

Purchase Order General Terms and Conditions

1. **ISSUANCE OF ORDERS:** Applied Aero Systems (herein referred to as Buyer) Purchase Orders (PO) are binding agreements. Only Buyer's Purchase Agents (PA's) are authorized to issue PO's on behalf of the company. Purchase Agents shall place orders by the use of PO's. All Buyer's contractual directions (including, but not limited to, pricing, delivery, and configuration changes) shall be authorized in writing by Purchasing Agents only.

2. **ACCEPTANCE:** Each Order is Buyer's offer to Seller and acceptance is strictly limited to its terms. Buyer shall not be bound by and specifically objects to any term or condition, which is different from, or in addition to the provisions of the Order, whether or not such term, or condition materially alters the Order. Seller's commencement of performance or acceptance of the Order in any manner shall conclusively evidence Seller's acceptance of the Order as written. Buyer may revoke without any obligation any Order prior to Buyer's receipt of Seller's written acceptance or Seller's commencement of performance.

3. **PURCHASE ORDERS:** The PO shall include the following information: PO Number, Item Number, Part Number, Part Description, Quantity Ordered, Unit Price/Lot Charge, Required On Dock Delivery Date, and Signature of Authorized Buyer. Any changes to an order will be made using a Purchase Order Change (POC). The Seller shall proceed immediately to perform the order as changed. Seller shall notify their PA immediately of any proposed changes to a PO, either verbally or in writing. If a proposed change is accepted, it will be formally acknowledged through a POC to document the change. Seller shall specify in writing any reason for rejecting an order and any changes or additions that would make the order acceptable to the Seller. Any charges that do not appear on an authorized PO will not be considered valid charges, and will not be paid. All prices shall include applicable taxes, except sales taxes which are to be separately shown where applicable. Seller warrants that the prices charged for the Goods or Services ordered will be as low as the lowest prices charged by the Seller to any customers purchasing similar goods or services in the same or smaller quantities and under like circumstances.

4. **PACKING AND SHIPPING:** Seller shall make no charge for packaging or storage. All Goods shall be packaged, marked, and otherwise prepared in accordance with good commercial practices to obtain lowest shipping rates and in accordance with all applicable federal, state and local packaging and transportation laws and regulations. Seller shall package Product so that it is protected against damage during transport. Seller shall prevent, detect and remove any foreign objects that could damage Product during shipment. Seller shall mark on containers handling and loading instructions, shipping information, order number, item and account, shipment date and names and address of Seller and Buyer. An itemized packing list shall accompany each shipment.

5. **DELIVERY:** Title to and risk of any loss of or damage to the Order shall pass from Seller to Buyer at the FOB
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point, as specified on the applicable PO, except for loss or damage thereto resulting from Seller's fault or negligence. Unless otherwise specified on the face of this order, the FOB point shall be Buyer's location designated on the face or this order. Passage of title on delivery does not constitute Buyer's acceptance of Products. Seller may not make early or partial deliveries without prior written authorization from Buyer. Seller shall notify Buyer immediately of any circumstances that may cause a delay in delivery, stating the estimated period of delay and reasons therefore. If requested by Buyer, Seller shall use additional effort, including premium effort and shall ship via air or other expedited routing to avoid or minimize delay to the maximum extent possible. All additional costs resulting from such premium effort or premium transportation shall be borne by Seller, with the exception of such costs attributable to delays caused directly by Buyer

6. **INVOICING:** After each shipment made or service provided under this order, Seller shall send a separate invoice, including item numbers, in duplicate, accompanied by a bill of lading or express receipt. Payment of invoice shall not constitute acceptance of the Goods or Services and shall be subject to appropriate adjustment for failure of Seller to meet the requirements of this order. Payment terms are net 45 days. Buyer may set off any amount owed by Seller or any of its affiliated companies to Buyer against any amount owed by Buyer to Seller under this order.

8. **INSPECTION:** (a) All Goods shall be inspected and accepted by Seller prior to shipment to Buyer. (b) All Goods may be inspected and tested by Buyer, its customers, higher tier contractors, and the U.S. Government, at all reasonable times and places. If such inspection or testing is made on Seller's premises, Seller shall provide, without additional charge, all reasonable facilities and assistance for such inspections and tests. All inspection records relating to the Goods shall be available to Buyer its customers, and the U.S. Government, at all reasonable times and places during the performance of this contract, and retained for a minimum period of seven (7) years or for such longer periods specified by Buyer. Seller must have Buyer written approval before disposal/disposition of any records. (c) Final inspection and acceptance by Buyer shall be at Buyer's plant or shipping destination unless otherwise specified in this order. Such inspection shall be in accordance with the customary established inspection procedures. If rejection of a shipment would result from Buyer's normal inspection level under such procedures, Buyer may, at its option, conduct up to 100% inspection, and charge the Seller the reasonable costs thereof. (d) No inspection (including source inspection), tests, approval (including design approval), or acceptance of the Goods shall relieve Seller from responsibility for any defects in the Goods or other failures to meet the requirements of this order, or for latent defects, fraud, such gross mistakes as amount to fraud, and Seller's warranty obligations. If the Goods are defective or otherwise not in conformity with the requirements of this order, Buyer may, by written notice to Seller: (1) rescind this order as to such Goods; (2)

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accept such Goods at an equitable reduction in price; or (3) reject such Goods; and require the delivery of replacements. A written notice specifying such Goods are replacements shall accompany deliveries of replacements. If Seller fails to deliver required replacements promptly, Buyer may; (1) replace or correct such Goods and charge the Seller the cost occasioned Buyer thereby; or (2) terminate this order for cause as provided in Section 20b hereof. Rights granted to Buyer under this Section 9 are in addition to any other rights or remedies provided elsewhere in this order or in law.

9. **TOOLS:** If Buyer furnishes Seller equipment (such as special dies, molds, jigs, tools, test equipment, masks, etc.) or pays for such equipment, title thereto shall remain or vest in Buyer, and Seller shall identify, maintain and preserve such equipment and shall dispose of it in accordance with Buyer's direction. Unless otherwise authorized in writing by Buyer, Seller shall use such equipment solely in the performance of purchase orders for Buyer. Seller shall be responsible for any loss, damage, or destruction to such equipment, but Seller shall not include any insurance cost therefore or cost to store in the prices charged under this order. Buyer also reserves the right to request and receive list of Buyer's owned tools in supplier's possession and to audit said list against actual tools at supplier's facility. Buyer reserves the right, at its sole discretion, to remove any Buyer owned tooling, if Buyer feels work is in jeopardy.

10. **MATERIAL:** If Buyer furnishes any material (such as extrusions, fasteners, bearings, bushings, etc.) for fabrication hereunder Seller agrees (1) not to substitute any other material in such fabrication (2) title to such materials shall not be affected by incorporation in or attachment to any other property, and (3) all such material (except that which becomes normal industrial waste or is replaced at the Seller's expense) will be returned in the form of products or unused material to Buyer. In addition Seller shall inspect any Buyer furnished material and shall have the right to reject any nonconforming material but in the event of losses or attrition thereafter Seller shall be responsible for replacing such material at Seller's expense. Inaccuracies, out of tolerance conditions or inadequacies in quantity of materials accepted by the Seller shall not excuse performance in strict accordance with the applicable specifications and/or drawings. Buyer-supplied, owned, or dedicated product or materials shall not be sold, delivered, given, or otherwise used by or for any other customer or supplier without the Buyer's written agreement.

11. **CONFIDENTIAL OR PROPRIETARY INFORMATION AND PROPERTY:** Seller shall keep confidential and otherwise protect from disclosure all information and property obtained from Buyer in connection with this order and identified as confidential or proprietary. Unless otherwise expressly authorized herein or by Buyer, Seller shall use such information and property, and the features thereof, only in the performance and for the purpose of the order. Upon Buyer's request, and in any event upon the completion,

termination or cancellation of this order, Seller shall return all such information and property to Buyer or make such other disposition thereof as is directed by Buyer. Seller shall not sell or dispose of as scrap or otherwise, any completed or partially completed or defective proprietary property before receiving written authorization from Buyer and before rendering such property unsuitable for use.

12. **COMPLIANCE WITH LAWS:** Seller shall comply with all federal, state and local laws, ordinances, rules and regulations in the manufacture and sale of the Goods and performance of the Services, including but not limited to the Occupational Safety and Health Act, the Truth in Negotiation Act, the Resources Conservation and Recovery Act and all applicable requirements of the Fair Labor Standards Act. Seller will defend and hold Buyer harmless from any loss, damages, or costs arising from or caused in any way by any actual or alleged violation of any federal, state or local law, ordinance, rule, or regulation, or failure by the Seller to have (1) any chemical substances sold hereunder included in the list of approved chemical substance published by the Environmental Protection Agency pursuant to the Toxic Substances Control Act; or (2) provide a complete Material Safety Data Sheet (OSHA Form 2.0) or equivalent for any chemical substances sold hereunder as required by any federal, state or local law, ordinance, rule or regulation.

13. **LIEN WAIVERS:** Seller shall furnish, upon Buyer's request, waivers by Seller and all other persons entitled to assert any lien rights in connection with the performance of this order.

14. **LIABILITY FOR INJURY:** Seller shall indemnify Buyer against any and all costs, loss and liability for all personal injury and property damage caused by the Goods or Services performed by Seller (whether performed on the premises of Seller or Buyer or elsewhere) and shall defend at its sole cost and expense any action brought against Buyer as a result of any such personal injury or property damage. Seller shall carry and maintain insurance coverage satisfactory to Buyer to cover the above, and upon Buyer's request, shall furnish Buyer with evidence of such insurance in a form satisfactory to Buyer.

15. **ASSIGNMENT:** Seller shall not assign this order or any rights under this control without the prior written consent of Buyer, and no purported assignment by Seller shall be binding on Buyer without such written consent.

16. **CANCELLATION:** Buyer may terminate all, or part of any order issued hereunder, by written notice to Seller. Any such written notice of termination shall specify the effective date and the extent of any such termination. Any partial termination of an order shall not alter or affect the terms and conditions of the order or any order with respect to materials not terminated. The performance of work under this agreement, which has not been delivered in accordance therewith, may be terminated without cause, by Buyer upon written notice. Buyer will make reasonable effort to provide 90 days written notice to Seller of desire to terminate agreement. After receipt

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of a notice of termination, Seller shall (1) Stop work as specified in the notice; (2) Place no further subcontracts or orders except as necessary to complete the continued portion of the PO; (3) Terminate all subcontracts to the extent they relate to the terminated work; (4) With Buyer's approval of the amount, settle all subcontracts terminated hereunder; (5) Use its best efforts to sell, with Buyer's prior approval, any parts, work in process, supplies or other material produced or acquired for the terminated portion of this agreement; (6) Complete performance of the portion not terminated and (7) Submit any termination. After completion of the items specified above and after submittal by Seller of a detailed, substantiated termination claim in the format specified by the Buyer and after Seller's termination claim has been audited by Buyer and negotiated by the parties and after Seller has submitted an invoice for the negotiated amount, Buyer will pay to Seller in accordance with the terms hereof the reasonable, unavoidable costs which Seller incurred in previously performing the terminated portion of a PO, which can not be used in Seller's business in the foreseeable future. Such amounts shall not include lost profits. In no case will the amount to be paid under this agreement for terminated, delivered and continued work exceed the original PO price before the work was terminated.

17. EVENTS OF DEFAULT AND REMEDIES: (A) Events of Default The occurrence of any one or more of the following events shall constitute an "Event of Default"; (i.) Any failure by Seller to deliver, when and as required by this agreement or any order, any product, except as provided in Section 20; or (ii.) Any failure by Seller to provide an acceptable Assurance of Performance within the time specified in Section 7, or otherwise in accordance with applicable law; or, (iii.) Any failure by Seller to perform or comply with any obligation (other than as described in the foregoing Sections (i) and (ii.) set forth in this contract and such failure shall continue unremedied for a period of thirty (30) days or more following receipt of Seller of notice from Buyer specifying such failure; or (iv.) (a) the suspension, dissolution or winding-up of Seller's business, (b) Seller's insolvency, or its inability to pay debts, or its nonpayment of debts, as they become due, (c) the institution of reorganization, liquidation or other such proceedings by or against Seller or the appointment of a custodian, trustee, receiver or similar Person for Seller's properties or business (d) an assignment by Seller for the benefit of its creditors, or (e) any action of Seller for the purpose of effecting or facilitating any of the foregoing. (B) Remedies: If any Event of Default shall occur: Buyer may, by giving written notice to Seller, immediately cancel this agreement and/ or any order, in whole or in part, and Buyer shall not be required after such notice to accept the tender by Seller of any products with respect to which Buyer has elected to cancel this agreement.

18. EXCUSABLE DELAY: If delivery of any product is delayed by unforeseeable circumstances beyond the control and without the fault or negligence of Seller or its suppliers (and such delay being hereinafter referred to as "Excusable Delay"), the delivery of such product shall be extended for a period to be determined by Buyer after

an assessment by Buyer of alternate work methods. Excusable Delays may include, but are not limited to, acts of God, war, riots, acts of government, fires, floods, epidemics, quarantine restrictions, freight embargoes, strikes or unusually severe weather, but shall exclude Seller's noncompliance with any rule, regulation or order promulgated by any governmental agency for or with respect to environmental protection. However, the above notwithstanding, Buyer expects Seller to continue production, recover lost time and support all schedules as established under this contract or any order. Therefore it is understood and agreed that (i) delays of less than two (2) days' duration shall not be considered to be Excusable Delays and (ii) if delay of any product is caused by the default of any of Seller's suppliers, such delay shall not be considered an Excusable Delay unless the supplies or services to be provided by such supplier are not obtainable from other sources in sufficient time to permit Seller to meet the applicable delivery schedules. If any Excusable Delay delays delivery of any product for more than two (2) months, Buyer may, without any additional extension, cancel all or part of any order with respect to the delayed products.

19. PUBLICITY: Seller shall not make or authorize any news release, advertisement, or other disclosure which shall deny or confirm the existence of this order without the prior written consent of Buyer, except as may be required to perform this order.

20. APPLICABLE LAW: The validity, performance, and construction of this order shall be governed by the laws of the state shown on Buyer's address on this order.

21. SPECIAL U.S. GOVERNMENT PROVISIONS: The provisions set forth in this Section shall apply only if this order bears a U.S. Government contract number. Such orders will be construed and interpreted according to the Federal law of Government Contracts as enunciated and applied by Federal judicial bodies and Boards of Contract Appeals, and other judicial and quasi-judicial agencies of the Federal Government. To the extent that the Federal law of Government Contracts is not determinative recourse shall be had first to the Federal law of sales applying the uniform Commercial Code, and then to the laws of the state shown on Buyer's address on this order. (a) Audit: Seller agrees its books and records and its plants, or such part thereof as may be engaged in the performance of this order, shall at all reasonable times be subject to inspection and audit by any person designated by the head of any executive department of the U.S. Government. (b) Subcontracts: Seller agrees that no subcontract placed under this order shall provide for payment on a cost plus percentage of cost basis. (c) Quality Control: Except as otherwise provided in this order, Seller's system of Quality Control during the performance of this order shall be in accordance with the specifications incorporated herein by reference or other Quality Control Specifications as are required by Buyer's prime contract or higher tier order. (d) FAR Regulations: The following clauses of the Federal Acquisition Regulations (FAR), Department of Defense FAR Supplements, and clauses in the Defense Acquisition Regulations which are equivalent to the

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following FAR clauses, incorporated herein by reference and made a part hereof to the extent same are required by statute, regulation or Buyer's prime contract: 52.225-11, Certain Communist Areas; 52-2224, Contract Work Hours and Safety Standards Act Overtime Compensation; 52.222.20, Walsh-Healy Public Contracts Act; 52.222-26, Equal Opportunity, 52.Z7-2 Notice and Assistance regarding Patent and Copyright infringement; 23. SPECIAL U.S. GOVERNMENT PROVISIONS: (continued)

52.215-7000, Pricing of Adjustments; 52.222- 35, Affirmative Action for disabled Veterans and Veterans of the Vietnam Era; 52.Z2-36. Affirmative Action for Handicapped Workers; 52.223-2, Clean Air and Water; 52.227-3, Patent Indemnity, 52-227.10, Filing of Patent Applications; 52.Z7-9 Refund of royalties; 52.227-7013, Rights in Technical Data and Computer Software; 52.Z7-7030, Technical Data- Withholding of Payment; 52.246-7001, Warranty of Technical Data; 52.227-7018, Restrictive Markings on Technical Data; 52.284-2, Military Security Requirements; 52.219-8, Utilization of Small Business and Small Disadvantaged Business Concerns; 52.215-1, Examination of Records by Comptroller General; 52.212-8, Priorities, Allocations and Allotments; 52.220-3, Utilization of Labor Surplus Area Concerns, 52.208-1, Required Form FM7.4-09 Rev NC (Formally SLP060-09 Rev NC) Page 4 of 4 The Company Terms and Conditions Source for Jewel Bearings and Related Items; 52.208-7000, Required Sources for Miniature and Instrument Ball Bearings; 52.215-2, Audit Negotiation; 52-208-7001, Required Sources of Precision Components for Mechanical Time Devices; 52.210-5, New Material 52.219-13, Utilization of Women-Owned Business Concerns; 52.225-7011. Preference for Domestic Specialty Metals; 52.227-12, Patent Rights, Retention by the contractor. If this purchase order exceeds \$100,000 or \$500,000, depending upon the requirements of the Buyer's higher tier contract, and/or a Certificate of Current Cost or

Pricing Data has been furnished, the following are incorporated herein by reference; 52.215-24, Subcontractor Cost and Pricing Data; 52.215-22, Price Reduction for Defective Cost or Pricing Data; 52.230-3, Cost Accounting Standards; and 52.230-4, Administration of Cost Accounting Standards. In all foregoing FAR clauses, the term "Contractor" shall mean "Seller", the term "Contract" shall mean this order, and the term "Contracting Officer" shall mean the Contracting Officer for the U.S. Government prime contract except that in FAR Clauses 52.227-7013, 52.227-7030, 52.246-7001, 52.215-22, 52.208-1, 52.208-7000, 52.208-7001, and 52.210-5 the term "Contracting Officer" shall mean the "Buyer". Any reference to a "Default" clause in the above FAR clauses shall mean the "Termination With Cause" clause hereof. (e) Government Property: Seller shall maintain and administer, in accordance with sound industrial practices, a program for the maintenance, repair, protection, and preservation of Government property. Seller shall comply with the provisions of FAR subpart 45.5 "Management of Government Property in Possession of Contractors" as in effect on the date of

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this order, which subpart is hereby incorporated by reference and made a part of this order. Seller assumes risk of and shall be responsible for any loss or damage to Government property, except for reasonable wear and tear and except to the extent that such property is incorporated in the Goods delivered under this order. Upon completion of this order or at such earlier times as Buyer may request, Seller shall submit, in acceptable form, inventory schedules covering all items of Government property pertaining to this order. To the extent that such use will not interfere with Seller's performance of this or other orders from Buyer, This clause shall not limit the 23. SPECIAL U.S. use by the Seller of property to which the Government has title in the production of end items on direct Government orders; however, nothing herein will be deemed to contravene the rights of the Government under FAR 45.106 or FAR 52.245-2

22. DISPUTES/JURISDICTION & VENUE: Buyer and Seller shall use their best reasonable efforts to resolve any and all disputes, controversies, claims, or differences between Buyer and Seller, arising out of or relating in any way to this Contract or its performance, including, but not limited to, any questions regarding the existence, validity or termination hereof ("Disputes"), through negotiation. Only upon failure by Buyer and Seller to resolve the Dispute through such negotiation may either Party institute legal action. Any dispute arising under this order, which is not disposed of by agreement of the parties, shall be decided by a court proceeding. The jurisdiction and venue of any dispute shall be submitted to the Mason County Superior Court, State of Washington and each party submits to the jurisdiction of that court for such purpose. Any removal to Federal Court shall be to the Western District, Seattle, Washington. Pending settlement of final decision of any

23. DISPUTES/JURISDICTION & VENUE: (continued)

such dispute, Seller shall proceed diligently with the performance of this order in accordance with Buyer's direction.

24. ANTI-KICKBACK: Seller warrants that it is in full compliance with the provisions of the Anti-Kickback Act of 1986, 41 U.S.C. 51-58 and shall indemnify, protect, defend and hold Buyer harmless from any liabilities or monetary loss Buyer may suffer as a result from failure of such compliance by Seller.

25. WAIVER: The failure of Buyer to insist upon the performance of any provision of this order, or to exercise any right or privilege granted to the Buyer under this order, shall not be construed as waiving such provision or any other provision of this order, and the same shall continue in full force and effect. If any provision of this order is found to be illegal or otherwise unenforceable by any court or other judicial or administrative body, the other provisions of this order shall not be affected thereby, and shall remain in full force and effect.

26. QUALITY REQUIREMENTS: See Purchase Order Quality Requirements 40504.

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Review, Approval, and Revision History

Rev.	Date	Description	Reviewed	Approved
B	11/22 /19	Added # 26. Added Applied Aero Systems in header and revision History.	Randy Bickle	Dawn Fechtel