



# Standard Purchase Order Terms & Conditions

## **GENERAL**

This Purchase Order (PO) constitutes an offer by Aerostar Aerospace Manufacturing, LLC (AAM) to purchase from Seller the goods and/or services referenced in this purchase order exclusively under this Terms & Conditions Form (Terms-Cond) along with AAM's Supplier Quality Requirements Form (SQR). Failure to comply with all applicable Terms & Conditions and Quality Requirements, noted herein, could result in the return of product or correction/rework by AAM at our rate and at Seller's expense. This could cause the issuance of a nonconformance report and/or corrective action request, which could downgrade your Quality and OTD rating and if applicable cause the seller to be removed from our Approved Supplier List.

## **PACKAGING**

All goods shall be prepared for shipment and packed using best commercial practices to prevent damage and deterioration during shipment and storage. When necessary, the seller shall also protect items from ESD, FOD and moisture. Items must be packaged as necessary to prevent any damage during transit to our facility. Nicks, dings and scratches to items may be a cause for rejection of a shipment. AAM may charge Seller or adjust the price of the goods downwards for any goods damaged or which deteriorate due to improper packing. A packing list showing the purchase order number must be included with each shipment.

AAM inspects all parts for damage prior to shipping. Please note that all parts shipped to suppliers in AAM's Divided Plastic Bins must be returned in those bins. Should a supplier fail to return those bins or if they are damaged while in their possession, AAM will charge back the cost of the bins to the supplier. AAM has made a significant investment to help both AAM and our suppliers reduce labor/packaging material costs by utilizing these bins.

Process suppliers are responsible for delivering clean undamaged parts. Return packaging should be equivalent or better and should use materials as needed to protect parts from damage during transportation.

Sellers/Suppliers contracted to do machining operations are required to deliver parts free from burrs and FOD. Items need to be properly cleaned and protected from damage during transportation.

## **AAM Supplied Property**

AAM claims no responsibility for the quality or completeness of any tools, programming, fixturing or any verbal direction regarding the correct completion of Sellers product or service. Should the above be provided, it is strictly done so as a courtesy only. All property needs to be returned in the same condition as supplied or with the allowance for normal wear or deterioration.

## **TERMS AND CONDITIONS - Part 1**

1. The seller by acceptance of this order accepts all of the terms and conditions hereof. Acceptance of this order shall take place either by execution and return of the signed acknowledgement copy accompanying this purchase order or by commencing the performance of this order. Any modifications or alterations of or additions to the terms and conditions of this order, to be binding, must be in writing. Seller shall immediately notify AAM of changes in product and/or process definition.
2. This order is NOT Taxable, unless otherwise noted.
3. F.O.B. Point is DESTINATION, unless otherwise noted.
4. All shipments and deliveries shall be strictly in accordance with the quantities, schedules and shipping instructions stated on the Purchase Order. Seller shall not make advance, late, short or excess deliveries without AAM's prior written approval. AAM reserves the right to cancel this purchase order, or any part thereof, without liability if delivery has not been made within the time specified, or, if no time is specified, within a reasonable amount of time. Supplier agrees to pay to AAM for any penalties or damages imposed upon or incurred by AAM resulting from the failure of the Seller to deliver the goods ordered in accordance with the quantities, schedules and shipping instructions stated on the Purchase Order.
5. Please inform AAM immediately if you become aware of any problems that could adversely affect the promised delivery date on the Purchase Order.
6. AAM must be notified of any pricing discrepancy BEFORE starting work. Pricing will not be negotiated on this order after processing and/or shipment of parts.
7. If required, Seller must be approved by our CUSTOMER and/or the applicable regulatory body to perform any special processes. It is the Seller's responsibility to request customer information to ensure compliance. Any parts processed by the Seller when they are not approved to do it, will be charged back per Line 10.
8. All certifications must be signed originals and include the Part ID and/or "The Customer Part Number".
9. Sellers must process or supply items that meet the latest revision of the referenced specifications unless otherwise noted on the Purchase Order.
10. Seller may be responsible for the "ACTUAL VALUE" of the parts and/or the cost to AAM for the rework of parts.
11. Any parts lost and/or all damaged at the Sellers premises or while in transit to AAM will be charged back to Seller per Line 10.
12. Non-conforming parts that cannot be reworked or repaired will be handled per Line 10.
13. A debit of 15% of the Actual Value of this purchase order, in addition to a \$75.00 administration charge, may be assessed to the supplier's account for all returns/rejections for poor quality.
14. Multiple returns/rejections on the same purchase order may be assessed an additional \$150.00 administration fee.



15. All debits from our Customers related to work performed by the Seller will be flowed down to Seller. Customers issue debit memos for components not meeting blueprint tolerances in the amounts of 15% of value of parts up to \$250.00 plus \$75.00 processing fees. These are not AAM charges; these are customer charges only. All customer debit memos will be copied to Seller when and where applicable.
16. If Seller informs AAM that parts are ready to pick up and our truck arrives and the parts are not ready, a \$50 charge may be assessed.
17. Any additional charges incurred to maintain customer schedule due to Seller delinquency to their promise date will be charged back to the Seller.
18. AAM does not have any liability for cancellations by the customer outside of standard lead time of work performed on this purchase order.

#### **TERMS AND CONDITIONS - Part 2**

**Shortages:** If, at any time during the term of this purchase order, Seller anticipates a shortfall in production of the goods and/or services as set forth in this purchase order, then Seller shall:

- (a) promptly notify AAM in writing as to the reason(s) for the shortfall, and state its recovery plan.
- (b) take all reasonable steps to avoid further shortfalls and notify AAM of continued shortfalls
- (c) allocate to AAM all available goods and/or services of the type ordered to meet this purchase order and shall use best efforts to make up all unfulfilled portions of this purchase order as promptly as possible.

**Payment:** Invoices shall be sent to AAM's Accounts Payable Department when goods have been shipped or services completed. The Purchase Order number shall be shown on the relevant invoice. The time for payment shall commence on the actual receipt of goods or services in complete accordance with the requirements of the purchase order. Payment terms are net 60 days unless otherwise stated on the face of the Purchase Order. AAM may make adjustments to Seller's invoice due to shortages, late deliveries, rejections or other failures to comply with the requirements of the Purchase Order before payment. AAM may offset refunds or reductions from this purchase order against its obligations under other purchase orders with Seller, and vice versa. Seller agrees to refund any overpayments in cash immediately upon discovery.

**Inspection and Acceptance:** All received goods are subject to inspection, testing and final acceptance by AAM's Quality Department and/or its Customer's. AAM's Supplier Quality Requirements Form is hereby incorporated into the Purchase Order and specific clauses will be identified when required. AAM will immediately notify the Seller of any rejections for corrective action. Rejection of a sample shall be cause for rejection of the entire lot. The Seller shall notify AAM in writing, in the event that non-conforming material is discovered before during or after delivery of this Purchase Order. This condition shall survive beyond the performance period of this Purchase Order. The seller shall notify AAM in writing upon discovery of non-conforming product, and shall facilitate AAM's investigation into the Seller's non-conforming material. Neither inspection, failure to inspect or acceptance of any goods or services shall alter or affect any of the rights or remedies of AAM or the obligations of the Seller under this purchase order. AAM may reject the goods or services and elect one of the following remedies at the Seller's expense:

- (a) return the goods or services for full credit or refund, including freight charges
- (b) require the Seller to correct, repair or replace the goods or services
- (c) obtain replacement goods or services and reduce the purchase price for loss of value

**Cost of Nonconformity:** When a Seller's defect is discovered in receiving inspection and there is not enough time to return the item(s) to the seller and support our customer's needs, AAM will notify the seller of the need for immediate action. If the Seller does not respond in-time or their plan does not support recovery, AAM reserves the right to sort, rework or offload necessary activities at the expense of the supplier. If the nonconformity cannot be reworked to the purchase order and blueprint requirements, when applicable, a submittal to our customer's MRB will be conducted at a flat fee expense of \$175.00 per submittal. The charge back rates for AAM work is \$250.00 minimum or as follows, whichever is greater; \$60/hr for machining, \$50/hr for inspection, offload cost plus 20%. Any scrapped product not limited to forgings, castings, raw material and outside processing will be charged back to the supplier, as applicable, at cost plus 20%. Any prior in-house machining labor will be charged back at above rates.

**Warranties:** Seller warrants that all goods and services delivered under this purchase order to conform to all applicable requirements, specifications, drawings, samples and other descriptions given. To be free from defects in workmanship, materials, and design. To be free and clear of all liens and encumbrances when delivered to AAM. The foregoing warranties shall survive inspection, test, acceptance and payment, and shall run to AAM's, successors, assignees and/or customers.

**Intellectual Property and Tooling:** All inventions, ideas, concepts, trademarks, know-how, designs, specifications, drawings, documents, materials, tools, jigs, fixtures, methods, processes and other property, owned or paid for by AAM, shall be the property of AAM, subject to removal at any time without cost or expense to AAM. All property of AAM shall be identified and marked as such, used only for AAM's purchase orders and covered by adequate liability, damage and fire insurance (including extended coverage) for its fair and reasonable value. Seller shall assume full liability for and maintain and repair all property of AAM in its possession or control and shall, on request, return the same to AAM in good condition with reasonable wear and tear excepted. Seller shall provide AAM with inventories of all property of AAM in its possession or control when requested by AAM and certify to AAM that all use thereof is expended on AAM's purchase orders.

**Pricing:** Seller warrants that prices for the goods and services ordered are not less favorable than those currently extended to any other customer of Seller for the same or like goods or services (whether in like or smaller quantities), and are otherwise in accordance with all applicable price laws and regulations. In the event of manufacturing or other cost savings for any reason (e.g., reduced component or raw materials costs or increased purchases by AAM), Seller shall promptly notify AAM of the cost savings, and the parties shall negotiate in good faith to determine a portion of the cost saving to pass on to AAM. If Seller establishes or offers a lower price for the goods or services ordered (whether in like or smaller quantities) from the date of acceptance of this purchase order by Seller to the date goods or services are invoiced to AAM, Seller agrees to reduce the prices stated in this purchase order accordingly.



**Termination:** AAM reserves the right to terminate this purchase order in whole or in part at any time for the convenience of AAM, upon written notification to the Seller. AAM will give instructions to the Seller for the delivery of goods that are in-process, purchased or committed. Seller shall be compensated for any nondelivered items at the Seller's actual direct out-of-pocket costs, less amounts realized by Seller from the later sale of such items not purchased by AAM. Termination by AAM under this section shall not relieve Seller of any obligations to furnish the goods or services contracted prior to the effective date of the termination notice. AAM shall have the right to terminate this purchase order without liability or cost to AAM if:

- (a) Seller breaches any provision of these terms and conditions or otherwise defaults on any requirement or obligation under this purchase order.
- (b) Seller becomes insolvent, or unable to meet its debts and obligations as they become due
- (c) Seller files a voluntary petition in bankruptcy or an involuntary petition is filed and not dismissed within 30 days
- (d) a receiver or trustee is appointed for Seller or its assets
- (e) Seller executes an assignment for the benefit of its creditors.

**Patent Indemnity:** Seller shall indemnify AAM, AAM's customer and others subsequently acquiring title to the goods and services provided under this purchase order from any and all liabilities, losses, damages, judgments, costs and expenses (including, but not limited to, attorneys' fees) directly or indirectly arising from claims (whether or not successful) relating to actual or alleged infringement of any patent, copyrights, trademark or other intellectual property rights of a third party by the purchase, use or sale of the goods or services provided under this purchase order, except where such infringement or alleged infringement arises by reason of; a detailed design furnished by AAM or the use of sale of the goods or services provided under this purchase order in combination with items not delivered by Seller where the infringement would not have occurred from the use or sale of such goods or services solely for the purpose for which they were designed or sold to AAM. "Patent Rights FAR Clause 52.227 is applied to all purchase orders.

**Indemnification:** Seller shall indemnify AAM, its directors, officers, employees and agents from all liabilities, losses, damages, judgments, costs and expenses (including, but not limited to, attorneys' fees) directly or indirectly arising from claims (whether or not successful) relating to: (a) personal injury or death to any person or damage to any property based in whole or in part upon defective or nonconforming goods or services provided under this purchase order, (b) Seller's breach of any provision of these terms and conditions or other default under any requirements or obligation of this purchase order or (c) the recall or correction of any product or equipment in which the goods or services provided under this purchase order are incorporated.

**Insurance:** Seller will maintain insurance with a carrier rated a minimum AM Best rated "B", covering at least the following insurance: commercial general liability (including product liability, and for services to be performed, completed operations liability) in a sum no less than \$1 million, automobile liability in a sum no less than \$500 thousand, worker's compensation in an amount no less than the applicable statutory minimum requirement and employer's liability in an amount of no less than \$1 million. All policies shall be in effect at the time the purchase order is issued and shall not be changed without at least 30 days written notice. Seller shall promptly provide to AAM certificates of insurance upon request. The amount of insurance carried in compliance with the above requirements is not to be construed as either a limitation on or satisfaction of the indemnification obligations in this Purchase Order.

**Confidentiality:** Seller shall not make or Authorize any news release, advertisement or other disclosure regarding the existence of substance of this purchase order without the prior written consent of AAM. Seller shall keep confidential all information provided to Seller related to the performance of this purchase order, including, but not limited to, statement of work, specifications, drawings, designs, processes and other technical or business information, and shall use such information only in the performance of AAM's purchase orders. Upon completion, cancellation or termination of AAM's purchase orders. Seller shall, at Seller's expense, return to AAM or destroy all documents or other media containing or incorporating any of the information and, on request, provide a certificate confirming the return or destruction of all such material. Seller shall include a provision comparable to this section in all permitted subcontracts relating to the goods or services ordered.

**Changes:** AAM may by written notice at any time before completion of this purchase order make changes in the general scope of this purchase order, including quantities, drawings and specifications, delivery schedule and methods of shipment. If the change causes an increase or decrease in price or the time required for performance, an equitable adjustment shall be made in the price or delivery schedule or both. Any claim by Seller for adjustment under this section shall be submitted within 30 days of receipt by Seller of AAM's notice of change. AAM shall have the right to examine any of Seller's books and records for the purpose of verifying Seller's claim for adjustment. Nothing in this section shall excuse Seller from proceeding with this purchase order as changed, including failure of the parties to agree upon an adjustment to the price or delivery schedule or both.

**Remedies and Waiver:** The remedies provided AAM in these terms and condition shall be cumulative and in addition to any other remedies provided herein, by law or in equity. No waiver by AAM of any right or remedy under these terms and conditions shall be effective unless in a written, signed by AAM's authorized representative. Neither failure nor any delay in exercising any right, power or privilege under these terms and conditions will operate as a waiver of such right, power or privilege. No single or partial exercise of any such right, power or privilege by AAM will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. No waiver that may be given by AAM will be applicable except in the specific instance for which it is given.

**Applicable Law:** This purchase order shall be interpreted in accordance with the laws of the State of Arizona, without giving effect to its or any other jurisdiction's principles of conflicts of laws. The parties hereby irrevocably and unconditionally submit to the exclusive jurisdiction of the state and federal courts located in Phoenix, Arizona, in any action or proceeding arising out of or relating to this purchase order.

**Compliance with Laws:** Seller warrants that all goods and services sold hereunder shall have been produced, sold, delivered and furnished in strict compliance with all applicable laws and regulations, including, without limitation, relating to equal employment opportunities, affirmative action and health/safety.

**Stop Work:** AAM may at any time by written stop work order require Sellers to stop all or any part of the work under this purchase order for up to 90 days after the stop work order is received by Seller, and for any extension of such period as the parties may agree. The stop work order shall specifically refer to this section. Upon receipt of the stop work order. Seller shall take all steps to comply with this section and all other reasonable steps to minimize costs incurred during the period covered by the stop work order



allocable to this purchase order. Within the period covered by the stop work order, AAM shall cancel the stop work order or terminate the work covered by this purchase order in accordance with these terms and conditions. If a stop work order causes an increase or decrease in price or the time required for performance, an equitable adjustment shall be made in the price and delivery schedule or both. Any claim by Seller for adjustment under this section shall be submitted within 30 days of the cancellation or expiration of the stop work order. AAM shall have the right to examine any of Seller's books and records for the purpose of verifying Seller's claim for adjustment. Nothing in this section shall excuse Seller from proceeding with this purchase order on the cancellation or expiration of the stop work order, including failure by the parties to agree upon an adjustment to the price or deliver schedule or failure by the parties to agree upon an adjustment to the price or delivery schedule or both.

**Useful Life Shortage:** Goods having characteristics susceptible to degradation with age shall be clearly identified and marked with the dates on which the useful life was initiated and expires. In addition to normal marking requirements, the containers used for goods with a limited useful life shall identify all special storage and handling requirements, the dates on which useful life was initiated and expires (both for opened and unopened conditions).

**Attorney Fees:** If either AAM or Seller retains legal counsel to enforce any of these terms and conditions, or to recover damages from the other, arising from the other's alleged breach of any of these terms and conditions or other default under any obligation or requirement of this purchase order, or the other commences a suit against AAM or Seller in connection with this purchase order that is not successful, then the other party shall pay the reasonable attorneys' fees together with costs of suit at both trial and appellate levels of either AAM or Seller, as the case may be.

Date	Rev	Change	Approved
11/14/17	A	Initial Release	Wayne Perez