

PACIFIC PROPELLER INTERNATIONAL LLC PURCHASE ORDER TERMS AND CONDITIONS

ACCEPTANCE AND MODIFICATION: Unless otherwise specifically agreed in writing by Pacific Propeller International LLC ("PPI"), this Purchase Order may be accepted only upon the terms and conditions specified herein. This Purchase Order is PPI's offer to SELLER and acceptance is limited to the Purchase Order and these terms and conditions, without addition, deletion, or other modification. The acceptance of the order by SELLER shall be conclusive evidence of the SELLER's approval, consent, and agreement to these terms and conditions. No modification of this Purchase Order shall be binding on PPI unless agreed to by PPI in writing. PPI objects to any different or additional terms in SELLER's acceptance or any other document submitted by SELLER shall not become part of this transaction.

CONFIRMATION OF ORDER: The SELLER must acknowledge the order and accept PPI's offer within five (5) business days after SELLER's receipt thereof.

CHANGES: PPI may at any time, by written order make changes within the general scope of this Purchase Order, in any one or more of the following (i) drawings, designs or specifications; (ii) method of shipment or packing; (iii) place of inspection, delivery or acceptance; and (iv) reasonable changes in delivery schedules. If any such change causes an increase or decrease in the cost of, or the time required for the performance of any part of the work under this Purchase Order, whether changed or not changed by any such order, SELLER shall inform PPI of this and both parties shall agree to an equitable adjustment in the purchase price or schedule or both. SELLER shall proceed immediately to perform this Purchase Order as changed. If SELLER proceeds with any change without prior authorization of PPI, then PPI may, at its sole discretion, choose to maintain the original price and delivery date set forth in this Purchase Order.

DELIVERY: Time of delivery is of the essence. SELLER shall deliver the goods to PPI on the delivery date and at the destination stated in the Purchase Order. Shipments must equal the exact amounts identified in the Purchase Order and no partial shipments, changes or substitutions in specifications may be made without PPI's prior written consent. Seller will immediately notify PPI in writing of any event that may affect the quality or delivery of the goods and the writing shall state the reason for the delay and provide a new delivery schedule, which shall be subject to written acceptance by PPI. In case of delay in delivery, PPI may at its convenience terminate or suspend all or any portion of this Purchase Order that has not been shipped as of the date of such termination or suspension. If PPI terminates this Purchase Order because of SELLER's delay in delivery, PPI may, without prejudice to PPI's other rights or limiting PPI's other remedies, purchase goods in substitution for those goods not properly delivered by SELLER and recover from the SELLER the difference between the contracted price under this Purchase Order and the price actually paid by PPI for the substitute goods, together with any incidental or consequential damages suffered by PPI as a result of SELLER's delay.

CANCELLATIONS: PPI may at its option cancel any unshipped goods. If this Purchase Order covers any standard stock merchandise, PPI's obligation shall be only to pay for goods shipped prior to cancellation. If this Purchase Order covers goods made to PPI's specifications or prepared by the SELLER only for PPI, upon receipt of notice of cancellation, SELLER shall cease manufacture, supply or work in accordance with and to the extent specified in the notice and shall immediately do everything possible to mitigate any cost incurred by SELLER as a result of PPI's cancellation. In such cases, provided that SELLER is not in default, PPI shall pay the reasonable costs incurred by SELLER in fulfilling this Purchase Order prior to date of cancellation. The SELLER will not be entitled to payment for any unperformed work or services or for anticipated revenues or lost profits. Upon such payments, title any material, goods or merchandise already manufactured or partly completed shall pass to PPI. IN NO EVENT SHALL PPI BE LIABLE FOR ANY SPECIAL, INCIDENTAL, EXEMPLARY, OR CONSEQUENTIAL DAMAGES ARISING FROM OR RELATING TO THIS PURCHASE ORDER, EVEN IF PPI HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. Any such cancellation shall not constitute a waiver of any other right or remedy PPI may have at law or in equity.

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

WARRANTIES – GUARANTIES: SELLER warrants that goods delivered pursuant to this Purchase Order shall be free from defects in design, material, workmanship, and title; shall conform in all respects to the terms of this Purchase Order; and shall be fit and suitable, and perform satisfactorily for the purposes and under the conditions made known by PPI or reasonably to be inferred. This representation is in addition to any warranty or service guarantee offered by SELLER or implied or provided by law. SELLER acknowledges and agrees that all representations and warranties of SELLER hereunder, and all express and implied warranties with respect to the goods, are also for the benefit and extend to any customers of PPI who acquire any interest in or otherwise utilize the goods, or any portion thereof, and that such customers shall be entitled to exercise any rights of PPI and to make any claims and return any goods directly to SELLER pursuant to the terms of this Purchase Order. SELLER hereby assigns to PPI all assignable warranty rights with respect to the goods, including without limitation all rights of SELLER under warranties of any manufacturer or any of the goods or any part or component thereof.

CERTIFICATION OF CONFORMANCE: All goods must conform to the Original Equipment Manufacturers (OEMs) specifications and tests issued for such goods. The Certification of Conformance of said goods must accompany the goods from SELLER's facility, including a statement of the condition of the item, back up data on file for inspections and signed by an authorized representative of the SELLER. PACIFIC PROPELLER reserves the right to be supplied with and/or audit such certification on all new items purchased.

INSPECTION _ NONCONFORMANCE: PPI shall have the right to inspect and test the goods at any time during manufacture and prior to shipment, and to make final inspection within a reasonable time after arrival at the ultimate destination. The making or failure to make any inspection of, payment for, or acceptance of goods, shall in no way impair PPI's right to reject nonconforming goods or to avail itself of any other remedies to which PPI may be entitled, notwithstanding PPI's knowledge of the nonconformity, its substantiality or the ease of its discover. PPI may reject any goods which are defective, unsatisfactory, of inferior quality or workmanship, or fail to meet the specifications of this Purchase Order. Such goods, unless used by PPI, remain the property of SELLER, and may be returned at SELLER's risk and expense or held for SELLER's disposition. SELLER shall be responsible for all handling costs incurred. If any of the goods do not perform per specifications, SELLER shall make all necessary corrections at SELLER's cost and in a timely manner to meet the specification requirements. PPI shall, at its sole option, either give SELLER a reasonable time to correct the nonconformance or cancel the order as to such goods and retain rights with respect to cover as provided by law.

PACKAGING: Unless otherwise specified, all packing and packaging of goods shall comply with best commercial practice to prevent damage or deterioration, secure lowest transportation rates, and comply with applicable tariffs. Furthermore, all goods must be packed in accordance with manufacturer's specifications. . All shipments to PPI must be visually identified with the Purchase Order number on the exterior of package/box so that packages/boxes do not have to be opened to verify the order. Unidentified shipments may be refused and returned to sender. All hazardous materials/dangerous goods shipped to or on behalf of PPI, must be packaged, labeled, and shipped according to and in compliance with the International Air Transport Association (IATA) and Federal Aviation Administration (FAA) regulations, as well as any and all other applicable laws and regulations. UN number required with hazardous materials as per

IATA and FAA regulations. MATERIAL SAFETY DATA SHEET (M.S.D.S): If an M.S.D.S is required for the goods or material to be shipped, the SELLER shall include one copy of the M.S.D.S., and it shall be identifiable and provided with each shipment of the goods furnished under this Purchase Order. Shelf life information must be included with shipment for all applicable goods or products.

TRANSPORTATION: Unless otherwise stipulated on Purchase Order, goods shall be shipped "FOB Destination". SELLER's risk of loss and title of said goods to pass to PPI only upon delivery to PPI's specified end destination. Transportation charges on goods delivered FOB Destination must be prepaid. No charges for unauthorized transportation will be allowed. Extra charges resulting from noncompliance with this requirement will be deducted from invoice.

PRICES AND PAYMENT: All prices are stated in U.S. Dollars and are guaranteed for the duration of the Purchase Order. Any price increases will be absorbed by the SELLER. Unless otherwise provided in this Purchase Order prices include all charges for packaging, preparation for shipping, duties (if any), transportation to the FOB shipping point, taxes, freight charges, handling fees and other charges if any kind with respect to the sale of goods covered by this Purchase Order. Payment will be made in accordance with the applicable provisions of this Purchase Order. Unless otherwise indicated in the Purchase Order, PPI will pay the purchase price upon delivery of the goods and proper invoicing. Delay in receiving invoices, any documents specified in this Purchase Order, or any other documents, will be considered just cause for PPI to withhold payment and will not affect any of PPI's discounts or other privileges.

OWNERSHIP OF DESIGN AND TOOLS: Unless otherwise agreed in writing, all drawings, designs, prototypes, specifications, tools, special dies, molds, patterns, jigs and any other property furnished to the SELLER by PPI or specifically paid for by PPI for use in the performance of this Purchase Order shall be and remain the property of PPI and shall be subject to removal at any time upon PPI's demand. Said property shall be used only in filling orders for PPI, shall be maintained in good order and condition and shall be clearly identified as the property of PPI. The SELLER assumes all liability for loss or damage to such property.

TECHNICAL DOCUMENTS: All written information obtained by the SELLER from PPI in compliance with this Purchase Order including, but not limited to, any design, processes, specifications, drawings, blueprints, data, software programs and other technical and proprietary information, shall remain the property of PPI and shall be used by the SELLER only to the extent necessary for performance of this Purchase Order and shall not be disclosed to any third parties without prior written consent of the PPI. Unless otherwise agreed in writing, at completion or termination of this Purchase Order, SELLER shall return all such information and goods to PPI or make such other disposition thereof as may be directed or approved by PPI.

INDEMNITY: SELLER shall indemnify, defend and hold harmless PPI and its officers, agents, employees, successors and assigns from all claims, proceedings, liabilities and expenses (including reasonable attorneys' fees) suffered or incurred by any of them as a result of (i) defective or nonconforming goods furnished by SELLER; (ii) actual or alleged infringement or violation of any patent, copyright or trade secret; (iii) breach of warranty or any related theory of liability; (iv) violation or alleged violation of any applicable law; or (v) any other breach of this Purchase Order by SELLER. This indemnity shall survive the expiration, cancellation or fulfillment of this Purchase Order.

FORCE MAJEURE: PPI reserves the right to cancel all or any part of this Purchase Order that has not actually been shipped by SELLER in the event PPI's business is interrupted because of strikes, labor disputes, lockout, riot, fire, act of God or public enemy, or any other cause, whether like or unlike the foregoing, if beyond the reasonable efforts of PPI to control.

ASSIGNMENT: SELLER shall not assign, sell, or subcontract this Purchase Order, or any part thereof, or any rights or obligations hereunder without PPI's prior written consent. Any assignment by SELLER of this Purchase Order or any of the rights hereunder or hypothecation thereof in any manner in whole or in part, by operation of law or otherwise, without prior written consent shall be void.

NOTICE: Any notice of communication under the Purchase Order will be effective only if in writing and delivered in person, by overnight courier service, facsimile transmission, or mailed by registered or certified mail return receipt requested, postage prepaid to the addressee's address on this Purchase Order.

APPLICABLE LAW AND DISPUTES: Any dispute arising under or related to this Purchase Order shall be governed by the law of the state of Washington. SELLER shall abide with the Arms Export Control Act and the Export Administration Act, and their regulations, at all times under this Purchase Order.

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