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Purchase Order (PO) Standard Terms And Conditions			

1. ACCEPTANCE OF PURCHASE ORDER. Each purchase order ("PO") issued by Avcorp Industries Inc. ("Buyer") is an offer to the party named on the face of this PO ("Supplier") for the purchase of goods and/or services (the "Work"), and includes and is governed by the express terms contained on the face of the PO, these Purchase Order (PO) Standard Terms and Conditions, and the terms contained in any addendum or supplement to this PO, and any other document incorporated by reference in this PO. Any act or expression of acceptance of this PO by Supplier, including Supplier's acknowledgement or performance, in whole or in part, of the Work, shall constitute an acceptance of Buyer's offer. Any acceptance of this PO is limited to and conditional upon Supplier's acceptance of all the terms and conditions contained herein. Any proposal for additional or different terms and conditions or any attempt by Supplier to vary this PO, whether in Supplier's quotation form, acknowledgement form, invoice, correspondence, or otherwise, shall be deemed material and is hereby objected to and expressly rejected by Buyer. Buyer may cancel all or any part of this PO at any time prior to Buyer's actual knowledge of acceptance by Supplier.

2. TIME OF THE ESSENCE. Time is of the essence with respect to all provisions of this PO that specify a time for performance.

3. CHANGES/RESCHEDULING. Buyer shall have the right to direct changes to the Work in any of the following: (i) technical requirements and descriptions, specifications, drawings, or designs; (ii) shipment or packing methods; (iii) place of delivery, inspection, or acceptance; (iv) reasonable adjustments in quantities or delivery schedules or both; and, if this PO includes services, (v) description, nature, and/or scope of services to be performed; (vi) time of performance (i.e., hours of the day, days of the week, etc.); and (vii) place of performance (collectively "Changes"). Supplier shall comply immediately with all such written Change directions from Buyer. Verbal instructions shall not be deemed a Change. If any such Change results in a decrease in the cost of, or the time required for, manufacturing, delivering, or performing the Work, such decrease shall be passed along to Buyer by way of an equitable adjustment in the price or schedule, or both, to reflect the decrease. If any such Change results in an increase in the cost of, or the time required for, manufacturing, delivering, or performing the Work, a written claim for equitable adjustment may be made by Supplier for a modification in the price or delivery schedule, or both (an "Equitable Adjustment Claim"), and this PO may, subject to the agreement of Buyer and Supplier, be amended in writing accordingly. Supplier must submit any Equitable Adjustment Claim to Buyer within thirty (30) days following Buyer's written notice of the Change to Supplier. Buyer shall have the right to examine Supplier's pertinent costing information to verify the amount of any Equitable Adjustment Claim. Neither the failure of the parties to agree upon an Equitable Adjustment Claim nor any other provision in this PO shall excuse or otherwise relieve Supplier from performing in accordance with Buyer's Change directions. If Supplier fails to submit an Equitable Adjustment Claim within the time period set forth above, Supplier shall be barred from submitting an Equitable Adjustment Claim and Buyer shall have no obligation whatsoever for payment to Supplier for any Equitable Adjustment Claim. Supplier shall not, without Buyer's prior written direction, make any changes to the Work.

4. ACCEPTANCE OF DELIVERABLES & TITLE. Final acceptance of the Work shall occur after delivery to Buyer and upon satisfactory completion of all required tests, inspections, and approvals. Buyer's payment, in full or in part, shall not constitute or indicate acceptance of the Work. Buyer shall be entitled to reject the Work, or any part thereof, if the Work is not delivered on time or as specified, and Supplier shall deliver all replacement Work in a timely manner as directed by Buyer. Clear and unfettered title and risk of loss and damage to the Work shall pass to Buyer upon delivery. In the event of rejection of the Work by Buyer, whether following an acceptance test or otherwise, title to and risk in the Work shall revert to Supplier upon notification by Buyer to Supplier of such rejection, except that where any payment has already been made to Supplier for such rejected Work, title shall revert to Supplier only upon Buyer being reimbursed in full for such payment.

5. DELIVERY.

5.1 Delivery shall be FCA Supplier's facility unless otherwise as set forth on the face of the PO (Incoterms 2010). Clear and unfettered title, and risk of loss and damage to the Work, shall pass to Buyer upon final acceptance. All Work is to be suitably prepared for shipment by Supplier and must be labeled, packed, and shipped in strict accordance with Buyer's specifications, as described in this PO and/or in any written directions or instructions as may be provided by Buyer to Supplier from time to time. If the Work is not shipped in accordance with Buyer's specifications, Supplier shall pay or reimburse Buyer for any excess costs occasioned thereby. Supplier shall be responsible for all the expenses of labeling, packing, boxing, crating, handling, insurance, storage, and freight (to Buyer's "ship to" location as set forth in this PO), unless otherwise expressly stated in this PO.

5.2 In the event that the Supplier fails to deliver the Work in accordance with the delivery requirements on or attached to the PO, Buyer may claim as liquidated damages, and not by way of a penalty, a payment in the amount of three percent (3%) of the price of the item on the PO for each full week the actual delivery date for that item is delayed. If the delayed Work is still not delivered after four (4) weeks, then Buyer shall be entitled to terminate the relevant portion of the PO without obligation and Supplier shall immediately pay all liquidated damages that have accrued in respect of the late delivery.

5.3 In the event a portion of the Work is delayed more than four (4) weeks, Supplier shall be responsible for any and all additional costs incurred as a result of the late delivery, including the cost of any line shutdown and the cost of obtaining goods from an alternate source.

5.4 Buyer may provide Supplier with estimates, forecasts, or projections of its future anticipated volume or quantity requirements for Work. Supplier acknowledges that any such forecasts are provided for informational purposes only and, like any other forward looking projections, are based on a number of economic and business factors, variables, and assumptions, some or all of which may change over time. Buyer makes no representation, warranty, guaranty, or commitment of any kind or nature, express or implied, regarding any such forecasts provided to Supplier, including with respect to the accuracy or completeness of such forecasts.

Supplier shall not, without Buyer's written consent, manufacture or procure materials in advance of Supplier's normal flow time or deliver in advance of schedule.

6. NON-CONFORMING GOODS. In the event Supplier delivers non-conforming Work, Buyer may at its option and at Supplier's expense (i) return the Work for credit or refund; (ii) require Supplier to promptly correct or replace the Work; or (iii) correct the Work. Supplier shall not redeliver corrected or rejected goods without disclosing the former rejection or requirement for correction to Buyer. In addition, Supplier shall disclose any corrective action taken to Buyer. Supplier shall make all reasonable best efforts to ensure that all repairs, replacements, and other corrections and redeliveries shall be completed by Supplier within the original delivery schedule or such later time as Buyer may reasonably direct. Supplier shall pay Buyer for all direct costs incurred by Buyer as a result of or in connection with any Supplier nonconformance, repair, replacement, or other correction. At Buyer's option, Buyer may choose to recover such costs incurred from Supplier by way of an equitable price reduction or a credit against amounts that may be owed to Supplier under this PO.

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7. TAXES. Unless otherwise stated in this PO, the price includes all applicable federal, state, provincial, regional, and local taxes other than value added or similar turnover taxes or charges. Supplier shall clearly and separately identify in the applicable invoice all value added or similar turnover taxes or charges that Supplier is required by law to collect from Buyer. Supplier shall provide Buyer with whatever information and documentation that is required under applicable law in order to enable Buyer to recover any value added, or similar turnover taxes or charges.

8. SET-OFF AND RECOUPMENT. In addition to any right of set-off or recoupment provided by law, all amounts due to Supplier shall be considered net of indebtedness or obligations of Supplier to Buyer. Buyer shall have the right to set-off against or recoup from any payment or other obligation owed to Supplier, in whole or in part, any amounts due to Buyer from Supplier, however and whenever arising. Buyer shall provide Supplier with written notice of any such Buyer set-off or recoupment. If any obligations of Supplier to Buyer are disputed, contingent, or unliquidated, Buyer may defer payment of amounts due until such obligations are resolved.

9. SUPPLIER WARRANTY. Supplier acknowledges that Buyer and its customers must be able to rely on the Work performing as specified and that Supplier shall provide all required support. Accordingly, Supplier warrants that the Work is and shall: (i) conform to all drawings, specifications, samples, and other descriptions furnished, specified, or adopted by Buyer; (ii) comply with all applicable laws, regulations, rules, codes, and standards of the jurisdictions in which the Work, and the products containing the Work, are to be sold; (iii) be merchantable; (iv) be free from any defects in design, to the extent furnished by Supplier, even if the design has been approved by Buyer; (v) be free from any defects in materials and workmanship; (vi) be fit, sufficient, and suitable for the particular purpose for which Buyer intends to use the Work; and (vii) be free of all liens, claims, and encumbrances whatsoever. All Supplier warranties are available to, and shall be for the benefit of Buyer, its respective successors and assigns, and its customers, and such Supplier warranties shall last indefinitely. Notwithstanding the foregoing, the warranty period for defects in materials and workmanship shall be for one (1) year from the later of the date of final acceptance or the date of first operational use.

10. INDEMNITY. Supplier agrees to indemnify and save harmless Buyer, its employees, agents, and servants from and against any and all claims, proceedings, losses, damages, costs and expenses, including attorney's fees, that Buyer may sustain, incur, suffer or be put to at any time either before, during or after the performance of the Work, where the same or any of them is based upon, arise out of or occur, directly or indirectly, by reason of any act, omission, or breach of the PO terms and conditions, by Supplier or any of Supplier's agents, employees, or subcontractors involved with the Work, including without limitation, any property damage and personal injury of whatsoever nature or kind (including death) arising out of the sale or use of the Work by Buyer or by any third parties, and Supplier agrees to indemnify Buyer against any and all claims for royalties, license fees, infringement of patents or trademarks, or any other protected right, which may be against Buyer in respect of the Work, or the manufacture, sale, possession, or use thereof.

11. INSURANCE. Supplier shall, at its own expense, maintain and carry in full force and effect: (i) property and general liability insurance, including public liability, property damage liability, product liability, and contractual liability coverages; and (ii) workers' compensation and employer's liability insurance covering all employees engaged in the performance of this PO. All insurance shall be maintained in such amounts and with such deductibles as are commonly carried by prudent businesses similarly situated or as is otherwise required by applicable law. Supplier's obligations for procuring and maintaining insurance coverages are freestanding and are not affected by any other language in this PO.

12. CONFIDENTIALITY. Supplier agrees to maintain in strict confidence all information which is disclosed by Buyer, including without limitation, all technical and business data, designs, processes, drawings, specifications, reports, data, software, and know-how, and other technical or proprietary information including the features of all parts, equipment, tools, gauges, patterns, and other items ("**Confidential Information**"). Supplier shall only use Confidential Information for the purpose of delivering the Work. All information or knowledge disclosed to Buyer shall (i) not be subject to confidentiality obligations unless expressly agreed to by Buyer, and (ii) shall be free from all restrictions as to use. Supplier shall not disclose Buyer's name or the existence or contents of this PO to any third party without Buyer's prior written consent. Notwithstanding the foregoing, in the event the parties have entered or subsequently enter into a separate non-disclosure agreement, proprietary information agreement, or the like (an "**NDA**"), then the terms and conditions of such NDA shall govern the disclosure, exchange, and use of confidential or proprietary information by the parties. As such, in the event of a conflict between this Article and an NDA, the NDA shall prevail.

13. INTELLECTUAL PROPERTY. Supplier hereby assigns to Buyer all of Supplier's rights and interests in and to all original works reduced to tangible form and specifically created by Supplier or its employees for delivery to Buyer in connection with this PO (including, but not limited to, drawings, designs, and computer software) and all copyright and title in such works shall belong to Buyer. Supplier shall not deliver or furnish any technical data subject to limited use or reproduction unless and until an agreement to hold in confidence or restrict distribution is accepted in writing by an authorized representative of Buyer.

14. QUALITY. Supplier shall at all times maintain a quality system that meets or exceeds Buyer's quality requirements and such quality system shall be in accordance with Buyer's supplier quality requirements as detailed in Buyer's document number P-03-01-02 ("**Supplier Quality Requirements**"), as updated from time to time, located on Buyer's website and which by this reference shall form a part of this PO. As such, Supplier represents it has fully reviewed, understood, implemented, and is in compliance with Supplier Quality Requirements.

15. INVOICES AND PAYMENTS. Unless otherwise directed by Buyer, all Supplier invoices shall be mailed to the address shown in this PO to the attention of "Accounting". The PO number shown on this PO shall appear on all invoices, packages, packing slips, correspondence, customs documentation, bills of lading, and other associated documentation pertaining to this PO. Unless otherwise shown in this PO, payment terms shall be net sixty (60) days from the later of delivery of the Work to Buyer or the receipt and approval of Supplier's invoice by Buyer. Separate invoices shall be provided for each PO and shall be itemized as to quantity, type, price, applicable taxes, and all other applicable charges.

16. REPORTS AND MEETINGS. Buyer shall have the right to request one or more meetings with senior management or other employees of Supplier regarding Supplier's performance of the Work. Supplier shall make such persons available to meet with representatives of Buyer as soon as may be practicable following a request for any such meeting by Buyer, and Supplier shall make available to Buyer all information, reports, or other materials in connection therewith as Buyer may reasonably request.

17. SUB-TIER SUPPLIERS. Supplier shall flow down to all its sub-tier suppliers and subcontractors all applicable requirements contained in this PO and make reasonable efforts to ensure that such sub-tier suppliers and subcontractors are in compliance thereof. Without limiting

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any other Buyer rights and remedies herein, at law, or otherwise, Supplier shall be liable to Buyer for all defective or non-conforming Work including, but not limited to, any portion of the Work derived from Supplier's subcontractors or suppliers.

18. TERMINATION

18.1 Buyer may from time to time terminate for its convenience all or part of this PO by written notice to Supplier. Any such written notice shall specify the effective date and the extent of the termination. On receipt of a written notice, unless otherwise directed by Buyer, Supplier shall: (i) immediately stop work as specified in the notice; (ii) immediately terminate its subcontracts and purchase orders relating to the Work terminated; (iii) submit a termination Claim within fifty (50) days of the date contained in Buyer's written notice to Supplier (the "**Notice Date**"), and all documentation supporting the termination Claim shall be provided to Buyer at that time; (iv) preserve and protect all terminated inventory and Work; (v) at Buyer's request, and in accordance with instructions therein, transfer title and deliver to Buyer, or Buyer's designee, all supplies and materials, work-in-process and tooling produced or acquired by Supplier for the performance of this PO. In no event shall Buyer be required to pay for finished goods, work-in-process, or raw materials that are in Supplier's standard stock or that are readily marketable. Buyer shall not be liable for and shall not be required to make payments to Supplier, directly or indirectly (whether on account of claims by Supplier's subcontractors or otherwise), for any loss arising from or attributable to a failure to realize anticipated revenue, savings or profit, unabsorbed overhead, interest on claims, product development and engineering costs, facilities and equipment rearrangement costs or rental, unamortized depreciation costs, or general and administrative burden charges resulting from termination.

18.2 If termination results from Supplier's breach of any term or condition set out in the PO, including but not limited to, delayed delivery, Supplier shall not be entitled to any damages or to reimbursement of any costs incurred, including, but not limited to loss of profit, allowances, compensation, and Buyer shall have all remedies available at law or equity, and in addition Buyer shall be entitled to procure the Work elsewhere and charge Supplier for additional costs incurred as a result. On termination by the Buyer all obligations of the Buyer shall be extinguished.

19. FORCE MAJEURE. Either party shall be excused from all obligations under this PO to the extent performance is prevented by a force majeure. For purposes of this PO, force majeure events include, but are not limited to, acts of God, hurricanes, tornadoes, and other severe weather conditions, labour strikes, lockouts or other industrial disturbances, wars and acts of war (whether declared or undeclared), riots, sabotage, acts of public enemies, terrorist acts or gang violence, blockades, embargoes, serious illnesses or epidemics, earthquakes or other earth movements, floods or other natural disasters, bomb blasts or other explosions, fires, accidents or repairs to machinery or other plant equipment, delays by carriers, or government actions.

20. NOTICES. Any notice by one party to the other shall be in writing directed to the address and person identified in this PO and shall refer to this PO by its number. The parties may, by written notice to each other, change their respective address for notices.

21. IMPORT/EXPORT. In performing the obligations of this PO, the parties shall comply with all applicable foreign and domestic export control and sanction laws, regulations, and orders, as they may be amended from time to time, applicable to the export and re-export of goods, software, technology, technical data, or services ("**Controlled Items/Services**"), including, without limitation, the U.S. Export Administration Regulations and the U.S. International Traffic in Arms Regulations.

22. ASSIGNMENT. Supplier shall not assign or transfer all or any part of this PO, or any interest or obligation therein to any third party, without Buyer's prior written consent, and such consent may be withheld at Buyer's sole discretion. In addition, "assign or transfer" shall also include, but not be limited to: (i) a consolidation or merger of Supplier; (ii) where Supplier is a corporate entity, a change in the ownership or voting rights of more than fifty percent (50%) of the issued and outstanding stock of Supplier; (iii) any assignment or transfer which would otherwise occur by operation of law, merger, consolidation, reorganization, transfer, or other significant change in corporate or proprietary structure; (iv) the sale, assignment, or transfer of all, or substantially all, of the assets of Supplier; or (v) where Supplier is a partnership, a change in control in such partnership.

23. NOTICE REGARDING CHANGES TO SUPPLIER'S BUSINESS. Supplier shall notify Buyer in writing within five (5) days of any material, substantive, or significant changes to Supplier's management, ownership, location of work being performed, address, sub-tier suppliers, quality system approvals, certifications. Failure to provide such timely notice to Buyer shall constitute a material breach of this PO.

24. COMPLIANCE WITH LAWS & APPLICABLE LAW, VENUE & DISPUTE RESOLUTION.

24.1 Supplier shall comply with all applicable federal, provincial, state, and local laws, regulations, and ordinances, foreign and domestic, which apply to the Work and/or this PO. In the event it is determined that the Work is not a Commercial Item as defined at FAR 2.101, then Supplier agrees that DOCUMENT NO: P-04-01-04 and FAR and DFAR Flowdown Provisions for Subcontracts/Purchase Orders for Non-Commercial Items under a U.S. Governmental Prime Contract, and the corresponding agency flowdowns shall be applicable to this PO, in lieu of these terms and conditions, effective as of the date of this PO.

24.2 The parties hereby irrevocably consent and agree that any matter or dispute arising under this PO shall be referred to and be finally resolved by arbitration conducted by a single arbitrator as selected and administered by the British Columbia International Commercial Arbitration Centre pursuant to its International Commercial Arbitration Rules. The place of arbitration shall be Vancouver, British Columbia, Canada and any such arbitration shall be conducted in the English language. Without limiting the right to pursue arbitration hereunder, this PO shall be exclusively governed, construed, and interpreted by the laws of the province of British Columbia, Canada, without giving effect to principles of conflicts of laws.

24.3 If a dispute regarding this PO arises between Buyer and Supplier, to the extent that they are reasonably able to do so, Supplier agrees to proceed with the performance of the Work hereunder, including the delivery of Work in accordance with Buyer's instructions, pending resolution of the dispute. Supplier's written demand for a final decision, supported by factual information including cost information, as applicable, shall be submitted to Buyer. Buyer's final decision shall be binding regarding the dispute, unless Supplier commences an action to contest said decision within ninety days following the date of the final decision, or within one year following the accrual of the cause of action, whichever is later. In the event of resolution of the dispute in favor of Supplier, this PO shall be equitably adjusted to reflect such resolution.

25. WAIVER. Waiver by Buyer of any right, remedy, or breach of a term or condition of this PO shall not be construed as a waiver of any other right, remedy, or breach of the same or another term or condition in this PO. Any such waiver by Buyer shall be of force and effect only when given by Buyer in a writing signed by an authorized agent thereof and any such waiver so given shall not at any time constitute or be construed as a continuing waiver of the provision thereby waived. The failure of Buyer to enforce at any time any of the provisions of

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this PO or to give any notice herein provided or to require at any time performance by Supplier of any of the provisions hereof shall in no way be construed to be a waiver of such provisions nor in any way to affect the validity of this PO or any part thereof or any right of Buyer.

26. SEVERABILITY. Each clause, section, and sub-section of this PO is severable, and if one or more of them are declared invalid or unenforceable by law, the remaining provisions of this PO shall remain in full force and effect.

27. RELATIONSHIP OF THE PARTIES. Nothing contained in this PO shall be construed to constitute the parties as being agents/principals, masters/servants, employers/employees, partners, joint venturers, co-owners or otherwise as participants in a joint or common undertaking, or to give either party the power to direct or control the day-to-day activities of the other. Supplier is an independent contractor in all its operations and activities hereunder. All employees used by Supplier to perform Work under this PO shall be Supplier's employees exclusively without any relation whatsoever to Buyer.

28. ENTIRE AGREEMENT. This PO, together with all exhibits, specifications, or other documents attached or referenced herein, constitute the entire agreement between the parties concerning the Work and shall supersede any prior or contemporaneous oral or written agreements, commitments, understandings, or communications with respect to the Work.

29. AMENDMENT. This PO shall not be amended except by written agreement signed by duly authorized representatives of both parties.

30. SURVIVAL UPON TERMINATION, CANCELLATION OR EXPIRATION. Notwithstanding anything to the contrary in this PO, all provisions that logically ought to survive the termination or completion of this PO shall survive.

31. OTHER RIGHTS AND REMEDIES. The rights and remedies herein reserved to each Party shall not be exclusive and shall be cumulative and additional to any other or further rights and remedies provided in law or equity.