

**TERMS AND CONDITIONS**

In the event the articles, supplies, material and/or services covered by this Purchase Order are intended to be used directly or indirectly in the performance of a contract with the United States Government, or with a prime or subcontractor of the said Government, this order shall be deemed to include, in addition to all the terms and conditions set forth herein, all applicable provisions of such contracts, laws, executive orders and regulations of the United States required to be incorporated in this type of contract.

1. **ACCEPTANCE** - This Purchase Order shall not constitute a binding agreement until accepted by the Seller by acknowledging receipt and acceptance by immediately returning to the Buyer the acknowledgment form properly executed. Acceptance of this Purchase Order shall constitute acceptance of the terms and conditions set forth herein. If the Buyer does not receive the acknowledgment copy of the Purchase Order duly executed by the Seller, any shipment or performance by the Seller pursuant to this Purchase Order shall constitute an acceptance of this Purchase Order, including its terms and conditions, by the Seller. No modification of the Purchase Order will be binding on the Buyer unless agreed to, in writing, by a duly authorized agent of the Buyer.

2. **PRICES** - The price indicated on this Purchase Order includes packing and shipping cost unless otherwise specified. The Seller expressly warrants that the prices charged herein are not in excess of prices charged to any other customer for like or similar quantities. Unless otherwise indicated on the face of this Purchase Order, the prices include all Federal, State and local taxes and duties.

3. **PACKING AND SHIPPING** - Damage to any merchandise not packed to insure proper protection to same, if accepted by the Buyer, will be charged to the Seller. The Seller will not insure shipment made F.O.B. Sellers plant unless specifically requested to do so by the Buyer.

4. **WARRANTY** - Seller expressly warrants that all articles, materials and work or services ordered to specification will conform thereto, and to the specifications, drawings, samples or other descriptions furnished by the Buyer, or that if not ordered to specification that they will be fit and sufficient for the purpose intended and that all articles will be of good quality and workmanship and free from defects, including latent. This warranty shall run to the Buyer and/or its vendors, and shall survive delivery and shall not be deemed waived, either by reason of inspection and/or acceptance thereof, or by the payment thereof by the Buyer. Any material delivered under this Purchase Order to the Buyer which is rejected by the Buyer may be held by the Buyer after notice of rejection to the Seller, at the Seller's risk and expense and subject to the Seller's order or, at the option of the buyer, may be returned for credit, transportation collect. The Seller will pay the cost of the Buyer's material which may get damaged by any defective workmanship by the Seller. Where the Seller delivers material not in accordance with the warranty contained herein, the Buyer shall have the option of canceling this Purchase Order either in whole or in part or, if in the opinion of the buyer, the non-compliance of the Seller may retard the Buyer's production schedule, the Buyer may take all necessary steps in order to maintain production.

5. **INSPECTION** - All articles, supplies and materials to be furnished under this Purchase Order shall be subject to inspection and test by the Buyer and/or the Government to the extent practicable at all times and places, including the period of manufacture and , in any event, prior to final acceptance. If inspection and test is made on the Sellers premises, or that of its supplier, the Seller shall furnish all reasonable facilities and assistance without additional charge. All such inspection and test shall be performed in such manner as not to delay the work unduly. If the face of this Purchase Order indicates that Government source inspection is required, a document bearing Government source inspection approval must accompany each shipment. If Government source inspection is not indicated on the face of this Order, then the Seller, by acceptance of the Purchase Order certifies that all supplies included in each shipment will be in accordance with said Purchase Order and will all requirements, specifications and drawings listed or referenced in said Purchase Order (including all requirements, specifications and drawings as to process, finishes and techniques) and that the material used conform in all respects to the requirements of said Purchase Order.

6. **PRIORITIES** - When a priority rating (e.g. D0-A1) appears on the face page hereof, the rated order is certified for National Defense use and all the provisions of the Defense Priorities and Allocations Systems Regulation (15 CFR 700) must be followed in obtaining controlled materials and other products and materials needed to fulfill this Purchase Order.

7. **DELIVERY** - The date or dates of delivery herein specified must be strictly adhered to, since time is of the essence. The Buyer may refuse any delivery if prevented by strikes, casualties or other causes beyond its control from receiving or using it. If the Seller refused or fails to make deliveries of the material or supplies ordered within the time specified, or any extension thereof agreed to by the buyer in writing, the Buyer may terminate by written notice the right of the Seller to proceed with deliveries without cost to the Buyer. In such event, the Seller agrees to save the Buyer harmless from any damage resulting from Sellers refusal or failure to make deliveries as specified, including , but not limited to the excess cost of repurchase to the Buyer, provided however, that the Seller shall not be charged with any such costs paid by the Buyer when the delay of the Seller in making deliveries is due to causes beyond the control and without the fault or negligence of the Seller including, but not restricted to Acts of God, strikes, freight embargoes, further provided, however, that the seller shall notify the Buyer in writing of any anticipated delay within one week after first obtaining notice that such delay may occur. The Buyer may at any time, place a hold or stop order with respect to any deliveries to be effected under this Purchase Order. In such event, the delivery schedule will be extended to reflect any delay in delivery solely attributable to such order upon written request therefore by the Seller within 30 days after the placing of such hold or stop order by the Buyer. No cost consequences, however, may be imposed upon the Buyer as a result thereof.

8. **CHANGES** - The Buyer may, at any time, by a written order and without notice to any sureties or assignees of the Seller, change the extend amount or quantity of the work covered by this Purchase Order, or make changes in, or additions to, the drawings and specifications. If such changes cause a material increase or decrease in the amount of character for such work or in the time required for its performance, an equitable adjustment of the prices and/or delivery schedule applicable to this Purchase order shall be modified accordingly. Any claim for an increase in price or an extension of the deliveries by the Seller under this clause must be asserted by the Seller within thirty (30) days from the date on which the change is ordered and shall set forth the amount involved together with a breakdown and such other information as the Buyer may request to justify the said claim, provided that the Buyer may consider and act upon any such claim at any time prior to the date of final settlement of the Purchase Order if the Buyer determines that the facets justify such action. Nothing contained in this clause shall excuse the Seller from proceeding with performing the Purchase Order as changed.

9. **INDEMNITY** - The Seller agrees to protect, indemnify and hold harmless the Buyer, its successors, assigns, customers and users of its products, against any liability, loss, damage or expense whatsoever, resulting from any infringement of any United States or Canadian patent, trade names or trademarks (except those owned or controlled by the Buyer) by anything or material of design, composition or processing of the Sellers origin or practice supplied by the Seller under this Purchase Order. The Buyer agrees to notify the Seller of any claim, demand of suit for infringement involving any such thing or material within a reasonable time.

10. **SUBCONTRACTS** - No subcontract shall be made by the Seller with any other party for furnishing any of the completed or substantially completed materials, articles, spare parts or work herein contracted for, without the written approval of the Buyer. For the purpose of this clause, the term "subcontracts" includes only contracts for the production or work upon an item, component, or assembly manufactured according to Government specifications of the Buyer and does not include (1) any purchase of a standard commercial or catalog item, (2) any purchase of a basic raw material, (3) any purchase of supplies or services for the general operation of the Seller's plant or (4) any purchase from a parent, subsidiary or affiliate of the Seller.

11. **ASSIGNMENT** - None of the monies due or to become due for any of the work to be performed under this Purchase Order shall be assigned without the written consent of the Buyer having been obtained beforehand, and the Buyer shall not be bound by any assignment made without such consent and shall have the right to make any payment which may be due hereunder to the Seller without incurring any obligation to such assignee.

12. **SETOFFS** - The Buyer shall have the right at any time to set off any amounts now or hereafter owing, whether or not due and payable, by the Seller to the Buyer under this agreement or otherwise, against amounts which are then or may thereafter become due and payable under this Purchase Order or any other Purchase Order.

13. **INSOLVENCY** - The buyer reserves the right to cancel this Purchase Order at no cost to the Buyer by notice thereof to the Seller if the Seller takes or becomes subject to any proceeding based on insolvency or reorganization.

14. **DISPUTES** - Except as may be otherwise provided herein, any dispute arising under this Purchase Order, which is not disposed of by mutual agreement, shall be submitted to arbitration under the rules of the American Arbitration Association and judgement upon any resulting award thereon may be entered in any court of competent jurisdiction.

15. **BUYER FURNISHED MATERIAL** - All tools, articles or property furnished by the Buyer to the Seller, including tools made by the Seller for the Buyer's account to process the material covered by this Purchase Order shall be retained and utilized by the Seller at the Seller's risk subject to the Buyer's examination and return to the Buyer on demand at the Seller's expense in as good condition as received, ordinary wear and tear expected, and shall be kept segregated and clearly marked by the Seller as the property of the Buyer, or, if so instructed by the Buyer, as the property of the Government. All property furnished by CPI shall be controlled in accordance with applicable specification. In absence of any specification, all property furnished by the Buyer shall be controlled in accordance with FAR's 52.245-1. Any discrepancies shall be reported to the Buyer.

The Buyer retains all rights in designs and drawings furnished by the Buyer to the Seller in connection with this Purchase Order and no such design or drawing shall, without the Buyer's written permission be incorporated in or used in connection with goods furnished to others nor shall such designs or drawings be exhibited or disclosed to any other person except as permitted under the clause entitled "Subcontracts" herein. If this order is for a Government contract, the additional requirements below also apply.

16. **DAMAGE** - The Seller will indemnify the Buyer against and save it harmless and defend it from all liability or loss, damage or injury to persons or property in any manner arising out of or incident to the performance of this Purchase Order including Seller's personnel entering Buyer's premises.

17. **WAIVER** - The waiver of a breach of any provision of this Purchase Order shall not constitute waiver of any other breach or of such provision.

18. **REWORK** - In the event rework is necessary, due to non-adherence to specifications, and only through the fault of the Seller, Buyer, at its discretion, may rework same and charge back to the Seller at the Buyer's prevail in burdened hourly cost.

19. **ADDITIONAL REQUIREMENTS** - If this Purchase Order is for fixed price supplies under a U.S. Government contract, the following clauses of the Federal Acquisition Regulations (FAR) with applicable amendments and deletions thereto in effect on the date of the Purchase Order, are incorporated herein by reference and made part of this order:

| CLAUSE                            | FAR REFERENCE      | CLAUSE           | FAR REFERENCE                   |
|-----------------------------------|--------------------|------------------|---------------------------------|
| Stop Work Order                   | 52.242-15          | Anti-kickback    | 52.203-7                        |
| Utilization of Small Business     | 52.219-8/52.219-13 | Default          | 52.249-8<br>(a),(b),(e),(f),(g) |
| Notice of Labor Disputes          | 52.222-1           | Termination      | 52.249-1/52.249-2               |
| Walsh Healey Public Contracts Act | 52.222-20          | Taxes            | 52.229-3                        |
| Clean Air and Water               | 52.223-2           | Extras           | 52.232-11                       |
| Hazardous Material                | 52.223-3           | Buy American Act | 52.225-3                        |

As used in the above clauses, the word "Contractor" shall be deemed to mean the word "Seller", the "Contracting Officer" or "Government" shall mean "Buyer", the "Contract" shall mean this "Purchase Order".

20. CPI Aerostructures, Inc. is an equal opportunity employer and federal contractor or subcontractor. Consequently, the parties agree that, as applicable, they will abide by the requirements of 41 CFR 60-1.4(a), 41 CFR 60-300.5(a) and 41 CFR 60-741.5(a) and that these laws are incorporated herein by reference. These regulations prohibit discrimination against qualified individuals based on their status as protected veterans or individuals with disabilities, and prohibit discrimination against all individuals based on their race, color, religion, sex, or national origin. These regulations require that covered prime contractors and subcontractors take affirmative action to employ and advance in employment individuals without regard to race, color, religion, sex, national origin, protected veteran status or disability. The parties also agree that, as applicable, they will abide by the requirements of Executive Order 13496 (29 CFR Part 471, Appendix A to Subpart A), relating to the notice of employee rights under federal labor laws.

Subcontractor agrees to comply with all of the Requirements and to incorporate the Requirements in its own agreements to the extent required by law.

21. **BUYER RIGHT OF ENTRY** - Seller shall provide Buyer, Buyer representative and/or Buyer's customers access to his facility and to his sub-tier facilities where work is performed or scheduled to be performed under this purchase order. Seller shall also provide to the Buyer, upon request, all applicable records thereof without any additional cost above the Purchase Order. The Buyer shall have the right to perform audits, inspections, surveillance and conduct reviews when required, with prior coordination with the Seller.