

# McCann Aerospace Machining Corporation

## Purchase Order Terms, Conditions and Quality Requirements

1. ACCEPTANCE - The terms of this purchase order exclusively represent the entire agreement between the seller and the buyer, McCann Aerospace Machining Corp. The express terms of this agreement supersede any course of dealing or usage of trade.
2. SCHEDULE OF PERFORMANCE - Time is of the essence in the performance the purchase order. Remedies for breached delivery schedule are specified in the remedies clause and shall also include equitable downward adjustment in price, liability of the seller for premium shipping costs and recovery by the buyer of expenses related to necessary work arounds while items are not available. Seller is liable for shipping and inspection costs for any delivered lots in excess of the contractually scheduled number. The defense priority rating of this contract, if applicable, is indicated on the face of the P.O. Seller shall follow the provisions of the Defense Priorities and Allocation System (DPAS) regulation 5CFR350, Federal Acquisition Regulation (FAR) 52.212-8, and all other applicable regulations in obtaining controlled materials and in ordering and manufacturing components and materials for the P.O. Seller shall reference the defense priority rating on his own subcontracts and purchase orders. Seller shall provide adequate assurance of performance in detail whenever requested. Failure to provide such written assurance in a reasonable time, as is adequate under the circumstances, but not exceeding 10 days constitutes repudiation of the contract by the seller.
3. NOTICE OF DELAY - Seller shall immediately notify buyer and explain any circumstances, including labor dispute, which may delay the timely performance of the P.O.
4. ASSIGNMENT AND SUBCONTRACTS - Neither the P.O. nor any interest under it shall be assignable nor any duties delegable by the seller. No major or critical portion of the P.O. shall be subcontracted without the written consent of the buyer.
5. SUB-TIER FLOWDOWN - The supplier shall request, in writing, to the McCann Aerospace Machining Corporation buyer, approval to use a sub-tier supplier to manufacture McCann Aerospace Machining Corporation parts. If written approval is given by McCann Aerospace Machining Corporation buyer, the supplier shall flow down all McCann Aerospace Machining Corporation requirements in the purchasing documents, including the quality requirements in this document, and key characteristics, if applicable.
6. QUANTITY - Buyer need not accept any over shipments or shortages, except as authorized herein, regardless of usage of trade or sellers' standard practices.
7. PRICE WARRANTY - The price of each item covered by the P.O. shall be the lower of the price shown on the face of the P.O. or the seller's price to other customers for like quantities and specification.
8. CHANGES –
  - A. BUYER -Buyer shall have the right at any time to make changes or revisions, within the general scope of this contract, to the drawings, designs, specifications, quantities, delivery schedules, method of shipment or packaging, place of inspection or acceptance, and/or point of delivery, and seller agrees to be bound thereby. Interchange and liaison with buyers technical personnel shall not vest seller with authority to change the specifications, terms, or provisions of this contract unless it is evidenced in writing by an authorized procurement representative of the buyer. If such authorized written changes result in delay or any increase or decrease in cost, seller shall notify buyer immediately and negotiate an equitable adjustment, provided, however, that seller shall in all events proceed diligently to supply the items or perform the contracted work or services as so changed. No claim by seller for such equitable adjustment shall be valid unless accompanied by proper explanation and justifications and submitted by buyer in writing within 15 days from the date of such change.
  - B. SELLER - The Seller shall notify McCann Aerospace Machining Corporation. of any changes in product or process definition.
9. RIGHT OF ACCESS - The supplier shall allow right of access by McCann Aerospace Machining Corporation, their customers and regulatory authorities to all facilities involved in the order and to all applicable records. Seller shall permit buyer's inspectors, government inspectors, or buyers customer to have access to sellers plant at all reasonable hours for the purpose of inspecting any item procured on this purchase order, related materials, work in process or applicable quality and inspection systems. Seller, without additional cost to buyer unless otherwise specified herein, shall provide all reasonable facilities and assistance for their safety and convenience.
10. SUPPLIER QUALITY REQUIREMENTS:
  - A. INSPECTION – The supplier shall have a system for inspection and for prevention and detection of nonconforming products.
  - B. FIRST ARTICLE INSPECTION – The supplier shall provide McCann Aerospace Machining Corporation with a complete AS9102 first article on the first production run of a new part. An AS9102 delta first article may be performed on revision changes. Note: Does not apply to raw material.
  - C. SOURCE INSPECTION: The supplier shall support product source inspection performed by McCann Aerospace Machining Corporation and their customers or customer's representative if required by PO. Source inspection does not relieve the supplier of the responsibility for the quality of the product. At the time of source inspections, seller shall make available to the inspector copies of all applicable drawings, specifications, required process sheets, and preservations and packaging data. Seller shall furnish any source inspection reports and specified certificates of conformance or test data whenever presenting or shipping items for inspection. Unless otherwise specified, all source inspected items will be subject to final inspection and acceptance by buyer within 90 days of receipt at buyers plant regardless of any prior payment or source inspection acceptance, subject to the warranty clause. Acceptance at buyer's plant will be considered final except for latent defects, fraud, or gross mistakes as amount to fraud. Upon resubmittal, any defective items, which have been repaired or reworked, are subject to source inspection. Replacement or correction of rejected items shall not be made unless so authorized on buyers returned-material shipping documents as buyer may impose source inspection of previously rejected items without liability for additional source inspection charges.

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- D. Calibration – The supplier shall control the calibration of all measuring equipment utilized to accept product. It is the responsibility of the supplier to return any customer furnished equipment to McCann Aerospace Machining Corporation prior to the calibration due date.
  - E. Tooling – Tooling or any equipment provided to the supplier in support of the order shall be handled and stored in an appropriate manner to avoid damage.
  - F. Nonconformance Notification – The supplier shall notify McCann Aerospace Machining Corporation of any non-conformances found. This includes any nonconformance identified after product delivery.
  - G. Control of Documents – The supplier shall control all documents supplied by McCann Aerospace Machining Corporation pertaining to the order. It is the responsibility of the supplier to destroy any documents provided by McCann Aerospace Machining Corporation that are obsolete or superceded.
  - H. Certifications and Test Data - The supplier shall provide certification of conformance and, where applicable, test data with each shipment. Certifications to specifications shall reflect the latest revision level unless otherwise noted on the purchase order.
  - I. Records – In addition to the records required with each shipment, the supplier shall retain all documents and records pertaining to the order, including raw material certs, production records, processing certs, inspection records and nonconformance records for a minimum of 10 years. The supplier shall notify McCann Aerospace Machining Corporation, in writing, prior to destruction of any records pertaining to McCann Aerospace Machining Corporation orders. If requested, the supplier shall provide McCann Aerospace Machining Corporation with copies of records pertaining to an order within one day.
  - J. Special Processing – Suppliers shall only use the appropriate McCann Aerospace Machining Corporation customer approved special process sources, e.g., Boeing, Lockheed Martin, Goodrich, etc. Contact the McCann Aerospace Machining Corporation buyer for any questions related to special processing.
  - K. Suppliers who are certified to an established standard such as ISO 9001, AS9100, ISO 17025, etc. shall immediately notify McCann Aerospace Machining Corporation if their certification expires or is revoked.
  - L. Suppliers may use a sampling plan in accordance with ANSI/ASQ Z1.4 for attribute inspections or ANSI/ASQ Z1.9 for variable inspections using Single Sampling plan for Normal Inspection, General Inspection Level II, with no greater risk than an acceptable quality level (AQL) of 2.5.
11. WARRANTY - Seller expressly warrants to the buyer and its customers that the articles described in the P.O. shall be free from defects in workmanship and materials and shall strictly conform to applicable specifications, drawings, and any approved samples, and, if of seller's design, will be free from design defects and fit for the intended purpose. The warranty shall expire one year from delivery date, except in cases of fraud or gross mistakes as amount to fraud. Seller agrees to indemnify buyer and its customers for all liability, loss, and expenses of a breach of warranty, including costs of tests performed in determining that a breach has occurred, costs of disassembly and re-assembly, and reasonable attorney's fees and costs of litigation. Notice of breach shall be deemed sufficient if given within 30 days after discovery thereof by buyer.
12. REMEDIES - In addition to the particular remedies specified in the other provisions of the P.O., the following remedies apply as well as other remedies available at law:
- A. Specific performance - where procured items are unique, long lead, sole sourced, made to buyer specification, or for any other reason deemed by the buyer to be critical or unavailable elsewhere, the buyer may demand specific performance in addition to any other remedies of breach.
  - B. Termination for cause - if seller fails to make any delivery in accordance with the agreed delivery schedule, fails to make progress so as to endanger performance of the P.O., or otherwise fails to observe or comply with any of the other provisions, instructions, terms, conditions, or warranties, buyer may terminate all or part of this purchase order by written notice to seller without any liability by buyer. In the event of seller's repudiation or termination for cause, buyer may obtain immediate refund and/or produce or procure similar items or services elsewhere, on such terms and in such manner as buyer may deem appropriate, with seller liable for any excess procurement costs and all damages sustained as a result of seller's default. Buyer may terminate all or any part of the P.O. in the event of seller's suspension of business, insolvency, bankruptcy, reorganization, liquidation proceedings, appointment of a trustee or receiver for seller's property or business, or any assignment of seller for the benefit of creditors, if, after notice of termination for cause, it is determined that the seller was not in default, or that the default was excusable (FAR 52.249-8 par c and d). The rights, obligations and liabilities of the parties shall be the same as if the termination had been for convenience.
  - C. Rejection and revocation of acceptance - in the event items are rejected during inspection or if acceptance is revoked, buyer may, at his option: (1) return all or part of the defective items to seller at full billing price plus freight, testing, inspection, and handling and require correction or replacement. (2) Retain defective items and equitably reduce the price, or make such improvements or alteration at seller's expense as buyer may deem necessary to meet contract requirements, and/or, (3) return defective items at seller's expense and terminate the order for a cause.
13. TERMINATION FOR CONVENIENCE - Buyer may terminate all or any part of the P.O. at any time without cause by written notice to seller. The rights and obligations of the parties shall be in accordance with the clause set forth in FAR 52.249-2. However, seller must submit his termination claim to buyer within 60 days after the effective date of termination.
14. PAYMENTS - Payment for items received or services completed will be made in accordance with payment and discount terms set forth on the P.O. or, if no terms are specified, within 30 days after either receipt of items or completion of services or date of receipt of correct invoice, whichever date is later. Discount periods will be computed from either the date of receipt of goods plus three (3) working days allowance for receipt processing or the date of receipt of correct invoice, whichever date is later.
15. COMPLIANCE WITH LAWS - Seller shall comply with all applicable federal, state, and local laws, and government orders and regulations in performing the P.O. Seller agrees to hold buyer harmless from, and to reimburse it for, any

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and all costs, damages and expenses (including attorneys fees) suffered directly or indirectly through failure of seller to comply with any such law, regulation, or order.

16. **SUSPENSION OF WORK** - Buyer may order seller in writing to suspend, delay or interrupt all or any part of the work for a period not to exceed 90 consecutive days. An adjustment shall be made for any directly resulting increase or decrease in the cost of performance. Adjustment shall also be made in the delivery or performance dates and any other contractual provisions affected. However, no adjustment shall be made to the extent that performance would have been so suspended, delayed or interrupted by any other cause including the fault or negligence of seller. Also, no adjustment shall be made under this clause for any suspension, delay or interruption for which an equitable adjustment is provided for or excluded under any other provision of this contract. No claim under this clause shall be allowed unless the claim in a stated amount is asserted in writing within 15 days after the termination of such suspension, delay, or interruption.
17. **LEGAL CONSTRUCTION AND INTERPRETATION** - The P.O. shall be governed by and interpreted in accordance with the laws of the state of Georgia.
18. **LIENS** - All supplies to be delivered by seller and all property to be returned by seller shall be free employees of any of its subcontractors, which are alleged to be attributable to the act, omission, fault or negligence of buyer, its agents or employees, or to any condition of buyer's property, facilities, materials or equipment. Seller shall maintain such and clear of any and all liens and encumbrances whatsoever.
19. **INDEMNIFICATION AND INSURANCE** - Seller shall indemnify and hold buyer harmless from and against any suits, liabilities, losses, damages, claims, cause of action and expenses (including attorneys fees) arising out of or connected with any act or omission of seller, its agents, employees or subcontractors, excepting only such injury or damage due solely and directly to buyers negligence. However, seller specifically agrees to defend, indemnify and hold buyer harmless from and against any suits, liabilities, losses, damages, claims, causes of action and expenses (including attorneys fees) that may be made or incurred by sellers employee or by public liability property damage, and workers compensation insurance as will protect buyer from any of said risks and from any claims under any applicable workers compensation acts. Buyer reserves the right to establish the limits of insurance coverage applicable to the P.O. and require seller to secure and maintain said coverage. Adequate insurance shall be maintained by seller to cover full replacement cost of all buyer-owned tooling, raw materials, supplied components, drawings, and related items.
20. **PATENTS** - The FAR patents clauses incorporated by reference herein if a government contract number appears on the P.O. supersede this provision. Seller shall report to buyer promptly any claim of patent infringement arising out of performance of the order. Seller shall furnish all details and evidence at request of buyer at buyer expense. The P.O. does not grant seller any license, express or implied, under the patents of any company other than the buyer. License is granted under buyer patents only to the extent necessary to perform the specific P.O. or as expressly provided herein to the extent that articles manufactured under the P.O. are of designs not originated by buyer, seller shall indemnify buyer from any expense, cost, or liability for alleged patent infringement. Seller grants buyer an irrevocable non-exclusive, royalty-free license to make, use, or sell any inventions conceived or first actually reduced to practice under the P.O.
21. **PACKAGING AND SHIPMENT INSURANCE** - All material on this order shall be prepared for shipment in a manner acceptable by the specified carrier and adequate to ensure safe delivery at destination. The supplier shall package products appropriately to assure that no damage occurs during shipment. Parts shall be returned in any special packaging sent by McCann Aerospace Machining Corporation. Method of packaging shall comply with uniform freight and national motor freight classification rules and regulations or other carrier's rules and regulations applicable to the mode of transportation specified on the order. No charges will be allowed for boxing, wrapping, cartage or storage other than those specified in the P.O. Shipments sent C.O.D. will not be accepted unless specifically authorized in writing. Seller shall not insure f.o.b. origin shipments at buyer's expense.
22. **WAIVER OF TERMS AND CONDITIONS** - The failure of buyer in any one or more instances to enforce one or more of the terms or conditions of this order or to exercise any right or privilege in this order shall not be construed as thereafter waiving any such terms, conditions, rights, or privileges. Such terms shall remain in effect as if no such failure to enforce had occurred.
23. **GOVERNMENT CONTRACTS** - In the event this purchase order bears a government contract number, it shall be subject to all applicable provisions of, and will contain all clauses and agreements required by, the terms of any government contract under which or for which the P.O. is issued, federal laws, regulations, and the clauses set forth in other provisions and in the following paragraphs of the Federal Acquisition Regulations (FAR) are incorporated herein by reference. The FAR clause shall be of the same date as the FAR clause in the prime contract where necessary to make the context applicable to the P.O. The terms "government" and "contracting officer" or equivalent phrases shall mean buyer. The term "contractor" shall mean seller. The term "contract" shall mean the P.O. All notices, reports or other required data shall be furnished to buyer for forwarding or action pursuant to the prime contract.

52.203-1 OFFICIALS NOT TO BENEFIT	52.223-1 AND 2 CLEAN AIR AND WATER
52.203-3 GRATUITIES	52.223-3 HAZARDOUS MATERIAL IDENT. AND SAFETY
52.203-5 COVENANT AGAINST CONTINGENT FEES	52.225-3 BUY AMERICAN ACT
52.203-7 ANTI-KICKBACK	52.225-10 DUTY FREE ENTRY
52.204-2 SECURITY REQUIREMENTS	52.225-11 CERTAIN COMMUNIST AREAS

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52.208-1 REQUIRED SOURCES FOR JEWEL BEARINGS	52.227-1 THRU -3 AND -10 THRU -15 PATENTS
52.209-1 AND -2 QUALIFIED PRODUCTS	52.227-8 AND -9 REPORTING AND REFUND ROYALTIES
52.209-3 FIRST ARTICLE APPROVAL	52.227-7018, -7030 TECHNICAL DATA
52.210-5 NEW MATERIAL	52.228-3 WORKERS COMPENSATION
52.214-22 AND -25 DEFECTIVE COST OR PRICING DATA	52.228-7006 ACCIDENT REPORTING AND INVESTIGATION
52.215-1 EXAMINATION OF RECORDS	52.230-3 AND -4 COST ACCOUNTING STANDARDS
52.215-24 SUBCONTRACTOR COST OR PRICING DATA	52.235-7002 RECOVERY OF NONRECURRING COSTS ON COMMERCIAL SALES
52.219-8 USE OF SMALL/DISADVANTAGED BUSINESS	52.245-2 GOVERNMENT PROPERTY AT CONTRACTORS
52.220-3 AND -4 LABOR SURPLUS AREA CONCERNS	52.245-17 SPECIAL TOOLING
52.222-1 NOTICE TO GOVT. OF LABOR DISPUTES	52.245-18 SPECIAL TEST EQUIPMENT
52.222-4 CONTRACT WORK HOURS STDS.-OVERTIME	52.246-24 AND -25 LIMITATION OF LIABILITY
52.222-20 WALSH HEALEY PUBLIC CONTRACTS ACT	52.248-1 VALUE ENGINEERING
52.222-26 EQUAL OPPORTUNITY	52.249-2 TERMINATION FOR CONVENIENCE
52.222-35 AFFIRMATIVE ACTION - VETERANS	52.249-8 DEFAULT (INCL. EXCUSABLE DELAYS)
52.222-36 AFFIRMATIVE ACTION - HANDICAPPED	

22. DISPUTES - Notwithstanding any provision herein to the contrary, any dispute, which is not disposed of by agreement between buyer and seller, may be settled by appropriate legal proceedings. Pending final disposition of any dispute hereunder, seller agrees to proceed diligently with the performance of the P.O. and in accordance with the decision of buyer any decision made by the contracting officer under the prime contract concerning a question of fact arising out of the P.O. which results in reduction of the prime contract price because seller or his subcontractor has failed to comply with any applicable provisions of the P.O. will, if binding upon buyer, be binding upon seller. Buyer shall promptly notify seller of such decision and, if requested by seller, buyer shall appeal such decision in accordance with the "disputes" clause of the prime contract. Seller will be permitted to participate fully in any such appeal for the purpose of protecting seller's rights, and buyer will not enter into a settlement agreement with the government or take any other action, which would prejudice seller's rights without sellers consent. Seller agrees to indemnify buyer by paying any and all amounts by which buyers contract is adjusted as a result of any such decision. Seller also agrees to pay all costs and expenses incurred by buyer in any such appeal initiated at sellers request.
23. DATA REQUIREMENTS - Seller agrees to furnish data or records called for by this order and data ordered separately which relates to the supplies or services ordered hereunder. The price for any such data ordered separately shall include only the estimated costs for reproduction, packaging, handling and shipment of the data and a profit factor not in excess of that charged for said supplies or services.
24. BUYER OR U.S. GOVERNMENT PROPERTY - All property including tooling used by seller buyer owned, furnished, or charged to buyer shall be the property of buyer or U.S. Government and subject to removal and inspection by owner at any time without additional cost or expense. All such property shall be administered and controlled by seller in accordance with FAR subpart 45.5. Identified and marked appropriately as buyers or government's property, insured at sellers expense in the amount of its full replacement value and used only for its owners direct purchases. Seller shall assume all liability for its maintenance and repair and return the property in as good condition as when received, reasonable wear and tear expected. Seller is responsible for the specification conformance and quality of any product of buyer furnished tooling or materials.
25. ADVERTISING - Seller shall not, without first obtaining the written consent of buyer, in any manner advertise or publish the fact that seller has furnished or contracted to furnish buyer with the articles or services here mentioned or disclose any of the details including prices or terms connected with the P.O. to any third party except as may be required to perform the P.O.
26. NON-DISCLOSURE: Drawings, specifications, and technical information - drawings, data, designs, inventions and other technical information supplied by buyer shall remain buyers property and shall be held in confidence by seller. Such information shall not be reproduced, used, or disclosed to others by seller without buyers prior written consent and shall be returned to buyer upon completion of the P.O. or upon request. Any information which seller may disclose to buyer with respect to the design, manufacture, sale, or use of the items covered by the P.O. shall be deemed to have been disclosed as part of the consideration for the P.O., and seller shall not assert any claim (other

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than a claim for patent infringement against buyer by reason of buyers use thereof all data generated or developed in the course of the P.O. shall be the sole property of buyer. Seller shall not use, duplicate, or disclose such data for any purposes other than the performance of the work required hereunder without the prior written consent of buyer. The purchase price of the P.O. is, in part, consideration for any design work performed by seller and incorporated into the articles to be delivered. Seller, therefore, shall not supply such articles to others without buyers written permission, however, seller may produce articles for direct sale to the U.S. Government where the U.S. Government also has the right to use the necessary equipment, tools, gauges, patents, designs, drawings, engineering data, and other technical or proprietary, information furnished by buyer.

- 27. TAXES - The P.O. price is inclusive of all other taxes, fees, excises and/or charges which are imposed, whether by federal, state, municipal, or other local public authority. Georgia sales tax exemption number is shown on the P.O.
- 28. HAZARDOUS MATERIAL - The seller shall ensure that all materials and chemicals, which are harmful to human health, safety, or property, are properly contained in accordance with applicable local, state and federal specifications. All containers shall be plainly marked with chemical labels displaying appropriate warnings, precautions, instructions and storage conditions as required by DOT and OSHA. Material safety data sheets (MSDS) must be provided with and chemicals as required by OSHA standards 1910.1200. Mercury and radium shall not be used in the processes or manufacture of materials for the P.O.

**Revision History:**

<b>Revision</b>	<b>Date</b>	<b>Change</b>	<b>Requested by</b>
NC	Feb. 06	Complete rewrite	K. McCann
A	4/06/06	Added: including Raw ... to 10.I.	J. Blackmore
B	7/11/06	Added 10.K, L & Rev. history	J. Blackmore