

Ability Composites, LLC
Purchase Order Terms and Conditions, and Quality Requirements
April 18, 2016

Purchase Order Terms and Conditions

1. **Delivery/Inspection/Right of Access.** Time is of the essence. All goods and/or services furnished by Seller must be as specified and will be subject to Buyer's inspection and approval for a reasonable time after delivery. Seller shall report and get approval for disposition of non-conformances. Buyer reserves the right to reject any portion of any shipment or delivery, which may be defective or fails to comply with specifications. Rejected goods will be temporarily held for prompt disposition at the expense and risk of the Seller. (a) Buyer's final acceptance of Goods or Services is subject to Buyer's inspection within (60) days after receipt at Buyer's facility or such other place as may be designated by Buyer, notwithstanding any payment or prior test or inspection. (b) Seller and its suppliers shall establish and maintain a quality control and inspection program as specified in the Subcontract. Subject to applicable national security regulations, AC and AC representative's regulatory authorities and customers shall have the right of access to any of the Seller's or Seller's supply chain sub-tier premises where any part of the work is being performed. Seller shall flow this requirement down to its sub tier supply chain suppliers as a condition of this Subcontract. Seller shall, without additional costs to Buyer, provide all reasonable in-plant accommodations, facilities, stored records and assistance for the safety and convenience of the Buyer and the Buyer's representatives in the performance of their duties. (c) Seller shall keep and maintain inspection, test and related records, which shall be available to AC or AC representative. Seller shall allow copies to be made and shall furnish all information required by AC or AC representative.
2. **Payment.** All prices, unless otherwise specified, are net F.O.B. Destination including transportation charges. In the absence of other contractual terms, payment shall be due 30 days after receipt or proper invoice or material/service, whichever is later. Seller will give buyer the benefit of any price reductions available or if effect at the time of shipment. If discount for prompt payment is allowed, the discount period will begin on the date of receipt of proper invoice or material, whichever is later.
3. **Ownership.** Data, drawings, specifications or other technical information furnished directly or indirectly, in writing or otherwise, to Seller by Buyer pursuant to this Purchase Order shall in no event become the property of Seller and shall be used only in fulfilling the obligations imposed by this Purchase Order and for no other purpose and shall not be duplicated or disclosed to others. Such furnishing of data, drawings, specifications, or technical information shall not be construed as granting any rights whatsoever, expressed or implied, under Buyer's IP rights.
4. **UCC.** All sections of the Uniform Commercial Code which expressly or impliedly protect the Buyer are hereby incorporated by reference into this form, whether this document is finally construed as an offer, acceptance, or confirmation of a contract.
5. **Changes/Termination.** Any terms or conditions contained in any acknowledgment, invoice or other communication of Seller, which are inconsistent with the terms and conditions herein, are hereby rejected. Buyer reserves the right to change and/or terminate this Purchase Order at its option upon ten (10) days' notice to Seller. Upon termination, Seller agrees to waive all claims for damages, including those for loss of anticipated profits and/or for retooling or restocking, and Seller will accept as its sole remedy the agreed price for all goods accepted by Buyer prior to the termination.
6. **Warranty.** Seller warrants that all goods and/or services furnished hereunder shall conform to all specifications and appropriate standards, and will be free from all defects in material and/or workmanship. Seller agrees to repair or correct to Buyer's Satisfaction and at no expense to Buyer any faulty workmanship or failures in goods or services furnished to Buyer which may require repair within one (1) year after delivery of the service and/or goods. Acceptance of the goods by Buyer shall not affect this obligation.
7. **Indemnification.** Seller shall indemnify, hold harmless, and at AC's request, defend AC, its officers, directors, customers, agents and employees, against all claims, liabilities, damages, losses and expenses, including attorney's fees and cost of suit arising out of or in any way connected with the Goods or Services provided under this Agreement, including, without limitation, any claim by a third party against AC alleging that the Goods or Services, the results of such Services, or any other products or processes provided under this Agreement, infringe a patent, copyright, trademark, trade secret or other proprietary right of a third party, whether such are provided alone or in combination with other products, software or processes. Seller shall not settle any such suit or claim without AC's prior written approval. Seller agrees to pay or reimburse all costs that may be incurred by AC in enforcing this indemnity, including attorney's fees.
8. **Fees, Permits, and Licenses.** With regard to the goods and/or services delivered hereunder, Seller shall pay all fees, permits, and licenses assessed by governmental bodies having authority to impose such assessments. Seller shall procure and pay for all permits and licenses necessary for the manufacturing and delivery of goods and/or services hereunder.
9. **Liens.** Seller warrants that it has good title to those goods sold hereunder and that they are free and clear of all liens and encumbrances. Seller will keep Buyer's assets and property free from the attachment of liens at all times.
10. **Statutory and Regulatory Compliance.** Seller agrees that any goods ordered hereunder have been manufactured and sold in full and strict compliance with all federal, state and local laws and regulations. When AC is acting as a government contractor or subcontractor it is subject to the requirements of Executive Order 11246, the Rehabilitation Assistance Act. Pursuant to these requirements, the Equal Opportunity Clauses found at 41 Code of Federal Regulations sections 60-1.4(a) (1-7), 60-250.4 (a-m) and 60-741.5 (a) (1-6) are incorporated herein by reference as though set forth at length, and made an express part of this Agreement. If applicable, Seller will comply with the following Federal Acquisition Regulations: (i) 52.222-26 "Equal Opportunity", (ii) 52.222-35. "Affirmative Action for Special Disabled and Vietnam Veterans". (iii) 52.222-36 "Affirmative Action for Handicapped Workers." If Seller proposes the utilization of minority-owned or women-owned sup-suppliers, it shall provide added value to that utilization.
11. **Governing Law and Venue.** This Purchase Order shall be construed under and in accordance with the laws of the State of Colorado Venue for any cause of action brought concerning this Purchase Order shall be brought in the Colorado 8th Judicial District Court.
12. **Breach of Contract.** Should Seller breach or default in any of its commitments under this Purchase Order, Buyer is hereby given the right to immediately move to limit the consequences of any such breach. Any increased costs or damages, including attorney's fees and costs, arising out of Seller's breach and/or Buyer's attempt to limit the harm arising from the breach will be promptly paid by Seller upon notification and invoicing

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by Buyer. Performance by either party hereto shall be excused by any event constituting force majeure, including strikes, fire, flood, war, terrorism, or causes beyond the parties' reasonable control.

13. **Assignment and Severability.** This Purchase Order shall not be assigned nor any duties delegated by Seller without the prior written consent of Buyer. If any of the terms or provisions contained in this Purchase Order are for any reason held to be invalid, illegal, or unenforceable, in any respect, the remainder of the provisions shall remain in full force and in effect and shall in no way be affected, impaired or invalidated.
14. **Entire Agreement.** This Purchase Order contains all the representations and the entire agreement between the Buyer and Seller with respect to the subject matter of the Purchase Order. Provisions of this Purchase Order shall be construed as a whole according to their common meaning and not strictly for or against either party. Any modification to any term of this Purchase Order shall only be effective when it is reduced to writing and signed by each of the parties. It is specifically agreed that no agreements of any kind, whether made before or after this execution of this Purchase Order, will be binding or effective on the parties.

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Standard Quality Requirements

QUALITY ASSURANCE PROGRAM

Procured items or services shall be produced and provided under the supplier's QA Program that has been reviewed and approved by Ability Composites (AC). If lower tier procurements are required, then the same QA requirements shall be invoked on lower tier subcontractors or suppliers, including customer requirements.

RIGHT OF ACCESS

Procured items or services are subject to source inspection, audit or test by AC, their customer and regulatory authorities to the applicable areas of all facilities, at any level of the supply chain, to confirm the validity of certificates of conformance. The supplier shall allow AC access to the supplier's facilities to perform on-site evaluations. The supplier will be contacted in advance by AC if this is required.

PURCHASE ORDER NUMBER (PO NO.)

All invoices, shipping papers and quality documents must show the AC PO No.

NONCONFORMANCES

The supplier shall report to AC in writing (including any completed nonconformance reports), any "Repair" or "Accept-As-Is" nonconformances written against material or equipment on the PO. Such material or equipment shall not be shipped until written approval or instruction is obtained from AC. All nonconformance reports and written approval to ship shall be included as part of the "Quality Records" package.

SUBSTITUTIONS / CHANGES

The materials, manufacturer or model number of items specified on the AC PO may not be substituted without prior written approval of AC. Notify AC of changes in product and/or process, changes of suppliers, changes of manufacturing facility location and, where required, obtain AC approval, and flow down to the supply chain the applicable requirements including customer requirements.

PRESERVATION AND PACKAGING

Items supplied on this purchase order shall be suitable packaged to prevent damage from contamination, corrosion, handling and extended storage.

RECORD RETENTION AND DISPOSITION

Maintain supporting documentation applicable to this PO on file and make available upon request to AC or Government Representatives upon request.

Records	Retention Period
Physical and/or chemical test reports.	7 years
Inspection and test records.	7 years
Records indicating that special processing is performed by qualified process and/or certified personnel.	7 years

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SPECIAL PROCESS CONTROL

Seller using special processes (heat treating, welding, painting, plating, non-destructive testing, etc.) Must be certified to and have these special processes approved by AC quality organization prior to production. Seller shall maintain records verifying that special processes and personnel are certified. Seller must have controls in place and documented for approving sub-tier suppliers to ensure they are certified and approved.