

## TERMS AND CONDITIONS OF PURCHASE

**TERMS AND CONDITIONS.** No terms and conditions other than the terms and conditions set forth in this Agreement, including any terms and conditions in any document attached to or incorporated by reference, shall be binding upon Buyer unless accepted by it in writing signed by an Officer of the Buyer. Notwithstanding any other provision of this document, Buyer reserves expressly the right to revoke any Purchase Order at any time prior to receipt of notice of acceptance by Seller. Acceptance is limited to the terms stated herein. Seller will be deemed to have assented to all terms and conditions contained herein if any part of the goods and/or service is shipped or an invoice is presented in connection with the said goods and/or services.

**COMPLIANCE WITH LAWS.** Seller warrants that all goods provided hereunder have been produced and all services performed are in compliance with applicable federal, state and local laws, ordinances, codes, rules, regulations or standards, including without limitation, the Fair Labor Standards Act, and those pertaining to the manufacture, labeling, invoicing and sale of such goods or services, environmental protection, immigration, employment and occupational safety and health.

**STATE LAW.** This Order shall be governed in all respects by the laws of the State of North Carolina and all actions commenced pursuant hereto shall be brought in a court of competent jurisdiction residing within fifty (50) miles of Winston-Salem, North Carolina.

**TRANSPORTATION.** Unless otherwise stipulated or as modified by routing letter from Buyer's Purchasing Agent, goods shall be shipped "FOB destination". Risk of loss and title to said goods to pass to Buyer only upon delivery to and accepted by Buyer's specified end destination. Transportation charges on goods delivered FOB destination must be prepaid. No charges for unauthorized transportation will be allowed. Any unauthorized shipment, which will result in excess transportation charges, must be fully prepaid by the Seller. Unauthorized transportation charges not prepaid will be offset by Buyer.

**DEFAULT.** Neither Seller or Buyer shall be considered in default in the performance of its obligations on individual Purchase Orders to the extent that performance of such is delayed or prevented due to causes beyond the control of said party, including, but not limited to, acts of God, war, revolution, civil commotion, blockade or embargo, any law, order, regulation, ordinance, of any government, fires, floods, unavoidable casualties, strikes, labor disputes, and other causes beyond the reasonable control of either party. Notwithstanding the aforementioned, in the sole event that the Buyer incurs damages as a result of the Seller's delay in delivering goods, Seller shall be liable for such damages notwithstanding that such are due to causes beyond Seller's control or result without fault or negligence of Seller. Buyer may by written notice of default to Seller (a) terminate the whole or any part in any one of the following circumstances: (i) if Seller fails to perform within the time specified by Purchase Orders or any extension thereof; or (ii) if Seller fails to perform any of the other provisions specified in the Purchase Order, or so fails to make progress as to endanger performance in accordance with its terms; or (iii) if the Seller shall become insolvent or make a general assignment for the benefit of creditors or if a petition under any bankruptcy act or similar statute is filed by or against the Seller, and in any of these circumstances does not cure such failure within a period of ten (10) days or such longer period as Buyer may authorize in writing; and (b) upon such termination Buyer may procure, upon such terms as it shall deem appropriate, supplies or services similar to those so terminated, in which case Seller shall continue performance of individual Purchase Orders to the extent not terminated and shall be liable to Buyer for any excess costs for such similar supplies or services. As an alternate remedy, and in lieu of termination for default, Buyer, at its sole discretion, may elect (a) to extend the delivery schedule and/or (b) to waive other deficiencies in Seller's performance, in which case an equitable reduction in the

Purchase Order price shall be granted. Buyer shall have the right at any time to require assurance from Seller. In the event Seller for any reason anticipates difficulty in complying with the required delivery date or performance schedule, or in meeting any of the other requirements of individual Purchase Orders, Seller shall promptly notify Buyer in writing. If Seller does not comply with Buyer's delivery schedule or performance schedule, Buyer may require delivery by fastest means and charges resulting from the premium transportation must be fully prepaid and absorbed by the Seller. The rights and remedies of the Buyer provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Order.

**REJECTIONS.** If any of the goods and/or services furnished hereunder are found at any time to be defective in material or workmanship or otherwise not in conformity with the requirements of individual Purchase Orders, Buyer, in addition to any other rights which it may have under all applicable warranties or otherwise, reject and return such goods and/or discontinue such services at Seller's expense. Such goods and/or services shall not be replaced or continued without written authorization from Buyer. Buyer may accept, without prejudice, a portion of any shipment, and, at its option, have Seller repair or replace any non-conforming portion of the shipment, at Seller's expense. Items rejected shall be removed promptly by the Seller at its expense and at its risk.

**SET-OFF.** Buyer shall be entitled at all times to set-off any amount owing at any time from Seller to Buyer or any of its affiliates against any amount payable at any time by Buyer in connection with this Order.

**TERMS.** The Purchase Order price shall not be increased nor the terms hereof changed without the Buyer's written consent. The Seller warrants that the prices of the items covered by individual Purchase Orders are not in excess of the Seller's lowest lawful prices in effect on the date of this Order for comparable quantities of similar items. If cash discounts for early payment are offered by Seller, the period of time agreed upon as constituting "early payment" shall begin with the later of the invoice date or receipt of merchandise.

**PAYMENT.** Upon submission of proper invoices, Buyer shall pay the Purchase Order price set forth herein for material and supplies delivered and accepted or services rendered and accepted; however, payment may be withheld or portions thereof deducted or set-offs made against Seller if Seller is not performing work in accordance with the provisions of the Purchase Order.

**HASCOM REPORTING.** If any of the items ordered herein constitute or contain "hazardous or toxic chemicals" as defined by any applicable Federal, State or local law, rule or regulation, Seller shall provide at the time of delivery all required notices and information, including without limitation all Material Safety Data Sheets ("MSDS") in approved form. Seller agrees to maintain such information current and shall provide Buyer with any amended, altered or revised information on a timely basis.

**DELIVERY SCHEDULE.** Time is of the essence in the fulfillment of Purchase Orders. Purchase Orders are subject to cancellation if not shipped at the specified time. The Buyer reserves the right to refuse deliveries made in advance of the delivery schedule. Merchandise shipped after the time specified may be returned at the Seller's expense for full credit. Retention of all or any part of such merchandise shall not be considered acceptance of same. Acceptance of such merchandise shall not be deemed a waiver of the Buyer's right to hold the Seller liable for any loss or damage resulting therefrom, nor shall it act as a modification of the Seller's obligation to make future deliveries in accordance with the delivery schedule. Buyer shall be reimbursed in full for all merchandise returned.

**SHIPMENT.** All material shall be properly packed for shipment. No additional charges will be allowed for packing, crating, freight, express or cartage unless specified on the face of the Purchase Order. Any loss or

damage, whenever occurring, which results from Seller's improper packaging or crating shall be borne by Seller. All items shall be properly identified with Buyer's Order number releasing shipments against this Order and the Order item number or other identification number shown.

**INDEMNIFICATION.** To the fullest extent permitted by law, Seller agrees to indemnify, save harmless, and defend Buyer and its affiliated companies, their customers, directors, officers, employees and agents, from and against any loss, liability, cost, expenses, suits, actions, claims and all other obligations and proceedings whatsoever, including without limitation, all judgments rendered against, and all fines and penalties imposed upon Buyer and any reasonable attorney's fees and any other cost of litigation (hereinafter collectively referred to as "liabilities") arising out of injuries to persons, including death, or damage to property, caused by Seller, its employees, agents, subcontractors, or in any way attributable to the performance and prosecution of the work herein contracted for, including without limitation breach of warranty or product liability except that Seller's obligation herein to indemnify Buyer shall not apply to any liabilities arising from Buyer's sole negligence. Seller agrees to expressly waive its immunity, if any, under the applicable workers' compensation law if such immunity may affect this indemnification obligation.

**WAIVER.** The Buyer's failure to insist upon strict compliance shall not be deemed to be a waiver of any right granted Buyer herein. Buyer shall not be deemed to waive any such right unless such waiver is in writing signed by an Officer of the Buyer, such waiver shall not constitute a waiver of any other default under a Purchase Order.

**TAXES.** Unless prohibited by law, the Seller shall pay all federal, state or local tax, transportation tax, or other tax which is required to be imposed upon the items ordered hereunder, or by reason of their sale or delivery; the Order price shall be deemed to include such taxes.

**WARRANTY.** Seller warrants that it has clear title to all items furnished subject hereto and that they are being delivered free and clear of any encumbrances. The Seller further warrants that all such items shall conform to the Seller's specifications, the requirements and that such items shall be free from defects in material and workmanship (collectively, the "Seller's Warranty"). Seller's Warranty shall remain in effect for a one (1) year period after acceptance of the items by the Buyer's customers, or for such longer period of time as the item is normally warranted.

**TERMINATION BY BUYER.** Buyer shall have the right for and at its convenience to terminate any Purchase Order in whole or in part at any time, and from time to time, by written or telegraphic notice effective upon receipt by Seller, even though Seller is not in breach of any obligation hereunder. Upon receipt of notice of termination, Seller shall immediately discontinue performance and shall comply with Buyer's instructions concerning disposition of completed and partially completed items, work in progress and materials acquired pursuant to any Purchase Order. In the event of such termination, Seller shall be paid an amount in settlement to be mutually agreed upon by the parties which shall cover Seller's reasonable costs of performance incurred prior to termination in connection with the items for which Purchase Order(s) is/are terminated. However, said payment shall not exceed the price specified herein for such items. In no event shall the Seller be entitled to recover incidental or consequential damages. Seller shall advise the Buyer, in writing, of Seller's claim, if any, for termination costs within ten (10) days after receipt of the notice of termination.

**INSURANCE:** Seller shall obtain and maintain commercial general liability insurance with a company rated "A- VII" or better by A. M. Best. Such policy shall have minimum coverage of \$2,000,000 per occurrence,

which can be met through an umbrella or standard policy or any combination thereof. The insurance shall be evidenced by a Certificate of Insurance naming Aero8, Inc. as an “Additional Insured”.

**ENTIRE AGREEMENT.** This Agreement constitutes the entire agreement between the parties and contains all the agreements and conditions of sale; no course of dealing or usage of the trade shall be applicable unless expressly incorporated in this Agreement. The terms and conditions contained in the Agreement may not be added to, modified, superseded or otherwise altered except by a written modification signed by the Buyer's Purchasing Agent or an Officer of Aero8, Inc. Each delivery shall be deemed to be only upon the terms and conditions contained in this Agreement, which shall supersede all inconsistent provisions included in Seller's proposal and in any subsequent acknowledgment by Seller, notwithstanding the Buyer's act of accepting or paying for any delivery or similar act of the Buyer.