



Compaero Purchase Order Terms and Conditions

Document Number: QMP-105

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1.0 ACCEPTANCE OF PURCHASE ORDERS

This order is Compaero's offer to purchase the goods and/or services specified according to the terms and conditions specified herein. The Purchase Order together with any attachments specifically incorporated or referenced along with these General Terms and Conditions contain the entire understanding between and among the parties and supersedes any prior understandings and agreements among them respecting the subject matter of this Agreement. This Agreement may be amended, modified, or supplemented only by a written agreement signed by Compaero and the Seller. This Agreement shall be binding upon the successors and assigns of the parties. In the event that any Compaero Purchase Order does not state a price or delivery date, Compaero will not be bound to any price or delivery date to which it has not specifically agreed in writing.

1.1 REFERENCE DOCUMENTS

When industry, military and/or regulatory standards are specified on the Compaero purchase order, the manufacturing and/or processing of Compaero product shall be in accordance with the current issue of the cited standards in effect as of the date of the purchase order. Note that if a specific revision is indicated on the purchaser order, the requirements of the specification at that revision level shall be imposed; and may reflect an older revision of the specification. However, nothing supersedes applicable laws and regulations unless a specific exemption has been obtained.

2.0 CHANGES

No changes, modifications or revisions to this order shall be valid unless in writing and signed by Compaero's Buyer. Compaero's Buyer may at any time, by written notice, make changes within the general scope of this order to drawings and specifications, shipping instructions, quantities, and delivery schedules. Should any such change increase or decrease the cost, or the time required for performance of the order, an equitable adjustment in the price and/or delivery schedules will be made. Any claims for adjustment by Seller must be made within thirty (30) days from the date the change is ordered or within such additional period of time as may be agreed upon and should be accompanied by an estimate of charges for redundant material and/or work in process. No claim by Seller for actual cost of redundant material or work in process resulting from any such change will be valid unless submitted within six months from the date of such change, or such longer period as may be authorized by Compaero's Buyer in writing. Nothing contained in this clause shall relieve Seller from proceeding without delay in the performance of this order as changed.

3.0 INSPECTION / ACCEPTANCE AND QUALITY CONTROL

All goods and/or services ordered are subject to final inspection and acceptance at Compaero and at ultimate destination, notwithstanding any prior payment or inspection and acceptance. Compaero may reject and hold at Seller's expense, subject to Seller's disposal or return to Seller at Seller's expense, all material or articles not conforming to applicable drawings, specifications, samples, or as defined in the Purchase Order. Seller agrees to replace at its expense or, at Compaero Buyer's option, to refund the price of any articles which fail to meet the requirements of applicable drawings, specifications, samples, or descriptions as ordered. The Seller is cautioned to examine carefully all referenced documentation that in total describes the product or service, the quality, the records and the controls that are required for adequate conformance. The requirements of listed and supplementary documents are mandatory to the extent they are applicable to the product or service furnished unless specific exemption in writing is obtained from Compaero. Parts and materials furnished as part of the delivered item or, in the case of distributors, furnished as the delivered item shall have been purchased in a manner that ensures conformance to the applicable specifications and is subject to adequate controls. All supplied paperwork (certifications, shippers, etc.) must all reference back to the Compaero Purchase Order Number, regardless of origin of paperwork. The Seller must tie all paperwork together with reference numbers. Additional Compaero Supplier Requirements / Quality Clauses will be identified on the Purchase Order as CN Clauses (e.g.: CN01, CN02, etc.). Quality Clause definitions are presented in Compaero's Coded Notes found in the quality section of Compaero's website. Compaero must be informed immediately (not to exceed 24 hours or the next business day) of suspect nonconforming product shipped regardless of destination or date shipped. Notification shall be provided to Compaero Buyer identified on the Purchase Order. Acceptance of this Purchase Order by the Seller constitutes acceptance of the applicable CN-Clauses without claim for additional costs.

4.0 RIGHT OF ENTRY

During Purchase Order performance, Compaero or its representative, Compaero's customer, or regulatory authorities reserve the right to visit the supplier's facilities to monitor the items being manufactured for Compaero. The representative may audit the product, production/manufacturing processes, the Quality Management/Inspection System, and all applicable records to determine compliance with quality and/or Purchase Order requirements. Whenever possible, advance notification of such visits will be made to avoid schedule disruption.



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5.0 PACKING, SHIPMENT AND DELIVERY

All packing shall be at Seller's expense, in suitable containers for protection in shipment and storage. Packing must conform to applicable carrier regulations. Packing lists shall accompany each shipment, showing the Compaero Purchase Order number and material description. Delivery schedule is of the essence. Seller will be held liable for damages suffered by Compaero due late deliveries. Acceptance by Compaero of any items after delivery date shall not be deemed a waiver of any rights or any damages suffered, and shall only be an attempt by Compaero to mitigate such damages. Failure by Seller to complete delivery within the time specified shall in addition to other rights and remedies, relieve Compaero of obligation to accept and pay for goods and/or services ordered.

6.0 WARRANTY

Seller warrants that all goods and/or services supplied or furnished hereunder will be free from defects in material and workmanship and will conform to applicable specifications, drawings, samples, and descriptions as ordered; and if of Seller's design, will be free from design defects. Such warranties shall remain in effect for a period of six (6) months after each item is applied to use intended, except if intended for use in products to be delivered to customers of Compaero, such warranties shall remain in effect for a period of six (6) months after delivery of such products to Compaero's customer. Such warranties shall be in addition to any other warranty or service guarantee of Seller and any warranties imposed by law. All warranties and service guarantees shall be equally applicable to Compaero and its customers.

7.0 RESPONSIBILITY FOR PROPERTY

Seller shall be responsible for all property and supplies covered by this order until delivery to specified delivery point and shall bear all risks for rejected property and supplies after notice of rejection. Seller shall be liable for any loss or destruction of, or damage to, property furnished to Seller by Compaero or Compaero's Customers, and shall be responsible for returning any such property in as good condition as when received, except for reasonable wear and tear, or for the utilization of such property in accordance with the provisions of this order.

8.0 QUALIFICATION

If qualification as called out on drawing or specification is required on any item called for in this Purchase Order, such items cannot be shipped until items have been accepted through qualification tests, or deviations have been granted in writing from the Compaero Buyer to ship prior to completion of tests, notwithstanding the qualification clause on the drawing or specification. Nothing in this section (8.0) is intended to prevent the continued production of items, as required to meet delivery schedule called for by the Purchase Order.

9.0 TOOLING AND MATERIAL

If this order is for tooling or rework or re-identification of tooling, title to such tooling shall vest in Compaero unless otherwise stated on the Purchase Order. Title to, and the right of immediate possession of, all tooling and material furnished by Compaero to Seller shall remain in Compaero. All tooling ordered and tooling and material furnished by Compaero shall be used solely in the performance of work ordered by Compaero. It is the Seller's responsibility to verify the accuracy, quality or suitability of any tooling or material supplied by Compaero when used to produce goods and/or services under the requirements of this order. All such tooling shall be maintained in good condition and shall be permanently identified with the Compaero name and part number. Such tooling and material shall be subject at all times to disposition as Compaero may direct. Seller agrees to maintain inventory control of all such tooling and property and to furnish inventories thereof if required by Compaero.

10.0 APPROVED VENDORS

Compaero maintains an Approved Vendors List (AVL). These Sellers are qualified by audit results and are subject to continuing performance measurements based on both conformance to requirements and delivery performance. Late shipments or the shipment of discrepant material will affect a Seller's approval rating, and can cause disqualification.

11.0 INVOICES AND PAYMENT

Unless otherwise provided in this order, no invoices shall be issued nor payments made prior to delivery. Invoices must be issued per shipment. Unless freight and other charges are itemized, any discount will be taken on full invoice amount. Payments are subject to adjustment for shortage/rejection. Payment terms are specified on the Purchase Order. Net terms being after the date Seller's invoice is received by Compaero. All invoices shall include Compaero Purchase Order Number, item number and description, and unit price. Tooling invoices shall be submitted only after acceptance by Compaero of sample or production parts made by such tooling and must be accompanied by Seller's certification that each tool is completed and satisfactory for the use for which it is intended. Tooling invoices shall include the Compaero Purchase Order number, the number of the part fabricated and the price of each tool.

12.0 TAXES

The price stated on the face of the Purchase Order shall include any and all taxes and other governmental charges, now imposed upon the production, sale, shipment, or use of the materials and Seller shall pay and discharge all such taxes and charges without reimbursement from Compaero.



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13.0 TERMINATION AND DEFAULTS

(a) Compaero may terminate this order in whole or in part at any time by written notice (including facsimile and electronic mail systems) to Seller and such termination shall not constitute default. Compaero and Seller shall have all rights and obligations at law and in equity, including Compaero's rights to title and possession of goods paid for. Seller shall be reimbursed for actual, reasonable, substantiated and allowable costs, plus a reasonable profit for work performed to date of termination. Compaero may take immediate possession of all work performed upon notice of termination. Seller agrees that it will not include in any claim submitted hereunder any direct cost of engineering and/or development or any cost for special tooling unless specifically ordered by Compaero. Seller's obligations under the warranty and confidentiality provisions of this agreement shall survive such termination.

(b) Compaero may, by written notice (including facsimile and electronic mail systems) of default to Seller, terminate the whole or any part of this order in any one of the following circumstances: (i) if Seller fails to make delivery of the supplies to perform the services within the time specified herein or any extension thereof; or (ii) Seller fails to perform any of the provisions of this order or fails to make progress thus endangering performance of this order in accordance with its terms and in either of these two circumstances does not cure such failure within a period of ten (10) calendar days (or such longer period as Compaero may authorize in writing) after receipt of notice from Compaero specifying such failure; or (iii) Seller becomes insolvent or the subject of proceedings under any law relating to bankruptcy or the relief of debtors or admits in writing its inability to pay its debts as they become due; or (iv) if Seller fails to provide written assurance of due performance, within a reasonable time after demand by Compaero; or (v) prime contract is terminated for convenience by the Government or other agency.

(c) If this order is so terminated under section (b) for items (i) through (iv), Compaero may procure or otherwise obtain, in the terms and manner as Compaero deems appropriate, supplies or services similar to those terminated. Seller, subject to the exceptions set forth below shall be liable to Compaero for any excess costs of similar supplies or services along with additional administrative costs tied to reprourement actions.

(d) At or after termination as requested, Seller shall transfer title and deliver to Compaero complete articles, partially completed articles and materials, parts, tools, dies, patterns, jigs, fixtures, plans, drawings, information and contract rights that Seller has produced or acquired for the performance of the terminated part of the order, and Compaero will pay Seller the contract price for completed articles delivered to and accepted by Compaero and the fair value of the other property of Seller so requested and delivered.

(e) Seller shall continue performance of this order to the extent not terminated. Compaero shall have no obligations to Seller for the terminated part of this order except as provided herein. Compaero's rights as set forth herein shall be in addition to other rights set forth by law in case of Seller's default.

14.0 INSOLVENCY

In the event of the institution of any proceedings by or against either party in bankruptcy or insolvency or under any provisions of the Bankruptcy Act or for the appointment of a receiver or trustee or an assignment for the benefit of creditors of either party, the other party may terminate this order without further cost or liability.

15.0 ASSIGNMENT

Neither this order nor any interest under it shall be assigned by Seller without the prior written consent of Compaero, except that claims for monies due or to become due under this order may be assigned to a bank, trust company, or other financing institution, including any Federal lending agency, by Seller without such consent. Compaero shall be furnished with two signed copies of any such assignment. Payment to an assignee of any such claim shall be subject to setoff for any present or future claim or claims which Compaero may have against Seller except to the extent that any such claims are expressly waived in writing by Compaero. Compaero reserves the right to make direct settlements and/or adjustments in price with Seller under the terms of this order, notwithstanding any assignment of claims for monies due or to become due hereunder and without notice to the assignee.

16.0 LABOR DISPUTES

Seller agrees that whenever any actual or potential labor dispute delays or threatens to delay the timely performance of this order, Seller shall immediately give notice thereof to Compaero. This requirement will flow down to Seller's subcontractors under this order.

17.0 CLEARANCE OF MATERIAL INTENDED FOR PUBLIC RELEASE

No news release, advertisements, public announcement, denial or confirmation of same relating to any part of the subject matter of this shall be made directly or indirectly without prior written consent from Compaero.

18.0 REPRODUCTIONS RIGHTS / CONFIDENTIALITY

Compaero does not grant to Seller any reproduction rights to the articles ordered or any rights to use designs, drawings, or other information belonging to or supplied by Compaero in the manufacture or design of articles or materials for anyone other than Compaero. Seller agrees that it will keep confidential the features of any equipment, tools, gauges, patterns, designs, drawings, engineering data or other technical or proprietary information furnished by Compaero and use such items only in the production of items under this order or other orders from Compaero, and not otherwise, unless Compaero's written consent is first obtained. Upon written notice to Compaero, Seller shall have the right to use such items in the manufacture of end items for direct sale to the Government to the extent the Government has the right under its



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prime contracts with Compaero to authorize such use by Seller. Upon completion or termination of this order, Seller shall return all such items to Compaero or seek disposition directions from Compaero.

19.0 PATENTS

To the extent that the items ordered are manufactured to designs not originated by Compaero, Seller guarantees that the sale and/or use of such items delivered hereunder will not infringe any United States or foreign patents, and agrees to indemnify and hold Compaero and/or its customers harmless from any expense, loss, cost, damage, or liability which may be incurred on account of infringement or alleged infringement of patent rights with respect to such items, and to defend, at its own expense, any action or claims in which such infringement is alleged, provided Seller is notified as to such actions or claims against Compaero.

20.0 INDEMNIFICATION

(a) In the event Seller's employees, agents, or subcontractors enter premises occupied by or under the control of Compaero in the performance of this order, Seller agrees that it will indemnify and hold harmless Compaero, its directors, officers and employees from any loss, cost, damage, expense or liability by reason of property damage or personal injury arising as a result of, or in connection with such performance. Seller agrees that it and its subcontractors will maintain public liability and property damage insurance in reasonable limits covering the obligations set forth in this section and will maintain proper worker's compensation insurance covering all employees performing this order. Seller agrees to provide proof of such insurance coverage promptly upon request by Compaero.

(b) Seller agrees to indemnify Compaero against loss, cost, liability or damage by reason of Seller's violation of any applicable law, executive order or regulation.

21.0 COMPLIANCE WITH LAW

(a) Seller warrants that all equipment and materials delivered under this order conform to all relevant Federal, State, Occupational Safety & Health Administration (OSHA) and other worker safety requirements.

(b) Seller warrants that in the performance of this order, it will comply with all applicable U.S. Department of Transportation regulations on hazardous materials, and any other pertinent federal, state or local statutes, laws, rules or regulations, and Seller further agrees to hold Compaero harmless from any loss, damage, fine, penalty, or expense whatsoever that Compaero may suffer as a result of Seller's failure to comply with this warranty.

(c) Seller warrants that it has complied with the Anti-Kickback Act of 1986 and has not offered or given and will not offer or give to any employee, agent, or representative of Compaero any gratuity or any kickback within the meaning of the Anti-Kickback Act of 1986. Any breach of this warranty shall be a material breach of each and every contract between Compaero and Seller.

(d) Seller certifies that the goods furnished hereunder have been or will be produced in compliance with applicable requirements under the Fair Labor Standards Act, as amended, and regulations and applicable orders of the United States Department of Labor.

22.0 INDEPENDENT CONTRACTOR STATUS

Seller shall perform its duties under this Agreement as an independent contractor and not as an agent or employee of Compaero. The relationship between the parties shall remain that of independent contractors and nothing herein shall imply any joint venture or employment relationship. Seller shall not in any way by oral or written statements or other conduct represent itself as being other than an independent contractor, without any power to bind Compaero.

23.0 JURISDICTION

This Agreement shall be construed under the laws of the State of North Carolina.

24.0 DISPUTES

Any controversy or claim arising out of or relating to this contract, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules, including the Optional Rules for Emergency Measures of Protection, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction.

25.0 LANGUAGE

All written communication/correspondence is to be in English.