

Velocity Aerospace Group, Inc.
Standard Terms and Conditions for the Sale of Products and Services

Notwithstanding any other provision in this proposal, purchase order or agreement to the contrary, the following terms and conditions shall apply to any sale of parts by VELOCITY AEROSPACE GROUP, INC. ("Seller"), a Delaware Corporation, having a place of business at 2840 North Ontario Street, Burbank, California 91504. Any purchase order covering the sale of Seller's parts shall be governed solely by these Terms and Conditions of Sale and other written provisions mutually agreed upon, if any. Any oral understandings are expressly excluded. Seller shall not be deemed to have waived these Terms and Conditions of Sale if it fails to object to provisions appearing on, incorporated by reference in, or attached to Buyer's Purchase Order form which provisions are hereby expressly rejected. Buyer's silence or acceptance or use of parts constitutes its acceptance to these Terms and Conditions of Sale. No modification or addition to these Terms and Conditions of Sale shall be effective unless agreed to in writing and signed by an authorized representative of Seller. Buyer shall not be obligated to buy any parts from Seller, and Seller shall not be obligated to sell any parts to Buyer. In the event Buyer orders parts from Seller, and Seller delivers parts to Buyer, the terms and conditions contained in this document shall apply to all such purchase and sales transactions.

1. PRICES

(a) All prices are Ex Works, Seller's facility (Incoterms, 2000). All prices are quoted in, and shall be payable in, United States Dollars. Buyer agrees to arrange for and pay all expenses necessary to deliver the parts purchased hereunder from Seller's facility.

(b) Buyer's minimum order shall be \$100.00.

(c) Prices do not include any taxes or duties on the purchase or sale of Parts, including, but not limited to, federal, state, or municipal excise, sales, use or value added taxes or import duties, if any. Any such taxes and duties that may become due and owing shall be paid by Buyer, excluding taxes based upon Seller's gross income. Accordingly, Seller reserves the right to revise its prices after delivery of Parts to include any and all such taxes and duties that may become due and Seller may invoice Buyer for said revised prices.

(d) Parts that are consignment, non-stock, Honeywell-Grimes, or over \$1000 will be Non-Cancellable, Non-Returnable (NCNR).

(e) Buyer agrees to pay a 30% restocking fee or a 15% return fee should part(s) need to be returned due to no fault of the Seller.

(f) All AOG orders are subject to a \$350 fee. Tail number must be provided at time of order.

2. PAYMENT AND SETOFF

(a) Buyer shall pay Seller's invoices within thirty (30) days of the date of such invoices, subject to meeting Seller's credit requirements. Invoices shall not be dated earlier than the date of shipment of the Parts to which the invoice applies.

(b) Buyer is prohibited from and shall not seek setoff for any amount, whether or not liquidated, against sums which Buyer asserts are due it, its parent, subsidiaries, affiliates or other divisions or units under any transaction with Seller, its parent, subsidiaries, affiliates or other divisions or units, whether under this Agreement or otherwise.

3. SHIPMENT AND ACCEPTANCE OF PARTS

(a) Shipment shall be made within five (5) business days after receipt of a purchase order from Buyer for items in stock, or, if not in stock, within Seller's lead-time to procure such parts. Transportation charges may be prepaid by Seller, and Buyer shall reimburse Seller upon receipt of an invoice for such charges.

(b) Buyer agrees to pay Seller all special handling and other costs related to rush shipments.

(c) Buyer shall visually inspect and reject Parts delivered pursuant to this Agreement within thirty (30) days after Buyer takes possession of such Parts. In the event the Parts do not comply with the applicable manufacturer's drawings, Buyer shall notify Seller of such non-compliance or defect and give the Seller a reasonable opportunity to replace such Parts or credit the Buyer for the purchase price. Acceptance of a Part under this paragraph shall not be a waiver of Buyer's warranty rights under this Agreement.

(d) All Parts shipped to Buyer shall be suitably packed for shipment to prevent damage in transit in accordance with Seller's standard shipping practices.

4. DEFAULT AND REMEDIES

(a) If either party substantially fails to perform a material obligation under this Agreement and such failure to perform remains uncured for thirty (30) days after the receipt of written notice stating the failure to perform, the performing party may terminate this Agreement.

(b) Buyer may purchase parts from other sources if Seller is unable or unwilling to sell parts to Buyer under this agreement

for any reason. Seller shall not be liable for any costs incurred by Buyer in the event Seller is unable or otherwise unwilling to sell such parts to Buyer.

5. WARRANTY

(a) Seller warrants that at time of delivery to Buyer, Parts will match the applicable specifications provided to Seller by Buyer and will be free from defects in workmanship and material. These warranties shall run to the Buyer, its successors and assigns. This warranty is valid for two (2) years after delivery. Buyer must notify Seller in writing of the non-conformance of or any defect in any Part within thirty (30) days after such discovery.

(b) Seller's sole obligation under this warranty is limited to Seller's replacement of any Part or refund to Buyer of the price of such part (at Seller's option) for any part not matching the applicable specifications, drawings and/or descriptions provided to Seller by Buyer or containing a defect in workmanship or material. Seller agrees to pay reasonable transportation costs for the return of any such non-conforming or defective Part in an amount not to exceed normal shipping charges to a facility designated by Seller.

(c) Seller shall not be liable under this warranty for any defect resulting from a Part having been exposed or subjected to:

(i) Any alteration, modification, maintenance, repair, installation, handling, transportation, storage, operation or use that is improper or otherwise not in compliance with the manufacturer's instructions, unless caused by Seller; (ii) Any accident, contamination, foreign object damage, abuse, neglect, or negligence after delivery to Buyer, unless caused by Seller; or, (iii) Any damage precipitated by any part not supplied by Seller.

(d) THIS WARRANTY IS EXCLUSIVE AND IN LIEU OF ALL OTHER WARRANTIES, WHETHER WRITTEN OR ORAL, EXPRESS, IMPLIED OR STATUTORY, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE WHICH ARE HEREBY EXPRESSLY DISCLAIMED. IN NO EVENT SHALL SELLER BE LIABLE FOR SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES.

6. EXCUSABLE DELAYS

Seller shall not be liable for any delay in the performance hereunder or delivery of Parts if the delay is caused by forces beyond its reasonable control, including, but not limited to, (i) delay by Buyer in providing the necessary specifications, data, or approvals, which causes Seller's delay in performance hereunder and/or delivery of Parts, (ii) Acts of God, fire, explosion, flood and other natural catastrophe, governmental acts, order or regulations, strikes, or labor difficulties to the extent not caused by the fault or negligence of Seller, provided, however, that the delay shall last only as long as the event(s) remains beyond the reasonable control of Seller. Seller shall notify Buyer in writing within five (5) days of acquiring actual knowledge of the occurrence of any such event claimed to be an excusable delay. If Seller is unable to ensure an uninterrupted supply of Parts at no additional cost to Buyer despite Seller's best efforts after thirty (30) days, Buyer may in writing immediately terminate the orders as to such Parts for which the Seller is excused from delivery without liability to Seller.

7. PATENT INDEMNIFICATION

Seller shall, as its sole obligation with regard to patent indemnification, upon the request of the Buyer, assign, transfer and set over to Buyer any and all patent indemnification's of Seller's suppliers and/or manufacturers of Parts. Seller shall assist Buyer in enforcing and otherwise securing the benefit of any such indemnification's to which Seller may be entitled from Seller's suppliers and/or manufacturers of Parts purchased by Buyer hereunder.

8. CONFIDENTIALITY

Neither party shall disclose to a third party any information concerning the terms and conditions of this Agreement, nor the prices offered to Buyer in this Agreement, without first containing the written consent of the other party, except pursuant to government rules and regulations or as otherwise required by law.

9. ASSIGNMENT

Neither party shall assign this Agreement or any portion thereof without the prior written consent of the other party. Buyer acknowledges that Seller is a distributor of parts and will be purchasing Parts from third parties to the specifications that Buyer provides to Seller.

10. COMPLETE AGREEMENT

(a) This Agreement is the complete agreement of the parties and supersedes any previously executed agreements, other writings or oral understandings that relate to the subject matter of this Agreement.

(b) This Agreement shall not be modified or amended except by written agreement dated subsequent to the date hereof and signed by the party to be charged thereby.

11. NOTICES

(a) All notices, demands and other communications, excluding purchase orders and similar day-to-day routine communications, to be given under this Agreement, unless otherwise indicated, shall be in writing and shall be sent by prepaid air courier service such as Federal Express, Airborne, DHL or UPS, addressed as follows:

If to Seller:

Sales & Marketing Manager
Velocity Aerospace Group, Inc.
2840 North Ontario Street
Burbank, Ca. 91504 USA

If to Buyer:

To Buyer's address on its purchase or delivery order or other address previously used by Seller.

(b) Either party may change the persons and address to which its notice may be given by giving notice to the other party as set forth in paragraph 11(a). The effective date of any notice given under this Agreement, unless otherwise indicated, shall be the first to occur of: (i) receipt by the addressee; or, (ii) five (5) business days after the same has been delivered to the air courier service.

12. WAIVER

Failure by either party to assert any or all of its rights upon any breach of this Agreement shall not be deemed a waiver of such rights either with respect to such breach or any subsequent breach, nor shall any waiver be implied from the acceptance of any payment or Part. No waiver of any right shall extend to or affect any other right either party may possess, nor shall such waiver extend to any subsequent similar or dissimilar breach.

13. EXPORT LAW

Buyer shall be responsible for compliance with the export control laws and regulations of the U.S. Government and agrees to not re-distribute, re-sell or otherwise transfer the parts delivered by Seller to Buyer under this agreement without first having obtained all necessary approvals and licenses from the appropriate U.S. Government agency. Seller shall make application for any export license that may be required under this Agreement. Seller shall not be liable to Buyer for any failure to provide goods, services or technical data as a result of any following U.S. Government actions: (1) refusal to grant export or re-export license; (2) cancellation of export or re-export license that limits or has a material adverse effect on the cost of Seller's performance hereunder.

14. GOVERNING LAW

The Parties agree that the United Nations Convention on Contracts for the International Sale of Goods is excluded from transactions between Buyer and Seller under this Agreement. Buyer and Seller expressly agree in recognition of their rights as specified in said Convention that the laws governing the construction and interpretation of this Agreement shall be the laws of the State of New York, USA, excluding its choice of laws provisions.

15. LIMITATION OF LIABILITY

SELLER'S LIABILITY FOR ANY LOSS OR DAMAGE ARISING OUT OF, CONNECTED WITH, OR RESULTING FROM THIS AGREEMENT, OR FROM THE PERFORMANCE OR BREACH

THEREOF, OR FROM THE MANUFACTURE, SALE, DELIVERY, RESALE, REPAIR OR USE OF ANY PART COVERED BY OR FURNISHED UNDER THIS AGREEMENT SHALL IN NO CASE EXCEED THE PRICE ALLOCABLE TO THE PART THEREOF WHICH GIVES RISE TO THE CLAIM. IN NO EVENT SHALL SELLER BE LIABLE FOR SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES INCLUDING, WITHOUT LIMITATION, INTERRUPTION OF BUSINESS, LOSS OF PROFITS, OR LOSS OF USE. THE EXCLUSION OF INCIDENTAL AND CONSEQUENTIAL DAMAGES AS SET FORTH IN THIS AGREEMENT SHALL BE DEEMED INDEPENDENT OF, AND SHALL SURVIVE, ANY FAILURE OF THE ESSENTIAL PURPOSE OF ANY LIMITED REMEDY UNDER THE TERMS OF THIS AGREEMENT. THESE LIMITATIONS ON DAMAGES SHALL APPLY, HOWEVER THE LOSS OR DAMAGE MAY BE CAUSED, AND ON ANY THEORY OF LIABILITY WHETHER BASED ON CONTRACT, TORT OR OTHER LEGAL THEORIES INCLUDING, WITHOUT LIMITATION, NEGLIGENCE, STRICT LIABILITY OR UNDER ANY INDEMNITY OBLIGATION.

Attachment B.

Additional Terms and Conditions

1. Buyer shall have the opportunity to add new parts to the quotation list after a price is negotiated and agreed upon by both parties. The price file shall be amended accordingly to reflect new part additions. Velocity Aerospace accepts Buyer's forecasts as purchase guarantee conditions for the year. However, should Buyer's forecast exceed usage by more than 50 per cent (50%), Velocity Aerospace reserves the right to re-negotiate pricing.
2. **Termination for Convenience and Expiration of Agreement.** Buyer and Seller agree that this Agreement, by its terms, expires on ____, 201__. The Parties agree that at any time between the date hereof and _____, or any extension hereto, the Buyer has the right to terminate this Agreement and /or Purchase Orders issued hereunder, in whole or in part, for convenience and without cause, by providing Seller written notice of such termination.

In the event that Buyer exercises the right to termination, in whole or in part, Buyer's financial liability to Seller shall be limited to Purchasing from Seller those Supplies determined to be "unique" to Buyer and which are by such termination made obsolete or excess to foreseeable requirements. Buyer's liability will be calculated using the unit prices specified herein, and the lesser of the following quantities (a) quantity of Supplies then in inventory and on order in support of Buyer's requirements for which Seller is liable under any of Seller's Agreements with Seller's Suppliers.

3. **Quality.** Velocity Aerospace agrees that a valid Certificate of Conformity issued by the OEM will be included with all material sold to Buyer. Velocity Aerospace's policy is to order parts to the latest revision level. However, as a stocking distributor, the revision level in Velocity Aerospace's stock may not be the latest revision at the time of the customer order. Therefore, the revision letter Velocity Aerospace provides will be the revision Velocity Aerospace has in stock unless a specific revision level is specified on the Buyer's Purchase Order. Velocity Aerospace reserves the right to amend the negotiated price and lead time in the event that a special buy is required to satisfy a specific revision level requirement.