



As used herein, "Seller" includes Seller, its subsidiaries and affiliates; "NW UAV Propulsion Systems" includes The NW UAV Propulsion Systems, Inc. and its subsidiaries and affiliates. Seller and NW UAV Propulsion Systems hereby agree as follows:

1. **Goods and Services.** Seller agrees to provide the goods and or services described in this purchase order (the "Goods" and or the "Services") in accordance with the requirements set forth on the face of the applicable purchase order (the "P.O.") and these terms and conditions. The P.O. and these terms and conditions constitute and are collectively referred to as the "Agreement".

This Agreement may not be added to, modified, superseded or otherwise altered, except by writing signed by an authorized NW UAV Propulsion Systems representative. Any terms or conditions contained in any acknowledgment, invoice or other communication of Seller, which are inconsistent with the terms and conditions herein, are hereby rejected. To the extent that this Agreement might be treated as an acceptance of Seller's prior offer, such acceptance is expressly made on condition of assent by Seller to the terms of this Agreement and shipment of the Goods by Seller shall constitute such assent. NW UAV Propulsion Systems hereby reserves the right to reschedule any delivery or cancel any purchase order issued at any time prior to shipment of the Goods. NW UAV Propulsion Systems will not be subject to any charges or other fees as a result of such cancellation, unless NW UAV Propulsion Systems pre-authorizes termination liability in writing.

2. **Delivery.** Goods delivered pursuant to the terms of this Agreement shall be suitably packed for shipment in suitable containers to permit safe transportation and marked for shipment by Seller to the shipping destination specified in the applicable purchase order. All packages must be accompanied by a packing list detailing the contents including description and quantity of the goods, part number or size, if applicable, and appropriate evidence of inspection. NW UAV Propulsion Systems' P.O. number and line item number must appear on all packing lists and/or bills of lading. Seller shall ship and deliver all Goods to NW UAV Propulsion Systems if international, DDP (Delivered Duty Paid) or if domestic FOB: Destination, McMinnville, Oregon, USA unless otherwise stated in the purchase order. In the event of any anticipated or actual delay, including but not limited to labor disputes, Seller shall: (i) promptly notify NW UAV Propulsion Systems in writing of the reasons for the delay and the actions being taken to overcome or minimize the delay; (ii) provide NW UAV Propulsion Systems with a written recovery schedule; and (iii) if requested by NW UAV Propulsion Systems, ship via air or other expedited routing to avoid or minimize delay to the maximum extent possible, unless Seller is excused from prompt performance as provided in the "Force Majeure" clause of this contract. The added premium transportation costs are to be borne by Seller. If any Goods are not shipped within thirty (30) days after the shipping date specified in the applicable purchase order, then NW UAV Propulsion Systems may cancel the applicable purchase order with respect to any such Goods by giving Seller written notice of such cancellation, and any such cancellation shall be without any cost, penalty or liability to NW UAV



Propulsion Systems. Seller shall promptly refund any purchase price and other amounts paid by NW UAV Propulsion Systems with respect to the cancelled Goods.

**3. Identification, Risk of Loss & Destruction of Goods.** Title to the Goods and risk of loss shall pass to NW UAV Propulsion Systems at delivery (McMinnville, Oregon). If the Goods ordered are destroyed prior to title passing to NW UAV Propulsion Systems, NW UAV Propulsion Systems may at its option cancel the Agreement or require delivery of substitute Goods of equal quantity and quality. Such delivery will be made as soon as commercially practicable. If loss of Goods is partial, NW UAV Propulsion Systems shall have the right to require delivery of the Goods not destroyed.

**4. Payment.** As full consideration for delivery of the Goods and Services and the assignment of rights to NW UAV Propulsion Systems as provided herein, NW UAV Propulsion Systems shall pay Seller the amount agreed upon and specified in the P.O. Seller's invoice shall separately state all applicable taxes and other charges such as shipping costs, duties, customs, tariffs, imposts and government imposed surcharges. Seller shall consider payment made when NW UAV Propulsion Systems mails its check to Seller. Payment shall not constitute acceptance unless otherwise stated herein. All personal property taxes assessable upon the Goods prior to receipt by NW UAV Propulsion Systems of Goods conforming to the P.O. shall be borne by Seller. Seller shall invoice NW UAV Propulsion Systems for only Goods delivered and Services completed. Unless otherwise specified on the face of the P.O., NW UAV Propulsion Systems will pay the invoiced amount within thirty (30) days after receipt of acceptable invoice or the actual delivery date, whichever is later. Seller will not be entitled to any royalty or other remuneration on the production or distribution of any products developed by NW UAV Propulsion Systems in connection with or based on the Goods.

**5. Warranties.** Seller warrants that all Goods or Services furnished under this contract shall conform to all specifications and requirements of this contract and shall be free from defects in materials and workmanship for a period of one year. To the extent Goods are not manufactured pursuant to detailed designs and specifications furnished by Buyer, the Goods shall be free from design and specification defects. Seller warrants that all Goods provided will be new and will not be used or refurbished unless so specified on the P.O. Additionally, Goods purchased shall be subject to all written and oral express warranties made by Seller's agents. All warranties and Service guaranties shall not be exclusive and shall run both to NW UAV Propulsion Systems and to its customers.

If NW UAV Propulsion Systems identifies a warranty problem with the Goods during the applicable warranty period, NW UAV Propulsion Systems will promptly notify Seller of such problems and, at Seller's expense and NW UAV Propulsion Systems' option, either return the Goods to Seller, repair the Goods or have the Good repaired. Within five (5) business days of receipt of any returned Goods, Seller shall, at NW UAV Propulsion Systems' option and Seller's expense (i) either repair or replace such Goods; (ii) credit NW UAV Propulsion Systems' account for the same; or (iii) obtain replacement Goods



from another source. Seller shall not redeliver corrected or rejected goods without disclosing the former rejection or requirement for correction and the corrective action taken, on the packing slip. All costs and expenses and loss of value incurred as a result of or in connection with nonconformance and repair, replacement or other correction may be recovered from Seller by equitable price reduction or credit against any amounts that may be owed to Seller under this contract. Replacement and repaired Goods shall be warranted for the remainder of the warranty period or six (6) months, whichever is longer. Warranty is transferable to NW UAV Propulsion Systems' customer. If Services are to be performed as part of this Agreement, Seller warrants that is qualified to perform such Services and warrants all Services in accordance with standards referenced in the Statement of Work.

**6. Quality Management.** Seller shall establish and maintain a quality management system acceptable to NW UAV Propulsion Systems for the Goods purchased under this contract. Seller shall permit NW UAV Propulsion Systems to review procedures, practices, processes and related documents to determine such acceptability. Seller shall have a continuing obligation to promptly notify NW UAV Propulsion Systems of any violation of or deviation from Seller's approved inspection/quality management system and to advise NW UAV Propulsion Systems of the quantity and specific identity of any Goods delivered to NW UAV Propulsion Systems during the period of any such violation or deviation.

**7. Inspection and Acceptance.** Seller shall maintain an inspection system acceptable to NW UAV Propulsion Systems for the Goods purchased under this contract. NW UAV Propulsion Systems or its customer, at no cost, shall have reasonable access to Seller's, and Seller's subcontractor locations, facilities and records as requested to inspect Seller's facilities, documentation, processes and Goods. NW UAV Propulsion Systems shall have a reasonable time after receipt of Goods and before payment to inspect Goods for conformity with this Agreement and NW UAV Propulsion Systems' specifications and/or drawings (the "Specifications"), and Goods received prior to inspection shall not be deemed accepted ("Acceptance") until NW UAV Propulsion Systems has run an adequate test to determine whether the Goods conform to this Agreement and the Specifications. Payment or use of a portion of the Goods for the purpose of testing shall not constitute an Acceptance of the Goods. If Goods tendered do not wholly conform to the provisions of this Agreement and the Specifications, NW UAV Propulsion Systems shall have the right to reject such Goods. Nonconforming Goods will be returned to Seller freight collect and risk of loss will pass to Seller upon NW UAV Propulsion Systems' delivery to the common carrier. Upon Acceptance, title to all Goods, and if Goods are customized for NW UAV Propulsion Systems, documentation, engineering and modifications to Goods shall transfer to NW UAV Propulsion Systems. Services shall be considered Accepted upon payment of Seller's invoice.

**8. Custom Products.** All Work, if any, in customizing Seller's product for Buyer's use shall, to the extent permitted under the United States Copyright Act, be deemed a "Work made for hire," with all copyrights therein vesting in Buyer. Other than where Work created hereunder is considered a "Work made for



hire,” Seller agrees to, and hereby grants, conveys and assigns to Buyer license rights to all copyrights, trade secrets, patents and other intellectual property rights in all such work, and all originals and copies of such work shall be provided to Buyer upon Buyer’s request or the termination or expiration of this Agreement. The Work shall be the sole and exclusive property of Buyer, and Buyer shall own all rights therein, including without limitation the copyright therein, throughout the world. Seller further agrees to provide Buyer with information and assistance and to execute all such additional instruments and documents as may be required to vest and evidence all such right in Buyer, including, without limitation, any Copyright Assignment Agreements that may be requested. To the extent that Buyer has a “look and feel” created under this Agreement (“Look and Feel”), Seller represents and warrants that the Look and Feel shall belong to the Buyer.

**9. Subcontracting.** Seller shall maintain complete and accurate records regarding all subcontracted items and/or processes. Unless NW UAV Propulsion Systems’ prior written authorization or approval is obtained, Seller may not purchase completed or substantially completed Products. Unless NW UAV Propulsion Systems’ prior written authorization or approval is obtained, Seller may not purchase Services where said Services result in any Intellectual Property commitments. For the purposes of this Agreement, completed or substantially completed Products shall not include components or subassemblies.

**10. Diminishing Manufacturing Sources & Material Shortages.** Seller shall identify obsolete parts, diminishing manufacturing sources and material shortages. Criteria used in evaluating such parts shall include availability of the part(s) the life cycle use of the part and available suppliers. Seller shall monitor the parts and materials that have the potential to adversely affect NW UAV Propulsion Systems’ supply of such parts production or life cycle supportability. Seller shall provide NW UAV Propulsion Systems with a minimum of 30 days written notice any time a part is identified as an at risk part or material. Seller’s notice shall address part cost, where and how often parts are used in the Goods, and how many parts are affected. Seller’s notice shall also include a recommendation to NW UAV Propulsion Systems stating how the parts will be supported in the future.

**11. Changes.**

a. NW UAV Propulsion Systems’ Authorized Procurement Representative may, without notice to sureties and in writing, direct changes within the general scope of this contract in any of the following areas: (i) technical requirements and descriptions, specifications, statement of work, 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; (v) amount of NW UAV Propulsion Systems-furnished property; and, if this contract includes services, (vi) description of services to be performed; (vii) time of performance (e.g., hours of the day, days of the week); (viii) place of performance, and (ix)



terms and conditions of this contract required to meet NW UAV Propulsion Systems' obligations under Government prime contracts or subcontracts. Seller shall comply immediately with such direction.

b. If such change increases or decreases the cost or time required to perform this contract, NW UAV Propulsion Systems and Seller shall negotiate an equitable adjustment in the price or schedule, or both, to reflect the increase or decrease. NW UAV Propulsion Systems shall modify this contract in writing accordingly. Seller must assert any claim for adjustment to NW UAV Propulsion Systems' Authorized Procurement Representative in writing within 25 days and deliver a fully supported proposal to same within 60 days after seller's receipt of such direction. NW UAV Propulsion Systems may, at its sole discretion, consider any claim regardless of when asserted. If Seller's proposal includes the cost of property made obsolete or excess by the change, NW UAV Propulsion Systems may direct the disposition of the property. NW UAV Propulsion Systems may examine Seller's pertinent books and records to verify the amount of Seller's claim. Failure of the parties to agree upon any adjustment shall not excuse Seller from performing in accordance with NW UAV Propulsion Systems' direction.

**12. Insurance.** Seller shall be solely responsible for maintaining such adequate health, auto, workers' compensation, unemployment compensation, disability, liability, product insurance, and other insurance, as is required by law or as is the common practice in Seller's businesses, whichever affords greater coverage. Upon request, Seller shall provide NW UAV Propulsion Systems with certificates of insurance or evidence of coverage before commencing performance under this Agreement. Seller shall provide adequate coverage for any NW UAV Propulsion Systems property under the care, custody or control of Seller.

**13. Indemnity.** Seller shall indemnify, hold harmless, and at NW UAV Propulsion Systems' request, defend NW UAV Propulsion Systems, its officers, directors, customers, agents and employees, against all claims, liabilities, damages, losses and expenses, including attorneys' fees and cost of suit arising out of or in any way connected with the Goods provided under this Agreement. Seller shall not settle any such suit or claim without NW UAV Propulsion Systems' prior written approval. Seller agrees to pay or reimburse all costs that may be incurred by NW UAV Propulsion Systems in enforcing this indemnity, including attorneys' fees.

**14. Confidentiality / Export.** Any written, printed, graphic, or electronically or magnetically recorded information furnished by NW UAV Propulsion Systems for Seller's use are the sole property of NW UAV Propulsion Systems ("Proprietary Information"). Proprietary Information includes, but is not limited to, specifications, customer requirements, customer lists, marketing information, and information concerning NW UAV Propulsion Systems' employees, products, services, prices, operations, and subsidiaries. Seller will keep Proprietary Information in the strictest confidence, and will not disclose it by any means to any person except with NW UAV Propulsion Systems' approval, and only to the extent necessary to provide the Goods under this Agreement. This prohibition also applies to Seller's



employees, agents, and subcontractors. On termination of this Agreement, Seller will return any Proprietary Information in his, her or its possession to NW UAV Propulsion Systems. Seller acknowledges that the Proprietary Information and any other information transferred to Seller is subject to export controls of the US Government, and agrees not to transfer, export or re-export such information without the written permission of the US Government and NW UAV Propulsion Systems. Transfer, export, or re-export for which US Government and NW UAV Propulsion Systems permission is required includes, but is not limited to, transfer to foreign nationals. NW UAV Propulsion Systems shall reasonably assist Seller in securing the permission described in this paragraph.

**15. Termination.** NW UAV Propulsion Systems may terminate this Agreement upon written notice to Seller if Seller fails to deliver Goods within the time specified by this contract or any written extension, or Seller fails to perform any other provisions of this contract or fails to make progress so as to endanger performance of this contract and does not correct the failure within 10 days after receipt of notice from NW UAV Propulsion Systems, or otherwise breaches this Agreement, files a petition in bankruptcy, becomes insolvent, or dissolves. In the event of such termination, NW UAV Propulsion Systems shall pay Seller for those conforming Goods delivered to NW UAV Propulsion Systems through the date of termination, less appropriate offsets. Seller shall continue work not cancelled. If NW UAV Propulsion Systems cancels all or part of this contract, Seller shall be liable for NW UAV Propulsion Systems' excess re-procurement costs.

NW UAV Propulsion Systems may terminate this Agreement for any other reason upon thirty (30) days' written notice to Seller. Seller shall cease to provide Goods under this Agreement on the date of termination specified in such notice. In the event of such termination, NW UAV Propulsion Systems shall be liable to Seller only for accepted conforming Goods and if Goods are in accordance with NW UAV Propulsion Systems specifications, any in-process Goods delivered to NW UAV Propulsion Systems through the date of termination, less appropriate offsets.

Seller may terminate this Agreement upon written notice to NW UAV Propulsion Systems if NW UAV Propulsion Systems fails to pay Seller within ninety (90) days after Seller notifies NW UAV Propulsion Systems in writing that payment is past due.

Upon the expiration or termination of this Agreement for any reason: (a) each party will be released from all obligations to the other arising after the date of expiration or termination, except for those which by their terms survive such termination or expiration; and (b) Seller will promptly notify NW UAV Propulsion Systems of all Proprietary Information in Seller's possession and, at the expense of Seller and in accordance with NW UAV Propulsion Systems' instructions, will promptly deliver to NW UAV Propulsion Systems all such Proprietary Information.

**16. Remedies.** If Seller breaches this Agreement, NW UAV Propulsion Systems shall have all remedies available by law and at equity. For the purchase of Goods, Seller's sole remedy in the event of breach of this Agreement by NW UAV Propulsion Systems shall be the right to recover damages in the amount



equal to the difference between market price at the time of breach and the purchase price specified in the Agreement. No alternate method of measuring damages shall apply to this transaction. Seller shall have no right to resell Goods for NW UAV Propulsion Systems' account in the event of wrongful rejection, revocation of acceptance, failure to make payment or repudiation by NW UAV Propulsion Systems and any resale so made shall be for the account of Seller.

**17. Disputes.** The parties agree to make every effort to resolve disputes through communication amongst the parties. The following steps shall be taken to resolve any disputes: (1) oral communication between the parties; then (2) the aggrieved party shall notify the other party in writing as to the dispute with 30 days to resolve; if not resolved then (3) the aggrieved party can request a mutually funded 1-day mediation by a mutually agreed third party to take place within 30 days of such a request. If the dispute has not been resolved after steps (1), (2), and (3) either party may then seek legal remedies. Pending final resolution of any dispute, Seller shall proceed with performance of this contract according to NW UAV Propulsion Systems' instructions so long as NW UAV Propulsion Systems continues to pay amounts not in dispute.

**18. NW UAV Propulsion Systems' Property.** Seller shall clearly mark, maintain an inventory of and keep segregated or identifiable all of NW UAV Propulsion Systems' property and all property to which NW UAV Propulsion Systems acquires an interest by virtue of this contract. As directed by NW UAV Propulsion Systems, upon completion, termination or cancellation of this contract, Seller shall deliver such property, to the extent not incorporated in delivered Goods, to NW UAV Propulsion Systems in good condition subject to ordinary wear and tear and normal manufacturing losses. Seller assumes all risk of loss, destruction or damage of such property while in Seller's possession, custody or control, including any transfer to Seller's subcontractors. Upon request, Seller shall provide NW UAV Propulsion Systems with adequate proof of insurance against such risk of loss. Seller shall notify NW UAV Propulsion Systems' Authorized Procurement Representative if NW UAV Propulsion Systems' property is lost, damaged or destroyed.

**19. Records and Audit.** Seller shall retain all records and documents pertaining to the Goods for a period of no less than seven years after final payment. Such records and documents shall date back to the time this contract was issued and shall include without limitation, catalogs, price lists, invoices and inventory records for purposes of verification of prices or rates charged by seller for Goods procured by NW UAV Propulsion Systems. NW UAV Propulsion Systems shall have the right to examine, reproduce and audit all such records related to pricing and performance to evaluate the accuracy, completeness and currency of cost and pricing data submitted with Seller's bid or offer to sell.

**20. Force Majeure.** Neither party shall be liable for any failure to perform, including NW UAV Propulsion Systems' failure to take delivery of the Goods as provided, caused by circumstances beyond that party's



control which make such performance commercially impractical including, but not limited to, acts of God, fire, flood, acts of terrorism, acts of war, government action, accident, labor difficulties or shortage, inability to obtain materials, equipment or transportation. In the event performance is so excused, either party may terminate the Agreement and NW UAV Propulsion Systems shall at its expense and risk, return any Goods received to the place of shipment.

21. **Severability.** If any provision of this Agreement shall be deemed to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

22. **LIMITATION OF LIABILITY.** IN NO EVENT SHALL NW UAV PROPULSION SYSTEMS BE LIABLE TO SELLER OR ANY THIRD PARTY FOR ANY INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF, OR IN CONNECTION WITH, THIS AGREEMENT, WHETHER OR NOT NW UAV PROPULSION SYSTEMS WAS ADVISED OF THE POSSIBILITY OF SUCH DAMAGE.

23. **Assignment; Waiver.** Seller may not assign this Agreement or any of its rights or obligations under this Agreement, without the prior written consent of NW UAV Propulsion Systems. Any assignment or transfer without such written consent shall be null and void. This Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of NW UAV Propulsion Systems without restriction. A waiver of, or any default hereunder of any term or condition of this Agreement shall not be deemed to be a continuing waiver or a waiver of any other default or any other term or condition.

24. **Nonexclusive Agreement.** This is not an exclusive agreement. NW UAV Propulsion Systems is free to engage others to provide Goods the same as or similar to Seller's. Seller is free to, and is encouraged to, advertise, offer and provide Seller's standard Goods to others; provided however, that Seller does not breach this Agreement.

25. **Notices.** Except for Purchase Orders which may be sent by local mail, facsimile transmission, or electronically transmitted, all notices, and other communications hereunder shall be in writing, and shall be addressed to Seller or to an authorized NW UAV Propulsion Systems representative, and shall be considered given when (a) delivered personally, (b) sent by email, confirmed telex or facsimile, (c) sent by commercial overnight courier with written verification receipt, or (d) ten (10) days after having been sent, postage prepaid, by first class or certified mail.

26. **Survival of Obligations.** Any obligations and duties which by their nature extend beyond the expiration or termination of this Agreement shall survive the expiration or termination of this Agreement, including but not limited to Confidentiality and Export.



27. **Governing Law.** This Agreement shall be governed and construed in all respects in accordance with the domestic laws and regulations of the State of Washington, without regard to its conflicts of laws principles to the contrary. The parties specifically agree that the 1980 United Nations Convention on Contracts for the International Sale of Goods shall not apply to this Agreement.

28. **Entire Agreement; Modification.** This Agreement is the complete, final and exclusive statement of the terms of the agreement between the parties and supersedes any and all other prior and contemporaneous negotiations and agreements, whether oral or written, between them relating to the subject matter of this Agreement. This Agreement may not be varied, modified, altered, or amended except in writing, including a purchase order or a change order issued by NW UAV Propulsion Systems, signed by the parties. The terms and conditions of this Agreement shall prevail notwithstanding any variance with the terms and conditions of any acknowledgment or other document submitted by Seller.

29. **Compliance with Laws.** Seller shall comply fully with all applicable federal, state and local laws in the performance of this Agreement including, but not limited to, all applicable employment, tax, export control and environmental laws. If Goods include hazardous materials, Seller represents and warrants that Seller understands the nature of any hazards associated with the manufacture, handling and transportation of such hazardous materials. Upon NW UAV Propulsion Systems' request, Seller will promptly provide NW UAV Propulsion Systems with a statement of origin for all Goods and United States Customs documentation for Goods wholly or partially manufactured outside of the United States.

30. **Compliance with Government Flow-down Clauses (FARs and DFARs).** Seller shall comply fully with all pertinent Government FAR and DFAR clauses applicable with this purchase. These include, but are not limited to the following: 52.225-13 Restrictions on Certain Foreign Purchases, 52.244-6 Subcontracts for Commercial Items, DFARS 252.225-7014 Preference for Domestic Specialty Metals, Alternate I.