



AVIATION METALS

TERMS & CONDITIONS OF PURCHASE

1. **Entire Agreement Acceptance.** This Purchase Order, including these Conditions (collectively "Order") supersedes all other agreements, oral or written, and all other communication between the parties suggesting additional or different terms, and represents the final and complete understanding of the parties. This Order expressly limits acceptance to these terms, and any proposal for the addition of different terms or any attempt by Seller to vary in any degree any of the terms hereof is hereby deemed material and objected to and rejected. No forms of any document or forms submitted by Seller shall be effective to alter or add to the terms and conditions contained in this Order, Unless otherwise stated herein, Seller's acknowledgment of this Order or commencement of any work or performance of any services hereunder shall constitute acceptance by Seller of this Order and all of its terms and conditions.

2. **Favored Nations.** If, during its performance hereunder, Seller sells to any other customer goods of the type and quantity purchased hereunder on more favorable terms or conditions, including price. Seller shall advise Purchaser, and Purchaser shall have the right at its option, to have such more favorable terms or conditions applied to this transaction.

3. **Delivery.** Time is of the essence with respect to this Order. If the delivery of good ("Goods") or providing of services ("Services") purchase hereunder ("Services") is not completed within five days of the specified time, Buyer may, in addition to any other rights or remedies it may have terminate this Order, without liability, as to Good not yet shipped or Services not provided and purchase substitute items or services and charge Seller for any extra costs, If, in order to comply with delivery date specified on the front hereof, Seller must ship by a more expensive way than specified herein. Seller shall pay any increased costs. If type of carrier is not specified, route by lowest cost transportation.

4. **Warranties.** Seller warrants that the Goods or Services purchased hereunder will be (a) in full conformity with the specifications, drawings, descriptions and/or samples furnished or specified by Purchaser, (b) free from defects in material, workmanship and design, and (c) of good merchantable quality and fit and sufficient for the purposes intended. All warranties shall survive any inspection, delivery, acceptance, or payment. NO ATTEMPT BY SELLER TO DISCLAIM, EXCLUDE, LIMIT, OR MODIFY ANY WARRANTIES OR SELLER'S LIABILITY FOR DIRECT INCIDENTAL, OR CONSEQUENTIAL DAMAGES SHALL BE OF ANY FORCE OR EFFECT. With respect to Goods or Services which are resold or otherwise transferred to a third party by Purchaser, Purchaser's customers shall have the full benefit of all warranties from Seller and its suppliers, whether hereunder or otherwise, and Seller agrees to any assignments of such warranties to such customers by Purchaser.

5. **Inspection.** All Goods are subject to inspection by an authorized representative of Purchaser at all times and places, including during production. No Goods shall be considered accepted prior to inspection by Purchaser at Purchaser's place of business, Purchaser reserves the right to reject or to revoke acceptance of Goods which fail to meet any requirement of this Order, notwithstanding any payment or any prior inspection or test.

6. **Indemnification.** Seller shall indemnify, defend and hold harmless Purchaser from and against any and all loss, cost, damage, expense, claim or cause of action (including attorney's fees) resulting from or in any way arising out of any defect in the Goods or Services or any act or omission of Seller, its agents, employees or subcontractors or any persons acting for it or on its behalf. This indemnification is in addition to the warranty obligations of Seller.

7. **Intellectual Property.** Seller warrants that the manufacture, sale and use of the Goods will not infringe any patent, copyright, trademark, or trade secret. Seller shall indemnify, defend and hold harmless Purchaser and its customers from and against all loss, cost, damage, expense, claim, action or cause of action (including attorney's fees) resulting from such or in any way arising out of such infringement or alleged infringement. If all or any portion of the Goods are held to constitute an infringement of a patent and/or their use is enjoined for any reason, Seller shall promptly, and at its own expense, either procure for Purchaser the right to continue using such Goods royalty-free or replace such Goods to Purchaser's satisfaction with non-infringing goods of equal quality and performance.

8. **Insurance.** (a) Seller shall maintain in force, and shall continue to maintain in force, insurance (in amounts and coverage satisfactory to Purchaser) sufficient to cover any and all product liability claims and product warranty claims which may be brought with respect to the Goods or Services, whether by Purchaser or any third party. (b) If this Order covers construction work, installation or repair of machinery or equipment, or performance of services, prior to the commencement of work hereunder, Seller

shall furnish Purchaser with a Certificate of Insurance in amounts and coverage satisfactory to Purchaser, evidencing Seller's bodily injury and property damage liability insurance and Worker's Compensation insurance covering Seller's liability in the state in which the work or services covered by this Order are to be performed. Said Certificate of Insurance will provide that the insurance issued to Seller will not be cancelled before the completion of the work or services covered by this Order without thirty days prior written notice to Purchaser. At Purchasers request, Seller shall before final payment, furnish Purchaser with a lien waiver and sworn statement that all subcontractors, laborers, and material suppliers have been paid in full.

9. **Deviation of Order:** This purchase order shall be deemed to have been accepted by Seller upon Seller's first commencement of work on the subject purchased item or service, shipment of product, other tender of conforming products, upon written acceptance of the Order by the Seller, or upon Seller's failure to deliver to Buyer "written objection" to Buyer's Order within (5) working days of Seller's receipt of Buyer's Order, whichever is first. Written objection must be CLEARLY identified as an objection or substitution including the actual issue details. No substitute or alternate product will be accepted without WRITTEN consent by Aviation Metals, Inc. An order acknowledgment offering a substitute product will NOT constitute as an order objection unless accepted in writing by Aviation Metals, Inc.

10. **Set-Off.** Purchaser has the right to set off against any amount due Seller hereunder any amounts owed to Purchaser by Seller arising from any other transaction.

11. **Force Majeure.** Purchaser shall be liable for failure to take delivery of the Goods or to allow performance of the Services if such failure or inability is due to causes beyond Purchaser's reasonable control.

12. **Termination for Cause.** (a) Purchaser may terminate this Order without liability, in whole or in part, at any time, if (I) Seller fails to deliver the Goods or to perform the services covered hereby at the time specified on the front hereof on any extension thereof authorized by Purchaser in writing, (ii) a petition initiating a reorganization is filed by or against Seller, (iii) Seller executes an assignment for benefit of creditors, (iv) a receiver is appointed for Seller or any substantial part of its assets, or (v) Purchaser shall have any reasonable ground for insecurity with respect to Seller's ability to perform and Seller is unable to provide Buyer with adequate assurance of its ability to perform within ten days after written request therefore by Buyer. (b) Buyer's right to terminate this Order is not an exclusive remedy. Buyer shall be entitled to all other rights and remedies it may have either at law or in equity. No termination of this Order shall affect any accrued rights or obligations of either party as of the effective date of such termination.

13. **Termination for Purchaser's Convenience.** Purchaser may terminate this Order at its convenience at any time by written notice of Seller. In such event, Seller may claim only properly documented out-of-pocket costs for work already performed, For specially Prepared products which are unique to Purchaser's order, any partially completed work on raw materials whose full costs are included in the cancellation charges shall be identified in writing and held by Seller for disposition in accordance with Purchaser's written instructions.

14. **Safety and Health.** To the extent that it is within Seller's control, Seller hereby warrants that the Goods sold hereunder meet all applicable requirements of the Occupational Safety and Health Act of 1970, the Toxic Substances Control Act, the Federal Food, Drug and Cosmetic Act, as amended, and all standards and regulations issued there under, as well as all other federal, state, and local laws and regulations pertaining to safety and health.

15. **Compliance.** Unless exempt, Seller shall comply with all applicable requirements of Sections 6, 7 and 12 of the Fair Labor Standards Act as amended, and regulations and orders of the U.S. Department of Labor issued under Section 14 thereof, and with the Equal Opportunity clause in Section 202 of Title VII of the Civil Rights Act of 1964 and Executive Order 11246 dated September 24, 1965, including all implementing rules and regulations.

16. **Waiver.** Failure of Purchaser at any time to require Seller's performance of any obligation under this Order shall not affect Purchaser's right to require performance of that obligation. Any waiver by Purchaser of any breach of any provision hereof must be in writing and shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of modification of this provision itself, or a waiver or modification of any right under this Order.

17. **Assignment.** Seller shall not assign this Order or any monies due or to become due hereafter, without Purchaser's prior written consent shall constitute a material breach of this Order.

18. **Mill Test Reports.** If required by the Order, Certification and/or mill test reports shall be forwarded immediately with shipment and delivery shall not be completed unless certification and/on reports have been received.

19. **Notification of Non-Conforming Product.** All suppliers are required to notify Aviation Metal's Purchasing & QA departments in the event that a nonconformity or potential non-conformity exists in any item(s) shipped to Aviation Metals or directly to a customer/end user.

20. **Access.** AMI and its customer's representatives, including regulatory authorities, shall be given access to any premises where work on its contracts is performed for the purpose of surveillance / inspection of AMI products and/or conduct any investigation upon request.

21. **Quality System.** Vendor shall establish and maintain a documented quality system that meets or is comparable to ISO

9001 and/ or AS 9100 quality system requirements as means of ensuring product quality and provide evidence that products conform to defined requirements.

22. **Organization.** Supplier's established quality program shall include identified functions with trained and competent personnel.

23. **Contract/Purchase Order Review.** All AMI, purchase orders shall be reviewed by the supplier prior to release to assure that all associated risks and quality requirements are taken into consideration and are reflected in production and inspection procedures as applicable. The vendor shall meet all requirements of AMI purchase order, drawing, or any special instructions.

24. **Records.** Records and other objective evidence of inspection, testing, processing and fabrication shall be retained by the vendor for a minimum of 10 years after the completion of the contract unless otherwise specified. The records shall be traceable to the originator. These records shall be identified and stored in such a way to prevent damage and to enable the records to be readily located and retrieved.

25. **Inspection.** Supplier shall establish a quality monitoring system that will be structured to provide 100% defect free products/services to AMI. As a minimum the inspection of AMI products/services shall be documented and traceable to AMI purchase order.

26. **Process Control.** The vendor shall demonstrate adequate control of its processes to the current requirements of ISO 9001 and AS 9100 as applicable. The controls shall include:

- a) When specified and/or identified, specified key characteristics shall be monitored and controlled during processing.
- b) When it becomes necessary to change production process that would affect AMI procured product or its customer's requirement, such changes shall be documented and AMI shall be notified promptly of the change.
- c) Documented procedures shall be used to maintain and control processes, tooling, equipment, work environment and the facility used to make AMI procured products. Process, tooling, equipment and product validation process may include the verification of the in First Article produced or inspection prior to production run or use of equipment or tooling.
- d) Records shall be maintained for qualified processes, equipment, tooling, testing, and personnel as required.

27. **Traceability.** Where appropriate or specified, the vendor shall identify the product by suitable means throughout product life. Product status with respect to lot splits, configuration management, product inspection, and monitoring shall be established and documented.

28. **Certificate of Conformance.** A certification of conformance (COC) or test report for the product /service applicable to the AMI PO shall be provided. Processes shall be certified to the applicable specifications. Raw material certification shall be available upon request.

29. **Control of Nonconforming Product.** All nonconforming material shall be properly identified, documented and segregated. The vendor is responsible for notifying AMI promptly of delays, problems and/or defects that affects any procured or provided products/services.

30. **Corrective and Preventative Action.** The supplier's quality organization shall implement a corrective and preventive action program, for all products/processes/services provided to AMI. Non-conformance discovered shall be documented, investigated, and appropriate corrective and prevention action implemented. Corrective action issued by AMI shall be answered within the period stated on the corrective action or an extension may be requested when needed.

31. **Calibration System.** This supplier shall establish a Calibration System acceptable to AMI QA dept. for the control and calibration of all measuring and test equipment. Calibration shall be traceable to National Institute Of Standards and Technology (NIST).

32. **Material Protection.** The vendor is responsible for utilizing a protection method that will protect AMI products from damage. In cases when specific requirements are provided by AMI PO, the instructions are to be followed.

33. **Continuous Improvement.** AMI encourages it's vendors to embrace Variability Reduction Plan and Continuous Improvement principles and techniques with regards to Quality, Delivery, and Cost. AMI may specifically impose some tools of continuous improvement when required by customer.

34. **Other Requirements.** Other requirements beyond the ones outlined herein are in effect when specified on the Purchase Order.

35. **Changes to Purchase Order Documentation.** Changes or amendment made to purchase order and/or drawing specification shall be communicated promptly to the applicable vendor for immediate action.

36. **Ethical Behavior.** Suppliers should be aware and demonstrate honestly, integrity, promise-keeping, loyalty, fairness,

caringness, respect for others, law abiding, commitment to excellence, leadership, reputation and morale, and accountability.

37. **Counterfeit Parts.** Suppliers shall plan, implement, and control processes, appropriate to the organization and the product, for the prevention of counterfeit part use and their inclusion in materials delivered to Aviation Metals.
38. **Product Safety Awareness.** All suppliers shall plan, implement and control the processes needed to assure product safety during the entire product life cycle, as appropriate to the organization and the product.
- 39. Supplier Contribution. All suppliers contribute to product and service conformity for all materials supplied.**

