

Source Manufacturing

Standard Terms and Conditions of Purchase

Applicability.

These standard terms and conditions of purchase (these "Terms") mean the terms and conditions between the buyer of the product, Source Companies, Inc. dba Source Manufacturing ("Buyer"), and the seller of the product ("Supplier"). No other terms or conditions, including any prior or subsequent understanding, agreement, term, condition, or trade custom at variance with, or supplemental to these terms and conditions, shall apply, unless Buyer and Supplier expressly agree in writing.

Right of Access.

Buyer representatives shall be permitted access to the Supplier premises and records. This access is limited to assessment and verification of quality records and quality control processes related to product furnished to Buyer. The Supplier shall flow-down this Right of Access requirement to all sub-tier suppliers, contractors, processors, shipping agents and providers that are involved in the supply chain of the product. The same right of access is extended to the customers of Buyer, and all regulatory authorities, such as the FAA, CAA, EASA, or other government authority.

Quality Management System (QMS).

Buyer reserves the right to review and approve Suppliers QMS. Suppliers should maintain a QMS compliant with ISO, SAE, FAA, CAA, EASA, ASA or equivalent industry accepted organizational standard. Preference will be given to Suppliers that maintain a QMS certified by an industry recognized third party organization.

Notification Of Change.

Supplier shall notify Buyer in the event of: (1) any discontinuation, loss, denial, interruption, update or other change to the QMS; (2) any change in location of Supplier's facility; (3) any change in Supplier's quality process, or any other event, that might affect the conformity of the product to its specifications; (4) any change in Supplier's equity ownership, senior management or quality assurance leadership team; or (5) any actual or threatened investigation, audit, litigation, administrative proceeding or other adverse or disciplinary action taken by the FAA, CAA, EASA, or any other governmental authority.

Special Process.

All special processes required by the purchase order must be performed by suitably qualified personnel.

Lot Control.

All products provided by Supplier shall be segregated into lots and each lot shall be clearly identified. The Supplier shall package each lot to ensure that no mixing of lots occurs at any time.

Certification and Traceability.

With each shipment, the Supplier shall provide a certificate of conformance stating that the products are in compliance with Buyer's requirements and the product specifications. Certifications shall be in the English language, legible, and contain, where applicable, the Buyer PO number, part number, quantity, lot/batch number, serial number, cure date, and expiration (shelf life) date. Any products supplied to Buyer must be fully traceable to the manufacture. The Supplier shall provide an original, or true copy, of the trace paperwork, which may include but is not limited to, FAA Form 8130-3, EASA Form 1, ATA-106, certificate of conformance, and shipping documents.

Shelf Life Product.

Unless otherwise specified by Buyer, shelf life limited products shall be delivered with at least 75% life remaining.

Product Condition.

All products provided by Supplier shall not have been subjected to conditions of extreme stress, heat, or environment and shall not have been previously installed in a government or military aircraft.

Alternate/Substitution Product.

Unless otherwise specified by Buyer, alternate or substitute products are not allowed. If Buyer agrees to accept an alternate or substitute product, such product shall be in new, unused condition, and fully traceable to the manufacturer. The Supplier must not ship product until the purchase order is amended to match the alternate or substitute product provided.

Surplus Product.

Unless otherwise specified by Buyer, surplus products are not allowed. If Buyer agrees to accept a surplus product, such product shall be in new, unused condition, and traceable to either an FAA Part 121 or Part 129 approved airline or the original equipment manufacturer (OEM). Suppliers of surplus products must; specify the product has not been subjected to conditions of extreme stress, heat, or environment; and specify all Airworthiness Directive (AD) numbers, amendment numbers, dates, and methods of compliance that have been accomplished. If Buyer agrees to accept surplus overhauled, repaired, or modified product; Supplier must provide appropriate signed and dated documentation to substantiate the condition of the product.

Non-Conforming/Counterfeit Product.

Supplier must notify Buyer of any non-conforming or counterfeit product, immediately on discovery, either prior to or after delivery to Buyer. Supplier shall have programs in place to help ensure that no counterfeit product is delivered to Buyer. A counterfeit product is a copy, imitation, or substitute that is represented, identified, or marked as genuine, and/or altered by a source, without legal right, with intent to mislead, deceive, or defraud. This requirement shall be flowed down to all sub-tier suppliers.

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Flow Down Requirements.

All of the specifications, requirements, terms and conditions applicable to a product, set forth in the purchase order and set forth herein shall be flowed down from Supplier to all sub-tier suppliers, contractors, processors, shipping agents and providers.

Record Retention.

Supplier shall retain all quality and certification records for a minimum of 10 years, or in accordance with regulatory authorities, whichever is longer. All records shall be made available to Buyer upon request.

Packaging, Marking and Shipping.

Supplier shall pack, mark and ship all products in accordance with the requirements of these Terms and as necessary to be in compliance with all transportation regulations and good commercial practice for protection and shipment and shall secure the most advantageous transportation service and rates consistent therewith. No separate or additional charge is payable by Buyer for containers, crating, boxing, bundling, dunnage, drayage or storage unless expressly and specifically stated in the purchase order. Any expense incurred by Buyer as a result of improper preservation, packaging, packing, marking or method of shipment shall be reimbursed by Supplier. Any transportation charges paid by Supplier for which Supplier is entitled to reimbursement shall be shown on Supplier's invoice as a separate line item with the receipted freight bill attached to the invoice. For product classified as a dangerous or hazardous material by a transport regulatory authority, Supplier shall label the packaging according to the requirements of transport regulatory authority and include a copy of the Safety Data Sheet (SDS) as published by the manufacturer. If because of Supplier's failure to meet the delivery requirements of the purchase order, it becomes necessary to require shipment of any of the products covered by such purchase order by a method of transportation other than the method originally specified by Buyer, Supplier shall reimburse Buyer any amount by which the cost of the method of transportation exceeds that originally specified. Supplier shall comply with all of Buyer's routing and shipping instructions.

REACH (Registration, Evaluation, Authorization and Restriction of Chemicals).

Supplier shall ensure that each product supplied to Buyer contains less than 0.1% by weight of any Substance of Very High Concern (SVHC), as listed on the Candidate List of Substances (CLS). In the event any product to be supplied to Buyer will contain a greater amount by weight of any SVHC, Supplier shall first notify Buyer in writing of the SVHCs in such product that will exceed such threshold.

Acceptance And Acknowledgment.

Any performance on the purchase order is deemed an acceptance, without exception, of the terms and conditions set forth on the purchase order and these Terms.

Changes.

Buyer may at any time make changes within the general scope of the purchase order and Supplier shall comply therewith. Buyer may cancel the purchase order or reduce the quantity of any product to be purchased thereunder at any time prior the date that Supplier ships such product(s) and under no circumstances shall Buyer be liable or responsible for any cancellation fee, restocking fee or any similar fee or charge, unless expressly agreed to in writing by Buyer. Except as expressly provided for elsewhere, Buyer and Supplier agree that there shall be no adjustment in unit price or delivery schedule without a written change to the purchase order.

Invoices.

Supplier will send a separate invoice and shipping notice for each shipment. Each invoice must show Buyer's purchase order number, part number(s), unit price(s), and quantities shipped. Delays in receiving invoices, errors or omissions on invoices, or lack of supporting documentation required by the terms of the purchase order or these Terms will be cause for withholding settlement without losing discount privilege.

Order Of Precedence.

In the event of conflicting contractual requirements, the order of precedence is Buyer's purchase order, Buyer's specifications, these Terms.

Inspection and Acceptance. All products are subject to (i) inspection during manufacture, (ii) inspection prior to shipment and (iii) final inspection, testing and acceptance at destination, notwithstanding the F.O.B. point or any payment or prior inspection at source. Risk of loss or damage to products shall remain with Supplier until delivery to Buyer at destination. Supplier shall obtain and pay for products in transit insurance and shall be required to recover from the carrier and/or insurer in the event of incorrect delivery, loss or damage. Supplier shall furnish to Buyer, if requested, all information and data as may be reasonably requested by Buyer in order to perform inspection and acceptance. Inspection and acceptance of any products by Buyer shall not be deemed to alter or affect the obligations of Supplier or the rights of Buyer and its customers under warranties herein or as may be provided by law. Buyer's failure to inspect any of the products hereunder shall neither relieve Supplier from responsibility for such products if they're not delivered in accordance with the product specifications, the requirements of the purchase order, or these Terms. Any tender of products which is nonconforming as to quality, quantity or Supplier's covenant to meet the delivery schedule shall constitute a breach of the purchase order and Buyer shall have the absolute right to reject such products. Buyer shall notify Supplier as to such rejected products and Buyer shall have all such remedies as provided by law and these Terms, including, but not limited to (A) hold such rejected products or return same to Supplier at Buyer's election and at Supplier's risk and expense, (B) replace or correct Supplier's products and charge to Supplier the cost occasioned to Buyer thereby or require the delivery or replacement of such products at an equitable adjustment in price, if Supplier fails to remove promptly such rejected products or unless Supplier corrects or replaces the defective products within the time required by the delivery schedule, and (C) recover by offset or otherwise any and all damages, expenses or costs caused to or experienced by Buyer as a result of such rejection or which may result from a series of rejections. If rejected products are later repaired or corrected in any manner and are being returned to Buyer, Supplier shall indicate on an appropriate tag affixed to such products that the products were previously rejected by Buyer and describe the specific defect(s) which were repaired or corrected. Notwithstanding the F.O.B. point stated in the purchase order, Supplier shall bear and pay the additional expenses of transportation incurred for the return of rejected, defective products and the re-shipment of repaired or replacement products.

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Warranty.

Supplier warrants that all products delivered under the purchase order shall conform to the requirements of such purchase order (including all applicable descriptions, performance criteria, specifications and drawings), shall be free from defects in material and workmanship, and shall, to the extent not manufactured pursuant to detailed designs furnished by Buyer, be free from defects in design and fit for their intended purposes. Buyer's approval of designs furnished by Supplier shall not relieve Supplier of its obligations under this warranty. Supplier's warranties shall be enforceable by Buyer's customers and any subsequent owner or operator of the products, as well as by Buyer.

Without prejudice to any other remedy that Buyer may have, Supplier shall be responsible for, and bear the expense of, any necessary correction due to faulty workmanship or materials, or due to faulty design unless such design was supplied by Buyer.

Supplier further warrants that; all aircraft materials, articles, and/or products will be furnished in compliance with all applicable Federal Aviation Association regulations; all inspection records will be made available to Buyer upon request; all products supplied or services performed shall be in accordance with all applicable federal, state, and local laws including environmental protection and occupational safety and health; they are aware of their contribution to product or service conformity; they are aware of their contribution to product safety; they are aware of the importance of ethical behavior within their organization; they have appointed competent persons with the required qualification; all production and inspection/verification operations have been completed as planned and are available for review; there is a provision for the prevention, detection, and removal of foreign objects; and they are aware of the consequences of obsolescence.

Delivery.

Time is of the essence in all deliveries called for by the purchase order. If at any time it appears to Supplier that any delivery schedule cannot be met, Supplier shall notify Buyer as soon as possible as to (i) the cause thereof, (ii) the action being taken to remove such cause or causes, and (iii) when on schedule status shall be achieved. Supplier shall, at Supplier's expense, take all reasonable action necessary, with or without the request of Buyer, to meet the required delivery schedules or to recover to the maximum extent possible any delay in such delivery schedules. Such reasonable action by Supplier shall include, but shall not be limited to, shipments via expedited routing and carrier at Supplier's expense. Any action taken by Supplier with respect to the foregoing obligations and any assistance provided by Buyer to enable Supplier to achieve its schedule shall not excuse Supplier's performance to the delivery schedule called for by the purchase order and Buyer shall retain all rights it may otherwise have in these Terms or available at law.

Indemnification.

Supplier shall indemnify Buyer against all losses, costs and damages Buyer may suffer on account of claims of injury to persons, including death, or damage to property which may result in any way from any act or omission, or from any defective products, of Supplier or of its agents, employees, subcontractors or vendors. Supplier shall maintain Workers' Compensation and Occupational Disease Insurance, Public Liability, Property Damage, Products Liability, Employee's Liability and Compensation Insurance and Motor Vehicle Liability (Personal injury and Property Damage) in reasonable amounts to protect Supplier and Buyer from the aforesaid risks. Supplier shall indemnify and hold harmless Buyer against any and all claims for U.S. or foreign patent, copyright, trademark, or other proprietary rights infringement. Supplier shall defend, at Supplier's expense, any and all infringement suits or actions of law or in equity brought against Buyer and shall satisfy all judgments entered therein.

Taxes.

Any applicable excise, sales, use or similar taxes, whether federal, state or local, shall be paid by Supplier.

Buyer Specifications, Designs, Data and Information.

Any specifications, designs, drawings, information, tools, computer software, computer data and/or technical data furnished by Buyer to Supplier in connection with the purchase order to enable Supplier to manufacture products pursuant to the purchase order are the sole property of Buyer and Supplier shall not use the same except for the performance of the purchase order. Supplier shall not disseminate, disclose, use, communicate or otherwise appropriate, either directly or indirectly, any such information except as required for performance of the purchase order and shall retain all such information in trust in a fiduciary capacity for the sole use and benefit of Buyer. Upon completion or termination of the purchase order, Supplier shall promptly deliver to Buyer all of such information and any copies of such information in its possession. Unless otherwise specified, Supplier shall be responsible for any loss, destruction or damage to any property furnished by Buyer to Supplier for performance of the purchase order, including any property owned by third parties. Supplier shall be responsible for returning any such property in the condition in which it was received by Supplier, reasonable wear and tear excepted.

First Article. If the purchase order requires the inspection and acceptance of certified first article samples, no production of products beyond first article samples are authorized until the inspection and acceptance of first article samples occurs. In the event of a termination of the purchase order for the convenience of Buyer prior to the acceptance of first article samples, Buyer shall not be responsible for any costs incurred for products to be delivered after first article samples.

New Material. Supplier warrants that all material incorporated into the products shall be new. No used or reconditioned material may be incorporated into the products without the prior written consent of Buyer.

Assignment. Neither the purchase order nor any duties or interest herein shall be delegated by Supplier unless the written consent of Buyer has been previously obtained, except that Supplier shall have the right to assign or delegate the purchase order to any successor in interest of Supplier by way of merger or consolidation or acquisition of all or substantially all of the assets and business of Supplier, provided that such successor expressly assumes all obligations, duties and liabilities of Supplier and Supplier remains liable to Buyer for the performance and observance of all such obligations, duties and liabilities. Buyer may assign the purchase order in whole or in part.

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Legal Compliance. Supplier at all times shall comply with all applicable federal, state, municipal and local laws, orders and regulations.

Labor Disputes. Whenever any actual or potential labor dispute becomes known to Supplier, Supplier shall provide Buyer with immediate written notice thereof.

Variation in Quantity. The purchase order permits no variation in quantity of the products ordered.

Waiver. Failure of Buyer in one (1) or more instances to insist on performance of any of the provisions of the purchase order or these Terms shall in no way be construed to be a waiver of any such provisions in the future.

Default.

Buyer may cancel in whole, or in part, the purchase order, if Supplier fails to make delivery of the product or perform the services within the purchase order time specified or any agreed upon extension thereof, or, if Supplier fails to perform any of the other provisions of the purchase order or fails to make progress so as to endanger performance of the purchase order in accordance with its terms.

In the event Buyer cancels the purchase order, in whole or part, under provisions of this clause, Buyer may procure upon such terms and in such a manner as Buyer may deem appropriate, product or services similar to those so canceled, and Supplier shall be liable to Buyer for any extra costs for such similar product or services provided that Supplier shall continue performance of the purchase order to the extent not canceled under the provisions of this clause.

Excluding any failure or default on the part of any subcontractor to Supplier, Supplier shall not be liable for any excess costs if (i) the failure to perform the purchase order arises from causes beyond the control and without the fault or negligence of the Supplier and (ii) Supplier immediately notifies Buyer of such failure and the cause thereof in reasonable detail, along with a delay notice as described under the section titled, "Delivery," above. Such causes may include, but are not restricted to (collectively, "Force Majeure Events"), acts of God or the public enemy, acts of government in either its sovereign or contractual capacity, fires, floods, epidemics, pandemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather. Buyer shall not be liable for any failure of its performance or excess costs as a result of any Force Majeure Event(s). In every case, the failure to perform by Supplier or Buyer due to a Force Majeure Event must be beyond the control and without the fault or negligence of Supplier or Buyer, as applicable. If the failure to perform is caused by the failure or default of a subcontractor and if such default arises out of causes beyond the control of both Supplier and subcontractor, and without the fault or negligence of either of them, Supplier shall not be liable for any excess costs for failure to perform unless the product or services to be furnished by the subcontractor were obtainable from other sources in sufficient time to permit Supplier to meet the required delivery schedule.

If the purchase order is canceled under provisions of this clause, Buyer, in addition to any other rights provided in this clause, may require Supplier to transfer title and deliver to Buyer, in the manner and to the extent directed by Buyer, any completed product, and such partially completed products, materials, parts, tools, dies, jigs, fixtures, plans, drawings, information, and contract rights, as Supplier has specifically produced, or specifically acquired, for the performance of such part of the purchase order as has been canceled, and Supplier shall upon direction of Buyer, protect and preserve all property in the possession of Supplier in which Buyer has an interest. Payment for completed products delivered to and accepted by Buyer shall be at the purchase order price. Payment for partially completed products, materials, parts, tools, dies, jigs, fixtures, plans, drawings, information, and contract rights, delivered to and accepted by Buyer, and for protection and preservation of property, shall be in an amount agreed upon by Supplier and Buyer.

If, after notice of cancellation of the purchase order under the provisions of this clause, it is determined for any reason that Supplier was not in default under the provisions of this clause, the rights and obligations of the parties shall be the same as if the notice of cancellation had not been issued.

The rights and remedies of Buyer provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under the purchase order.

The performance of work under the Purchase order may be terminated in whole, or from time to time in part, by Buyer, for its convenience.

Governing Law/Venue.

This agreement shall be deemed to have been made in the State of Florida, U.S.A. and shall be interpreted in accordance with the law of the State of Florida without regard to conflict of law principles. Supplier consents to the exclusive jurisdiction of the state and federal courts of the State of Florida, U.S.A., for determination of any claim or controversy between the parties and arising out of or relating to these terms and conditions of purchase. In the event that Buyer shall engage an attorney or commence an action against Supplier arising out of facts and circumstances related to these terms and conditions of purchase including, but not limited to, Supplier's breach of any of its obligations hereunder, Buyer shall be entitled to recover its reasonable attorney's fees, costs, and other disbursements incurred in connection therewith.