 AVCORP INDUSTRIES INC.	<b>TASK REQUIREMENTS</b>	DOCUMENT NO:	P-03-02-01
		ISSUE:	04
		DATE:	21-DEC-2009
<b>PURCHASE ORDER STANDARD TERMS AND CONDITIONS</b>			

**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 this Order, these purchase order 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. CHANGES/RESCHEDULING.** Buyer shall have the right to direct changes to the Work. Supplier shall comply immediately with all such written Change directions from Buyer. Verbal instructions shall not be deemed a Change. Supplier shall not, without Buyer’s prior written direction, make any changes to the Work. Buyer may suspend, or reschedule the PO, in whole or in part, upon written notice to Supplier.

**3. 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 final acceptance.

**4. DELIVERY.**

**4.1** Delivery shall be FCA Supplier’s facility unless otherwise as set forth on the face of the PO. Clear and unfettered title, and risk of loss and damage, to the Work, including the unrestricted, perpetual, worldwide right to use all intellectual property, shall pass to Buyer upon final acceptance. INCOTERMS 2000 shall apply.

**4.2** 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 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 is delayed. If the 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 with no penalty or charges to Buyer. If Buyer elects any remedy set forth in this clause, it shall be Buyer’s exclusive remedy for such late delivery.

**4.3** Supplier shall be responsible for any and all additional costs incurred, including the cost of any line shutdown and the cost of obtaining goods from an alternate source, as a result of Supplier’s failure to deliver strictly in accordance with the delivery schedule, and Buyer shall be entitled to offset such costs against payments otherwise due to Supplier.

**4.4** 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.

**5. 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.


**6. 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, for a period of not less than twelve (12) months from the later of the date of final acceptance and the date of first operational use, 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. Supplier acknowledges that Supplier knows the particular purpose for which Buyer intends to use the Work. equitably adjust the PO price accordingly.

**7. 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 goods, or the manufacture, sale, possession, or use thereof. Without in any way limiting the foregoing undertakings, the Supplier shall maintain public liability and property damage insurance in reasonable limits covering the obligations set forth above, and shall maintain appropriate Worker’s Compensation insurance covering all employees performing under this PO.

**8. 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 Section 20 and an NDA, the NDA shall prevail.

**9. 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-02-01-05 (“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.

**10. 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

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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.

**11. 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.

**12. TERMINATION**

**12.1** 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.

**12.2** 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. If the Supplier fails for any reason to perform in accordance with the terms of this PO and the Buyer is unable to fulfill its commitments to its customers, then the Supplier will indemnify the Buyer as described in clause 9 herein and will pay to the Buyer the difference between the price of the Work under this PO and the price at which the Buyer contracted to sell such Work to its customers, plus 15% of the price of the Work under the agreements or purchase orders between the Buyer and its customers in respect of the Buyer's management and overhead costs.

**13. FORCE MAJEURE.** Buyer, at its sole option, may cancel this PO or suspend the performance thereof, in whole or in part, without any obligation whatsoever, where such cancellation or suspension is caused by a force majeure event. 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.

**14. 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.

**15. 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.

**16. 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.

**17. 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, or any event contemplated within Section 38. Failure to provide such timely notice to Buyer shall constitute a material breach of this PO.

**18. COMPLIANCE WITH LAWS & APPLICABLE LAW, VENUE & DISPUTE RESOLUTION.** 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 SELLER agrees that DOCUMENT NO: P-03-02-01 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 Contract, in lieu of these terms and conditions, effective as of the date of this Contract. 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 governed, construed, and interpreted by the laws of the province of British Columbia, Canada, without giving effect to principles of conflicts of laws.

**19. 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 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.

**20. 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.