

## DERCO AEROSPACE, INC. – PURCHASE ORDER TERMS AND CONDITIONS

**ACCEPTANCE:** Unless otherwise specifically agreed to in writing, the following terms and conditions shall apply to the **SELLER's** acceptance of this Purchase Order and **DERCO's** acceptance of ordered items. The acceptance of this order by **SELLER** shall be conclusive evidence of the **SELLER's** approval, consent, and agreement to the terms and conditions herein. Any terms and conditions listed on any **SELLER** document which are in addition to or in conflict with these terms are objected to and shall not become part of this transaction.

**CONFIRMATION OF ORDER:** The **SELLER** must acknowledge the order and accept **DERCO**'s offer within eight (8) business days after **SELLER's** receipt thereof.

**DELAY IN DELIVERY:** If **SELLER** becomes aware of any circumstances that are likely to give rise to delay in delivery, **SELLER** shall immediately notify **DERCO** in writing stating the reason for the delay and a new time of delivery, which shall be subject to written acceptance by **DERCO**. In case of delay in delivery, **DERCO** reserves the right to cancel the purchase order without liability to **SELLER** or any other third party. **DERCO** reserves the right to cancel the order should the **SELLER** not respond promptly to **DERCO** expedited notices. If **DERCO** cancels this purchase order because of **SELLER** delay, **DERCO** may, without prejudice to its other rights, purchase items in substitution for those items not delivered by **SELLER**, and recover from the **SELLER** the difference between the contracted price under this purchase order and the price actually paid by **DERCO**, together with any incidental or consequential damages suffered by **DERCO**.

**QUALITY:** **SELLER** shall maintain a quality management system which is acceptable and appropriate for the items supplied hereunder and shall comply with general industry standards. Items supplied shall meet the requirements in the applicable technical specifications and documentation (drawings, specifications, standards, etc.). It shall be the sole responsibility of **SELLER** to monitor that the technical specifications regarding materials, methods, form, fitness, and function are observed, whether or not the items have been manufactured by **SELLER** or by any of **SELLER's** subcontractors. If no specific requirements are stated, good industry and craftsman-like practice shall be observed. Items are to be manufactured in accordance with spares configuration guidelines.

**CERTIFICATION OF CONFORMANCE:** All items must conform to the Original Equipment Manufacturer's (OEMs) specifications and tests. Certification of Conformance of said items must accompany the items from **SELLER's** facility, including a statement of the condition of the item, back-up data on file for inspection, and signed by an authorized representative of the **SELLER**. Should such certification not accompany the shipment, items will be held in quarantine and no payment will be processed until the proper certification is received. **DERCO** reserves the right to be supplied with and/or audit such certification on all new items purchased. This may require traceability and full source documentation. All raw material, machining, and processing certifications shall be supplied at no cost if requested. All Certifications and related documentation must be retained on file by **SELLER** for a period of at least five (5) years after completion of this Order.

**CONDITION OF MATERIAL:** Items shall be labeled as one of the following five (5) conditions: "New" - factory new; "Rep" - repairable; "NS" - new surplus; "Serv" - tagged serviceable fit for use; "OHC" - overhauled in accordance with the appropriate overhaul manual.

**LIABILITY:** The **SELLER** is liable for all defects in items delivered, including concealed defects, even if they are recognizable and discovered only upon processing, installation, and/or use, and this is not subject to any time limit for claim by **DERCO**. The **SELLER** shall indemnify and hold **DERCO** harmless from all claims arising from infringement of industrial property rights, patents, copyrights, and other third-party rights, and **SELLER** agrees that it will defend at its own expense any and all suits against **DERCO** for infringement of any United States or foreign patent, copyright, or other intellectual property right. **DERCO** has the option to reject nonconforming items. All rejected items will be returned at **SELLER's** expense. In urgent cases or in the event of delay in supplying a replacement, **DERCO** shall, at the **SELLER's** expense, have the right to remedy the defects, to have them remedied, or to procure a replacement elsewhere. This shall not affect **DERCO's** statutory warranty and liability claims, which are in addition to those expressly set forth herein. **SELLER** shall maintain Aviation Product Liability Insurance in a reasonable amount, and shall provide a Certificate of such insurance to **DERCO** upon request.

**PACKAGING:** Unless otherwise specified, all packing and packaging shall comply with best commercial practice. The price includes all charges for such packing, packaging, and transportation to the FCA shipping point. All items must be packed in accordance with manufacturer specifications. All shipments to **DERCO** must be visually identified with the Purchase Order number on the exterior of package/box so that packages/boxes do not have to be opened to verify order. Unidentified shipments may be refused and returned to sender. All crating and pallet materials used in shipments to or on behalf of **DERCO** must comply with the International Plant Protection Convention's (IPPC) International Standards for Phytosanitary Measures (ISPM). Refer to the ISPM's publication Guide for Regulating Wood Packaging Material in International Trade located on the IPPC website at <http://www.ippc.int>. All Shipments must be packaged for international shipment, failure to do so will cause **DERCO** to repackage and assess **SELLER**

for any associated charges. All Hazardous Materials/Dangerous Goods shipped to or on behalf of **DERCO**, must be packaged, labeled, and shipped in accordance with, and comply with the International Air Transport Association (IATA) and Federal Aviation Administration (FAA) regulations, as well as any and all other applicable laws and regulations. UN number required with hazardous materials as per IATA and FAA regulations.

**MATERIAL SAFETY DATA SHEET (M.S.D.S.):** If an M.S.D.S. is required for this material, the **SELLER** shall include one copy of the M.S.D.S., and it shall be identifiable and provided with each shipment of the items furnished under this order.

**COMPETENT APPROVAL AUTHORITY:** If an approval from a competent approval authority is required for shipment of the ordered item, such document must be included with the ordered item.

**TRANSPORTATION:** Unless otherwise indicated, transportation and pricing will be FCA **SELLER'S FACILITY** (INCOTERMS 2000). Contact **DERCO** before shipping orders weighing more than 40 LBS or if total volume is greater than 5 cubic ft (L x W x H divided by 1728). Less than truckload shipments should be sent to **DERCO**, Freight Collect, using **DERCO's** designated carrier. Small parcel shipments shall be made using **DERCO's** designated carrier and account number, as provided on the purchase order. Extra charges resulting from noncompliance with this requirement will be deducted from **SELLER's** invoice.

**TRANSPORT INSURANCE:** **DERCO** will insure the items for transport from **SELLER** to **DERCO**, or other destination as may be directed by **DERCO**. Any transport insurance taken out by the **SELLER** will be deducted from **SELLER's** invoice by **DERCO**. **DERCO'S** purchase order number must be referenced on all shipping documents.

**PAYMENT:** All invoice payments will be issued on the first and fifteenth of each month after the receipt and acceptance of items and payment terms. If the order requirements are not met, payment, including COD shipments, will be delayed a corresponding amount of time until such requirements are met.

**PRICES:** All prices are stated in U.S. Dollars and shall stay firm during the entirety of the purchase order. Any price increases will be absorbed by the **SELLER**.

**TECHNICAL DOCUMENTS:** Drawings, samples, data carriers, and other documents provided by **DERCO**, or developed on behalf of **DERCO** in compliance with a **DERCO** purchase order do not become the **SELLER's** property and may not be delivered to, or used for or by **SELLER** or any third parties. **DERCO's** technical documents are protected by copyright, must remain confidential, and may not be copied or reproduced without **DERCO's** written consent.

**TOOLING:** If **SELLER** uses any technical specifications or drawings ("Data") furnished by **DERCO** in the fulfillment of this order, any personal property developed or manufactured from such Data is the property of **DERCO**. **SELLER** may not use such Data for any purpose other than the fulfillment of orders for **DERCO**, and **SELLER** shall retain possession of such personal property. Items manufactured to technical specifications / drawings furnished by **DERCO** required for special fixturing, tooling, or particular procedures developed under this order will remain the property of **DERCO** and, unless otherwise instructed, are to be retained in **SELLER's** possession for use exclusively in filling orders for **DERCO**. **SELLER** may not scrap, sell, or otherwise dispose of such personal property without **DERCO's** prior written consent.

**NONCONFORMING PRODUCT:** Nonconforming items that result from this purchase order, whether produced through manufacturing process, or a product from overhaul/repair maintenance activity, shall be destroyed if they cannot be repaired.

**RIGHT OF ENTRY:** **SELLER** hereby grants to **DERCO**, its customers, and any applicable regulatory agencies, the right to enter on its premises as well as other necessary places, during normal business hours, for the purpose of inspection of **SELLER's** facilities and systems to ensure **SELLER's** compliance with the terms and requirements of this order, including the quality of the contracted work, records, and materials.

**IMPORT/EXPORT COMPLIANCE:** **SELLER** shall provide to **DERCO** at its earliest convenience, but in no cases less than twenty-four (24) hours before shipment, the following information for all items: (1) the applicable United States Munitions List ("USML") category or Export Control Classification Number ("ECCN"); (2) the Harmonized Tariff Schedule code; and (3) the Country of Origin. If an item is controlled by the International Traffic in Arms Regulations ("ITAR"), **SELLER** shall also advise **DERCO** if the item is Significant Military Equipment ("SME"), a Major Component, or under the Missile Technology Control Regime ("MTCR"). For orders shipping from outside of the United States, **SELLER** shall strictly follow all **DERCO** shipping instructions and shall provide copies of the following documents to **DERCO** prior to, but in no case no later than the time of shipment: (1) FAA/EASA/TCCA or other civil aircraft certification, if applicable; (2) Commercial Shipping Invoice; (3) Packing List; (4) Airway Bill; (5) Foreign Sales Declaration, if applicable; and (6) any other document required per commodity

type (e.g. Bearing Summary Worksheet). If **SELLER** is engaged in the United States in the business of exporting, manufacturing, brokering, or any other value added service of items controlled by the ITAR, **SELLER** represents that it is registered with the Directorate of Defense Trade Controls (“DDTC”), as may be required by 22 C.F.R. 122.1 and/or 22 C.F.R. 129.3 of the ITAR and that it maintains an effective export/import compliance program in accordance with DDTC guidelines.

**DEBARMENT OF SELLER:** If **SELLER** (or any of its subcontractors) is debarred by the U.S. Government from participating in transactions which involve the export of items (whether commercial or military), **DERCO** has the immediately available option of canceling this order without liability of any kind to **SELLER**. If **SELLER** (or any of its subcontractors) is debarred by the U.S. Government from selling items either directly to the government or from providing items as a subcontractor in fulfillment of requirements originating with the U.S. Government, **DERCO** has the immediately available option of canceling this order without liability of any kind to **SELLER**. If **DERCO** only becomes aware of such status of **SELLER** (or any of its subcontractors) after receipt of the ordered items, **DERCO** may return such items to **SELLER** and **SELLER** shall immediately refund all amounts paid by **DERCO**, if any, for such items. It is **SELLER**'s responsibility to determine if its subcontractors meet the requirements of this paragraph.

**INTERPRETATION AND ARBITRATION:** This order shall be governed by and construed in accordance with the Laws of the State of Wisconsin, without reference to its conflict of laws rules and also excludes the UN Convention on Contracts for the International Sale of Goods. Any and all disputes, controversies, differences, or claims arising out of or relating to this order, which cannot be settled through the mutual consultation of **DERCO** and the **SELLER** shall, under the rules of the American Arbitration Association, be settled by a single arbitrator selected in accordance with such rules. Arbitration proceedings shall be held in Milwaukee, Wisconsin, USA. The award rendered by the arbitrator shall be binding, and judgment upon such award may be entered in any court having jurisdiction thereof.

**OTHER:** The **SELLER** will comply with all provisions of executive order 11246 as amended, and the provisions found in 41 C.F.R. SEC. 60-741.5 (disabled persons) and SEC. 60-250.4 (veterans), and all relevant rules, regulations, and orders of the secretary of labor. If the price of **DERCO**'s contract with its customer is reduced for a violation of the Procurement Integrity provisions of the Office of Federal Procurement Policy Act (41 U.S.C. 423) and if the violation is by or attributed to **SELLER**, then **SELLER** will indemnify and hold **DERCO** harmless. **SELLER** shall abide with the Arms Export Control Act and the Export Administration Act, and their regulations, at all times under this purchase order.

**ASSIGNMENT & MODIFICATION:** **SELLER** shall not assign, sell, or subcontract this purchase order, or any part thereof, without **DERCO**'s prior written consent. No modification of this order shall be binding, unless agreed to in writing by an authorized representative of **DERCO**.

Revision Date 03/26/2010  
Last Reviewed 03/26/2010