

PURCHASE ORDER TERMS AND CONDITIONS

Note: text in italic represents new revisions as of revised date.

These terms and conditions are hereby incorporated by reference into and made part of the Purchase Order (the "Order") enclosed herewith.

1. Acceptance of Purchase Order.

For purposes of these general terms and conditions of Purchase Order, Aero-Mach Labs, Inc., shall be known as "Buyer" and the supplier of the goods shall be known as "Seller" hereunder. Agreement by Seller to furnish the materials or services hereby ordered, or as furnishing such materials or services in whole or in part, shall constitute acceptance by Seller of this Order subject to these terms and conditions. In the event that this Order does not state price or delivery, Buyer shall not be bound to any prices or delivery to which Buyer has not specifically agreed in writing. Any terms or conditions proposed by Seller inconsistent with or in addition to the terms and conditions of this Order shall be void and of no effect, unless specifically agreed to by Buyer. Modifications hereof or additions hereto, to be effective, must be made in writing and signed by Buyer. These terms and conditions, together with such modifications and with such data relating to price and delivery as are accepted in writing by Buyer, constitute the entire agreement between the parties.

2. Shipping Instructions.

Seller agrees to prepare and properly package goods for shipment so as to prevent damage in transit to comply with Buyer's shipping and routing instructions, comply with appropriate export requirements and to describe the goods on a bill of lading in conformity with appropriate freight classifications. Unless otherwise specified by Buyer, packaging shall be in accordance with ATA Specification 300, as applicable. Any additional charges resulting from failure to comply with this provision, including incidental and consequential damages, shall be charged to Seller. Each container must be marked and identify contents and quantities without opening. Packing list and certifications, when applicable, must accompany each shipment. The location of the packing list must be clearly marked on the container. When multiple containers are used, the packing list will show the items in each container. Multiple containers will be numbered consecutively, for example: 1 of 4, 2 of 4, etc. Buyer's purchase order and number must appear on all invoices, packing sheets, delivery tickets, shipping orders and bills of lading. Buyer assumes no obligation for materials shipped in excess of quantity as shown on this Order. If terms of this Order are F.O.B. shipping point, and transportation charges are to be paid by Buyer, shipment shall be made transportation charges collect.

3. Delivery.

Delivery must be in strict compliance with the schedule contained in this Order and shall be made by Seller at such times and places and of such items and quantities as are specified by Buyer. Parts fabricated in excess or in advance of Buyer's requirements contained in this Order are at Seller's risk. Buyer reserves the right to return to Seller, as Seller's expense, all goods received more than ten (10) calendar days ahead of the required delivery date. Buyer reserves the right, without loss of discount privileges, to pay invoices covering items shipped in advance of the schedule on the normal maturity after the date specified for delivery. If Seller fails to meet its scheduled delivery dates and Buyer elects to call for expedited shipments, Seller will pay the difference between the method of shipping specified and the actual expedited rate incurred. Should Buyer accept goods which are not delivered on or before the required delivery date, which option Buyer reserves, the Seller shall be liable for all additional costs incurred by Buyer because of such delay(s), including, but not limited to, telecommunication costs, additional or premium transportation charges, special handling expenses, and costs to Buyer to install the materials out of normal manufacturing sequence in addition to other remedies available by law to Buyer. Title and risk of loss shall remain in Seller until goods are delivered to the

F.O.B. point specified herein. Notwithstanding such delivery, Seller shall bear risk of loss or damage to goods purchased hereunder from the time that Buyer gives notice of rejection of goods pursuant to the inspection provisions of this Order. If Seller encounters or anticipates difficulty in meeting the delivery schedule, Seller shall immediately notify Buyer in writing, giving pertinent details; provided, however, that the receipt of such data shall be for information purposes only and shall not be construed as a waiver by Buyer of any delivery schedule or date or of any rights or remedies provided by law or this Order. If Seller fails to make delivery promptly and regularly, as required by the Order, Buyer may, in addition to other remedies available at law, terminate this Order in accordance with the paragraphs of this Order entitled "Termination for Default." Nothing contained in this Paragraph shall prevent termination by Buyer under the provisions of the "Termination for Default" paragraphs of this Order.

4. Termination.

(a) Termination for Default:

- (i) Buyer may, by written notice of default to Seller, immediately terminate the whole or any part of this Order within the time specified herein or any extension thereof. If Seller fails to satisfy any of the other requirements of this Order, or so fails to make progress as to endanger performance of this Order in accordance with its terms and conditions, and does not cure such failure within a period of ten (10) calendar days (or such longer period as Buyer may authorize in writing) after receipt of notice from Buyer specifying such failure, then Buyer may terminate the whole or part of this Order.
- (ii) In the event Buyer terminates this Order in whole or in part as provided in Subparagraph (i) above, Buyer shall have no further obligation to Seller under the terminated portion of this Order; and Buyer may procure, upon such terms and in such manner as Buyer may deem appropriate, goods or services similar to those so terminated; and Seller shall be liable to Buyer for any excess costs.

(b) Termination for Insolvency:

In the event of the institution of any proceedings by or against Seller under Federal or State bankruptcy or debtors' relief laws, including, without limitation, any provisions of the Bankruptcy Code, or the appointment of a receiver or trustee or an assignment for the benefit of creditors of Seller, or the institution of any similar proceedings, Buyer may terminate this Order. Any termination under this Paragraph shall be deemed to be a termination for default in accordance with the provisions of this Order entitled "Termination for Default."

(c) Termination for Convenience:

Buyer may at any time by written notice terminate all or any part of this Order for Buyer's convenience, in which event Seller agrees to stop work immediately as to the terminated portion of this Order and to notify subcontractor(s) to stop work, and protect and preserve property in its possession in which Buyer has an interest. If this Order is terminated, in whole or in part, for Buyer's convenience, Seller shall be paid an amount, to be mutually agreed upon, which shall be adequate to cover the reasonable cost of Seller's actual performance of work under this Order to the effective date of termination, plus a reasonable profit thereon, provided that no amount shall be paid to Seller for (a) any anticipatory profits related to work under this Order not yet performed or (b) costs incurred due to Seller's failure to terminate work as ordered on the effective date of termination. Buyer shall have no obligation to make any of the aforementioned payments to Seller, either for completed items or in connection with terminated work in process, including materials, that are unusable in connection with Seller's other business. In no event shall the termination charges and all previous payments made under this Order exceed the total Order Value shown on the face of this Order.

- (d) If this Order is terminated as provided in any previous section, Buyer, in addition to any other rights provided in this Order, may require Seller to transfer title and deliver to Buyer, in the manner and to the extent directed by Buyer, the following (a) any completed goods and (b) materials, parts tools, dies, jigs, fixtures, plans, drawings, information, and contract rights (hereinafter call "manufacturing materials") as Seller has specifically produced or specifically acquired for the performance of such part of this Order as has been terminated. Seller shall also, upon direction of Buyer, protect and preserve property in the possession of Seller in which Buyer has an interest. Payment for completed goods delivered to and accepted by Buyer shall be at the contract price. Payment for manufacturing materials delivered to and accepted by Buyer and for the protection and preservation of property shall be in an amount agreed upon by Buyer and Seller; failure to agree to such amount shall be a dispute within the meaning of the paragraph of this Order entitled "Disputes." Buyer may withhold from amounts otherwise due Seller for such completed goods or manufacturing materials such sum as Buyer determined to be necessary to protect Buyer against loss because of outstanding liens or claims of former lien holders.
- (e) The rights of Buyer provided in this section shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Order. Any termination of this Order under this section shall not relieve Seller of any obligations and liabilities which may be arisen under any of the terms and conditions of this Order prior to such termination, including, but not limited to, patent infringement, reproduction rights, latent defects, and warranty obligations.

5. Inspection.

All materials or workmanship shall be subject to inspection by Buyer, its customers and any higher-level contractors having cognizance over this Order, including government agencies, FAA quality control representatives, before, during performance and after delivery. Inspections, when applicable, shall be performed in accordance with Military Standards 105D and 120. Buyer may require Seller to repair or replace rejected material or Buyer may accept any material and, upon discovery of non-conformance, may reject or keep and rework any such materials not so conforming. If inspections and tests are made on the premises of Seller or Seller's lower tier sub-contractors, Seller shall furnish, without additional charge, all reasonable facilities and assistance for the sale and convenient inspection and test required by the inspection in the performance of their duty. Buyer's failure to inspect shall not relieve Seller of any responsibility to perform according to the terms of this Order. Buyer, its customers and any high-level contractors having cognizance over this Order, including the FAA and other government agencies shall have the right to inspect Seller's and/or its sub-tier suppliers' manufacturing facilities, processes, inspection systems, quality assurance systems, data and equipment as may be relevant to the materials furnished or services supplied under this Order. Seller shall notify buyer of any changes of manufacturing facility location and, where required, obtain organizational approval.

6. Counterfeit / Suspect Parts.

If suspect/counterfeit parts are furnished under this purchase order and are found in any goods/services or sub-components of goods/services delivered hereunder, such items will be impounded by the Buyer. The seller shall promptly replace such suspect/counterfeit parts with parts acceptable to the Buyer and the Seller shall be liable for all costs relating to the removal and replacement of said parts. Buyer reserves contractual rights and remedies to address grievances and detrimental impacts caused by suspect/counterfeit parts. Only new and authentic materials are to be used in products delivered to Buyer. Material goods shall be purchased directly from the OCM/OEM's, or through the OCM/OEM's Franchised Distributor. Documentation must be available that authenticates traceability to the applicable OCM/OEM.

7. Limited Warranty.

Seller expressly warrants that all goods furnished hereunder shall (1) conform to all specifications, drawings,

samples or other description furnished, specified or adopted by Buyer and to all other requirements of this Order including the flow down of applicable requirements to its sub-tier suppliers; (2) be of merchantable quality and fit and sufficient for the purpose intended; (3) be free from defects in material and workmanship and, to the extent such goods are not manufactured pursuant to detailed designs of Buyer, be free from defects in design; (4) be free from defects in title and any claims of any third parties. Such warranties, together with Seller's service warranties and guarantees, if any, shall survive inspection, test, acceptance of, and payment for the goods and shall run to Buyer, its successors, assigns, customers at any tier, and all end users. Seller shall notify Buyer if goods have been furnished and subsequently found not to conform to applicable design data; and (5) notify buyer of any conditions under which product malfunctions, defects, and un-airworthy conditions have to be reported and dispositioned. Except for latent defects, notice of any defect or nonconformity shall be given by Buyer to Seller within twelve (12) months after acceptance by end user for all products. Buyer may, at its option, either (i) return defective or nonconforming goods for credit or refund (without Seller having any right to furnish conforming goods), (ii) require prompt replacement or correction of the defective or nonconforming goods, or (iii) have the defective item corrected or replaced at Seller's expense and deduct the cost thereof from any monies due Seller. Such goods will be held for Seller's instructions and at its risk or, at Buyer's option, will be returned at Seller's risk. The return to Seller of any defective or nonconforming goods and delivery to Buyer of any corrected or replaced goods shall be at Seller's expense. Buyer's packing sheet, which accompanies goods returned, will indicate whether goods are to be corrected, replaced or credited to Buyer. No goods thus returned will be replaced or corrected by Seller without Buyer's written instructions. Goods that have been rejected or required to be corrected shall not thereafter be tendered for acceptance, unless the form rejection or correction requirement is disclosed in writing. The obligations of this section shall survive the cancellation, termination or completion of this Order. The terms of this section are not intended to control third party claims against Buyer. In the event of third party claims against Buyer relating to goods furnished pursuant to these Terms and Conditions, the obligations of Seller to Buyer are controlled by Indemnity Against Claims herein.

8. Disputes.

Buyer and Seller shall strive to settle amicably and in good faith any dispute arising in connection with this Order. If they are unable to do so, the dispute shall be resolved by binding arbitration, conducted under the rules of the American Arbitration Association, as presently enforced, by three arbitrators appointed in accordance with said rules. The place of arbitration shall be Wichita, Kansas. Pending resolution of any dispute hereunder, Seller shall proceed diligently with the performance of work, including the delivery of goods, in accordance with Buyer's direction. Upon resolution of the dispute, this Order shall be equitably adjusted, if necessary, to reflect such resolution.

9. Fabricators of Component Parts.

If Seller is a fabricator of a component part(s), the Seller shall supply Buyer with a copy of the chemical and physical test results or a certification of raw materials used in this process on or before the delivery of the fabricated goods. All applicable quality documentation shall be maintained at the Seller for a minimum period of seven years. These records shall be available to Aero-Mach Labs, Inc. and or Customer/FAA upon request. At the expiration of the retention period, the records shall be offered to Aero-Mach Labs with prior notice of at least six months for further retention or disposal according to Aero-Mach Lab's written procedures. First Article Inspection records shall be kept at the supplier for a minimum period of fifteen years.

10. Indemnity Against Claims.

- (a) Seller shall defend, indemnify, and hold harmless Buyer and Buyer's directors, officer, employees, and agents from any liability, claim of liability, expense, cause of action, loss or damage, whatsoever, including attorneys' fees arising out of or in any way connected with Seller's performance or failure to perform this Order or that of Seller's agents, employees or subcontractors. Seller shall also

maintain such Public Liability, Property Damage, Employer's Liability and Compensation Insurance and Motor Vehicle Liability Insurance as are required in this Order or, if none are specified, such amount as will protect Seller (or subcontractors) and Buyer from said risk and from any claims under applicable workers' compensation, Occupational Disease and Occupational Safety and Health Statutes, including the Occupational Safety and Health Act.

- (b) Seller shall, without limitation as to time, indemnify and save Buyer harmless from all claims which may be asserted against property covered hereunder, including, without limitation, mechanic's liens or claims arising under workers' compensation or occupational disease laws and from all claims for injury to persons or property arising out of or relate to such property unless the same are caused solely and directly by Buyer's negligence.
- (c) Seller does hereby irrevocably indemnify and agree to defend any claim or litigation or to pay or reimburse any judgment and all loss and expense costs (including reasonable attorney fees) incurred in connection with any claim or litigation which asserts or is based upon any alleged design or manufacturing defect, negligence, failure to warn, or breach of warranty related to Seller's product(s) (including parts and components thereof purchase by Seller from its suppliers), delivered to Buyer. This indemnity shall be deemed an agreement made in Kansas, to be construed in the courts in accordance with the laws of that State.

11. Modifications.

Seller shall make no change in design, manufacturing or assembly processes or source of supply which would effect form, fit, function, weight or performance of the goods ordered hereunder without the express, prior written approval of Buyer. In the event Seller proposes such a change, Seller shall provide documentation of the proposed revision and supporting data to Buyer for written approval. Should Seller fail to obtain Buyer's written approval prior to delivering modified goods, then Buyer may reject the goods and seek all applicable rights and remedies.

12. Patents.

Seller agrees that Seller shall, at its own expense, including payment of court costs and attorney fees, defend any charges or lawsuits instituted by any party against Buyer or its customers for alleged infringement of any patent, trademark or similar right relating to goods manufactured by or for Seller and furnished to Buyer in the performance of this Order, or relating to the use of such goods in combination with other articles of its manufacture as is recommended by Seller, except where such goods are furnished by Seller pursuant to Buyer's drawings or designs; provided Buyer gives Seller notice in writing of any such changes, and of the institution of any such suit of which it has knowledge. Seller further agrees that, in case of any final award or damages in any such suit, Seller shall pay such award and shall indemnify and hold harmless Buyer and Buyer's customers in respect to such award, court cost, attorney fees, and expenses incurred by reason thereof. Seller shall notify Buyer in writing of each such notice or claim of which Seller has knowledge. The obligations of this section shall survive the cancellation, termination or completion of this Order.

13. Assignment.

Seller shall not assign the performance of this Order without the prior written consent of Buyer. Proceeds due or to become due under this Order may be assigned by Seller only with the prior written consent of Buyer and provided that payment to an assignee of any claim related to this Order shall be subject to all applicable defenses, reductions, and setoffs. Buyer may assign this Order to (i) any affiliated company, (ii) any successor in interest or (iii) Buyer's customer.

14. Equal Employment Opportunity.

This contractor and all covered subcontractors shall abide by the requirements of 29 CFR Part 741, 41 CFR § 60-1.4(a), Appendix A to Subpart A, 60-300.5(a) and 60-741.5(a). These regulations prohibit discrimination against qualified individuals based on their status as protected veterans or individuals with disabilities, and

prohibit discrimination against all individuals based on their race, color, religion, sex, sexual orientation, gender identity, or national origin. Moreover, these regulations require that covered prime contractors and subcontractors take affirmative action to employ and advance in employment individuals without regard to race, color, religion, sex, sexual orientation, gender identity, national origin, protected veteran status or disability.

15. Applicable Law.

Buyer and Seller expressly agree that this Order shall be deemed to be a contract entered into in the State of Kansas and shall be construed and governed in all respects, and the legal relationships between the parties shall be determined, in accordance with the laws of the State of Kansas.