



COLUMBIA HELICOPTERS, INC.

14452 Arndt Road NE Aurora, OR 97002

Document Title: **Terms and Conditions**

Document Number: **CHI-M-1336**

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DEFINITIONS APPLICABLE TO ALL TERMS AND CONDITIONS

- D1 "BUYER" shall mean Columbia Helicopters, Inc., and its subsidiaries and affiliates.
- D2 "Manufacturing Plan" shall mean the detailed sequence of fabrication instructions that defines the manufacturing process for the Work purchased by BUYER under this Purchase Order.
- D3 "Prime Contract" shall mean the contract that is awarded directly to a contractor by the U.S. government.
- D4 "Procurement Representative" shall mean the employee of BUYER who is listed by name as being BUYER's primary point of contact with respect to this Purchase Order.
- D5 "Purchase Order" shall mean the document provided by BUYER to SELLER that authorizes SELLER to perform the Work at a specified price, and pursuant to the terms and conditions set forth (or incorporated by reference) therein.
- D6 "SELLER" shall mean the person or entity that has agreed to perform the Work for BUYER pursuant to the terms of this Purchase Order.
- D7 "Work" shall mean the goods, services, and/or software (including all supporting documents for such goods, services, and software) that BUYER has offered to purchase from SELLER pursuant to the terms of this Purchase Order.

Clause	Terms and Conditions
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GENERAL

- G1 ACCEPTANCE OF PURCHASE ORDER/TERMS AND CONDITIONS
- (a) This Purchase Order integrates, merges, and supersedes any prior offers, negotiations, and agreements concerning the subject matter hereof and, together with any exhibits, attachments, and changes made by BUYER pursuant to the terms of this Purchase Order, constitutes the entire agreement between the parties. No amendment or modification of the agreement between the parties (as described above) shall bind either party unless it is in writing and executed by authorized representatives of both parties. The parties have not relied upon any promises, representations, warranties, agreements, covenants, or undertakings other than those expressly set forth or referred to herein.
 - (b) SELLER's acknowledgment, acceptance of payment, or commencement of performance shall constitute SELLER's unqualified acceptance of this Purchase Order.
 - (c) SELLER's acceptance of this Purchase Order is limited to the terms of this Purchase Order. Additional or differing terms or conditions proposed by SELLER or included in SELLER's acknowledgment, quote, terms and conditions, or other correspondence or documentation are objected to by BUYER and have no effect unless expressly accepted in writing by BUYER.

G2 UNDETERMINED PRICE AND/OR DELIVERY SCHEDULE

In the event that this Purchase Order does not state price or delivery, BUYER will not be bound to any prices or delivery to which it has not specifically agreed in writing.

G3 TIMELY PERFORMANCE

- (a) SELLER's timely performance is a critical element of this Purchase Order.
- (b) SELLER's failure to deliver the Work in accordance with the delivery schedule of this Purchase Order shall be considered a material breach of this Purchase Order.
- (c) Unless shipment in advance of the delivery schedule has been authorized in writing by BUYER, BUYER may store at SELLER's expense, or return (shipping charges collect), all Work received in advance of the scheduled delivery date.
- (d) If SELLER becomes aware of any actual or potential delay in performing the Work, SELLER shall timely notify BUYER, in writing, giving pertinent details and a proposed revised delivery schedule. This notification shall not excuse or change the delivery schedule or constitute a waiver of BUYER's rights and remedies hereunder unless a written modification of this Purchase Order is issued by BUYER setting forth a revised delivery schedule.

G4 TERMINATION FOR CONVENIENCE

- (a) BUYER may terminate part or all of this Purchase Order for its convenience by giving written notice to SELLER.
- (b) Upon termination, in accordance with BUYER's written direction, SELLER shall immediately: (i) cease work; (ii) prepare and submit to BUYER an itemization of all completed and partially-completed deliverable Work; (iii) deliver to BUYER the Work satisfactorily completed up to the date of termination at the agreed upon prices in this Purchase Order; and (iv) deliver upon BUYER's request any Work in process.
- (c) In the event BUYER terminates for its convenience after performance has commenced, BUYER will compensate SELLER for the actual, allowable, and reasonable expenses incurred by SELLER, plus a reasonable profit, for Work in process up to and including the date of termination, provided that SELLER uses reasonable efforts to mitigate BUYER's liability under this clause.
- (d) In the event of partial termination, SELLER is not excused from performance of the non-terminated balance of the Work under this Purchase Order.

G5 TERMINATION FOR DEFAULT

- (a) BUYER, by written notice, may terminate this Purchase Order for default, in whole or in part, if SELLER fails to comply with any of the terms of this Purchase Order, fails to make progress so as to endanger performance of this Purchase Order, or fails to provide adequate assurance of future performance.
- (b) SELLER shall have five (5) days (or such longer period as BUYER may authorize in writing) to cure any such failure after receipt of notice from BUYER. Default involving delivery schedule delays shall not be subject to this cure provision.
- (c) SELLER shall be compensated for Work already delivered to and accepted by BUYER. BUYER may require SELLER to deliver to BUYER any supplies and materials, manufacturing materials, and manufacturing drawings that SELLER has specifically produced or acquired for the terminated portion of this Purchase Order. BUYER and SELLER shall agree on an amount of payment for these other deliverable items.
- (d) SELLER shall continue all Work that BUYER has not terminated.
- (e) In the event of SELLER's default, BUYER may exercise any or all rights that it possesses, both at law (including, without limitation, those set forth in Article 2 of the Uniform Commercial Code) and/or in equity.

G6 BUYER'S PROPERTY

All drawings, tools, jigs, dies, fixtures, materials and other items supplied or paid for by BUYER shall be and remain the property of BUYER; and BUYER shall have the right to enter SELLER's premises and remove any such property at any time without being liable for trespass or damages of any sort. SELLER shall also have the obligation to maintain any and all property furnished by BUYER to SELLER and shall be responsible for all loss or damage to said property except for normal wear and tear. BUYER's property shall only be used for the performance of this Purchase Order.

G7 WARRANTIES

SELLER warrants to BUYER, and BUYER's successors, assigns, customers, and users of Goods sold by BUYER, for a period of 36 months after acceptance of the goods, services, or Aircraft by BUYER's customer, that all Goods provided hereunder shall be: merchantable and fit for the purpose intended; new; free from defects in material and workmanship; with regard to Goods designed by SELLER, free from defects in design; in compliance with all applicable Specifications, Drawings, and performance requirements; free from liens or encumbrances on title; and if the Goods are, or contain, hardware, software and firmware products, be able to accurately process date/time data (including, but not limited to, calculating, comparing, and sequencing all times and dates), and are free of viruses and other sources of network corruption, and if the Order requires specific products to perform as a system, the foregoing warranty shall apply to those products as a system (collectively for this Article "Warranty").

G7A WARRANTIES

SELLER warrants to BUYER, and BUYER's successors, assigns, customers, and users of the Work, for a period of 36 months after acceptance of the Work or aircraft by BUYER's customer, that all Work provided hereunder shall be: merchantable and fit for the purpose intended; new; free from defects in material and workmanship; with regard to Work designed by SELLER, free from defects in design; in compliance with all applicable specifications, drawings, and performance requirements; free from liens or encumbrances on title; if the Work is, or contains, hardware, software and firmware products, be able to accurately process date/time data (including, but not limited to, calculating, comparing, and sequencing all times and dates), and are free of viruses and other sources of network corruption; and, if the Order requires specific products to perform as a system, the foregoing warranty shall apply to those products as a system. SELLER's warranty shall survive inspection, test and acceptance of, and payment for the Work; and shall run to BUYER and its successors, assigns, and customers.

G8 CHANGES

- (a) BUYER shall have the right to suspend the Work or to make changes at any time, by written notice, to the Work.
- (b) If any such suspension or change causes an increase or decrease in the cost of performance of this Purchase Order or in the time required for its performance, an equitable adjustment shall be negotiated promptly and this Purchase Order shall be modified accordingly.
- (c) SELLER must assert its right to an equitable adjustment under this clause within 30 days from its receipt of the written change order from BUYER.
- (d) The parties' failure to agree to any adjustment shall be resolved in accordance with the "Disputes" clause of this Purchase Order. However, nothing contained in this "Changes" clause shall excuse the SELLER from proceeding without delay in the performance of this Purchase Order as changed by BUYER.

G9 INFRINGEMENTS

SELLER warrants that all work, materials, services, equipment, parts and other items provided by SELLER pursuant to this Purchase Order, which are not BUYERS design, shall be free from claims of infringement (including misappropriation) of third party intellectual property rights and that any use or sale of such items by BUYER or any of BUYER's customers shall be free from any claim of infringement. SELLER shall indemnify and save BUYER, and its customers harmless from any and all expenses, liability and loss of any kind (including all costs and expenses including attorneys' fees) arising out of claims, suits, or actions alleging such infringement, which claims, suits or actions SELLER, hereby, agrees to defend, at SELLER's expense, if requested to do so by BUYER.

G9A INFRINGEMENTS

SELLER warrants that all Work provided by SELLER pursuant to this Purchase Order, which is not BUYER's design, shall be free from claims of infringement (including misappropriation) of third party intellectual property rights, and that any use or sale of such items by BUYER or any of BUYER's customers shall be free from any claim of infringement. SELLER shall indemnify, defend, and save BUYER, and its customers, harmless from any and all expenses, liability and loss of any kind (including all costs and expenses including attorneys' fees) arising out of claims, suits, or actions alleging such infringement, which claims, suits, or actions SELLER hereby agrees to defend, at SELLER's expense, if requested to do so by BUYER.

G10 INDEMNITY AGAINST CLAIMS

- (a) SELLER shall indemnify and hold harmless BUYER from and against any actual or alleged liability, loss, costs, damages, liens, encumbrances, fees of attorneys, and other expenses which BUYER may sustain or incur in consequence of (i) SELLER's failure to pay any employee, supplier, mechanic, or subcontractor for the Work rendered under this Purchase Order, or (ii) any claims made by SELLER's personnel against BUYER.
- (b) SELLER may be required by BUYER to provide a satisfactory release of liens as a condition of final payment.

G10A INDEMNITY AGAINST CLAIMS

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- (b) SELLER may be required by BUYER to provide a satisfactory release of liens as a condition of final payment.

G11 INTERNATIONAL TRANSACTIONS

Payment will be in United States dollars unless otherwise agreed to by specific reference in this Purchase Order.

G12 GRATUITIES/KICKBACKS

No gratuities (in the form of entertainment, gifts, or otherwise) or monetary kickbacks shall be offered or given by SELLER to any employee of BUYER for the purpose of obtaining or rewarding favorable treatment as a supplier. This prohibition does not apply to customary business courtesies of a nominal intrinsic value (defined as \$50.00 or less) such as a lunch or dinner meal while discussing business, or snacks and refreshments provided during a business meeting.

G13 WAIVERS, APPROVALS, AND REMEDIES

- (a) Failure of BUYER to enforce any provisions of this Purchase Order shall not be construed as a waiver or relinquishment by BUYER of the requirements of such provisions, or as a waiver of the right of the BUYER thereafter to enforce each provision.
- (b) The rights and remedies of BUYER in this Purchase Order are cumulative and in addition to any other rights and remedies provided by law or in equity.

G14 PURCHASE ORDER DIRECTION

- (a) Only the BUYER's Procurement Representative has authority to make changes in, or amendments to, this Purchase Order. The terms and conditions of this Purchase Order shall not be waived, altered, modified, amended, or supplemented in any manner without the prior written approval of the BUYER's Procurement Representative.
- (b) BUYER's engineering and technical personnel may from time to time render assistance or give technical advice or discuss or effect an exchange of information with SELLER's personnel concerning the Work hereunder. No such action shall be deemed to be a change under the "Changes" clause of this Purchase Order, or be the basis of an equitable adjustment.
- (c) Except as otherwise provided herein, all notices and communications to be furnished by the SELLER shall be sent to the BUYER's Procurement Representative.

G15 SEVERABILITY

Each paragraph and provision of this Purchase Order is severable. If any one provision of this Purchase Order is declared by a court of competent jurisdiction to be invalid or in conflict with the law, the remaining paragraphs and provisions of this Purchase Order shall remain in full force and effect.

G16 FORCE MAJEURE

- (a) SELLER shall not be liable for any failures, delays, or defaults in performing its obligations hereunder due to circumstances or acts beyond SELLER's reasonable control, including, without limitation, acts of any governmental authority (including delay or failure to act), war (declared or undeclared), riot, revolution, fires, strikes, unforeseen labor disputes, floods, sabotage, freight embargoes, unusually severe weather and the like.
- (b) SELLER shall immediately notify BUYER of any such force majeure event and provide an estimate of the duration thereof. SELLER shall immediately notify BUYER of the cessation of the force majeure event.
- (c) BUYER may extend the Purchase Order delivery schedule for a period of time equal to the time of the force majeure event, or BUYER may terminate this Purchase Order upon written notice after determining such delay will unreasonably prevent the successful performance of this Purchase Order.

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- (b) SELLER shall immediately notify BUYER of any such force majeure event and provide an estimate of the duration thereof. SELLER shall immediately notify BUYER of the cessation of the force majeure event.
- (c) Notwithstanding anything set forth herein, the following events shall not be considered force majeure events: issues related to SELLER's computer systems; increases in the prices charged to SELLER by its suppliers and/or vendors; shortages of materials, supplies, equipment, and/or labor; SELLER's inability or difficulty in obtaining credit or financing; and any changes in economic or market circumstances.
- (d) BUYER may extend the Purchase Order delivery schedule for a period of time equal to the time of the force majeure event, or BUYER may terminate this Purchase Order upon written notice after determining that such delay will unreasonably prevent the successful performance of this Purchase Order.

G17 APPLICABLE LAW

- (a) This Purchase Order shall be construed and enforced according to the laws of the State of Oregon without regard to conflict of laws principles.
- (b) Any action, suit, or proceeding between the BUYER and the SELLER in regard to this Purchase Order or arising out of the terms and conditions shall only be instituted and litigated in the state or federal courts located in Oregon.
- (c) In accordance with this Oregon choice of law and choice of venue provision, the parties agree that they are subject to personal jurisdiction in Oregon and hereby waive any right that they may have to assert the doctrine of forum non conveniens or similar doctrine, or to object to venue with respect to any proceeding brought in accordance with this Purchase Order.
- (d) Each party hereby authorizes and accepts service of process sufficient for personal jurisdiction in any action against it as contemplated by this paragraph by registered or certified mail, return receipt requested, postage prepaid, to its address for the giving of notices as set forth in this Purchase Order.

G18 INDEMNIFICATION

SELLER shall indemnify, defend, and hold harmless BUYER and its officers, employees, agents, and members from all claims, suits, or actions of any nature arising out of or related to the activities of SELLER, its officers, subcontractors, agents, or employees under this Purchase Order.

G19 TECHNICAL INTERCHANGE

Technical advice and recommendations ("Advice") of BUYER personnel are intended for use by SELLER's personnel having appropriate skill and at SELLER's own risk. BUYER assumes no responsibility, and SELLER waives all claims against BUYER, for results or damages due to SELLER's use of BUYER's Advice.

G20 EXPORT CONTROL

- (a) SELLER agrees to comply with all applicable U.S. export control laws and regulations, specifically including, but not limited to, the requirements of the Arms Export Control Act, 22 U.S.C. 2751 – 2794, including the International Traffic in Arms Regulations (the “ITAR”), 22 C.F.R. 120 et seq.; and the Export Administration Act, 50 U.S.C. app. 2401 – 2420, including the Export Administration Regulations, 15 C.F.R. 730 – 774; and the requirement for obtaining any export license or agreement, if applicable. Without limiting the foregoing, SELLER agrees that it will not transfer any export-controlled item, data, or services to foreign persons employed by or associated with, or under contract to, SELLER or SELLER’s lower-tier suppliers, without the authority of an export license, agreement, or applicable exemption or exception.
- (b) SELLER agrees to notify BUYER if any deliverable under this Purchase Order is restricted by export control laws or regulations.
- (c) SELLER shall immediately notify BUYER’s Procurement Representative if SELLER is, or becomes, listed on any Denied Parties List or if SELLER’s export privileges are otherwise denied, suspended, or revoked in whole or in part by any U.S. Government entity or agency.
- (d) If SELLER is engaged in the business of either exporting or manufacturing (whether exporting or not) defense articles or furnishing defense services, SELLER represents by accepting this Purchase Order that it is registered with the Directorate of Defense Trade Controls, as required by the ITAR, and it maintains an effective export/import compliance program in accordance with the ITAR.
- (e) SELLER shall provide prompt notification to the BUYER’s Procurement Representative in the event of changed circumstances including, but not limited to, ineligibility, a violation or potential violation of the ITAR, and the initiation or existence of a U.S. Government investigation that could affect the SELLER’s performance under this Purchase Order.
- (f) SELLER shall be responsible for all losses, costs, claims, causes of action, damages, liabilities and expense, including attorneys’ fees, all expense of litigation and/or settlement, and court costs, related to export control issues and caused by any act or omission of SELLER, its officers, employees, agents, suppliers, or subcontractors at any tier during the performance of this Purchase Order.

G21 ATTACHMENTS

All attachments that are included with this Purchase Order, or incorporated herein by reference in this Purchase Order, are to be considered part of this Purchase Order and shall have the full force and effect as if set forth in full text. If requirements documented within such attachments are not fulfilled, BUYER will not accept the Work, and such failure will be considered a breach of this Purchase Order’s terms and conditions.

G22 PURCHASE ORDER DATA REQUIREMENTS

All documents requested by BUYER in this Purchase Order must be sent with the Work, or prior to the receipt of the Work.

G23 CERTIFICATE OF CONFORMITY

A Certificate of Conformity (COC) shall be provided by SELLER stating that the Work conforms in all respects with the requirements of this Purchase Order.

G24 AVIATION-USE ACKNOWLEDGMENT

SELLER acknowledges that the Work is being purchased for installation or use on an aviation product.

G25 PROPRIETARY DATA

- (a) If the parties have executed a Nondisclosure Agreement prior to the issuance of this Purchase Order, the terms of that Nondisclosure Agreement shall replace the text of this Clause G25, and shall be incorporated by reference into this Purchase Order as if fully set forth herein.
- (b) SELLER shall keep confidential the features of any specifications, information, data, drawings, software, equipment, tools, and other data furnished by the BUYER, and will use such items only in the production of the Work covered by this Purchase Order or other Purchase Orders from BUYER. SELLER agrees that any BUYER-owned data, designs, or other information supplied by or on behalf of BUYER shall not be disclosed in whole or in part to third parties without express written permission from BUYER. The preceding sentence does not apply to authorized vendors of SELLER when they perform services on SELLER's behalf under this Purchase Order. In such cases, SELLER will ensure that its vendors execute non-disclosure agreements, a copy of which shall be provided to BUYER upon request. SELLER further agrees that such BUYER-owned or furnished data and information shall only be used in the performance of this or any other Purchase Order with BUYER. SELLER shall not use BUYER-owned data, designs, or other information supplied by or on behalf of BUYER for manufacture of BUYER's products, or cause others to do so, without express written authorization from BUYER.
- (c) Unless otherwise expressly agreed in writing to the contrary, any invention or intellectual property first made or conceived by SELLER in the performance of this Purchase Order, or which is derived from or based on the use of information supplied by BUYER, shall be considered to be the property of the BUYER; and SELLER shall execute such documents necessary to perfect BUYER's title thereto. Unless otherwise expressly agreed in writing to the contrary, any work performed by SELLER pursuant to this Purchase Order which includes any copyright interest shall be considered a "work made for hire", and all such copyright interests shall be owned by BUYER.

G26 KEY PERSONNEL, FACILITIES, AND PROCEDURES

SELLER shall notify BUYER in writing of any changes in managerial, supervisory, or inspection personnel, location, facilities, equipment, or procedures that affect the SELLER.

G27 QUALITY CONTROL ANOMALIES

SELLER shall have a continuing obligation to promptly notify BUYER of known deviation from the quality control requirements of any Purchase Order issued by BUYER, and to advise BUYER of the quantity and specific identity of any deliveries to BUYER during the period of any such deviation.

G28 QUALITY CONTROL SYSTEM

If SELLER maintains a quality system in compliance with any standard issued by the International Organization for Standardization (ISO), 14 CFR parts 21 or 145, ANSI-Z-540, or National Aerospace and Defense Contractors Accreditation Program (NADCAP), SELLER shall notify BUYER of any change to its accreditation or registration status.

- G29 **QUALITY ANOMALIES AFFECTING AIRWORTHINESS OF AIRCRAFT, PARTS, AND COMPONENTS**
 SELLER shall provide timely notification (within 24 hours) to BUYER of known non-conformances caused by internal or external processes that may affect the airworthiness of the Work. The report shall include, but is not limited to, a description of the full technical discrepancy, Work affected, part numbers, and dates on which the Work was delivered to the BUYER.
- G30 **SUBSTITUTIONS**
 SELLER shall not make any substitutions for the Work requested in this Purchase Order without prior written approval from BUYER.
- G31 **COMPLIANCE WITH LAWS AND REGULATIONS**
 (a) SELLER shall comply with all federal, state, and local laws, ordinances, rules, and regulations in the production of the Work. SELLER shall be responsible for the cost of obtaining any necessary licenses, permits, pay all fees and other required charges, and shall comply with all of the guidelines and directives of any local, state, or federal authority.
 (b) SELLER shall be responsible for compliance with all requirements and obligations relating to its employees under all local, state, and federal statutes, ordinances, rules, and obligations including, but not limited to, obligations under laws relating to: income tax withholding and reporting; civil rights; equal employment opportunity; discrimination on the basis of age, sex, race, color, religion, disability, national origin, or veteran status; overtime; minimum wage; social security contribution and withholding; unemployment insurance; employer's liability insurance; worker's compensation; veteran's rights; and all other employment, labor, or benefits-related laws.
 (c) SELLER shall comply with the requirements of the Foreign Corrupt Practices Act (FCPA), and shall neither directly nor indirectly pay, offer, give, or promise to pay or give any portion of the purchase price (or anything else of value received from BUYER) to any person in violation of the FCPA and/or in violation of any applicable foreign laws related to anti-corruption or anti-bribery.
- G32 **TOXIC SUBSTANCES**
 SELLER represents that each chemical substance constituting or contained in Work sold or otherwise transferred to BUYER hereunder is on the list of chemical substances compiled and published by the Administrator of the Environmental Protection Agency pursuant to the Toxic Substances Control Act (15 U.S.C. See. 2601 et seq.), as amended.
- G33 **MATERIAL SAFETY DATA SHEET**
 SELLER shall provide to BUYER with each delivery any Material Safety Data Sheet applicable to the Work in conformance with, and containing such information as required by, the Occupational Safety and Health Act of 1970 and regulations promulgated thereunder.

G34 INSPECTION AND ACCEPTANCE

- (a) SELLER agrees to permit BUYER and/or any relevant governmental authority access to SELLER's facility at reasonable times and places, when practicable, to inspect all Work during the manufacturing or service process and before shipment. SELLER shall provide, at no cost to BUYER, all information, facilities, records, and assistance necessary for a safe and convenient inspection.
- (b) No such inspection shall relieve SELLER of its obligations to furnish all Work in accordance with the requirements of this Purchase Order. BUYER's final inspection and acceptance shall be at destination.
- (c) SELLER acknowledges that its failure to allow authorized representatives to perform these activities will preclude BUYER from approving SELLER's Work for return to service and shall be grounds for BUYER not making any payment to SELLER for Work performed.
- (d) SELLER shall be liable to BUYER for any and all consequential damages that result from SELLER's refusal to allow duly authorized representatives of the FAA to conduct an inspection of SELLER's facilities during the time SELLER is performing Work on behalf of BUYER.
- (e) If SELLER delivers non-conforming Work, BUYER may: (i) accept all or part of such Work at an equitable price reduction; (ii) reject such Work; or (iii) make, or have a third party make, all repairs, modifications, or replacements necessary to enable such Work to comply in all respects with Purchase Order requirements, and charge the cost incurred to SELLER.
- (f) SELLER shall not re-tender rejected Work without disclosing the corrective action taken.

G35 DISPUTES

All disputes under this Purchase Order, which are not disposed of by mutual agreement of the parties, may be decided by recourse to an action at law or in equity. Until final resolution of any dispute hereunder, SELLER shall diligently proceed with the performance of this Purchase Order as directed by the BUYER.

G36 PAYMENTS, TAXES, AND DUTIES

- (a) Unless otherwise provided, terms of payment shall be net-thirty (30) days from the receipt of SELLER's proper invoice after delivery of the Work. BUYER shall have the right of setoff against payments due or at issue under this Purchase Order or any other Purchase Order or Contract between the parties.
- (b) Each payment shall be subject to reduction to the extent of amounts, which are found by BUYER not to have been properly payable, and shall also be subject to reduction for overpayment.
- (c) Payment shall be deemed to have been made as of the date of mailing BUYER's payment or electronic funds transfer.
- (d) Unless otherwise specified, prices include all applicable federal, state or local taxes, duties, tariffs, and similar fees imposed by any government, all of which shall be listed separately on the invoice.

G36A PAYMENTS, TAXES, AND DUTIES

- (a) Terms of payment shall be net-thirty (30) days from the receipt of SELLER's proper invoice after delivery of the Work, unless BUYER rejects the Work, in which case the due date for BUYER's payment shall be extended until the Work is approved and accepted by BUYER.
- (b) BUYER shall have the right of setoff against payments due or at issue under this Purchase Order or any other Purchase Order or contract between the parties. BUYER's right of setoff shall include, but not be limited to, all costs and expenses and loss of value incurred by BUYER as a result of nonconformance, repair, replacement, or other correction of the Work.
- (c) If BUYER rejects a portion of the Work done under this Purchase Order, BUYER shall not pay SELLER's invoice for the Work until SELLER either: (i) withdraws its invoice and reissues an invoice limited to the portion of the Work that BUYER accepted; or (ii) issues a credit memo to BUYER for the price of the rejected Work.
- (d) Payment shall be deemed to have been made as of the date upon which BUYER mails its payment or makes an electronic funds transfer.
- (e) Unless otherwise specified, prices include all applicable federal, state, or local taxes, duties, tariffs, and similar fees imposed by any government, all of which shall be listed separately on the invoice.
- (f) SELLER shall not have the right to apply any interest or late fee to any invoice for Work that BUYER has rejected, in whole or in part.

G37 ASSIGNMENT

SELLER may not assign any rights or delegate any of its obligations due or to become due under this Purchase Order without the prior written consent of BUYER. Any purported assignment or delegation by SELLER without such consent shall be void.

G38 INSURANCE REQUIREMENTS

SELLER shall maintain product liability insurance coverage (the "Policies") against claims for bodily injury, personal injury, and property damage that may arise in connection with SELLER's (and its subcontractors') performance of the Work. Upon BUYER's request, SELLER shall provide certificates of insurance for the Policies that: (i) list BUYER (and its employees and officers) as additional insureds; (ii) state that the Policies are primary to, and non-contributory with, BUYER's insurance policies; (iii) state that SELLER's insurance companies agree to waive all rights of subrogation against BUYER (and/or BUYER's employees and officers); (iv) confirm that the Policies contain a "cross-liability" (or, "separation of insureds") provision; (v) provide that the Policies shall not be cancelled or materially altered without thirty (30) days' prior written notice to BUYER; and (vi) state that the Policies possess at least the minimum limit of liability set forth in Condition G39 or G40 (as selected by BUYER), or as otherwise agreed to by the Parties.

G39 MINIMUM LIMIT OF LIABILITY FOR CRITICAL PART SUPPLIERS

SELLER shall maintain product liability insurance coverage for bodily injury, personal injury, and property damage in an amount no less than Fifty Million U.S. Dollars (\$50,000,000.00) per occurrence.

G40 MINIMUM LIMIT OF LIABILITY FOR NON-CRITICAL PART SUPPLIERS

SELLER shall maintain product liability insurance coverage for bodily injury, personal injury, and property damage in an amount no less than Ten Million U.S. Dollars (\$10,000,000.00) per occurrence.

G41 SURVIVAL

All terms and conditions of this Purchase Order that impose post-delivery obligations upon either party shall survive indefinitely unless otherwise set forth herein.

PRODUCTION

- P1 SELLER shall provide to BUYER, or make available upon BUYER's request, copies (and a listing of) of all drawings (including revision and date) and documentation created by SELLER and used to produce or provide the Work.

- P2 SELLER shall provide to BUYER, or make available upon BUYER's request, receiving inspection records to ensure that the Work complies to design requirements. This shall include available dimensional, non-destructive, and performance test records.

- P3 SELLER shall not start the Work prior to receiving approval of the frozen Manufacturing Plan by BUYER.

- P4 SELLER acknowledges that BUYER is the sole owner of the type design for the aircraft, which has been approved by the United States Federal Aviation Administration (FAA) and other National Aviation Authority (NAA) through the issuance of a type certificate.

- P5 SELLER acknowledges that the design specifications provided by and referenced in BUYER's Purchase Order are the property of the BUYER. Under the pertinent FAA and foreign government regulations, these design specifications shall not be changed unless prior written approval is received from the BUYER.

- P6 The Work shall be delivered only to BUYER unless BUYER has delegated final inspection authority to SELLER and has authorized SELLER in writing to make direct shipments to BUYER's customers. SELLER shall maintain records of all direct shipments and make them available to the BUYER or a relevant governmental authority upon request.

- P7 With respect to Work performed by SELLER with reference to BUYER's proprietary information or materials, SELLER shall not, without BUYER's prior written consent: (a) obtain its own FAA design approval, including but not limited to a Parts Manufacturer Approval (PMA), Technical Standard Order Authorization (TSOA), process specification, major repair or major alteration; or (b) otherwise sell any part, material, or service to any party other than BUYER.

- P8 SELLER agrees to take timely and effective corrective action in response to any deficiencies noted by BUYER during surveys or audits.

- P9 Upon BUYER's request, SELLER agrees to provide BUYER with access to its design data, including any design changes, for submittal to the FAA or NAA in connection with BUYER's type certificate.

- P10 SELLER acknowledges that it does not hold FAA design and manufacturing approval for the Work covered by this Purchase Order. Accordingly, BUYER shall have the right to use SELLER's data to obtain necessary government approval to ensure that the Work is eligible for installation on an aircraft operated by BUYER or one of its customers.

- P11 SELLER represents that it holds a design and production approval from the FAA for the Work covered by this Purchase Order.

QUALITY

- Q1 The SELLER shall establish and maintain a quality control system that ensures that all Purchase Order requirements are met.

- Q2 The SELLER's quality system shall be subject to BUYER's approval/acceptance, inspection, and/or audit upon BUYER's request.

- Q3 SELLER shall not make any changes to its quality control procedures that may affect the inspection, conformity, or airworthiness of the Work without BUYER's written consent.

- Q4 The SELLER shall complete inspections and tests in the required sequence as stated in the frozen Manufacturing Plan, unless otherwise agreed to by BUYER.

- Q5 Work failing inspection and/or test shall be treated as nonconforming.

- Q6 The SELLER shall maintain a minimum inspection system in accordance with 14 C.F.R. 21 "Certification Procedures for Products and Parts". This shall include (but is not limited to): (i) review and approval of Purchase Orders received from SELLER's customers and/or issued to SELLER's subcontractors; (ii) receiving inspection for articles from suppliers and sub-suppliers; (iii) traceability of article through documentation; (iv) inspection and/or test intervals required; (v) final inspection of article prior to shipment to customers; (vi) ensure current documentation is used when performing any work on articles; (vii) identification, control, documentation, and disposition of nonconforming articles; and (viii) process used to determine the status of products during SELLER's processing operation including, but not limited to, completed and required test and inspections.

- Q7 The SELLER shall implement procedures for the identification, segregation, preservation, and control of non-conforming material, including any non-conforming material supplied by BUYER to SELLER.

- Q8 If nonconformance occurs, SELLER shall not repair the Work without prior approval from BUYER.

- Q9 The SELLER shall provide records evidencing all inspections and tests performed in conformance with requirements stated in this Purchase Order. This shall include inspection and test performed at receipt, in-process, and at the completion of the process.

- Q10 SELLER shall not use a sample inspection as a replacement for a 100% inspection of the Work without the approval from the BUYER.

- Q11 SELLER shall furnish, with the first shipment of the Work, drawings, sketches, and/or specifications required to permit inspection and/or testing of the Work to ensure proper compliance with this Purchase Order.

- Q12 The SELLER shall submit an item of the type to be furnished under this Purchase Order and/or the Manufacturing Plan to BUYER for first article inspection.

- Q13 The SELLER shall ensure that the article sent to BUYER for first article inspection conforms to drawings, Manufacturing Plan, and Purchase Order requirements.

- Q14 The SELLER shall provide, at no cost to BUYER, access to facilities, equipment, tooling, and technical data necessary to allow and aid proper inspection of the Work.

- Q15 In the event that the Work fails SELLER's inspection or test, the SELLER shall determine the reason that the Work failed the inspection or test, and report such reason and failure to the BUYER.
- Q16 The SELLER shall identify and verify articles, components, and/or material having definite characteristics of quality degradation with age, and shall include such shelf life data with each shipment, documented specifically for each part.
- Q17 SELLER shall provide any required shelf life constraints by the expiration date or the original manufacturing date and length of shelf life. The Work shall have no less than 75% of life remaining at the time the Work is received by BUYER.
- Q18 The SELLER shall ensure that it complies with all appropriate and applicable governmental specifications and regulations for the handling, transporting, and containment of all hazardous materials or any material harmful to human health.
- Q19 SELLER shall ensure that all measuring and testing equipment sent to SELLER by BUYER for calibration are traceable to a standard of the U.S. National Institute for Standards and Testing (NIST), the standards-setting agency of the relevant country, or the equipment manufacturer. Measuring and test equipment shall also be provided to BUYER with a calibration label indicating the identification number of the equipment, the date last calibrated, and the date when the next calibration is due.
- Q20 SELLER shall ensure that personnel calibrating BUYER's measuring and test equipment shall have the knowledge, training, and experience necessary to ensure proper calibration. The knowledge, training, and experience shall be documented and available for BUYER's inspection.
- Q21 The SELLER shall provide calibration records that shall include the name of the person who performed the calibration, the date of calibration, the date when the next calibration is due, the standard used to perform the calibration, and the results of the calibration, including the actual readings of the equipment at the test points. A copy of those records shall accompany the calibrated measuring or test equipment when it is returned to BUYER.
- Q22 The SELLER shall certify that the Work conforms in every aspect to the contractual and technical standards of this Purchase Order, relevant engineering drawings, and the applicable Manufacturing Plan.
- Q23 If the SELLER wishes to deviate from this Purchase Order and/or the Manufacturing Plan due to a discrepancy, such discrepancy shall be reported as soon as practical to the BUYER. SELLER shall not effect any deviation to the requirements of this Purchase Order and/or the Manufacturing Plan without the prior written authorization from the BUYER's Procurement Representative.
- Q24 SELLER is responsible for performing all required tests unless otherwise notified by the BUYER in writing. The BUYER reserves the right to sample and/or test the Work in order to ensure that the Work conforms to this Purchase Order.
- Q25 The SELLER is required to flow down to its vendor's applicable requirements contained in this Purchase Order, including any testing required by the sub-vendor. This is to include, but is not limited to, key characteristics as well as contractual data retention requirements.

- Q26 The SELLER is required to maintain a procedure for evaluating and approving SELLER's vendors and sub-vendors.
- Q27 The SELLER shall not make any changes to the design of the Work including, but not limited to, materials that would affect its performance without prior written approval from the BUYER's Procurement Representative.
- Q28 SELLER shall not use nonconforming articles or materials in Work being performed for BUYER.
- Q29 SELLER shall not change any process, steps, material, procedures or drawings specified in the approved frozen Manufacturing Plan.
- Q30 SELLER shall not submit previously-rejected Work for re-approval without documentation stating that the Work was previously rejected by the BUYER and is being resubmitted for approval. The documentation submitted with the Work shall include, but is not limited to, the reason for previous rejection and subsequent changes made to the Work.
- Q31 SELLER shall not relocate any production, manufacturing, and/or processing facilities during its performance of the Work without prior approval from the BUYER.
- Q32 SELLER shall maintain inspection and test results for required inspections and tests of the Work shipped to BUYER.
- Q33 Time of retention SELLER shall retain all records pertaining to this Purchase Order or applicable manufacturing plan for a minimum of a period defined on the Purchase Order after the completion of the service or article covered by this Purchase Order.
- Q33A Records retention requirement for SELLERS of Category 1 Work: SELLER shall retain all records pertaining to this Purchase Order for a minimum of 50 years after the completion of the Work.
- Q33B Records retention requirement for SELLERS of Non-Category 1 Work: SELLER shall retain all records pertaining to this Purchase Order for a minimum of five (5) years after the completion of the Work.
- Q34 SELLER shall identify articles as specified on the appropriate engineering drawing. If identification is not specified on the engineering drawing, identification shall be as provided on this Purchase Order.
- Q35 Work delivered by the SELLER to the BUYER may be rejected if the requirements of this Purchase Order, Manufacturing Plan, and/or engineering drawings are not met. Upon rejection, the BUYER may require the SELLER to repair or replace the Work; or reimburse the purchase price. BUYER can, however, keep and rework any such materials, and SELLER shall be responsible for the cost of repair, rework, replacement, inspection, transportation, repackaging, and/or reinspection by BUYER.
- Q36 Work delivered showing evidence of flaws, mishandling, or abuse may be rejected by the BUYER.

- Q37 Acceptance of Work by BUYER takes place after BUYER obtains physical possession of the Work, and a reasonable time for inspection to determine conformance has occurred. The reasonable time for inspection shall be no less than 90 days after BUYER obtains physical possession of the Work.
- Q38 The SELLER shall ensure that Work provided to BUYER is packed and shipped in such a manner to provide adequate physical protection.
- Q39 If a warning label is required in compliance with government regulation, SELLER's packaging shall reflect such compliance.
- Q40 If BUYER requires special packaging of the Work, such requirements will be prescribed in this Purchase Order or through communication to the SELLER by BUYER.
- Q41 SELLER warrants test equipment used on article or during service is calibrated to National Institutes for Standards and Testing (NIST).
- Q42 SELLER shall establish and maintain a quality control system acceptable to the BUYER for the Work procured under this Purchase Order. SELLER shall not make any changes to its quality control procedures that may affect inspection, conformity, or the airworthiness of the Work without BUYERS written consent.
- Q43 SELLER warrants that all test equipment used on the Work is calibrated to National Institutes for Standards and Testing (NIST) or the standards-setting agency of the relevant country or the equipment manufacturer.
- Q44 SELLER shall not perform rework without prior written approval from the BUYER.
- Q45 The SELLER is required to flow down to its vendors all BUYERS applicable Purchase Order requirements, ensure SELLER-provided products, articles or services conform to the BUYERS requirements, and establish a SELLER-reporting process for products, articles or services that have been released from the supplier and subsequently found not to conform to the BUYERS requirements.
- Q46 SELLER must maintain a counterfeit parts avoidance and prevention program when providing new material or articles. SELLER must maintain a method of commodity and item level traceability that ensures tracking of the supply chain back to the manufacturer of the material or article per AS6174 or equivalent.
- Q47 SELLER's acceptance of this Purchase Order is acknowledgment that SELLER and its employees are aware of: their contribution to product or service conformity; their contribution to product safety; and the importance of ethical behavior.

MAINTENANCE

- M1 SELLER shall provide a maintenance record that meets the requirements of 14 CFR 43.9. FAA form 8130-3 will be accepted as fulfilling these requirements, provided that the following additional information is available upon BUYER's request: (a) a detailed description of Work performed with reference to data acceptable to the FAA, including enough information to determine the exact nature of the Work performed, parts replaced, and tests or inspections accomplished; and (b) the name of each person performing any part of the Work.

- M2 SELLER agrees to take timely and effective corrective action in response to any deficiencies noted by BUYER during surveys or audits.

- M3 SELLER warrants that it is a certificated repair station under 14 CFR Part 145 (the Federal Aviation Regulations), and that it is appropriately rated to perform the Work requested under this Purchase Order. SELLER warrants that it has the housing, facilities, equipment, materials, personnel, and data necessary to perform the Work described in this Purchase Order.

- M4 SELLER warrants that, if it is certified by the European Aviation Safety Agency (EASA) to perform maintenance and modifications on aircraft registered in an EASA country (or on articles that will be installed in such aircraft), SELLER shall perform the Work in accordance with all pertinent EASA requirements and shall provide BUYER with an EASA Form 1 that fully complies with those requirements. Upon BUYER's request, SELLER shall provide BUYER with a copy of the complete records package prepared in connection with the work performed under this Purchase Order.

- M5 SELLER warrants that, if it is certified by the National Aviation Authority (NAA) that has jurisdiction over the maintenance/modification being performed to perform maintenance and modifications on aircraft registered in the country in question (or on articles that will be installed in such aircraft), SELLER shall perform the Work in accordance with all NAA requirements and shall provide BUYER with appropriate documentation that fully complies with all applicable NAA requirements. Upon BUYER's request, SELLER shall provide BUYER with a copy of the complete maintenance or inspection records prepared in connection with the work performed under this Purchase Order.

- M6 SELLER acknowledges that it does not hold authority from any NAA to perform maintenance, preventive maintenance, or alterations (modifications). Accordingly, BUYER is required under the national aviation regulations to take responsibility for the airworthiness of the Work performed on SELLER's behalf.

- M7 SELLER acknowledges that BUYER is required under FAA regulations to determine whether SELLER follows a quality control system equivalent to BUYER's system for the Work purchased under this Purchase Order. SELLER will allow BUYER to perform those activities that, in BUYER's sole discretion, are necessary to make that equivalence determination, including on site and remote audits, and review of SELLER's quality procedures or any other aspect of SELLER's quality system.

- M8 SELLER acknowledges that the BUYER remains directly in charge of the Work referenced in this Purchase Order. Therefore, if SELLER has any questions regarding the Work instructions, it shall consult with BUYER's quality department prior to accomplishing any portion of the Work covered by this Purchase Order.

- M9 (14 CFR PART 121 AND 135 ARTICLES ONLY; U.S. SUPPLIERS ONLY)
SELLER shall comply with 14 CFR part **120** app. I (the "Drug Testing Program" requirements).

GOVERNMENT

- Z1 To the extent that the Work is used in the performance of BUYER's Prime Contract or a higher tier U.S. Government Contractor's Prime Contract, the Federal Acquisition Regulations (FAR) and the Defense Federal Acquisition Regulations Supplement (DFARS) clauses shown below, in effect on the date of this Purchase Order, are incorporated herein (including any notes following the clause citation) by their reference, with the same force and effect as if they were stated in this Purchase Order in full text. However, in the event of a conflict between clauses listed below and the BUYER's Prime Contract, the BUYER's Prime Contract shall prevail. Where applicable, the terms "government," and "Contracting Officer," and similar terms shall mean "BUYER," and the term "Contractor" and similar terms shall mean "SELLER." The full text of a clause may be accessed electronically at URL: <http://farsite.hill.af.mil>.

- Z2 52.203-6 Restrictions on Subcontractor Sales to the Government

- Z3 52.203-7 Anti-Kickback Procedures

- Z4 52.215-2 Audit and Records-Negotiation

- Z5 52.215-12 Subcontractor Cost or Pricing Data

- Z6 52.215-14 Integrity of Unit Prices

- Z7 52.215-15 Pension Adjustments and Asset Reversions

- Z8 52.215-18 Reversion or Adjustment of Plans for Postretirement Benefits (PRB) Other Than Pensions

- Z9 52.215-19 Notification of Ownership Changes

- Z10 52.215-20 Requirements for Cost or Pricing Data or Information Other Than Cost or Pricing Data

- Z11 52.215-21 Requirements for Cost or Pricing Data or Information Other Than Cost or Pricing Data - Modifications

- Z12 52.219-8 Utilization of Small Business Concerns

- Z13 52.219-9 Small Business Subcontracting Plan

- Z14 52.222-4 Contract Work Hours and Safety Standards Act - Overtime Compensation

- Z15 52.222-21 Prohibition of Segregated Facilities

- Z16 52.222-26 Equal Opportunity

Z17	52.222-35 Equal Opportunity for Special Disabled Veterans of the Vietnam Era and Other Eligible Veterans
Z18	52.222-36 Affirmative Action for Workers with Disabilities
Z19	52.223-11 Ozone-Depleting Substances
Z20	52.225-1 Buy American Act—Supplies
Z21	52.225-5 Trade Agreements
Z22	52.225-13 Restriction on Certain Foreign Purchases
Z23	52.227-1 Authorization and Consent
Z24	52.227-2 Notice and Assistance Regarding Patent and Copyright Infringement
Z25	52.234-1 Industrial Resources Developed Under Defense Production Act Title III
Z26	52.244-6 Subcontracts for Commercial Items
Z27	52.245-1 Government Property (the following is added as paragraph (m): "SELLER shall provide to BUYER immediate notice of any disapproval, withdrawal of approval, or non-acceptance by the Government of its property control system").
Z28	252.203-7001 Prohibition on Persons Convicted of Fraud or Other Defense-Contract Related Felonies
Z29	252.204-7000 Disclosure of Information
Z30	252.208-7000 Intent to Furnish Precious Metals as Government-Furnished Materials
Z31	252.225-7008 Restriction on Acquisition of Specialty Metals
Z32	252.225.7009 Restriction on Acquisition of Certain Articles Containing Specialty Metals
Z33	252.225.7016 Restriction on Acquisition of Ball and Roller Bearings
Z34	252.225.7025 Restriction on Acquisition of Forgings
Z35	252.226-7001 Utilization of Indian Organizations, Indian-Owned Economic Enterprises, and Native Hawaiian Small Business Concerns

Z36 252.228-7005 Accident Reporting and Investigation Involving Aircraft, Missiles, and Space Launch Vehicles

Z37 252.225.7025 Restriction on Acquisition of Forgings

Z38 REPRESENTATIONS AND CERTIFICATIONS

This clause contains certifications and representations that are material representations of fact upon which BUYER and BUYER's customers will rely in making awards to SELLER. By accepting BUYER's Purchase Order, SELLER certifies to BUYER representations and certifications as set forth below in this clause. SELLER shall immediately notify BUYER of any change of status with regard to these certifications and representations.

(a) FAR 52.209-5 Certification Regarding Debarment, Suspension, Proposed Debarment, and Other Responsibility Matters.

(i) Contractor certifies, to the best of its knowledge and belief, that Contractor and/or any of its Principals, (as defined in FAR 52.209-5) are not presently debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any Federal agency.

(ii) Contractor shall provide immediate written notice to BUYER if, any time prior to award of any contract, it learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.

(b) FAR 52.222-22 Previous Contracts and Compliance Reports. Contractor represents that, if Contractor has participated in a previous contract or subcontract subject to Equal Opportunity clause (FAR 52.222-26): (i) Contractor has filed all required compliance reports; and (ii) representations indicating submission of required compliance reports, signed by proposed subcontractors, will be obtained before subcontract awards.

(c) FAR 52.222-25 Affirmative Action Compliance. Contractor represents: (i) that Contractor has developed and has on file at each establishment, Affirmative Action programs required by the rules and regulations of the Secretary of Labor (41 DFR 60-1 and 60-2); or (ii) that, in the event such a program does not presently exist, Contractor will develop and place in operation such a written Affirmative Action Compliance Program within one-hundred twenty (120) days from the award of this Contract.

Z39 Any FAR or DFARS clause that is incorporated in the Prime Contract, but not mentioned in this Purchase Order, and which is required by the terms of the Prime Contract or by public law, shall apply to this Purchase Order as if it were referenced herein.

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