S. Export Administration Regulations (EAR)".

- ii. In addition, the Supplier must also provide the license number(s) or license exception utilized and the ECCN for all 9x515 or 600 series items being exported, re-exported or transferred (in-country).
- f. Where practical, the Supplier shall segregate deliveries of ITAR or EAR Controlled Material from other deliveries and shall not mix ITAR Controlled Material with EAR Controlled Material on the same licenses, agreements or authorizations unless permitted by US laws and regulations.
- g. If engaged in the business of either exporting or manufacturing (whether exporting or not) ITAR Defense Articles or defense services (as defined in the ITAR 22 C.F.R 120.6 and 120.9 respectively), the Supplier shall maintain an effective export/import compliance program in accordance with the ITAR and, if located in the US, shall register with the US Department of State as required by the ITAR.
- h. The Supplier recognizes and accepts that the Supplier and the Buyer have disclosure requirements when making applications for the export, re-export, or retransfer of US defense articles or defense services subject to the ITAR Part 130. In this context, when requested to do so by the Buyer, the Supplier shall make a written certification to the Buyer in a timely manner and not later than twenty (20) calendar days after receipt of such request, stating all necessary information required to comply with Part 130 of the ITAR.
- i. The supplier shall also immediately notify the Buyer if the Supplier is or becomes identified either individually or collectively on any list of denied, debarred, embargoed, blocked, prohibited, specially designated, sanctioned or otherwise ineligible parties maintained by any government or international organization or, becomes ineligible to contract with the US Government, or if the Supplier's export privileges are otherwise denied, suspended or revoked in whole or in part by any government entity or agency.
- j. At the Buyer's direction, the Supplier shall return, or destroy all of the ITAR Technical Data and/or EAR Technology or other Controlled Material exported to the Supplier pursuant to the Order upon fulfilment of its terms, send written confirmation of the destruction to the Purchaser within five (5) Business Days of the destruction, and create and maintain the records required under the ITAR and EAR.

#### 11. CONFIDENTIAL RELATIONSHIP

All confidential or proprietary information of Buyer, including, but not limited to, specifications, samples, patterns, designs, plans, drawings, documents, data, business operations, customer lists, pricing, discounts or rebates, whether disclosed orally or in written, electronic or other form or media, and whether or not marked, designated or otherwise identified as "confidential," in connection with this Order is confidential, solely for the use of performing this Order and may not be disclosed or copied unless Buyer agrees in writing. Upon Buyer's request, Seller shall promptly return all documents and other materials received from Buyer. Buyer shall be entitled to injunctive relief for any violation of this Section. This Section shall not apply to information that is: (a) in the public domain; (b) known to Seller at the time of disclosure; or (c) rightfully obtained by Seller on a non-confidential basis from a third party who was not under any obligation of confidentiality.

## 12. DELIVERY

Seller shall deliver the goods in the ordered quantities or perform the services, each on the date(s) specified in this Order or as otherwise agreed in writing by the parties (the “**Delivery Date**”). Timely delivery of the goods or services is of the essence. If Seller fails to deliver the goods or perform the services in full on the Delivery Date, Buyer may terminate this Order immediately by written notice to Seller and Seller shall indemnify Buyer against any losses, claims, damages, and reasonable costs and expenses attributable to Seller’s failure to deliver the goods or perform the services on the Delivery Date. Alternatively, if Seller fails to meet the Delivery Date, Buyer, without limiting its other rights or remedies, may direct expedited routing; any excess costs incurred thereby shall be debited to Seller’s account. Buyer may return any goods delivered prior to the Delivery Date at Seller’s expense and Seller shall redeliver such goods on the Delivery Date. Lastly, The Seller shall have a 5-day grace period for delivery due dates for orders sent to Seller for items with agreed upon lead times; thereafter the Buyer may impose liquidated damages equal to 10% of the line value for each line received beyond the grace period.

## 13. DRAWINGS, SPECIFICATIONS, AND TECHNICAL INFORMATION

Drawings, data, designs, inventions and other technical information supplied by Buyer to Seller in connection herewith (hereinafter called “Data”), shall remain Buyer’s property and shall be proprietary and held in confidence by Seller. Such Data shall not be reproduced, used or disclosed to others by Seller without Buyer’s prior written consent. Upon completion of work by Seller under this Order, Seller shall promptly return all Data to Buyer together with all copies or reprints thereof then in Seller’s possession or control, and Seller shall thereafter make no further use, either directly or indirectly, of any such Data or any information derived therefrom without Buyer’s prior written consent. Any information which Seller may disclose to Buyer with respect to the design, manufacture, sale or use of the items covered by this Order shall be deemed to have been disclosed as part of the consideration for this Order, and Seller shall not assert any claim (other than a claim for patent infringement) against Buyer by reason of Buyer’s use thereof.

## 14. FALSE CLAIMS AND INDEMNITY

The Seller shall defend, indemnify and hold harmless the Buyer for any cost incurred and any payments made by Buyer resulting from or in connection with false claims submitted by the Seller under this Order or as a result of any misrepresentation of fact or fraud by Seller relating to any claims or disputes arising under or related to this Order.

## 15. INDEPENDENT CONTRACTOR

It is understood and agreed that the Seller shall be deemed to be an independent contractor in all its operations and activities hereunder; that the employees furnished by Seller to perform work hereunder shall be deemed to be Seller’s employees exclusively, without any relation whatever to Buyer as employees of an independent contractor; that said employees shall be paid in accordance with applicable laws by Seller for all services in this connection; and that Seller shall be responsible for all obligations and reports covering social security, unemployment insurance, workers’ compensation, income tax, and other reports and deductions required by state or federal law.



#### 16. INSPECTION & ACCEPTANCE

All Product shall be subject to inspection and test at all times and places, including the period of manufacture, by Buyer and/or its customers. If any inspection or test is made on Seller's premises, Seller, without additional charge shall: (1) provide all reasonable facilities and assistance for the safety and convenience of Buyer and its customer's inspectors; (ii) make available to the inspector's copies of all drawings, specifications, and processes applicable to the Product ordered; and (iii) promptly furnish Buyer with any and all resulting inspection certificates. All articles are subject to final inspection and acceptance at Buyer's plant notwithstanding any payment or prior inspections. Buyer may reject and hold at Seller's expense, subject to Seller's disposal, all Products not conforming to applicable specifications, drawings, samples, or descriptions (discrepancy). Additionally, Buyer may deem the Product to have a discrepancy due to lack of or improper certifications, packing lists, and other required paperwork delivered with Products. Without limiting any other rights or remedies it may have as provided herein or at law or equity, Buyer, at its option, may (i) require Seller to repair or replace at Seller's expense any Product which fails to meet this Order's requirements; (ii) require Seller to refund the price of any such Product; (iii) elect to retain and repair any such Product and offset Buyer's costs in effecting correction from the price of the Product; and/or (iv) offset from the price of the Product any and all damages and expenses incurred by Buyer as a result of such rejection. Seller shall maintain an inspection system suitable to buyer.

#### 17. INVOICING AND PAYMENT

A separate invoice shall be issued for each shipment made by Seller. Unless otherwise specified in the Order, an invoice shall not be issued prior to shipment of items and payment will not be made prior to receipt of items and correct invoice. Standard payment terms are net 75 days after the inspection of product has been completed. Payments to the Seller or its authorized assignee of any claim under this Order shall be subject to reduction or set-off for any present or future claim(s) which Buyer may have against Seller. Except for amounts invoiced under articles Termination for Convenience or Cancellation for Default, Seller shall be deemed to have waived all charged and fees that are not invoiced within ninety (90) calendar days after the end of the calendar year in which the charges were incurred. All invoices must be submitted via email to [invoice@aviationtechinc.com](mailto:invoice@aviationtechinc.com).

#### 18. LIMITATIONS OF LIABILITY

Notwithstanding any other provision of the Order, Buyer's maximum liability to Seller shall not exceed the purchase price of this Order. Any action against Buyer under this Order or related to its subject matter must be brought within one year after the date the cause of action accrues. Seller shall not be entitled to any incidental, special or consequential damages or lost profit damages if Buyer breaches or otherwise fails to perform any obligations under this Order.

#### 19. NOTICE OF DELAY

Whenever any event, including an actual or potential labor dispute, is delaying or threatens to delay the timely performance of this Order, Seller shall immediately give notice thereof including all relevant information with respect thereto, to Buyer.



**20. NO WAIVER OF CONDITIONS**

Buyer's failure to insist upon strict compliance shall not be deemed to be a waiver of any right or condition, and any waiver of a right or condition under this Order shall not constitute a waiver of any other right, condition or default under this Order.

**21. ORDER OF PRECEDENCE**

- a. In the event of an inconsistency between the clauses of any documents constituting this Order, the inconsistency shall be resolved by giving precedence in the following order;
  - i. The terms and conditions set forth on any paper or electronic document issued by Buyer entitled Purchase Order;
  - ii. These Terms and Conditions;
  - iii. Other provisions of other documents contained in the Order, whether attached or incorporated by reference; and
  - iv. The Specifications.

**22. PACKAGING, MARKING, AND SHIPPING**

- a. Seller shall pack, mark, and ship all Products in accordance with the requirements of this Order so as to be in compliance with transportation regulations and good commercial practice for protection and shipment, and shall secure the most advantageous transportation service and rates consistent therewith.
- b. No separate or additional charge is payable by Buyer for containers, crating, boxing, bundling, dunnage, drayage or storage unless specifically stated in this Order. Any expense incurred by Buyer as result of improper preservation packaging, packing, marking or method of shipment shall be reimbursed by Seller.
- c. A packaging list showing the order number, release number (if applicable) and any transportation charges shall be included with each shipment.
- d. Seller shall mail the original bill of lading to Aviation Technologies, Inc. with each shipment.
- e. Any transportation charges paid by Seller for which Seller is entitled to reimbursement under this Order shall be shown on Seller's invoices as a separate line item with the receipted freight bill attached to the invoice.

**23. INTELLECTUAL PROPERTY INFRINGEMENT INDEMNITY**

- a. Seller shall defend, indemnify and hold harmless Buyer, its customers and those for whom Buyer may act as agent, from all loss or damage by reason of any and all actions or proceedings charging infringement or wrongful use of any patent, trademark, trade secret or copyright by reasons of sale or use of any Product furnished hereunder, except where the articles specified herein are made entirely to the design supplied by Buyer. In such case, Buyer will defend, at its own cost and expense, every claim or action which may be brought against Seller alleging infringement of any patent, trademark or copyright by the Product and Buyer agrees to pay all costs and damages if recoverable in any such claim or action against the Seller. Each party shall promptly notify the other of all charges of infringement and shall provide all reasonable assistance to the other party in defense of an infringement.

- b. If the use or sale of any Product, in respect to which Seller indemnifies Buyer, is enjoined as a result of any action or proceeding, Seller, at no expense to Buyer, shall obtain for Buyer and its customers, the right to use and sell said Product or shall substitute an equivalent item acceptable to Buyer and extend this patent indemnity with respect to such equivalent item. In the event that Seller is unable to secure such right of use for Buyer or its customer or to secure an equivalent item as a substitute, Seller shall indemnify Buyer and its customer for any and all losses or damages sustained by reason of such injunction.

#### 24. PRICES

The price of the goods or services is the price stated in this Order. If no price is included in this Order, the price shall be the price set out in Seller's published price list in force as of the date of this Order. Unless otherwise specified in this Order, the price includes all packaging, transportation costs to the Delivery Location, insurance, customs duties and fees and applicable taxes, including, but not limited to, all value-added taxes, sales, use or excise taxes. No increase in the price is effective, whether due to increased material, labor or transportation costs or otherwise, without Buyer's prior written consent.

#### 25. SEPARABILITY

If any provision of this Order is determined to be invalid or unenforceable, such determination shall not affect the validity of the remaining provisions. In such case, the Order shall be deemed to have been executed without the invalid or unenforceable provision.

#### 26. SPECIAL EQUIPMENT

- a. Title to all tools, dies, jigs, and fixtures used in the manufacture of the Products required hereby (hereinafter referred to as "Special Equipment") shall vest in Buyer immediately upon Seller's manufacture or acquisition thereof, Seller agreeing that the purchase price stated in this Order includes the cost of any such Special Equipment manufactured or acquired in pursuance hereof. Similarly, Special Equipment used by Seller that is owned, furnished, or paid for by Buyer under the terms of this or any other of Buyer's Purchase Orders shall remain the property of Buyer or Buyer's customer, as applicable, and shall not be altered or modified without Buyer's written consent.
- b. Unless otherwise approved by Buyer, such Special Equipment shall be used only in the performance of this Order, except that Seller may use such Special Equipment for the manufacture of supplies or furnishing of services to the Government to the extent the Government has the right under its prime contract with Buyer to authorize such use, and further provided that such use will not interfere with Seller's performance of this Order or other purchase orders of Buyer.
- c. At no additional cost to Buyer, Seller shall (i) follow normal industrial practices in the identification, maintenance, preservation, and segregation of Special Equipment; (ii) establish and maintain property control records available for inspection by Buyer or its customer at all reasonable times; and (iii) if title to such Special Equipment vests in the Government, will maintain and control such Special Equipment in accordance with FAR Part 45 in effect as the date hereof, which is incorporated herein by reference.

- d. Upon delivery to Seller, of any Special Equipment, Special Tooling or Special Test Equipment, title to which is in Buyer or its customer, Seller assumes the risk and shall be responsible for any loss thereof or damage thereto while in its possession. Unless otherwise directed by Buyer, upon completion or termination of this Order Seller shall hold and preserve such Special Equipment, Special Tooling or Special Test Equipment. Seller shall promptly furnish in suitable form, a list thereof with a request for disposition instructions. Pending receipt of such instructions, Seller shall store Special Equipment, Special Tooling, or Special Test Equipment free of charge for a period of six months. All Special Equipment, Special Tooling, or Special Test Equipment furnished to Seller by Buyer shall be returned to Buyer in the same condition as received, normal wear and tear expected.

27. STOP WORK

Buyer may at any time, by written order to Seller require Seller to stop all or any portion of the work called for by this Order.

28. TERMINATION

a. For Convenience;

- i. Buyer may at any time (notwithstanding the existence of any of the causes or events specified in Section 16 or any other condition of default) to cancel in whole or in part, the undelivered portion of the goods or services by written notice to Seller, who shall immediately upon receipt of such notice discontinue all work in respect to the cancelled portion of this Order except as may be necessary to preserve and protect the work and materials then in process. Seller shall use its best efforts to cancel and terminate all then existing orders placed by Seller which are chargeable to the cancelled portion of this Order. In the event of such termination and if Seller is not in default hereunder, Buyer shall pay Seller, in addition to the price for all conforming goods and services previously delivered to and accepted by Buyer in accordance with the terms of this Order and not previously paid for, all reasonable direct costs necessarily incurred by Seller in connection with the cancelled portion of this Order, which payment(s) shall be in full settlement of all claims by Seller arising out of such cancellation, provided that Seller delivers to Buyer all goods, services and raw materials paid for by Buyer.

b. For Default;

- i. In addition to any remedies that may be provided under these Terms, Buyer may terminate this Order with immediate effect upon written notice to Seller, either before or after the acceptance of the goods or services, if Seller has not performed or complied with any of these Terms, in whole or in part, if Seller fails to make progress so as to endanger performance of the Order as reasonably determined by Buyer, or if Seller becomes insolvent, files a petition for bankruptcy or commences or has commenced against it proceedings relating to bankruptcy, receivership, reorganization or assignment for the benefit of creditors. If Buyer terminates this Order pursuant hereto, Seller's sole and exclusive remedy is payment for the goods or services received and accepted by Buyer prior to termination.

29. TITLE AND RISK OF LOSS

Title to and all risk of loss of or damage to products to be delivered hereunder shall remain in Seller until such products are delivered to Buyer at the destination specified on the face of this Order. Seller shall bear all risk of loss or damage to products rejected by Buyer, after notice of rejection until such products are redelivered to Buyer, except to the extent or loss, destruction or other damage to such rejected supplies resulting from the gross negligence of officers, agents, or employees of Buyer acting within the scope of their employment. Passing of title upon delivery shall not constitute acceptance of the items by Buyer. All items to be delivered hereunder and all property to be returned to Buyer shall be free and clear of any and all liens and encumbrances whatsoever.

30. WARRANTY

Seller warrants to Buyer that all goods or services will conform to applicable specifications, drawings, designs, samples and other requirements specified by Buyer and will be merchantable; free from any defects in workmanship, material and design; fit for their intended purpose and operate as intended; merchantable; and free and clear of all liens, security interests or other encumbrances. Goods and services provided hereunder will not infringe or misappropriate any third party's patent or other intellectual property rights. These warranties survive any delivery, inspection, acceptance or payment of or for the goods or services by Buyer. These warranties are cumulative and in addition to any other warranty provided by law or equity and shall survive acceptance of and payment for the goods ordered or services provided hereunder. Any applicable statute of limitations runs from the date of Buyer's discovery of the noncompliance of the goods or services with the foregoing warranties. If Buyer gives Seller notice of noncompliance, Seller shall, at its own expense, promptly replace or repair the defective or nonconforming goods or services and pay for all related expenses, including, but not limited to, transportation charges for the return of the defective or nonconforming goods or services to Seller and the delivery of repaired or replacement goods or services to Buyer.

31. QUALITY SYSTEM

In addition to the requirements per Aviation Technologies, Inc. QCC, requiring Suppliers to maintain quality system commensurate with the product they produce, it is also required that they control directly or indirectly their sub-tiers. For suppliers under ISO 9001/AS9100, they are required to manage their sub-tiers per their certification. For suppliers with basic quality systems, they are required to only use Aviation Technologies, Inc. approved sources.

32. COUNTERFEIT PARTS PREVENTION

Supplier must ensure that proper procedures are in place to prevent the use of counterfeit part.

33. CHANGES TO ORGANIZATION OR LOCATION

During fulfillment of the PO, the Supplier shall give Aviation Technologies, Inc. written notice a minimum of 60 days before relocating any production, inspection or processing facilities; or before transferring any work between different facilities or making other changes which may affect product quality.

**34. FLOWDOWN OF REQUIREMENTS**

The Supplier shall flow down all applicable product, regulatory, and quality requirements (including requirements for traceability, documentation, and software) to the Supplier's sub-tiers. The Supplier is responsible for ensuring and validating the compliance of the Supplier's sub-tiers and maintaining documented evidence.

**35. RIGHT OF ENTRY**

- a. The Supplier shall provide contact information and access to the person responsible for ensuring that Aviation Technologies, Inc. requirements are promoted throughout the organization. Said person must have the authority to resolve quality concerns.
- b. Aviation Technologies, Inc., Aviation Technologies, Inc.'s Customers and regulatory agencies reserve the right to access to the Supplier's and relevant sub-tier Supplier's facility and records as necessary.
- c. Upon request, the Supplier shall grant Aviation Technologies, Inc. access to quality system documentation including the quality manual, procedures and records. If requested, the Supplier shall translate the required documentation into English.

**36. FORCE MAJEURE**

Neither party shall be liable to the other for any delay or failure in performing its obligations under this Order to the extent such delay or failure is caused by an event or circumstance that is beyond that party's reasonable control, without such party's fault or negligence, and which by its nature could not have been foreseen by such party or, if it could have been foreseen, was unavoidable (a "Force Majeure Event"). Force Majeure Events include, but are not limited to, acts of God or the public enemy, government restrictions, floods, fire, earthquakes, explosion, epidemic, war, invasion, hostilities, terrorist acts, riots, strikes, embargoes or industrial disturbances. Seller's economic hardship, labor difficulties or changes in market conditions are not considered Force Majeure Events. Seller shall use all diligent efforts to immediately notify Buyer in writing of any actual or potential Force Majeure Event, end the failure or delay of its performance, ensure that the effects of any Force Majeure Event are minimized and resume performance under this Order. If a Force Majeure Event prevents Seller from carrying out its obligations under this Order for a continuous period of more than ten business days, Buyer may terminate this Order immediately by written notice.

**37. SUPPLIER PERFORMANCE METRICS**

ATI reviews and records supplier performance based on two metrics: the on-time delivery and overall quality of the delivered goods or services. On-time delivery is measured against the expected delivery of the goods or services as defined by the "Due Date" on the ATI PO. If the goods or services are delivered no more than 6 days past the "Due Date" the order is considered on-time. ATI expects communication from our suppliers that a "Due Date" cannot be met at the time of purchase order placement and acceptance. Overall quality is determined by evaluating what is received against what was ordered on the PO. Was/were the correct item(s) delivered? Does the quantity received match the quantity stated on the packing slip? Are there no defects in the goods or with the service provided? If an order meets these three criteria, ATI considers

this a favorable quality order. If an order fails to meet any of these three criteria, ATI considers this a poor quality order.

**38. SUPPLIER RATING**

ATI uses the Supplier Performance Metrics to determine a Supplier Rating. ATI may exercise discretion in considering other items related to quality, such as supplier communication, payment processing, extenuating circumstances, etc., when assigning a supplier rating. Our supplier ratings are: Superior Supplier – all orders having favorable quality and delivered on-time; Good Supplier – all orders having favorable quality with no more than 2 late deliveries annually; Supplier – no more than 1 delivery having poor quality and/or no more than 3 late deliveries annually; Probationary Supplier – 2 or more orders having poor quality and/or 4 or more late deliveries annually.

- NOTE: Probationary Supplier status may lead to removal from the ATI Approved Vendor list by ATI management.