



WORK INSTRUCTIONS

AWI	004
Revision	N/C
Issued	08/24/2015
Revised	N/A

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TERMS & CONDITIONS OF WORK

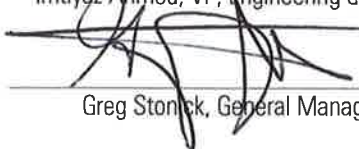
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N/C	Original Issue	08/24/2015

Approved by 

 Imtiyaz Ahmed, VP, Engineering & Quality

08/24/2015

 Date

Approved by 

 Greg Stonick, General Manager

9/8/15

 Date



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1. All work submitted to Aerocraft is subject to the terms and conditions specified herein.
2. Disclaimers / Limitations on liability / Warranty:
 - 2.1. Limitations on Liability:
 - 2.1.1. Aerocraft shall have no liability for damage or delay if it processes the job in accordance with an accepted Purchase Order and any specifications referenced therein.
 - 2.1.2. **It is agreed that Aerocraft's responsibility ends upon its carrying out the terms stated in the accepted Purchase Order and any referenced specifications.**
 - 2.1.3. Aerocraft's liability to its customers shall not exceed its charges for the services performed except upon proof of willful misconduct by Aerocraft, in which case (a) Customer shall identify any part so damaged by Serial Number and Purchase Order Number, (b) Aerocraft shall have the right to inspect and test the part before any damages are assessed, and (c) Aerocraft's liability shall be limited to costs incurred directly by Customer for actual damage to the part treated by Aerocraft.
 - 2.2. No Special, Incidental, Consequential, or Indirect Damages
 - 2.2.1. **It is agreed, independently of any other limitations stated herein, that Aerocraft shall NOT be liable under any circumstances for special, incidental, consequential or indirect damages.**
 - 2.3. Irregularities in Material
 - 2.3.1. Aerocraft accepts no responsibility for shrinkage, expansion, deformity, warping, rupture, cracking, discoloration, surface contamination or hydrogen pick-up of or on material accepted for heat treatment except upon its specific written agreement with the Customer, at additional cost.
 - 2.4. Weight / Count
 - 2.4.1. Aerocraft will not begin work on any order until it confirms the weight and count stated in the Customer's Purchase Order and finds the Purchase Order otherwise acceptable. No Customer claim for shortage in weight or count will be entertained by Aerocraft unless presented within five (5) working days after Order Acknowledgement by Aerocraft.
 - 2.5. Limited Warranty
 - 2.5.1. **Aerocraft expressly disclaims all implied warranties of merchantability or fitness for particular purpose for any treatment it provides or any material it treats.** Aerocraft assumes no risk or liability for the suitability or unsuitability of the treatment ordered by Customer or of the treated part for its intended purpose or eventual use. Aerocraft warrants only that its services will comply with the terms of an accepted Purchase Order and any specifications referenced therein.



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2.6. Metallurgical and Mechanical Testing

- 2.6.1. Aerocraft accepts no responsibility for any part or material that fails metallurgical or mechanical testing if it was processed in accordance with customer's purchase order and referenced specifications.

3. Purchase Orders and Customer Instructions

3.1. Order Acknowledgement

- 3.1.1. Customer's Purchase Order must be in writing, follow the requirements of these Terms and Conditions, and be approved by an authorized representative of Customer. Aerocraft shall determine the acceptability of an order at its discretion and shall indicate its acceptance or rejection in writing to Customer in an order acknowledgement.

3.2. Legibility and Completeness

- 3.2.1. Customer is responsible for error, damage or delay resulting from Customer's illegible or incorrect instructions or numbers, unlabeled data, unclear faxes, illegible or ambiguous Purchase Order, or other unintelligible documentation; Aerocraft shall be entitled to additional payment for re-processing or re-work required by any of the foregoing.

3.3. Make, Grade of material

- 3.3.1. Failure by Customer to indicate plainly and correctly on its purchase order the make and grade of the material to be treated shall subject Customer to extra charges for delays or errors caused thereby.

3.4. Material Weight

- 3.4.1. Aerocraft weighs the material provided with each Purchase Order. Aerocraft will process no order until Aerocraft and Customer agree on the weight and quantity of all material provided by the Customer for treatment.

3.5. Hardness Tests

- 3.5.1. If a Purchase Order or its referenced documents fail to specify the location on material where hardness tests are to be conducted, Aerocraft is relieved from responsibility for damage resulting from the location of hardness tests.

3.6. Load Thermocouples

- 3.6.1. Aerocraft uses one load thermocouple with each load unless:
- 3.6.1.1. The part is of Rotor Quality, in which case, Aerocraft will use two (2) load thermocouples and a loading diagram, which will be charged to the Customer.



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3.6.1.2. Customer specifies a greater number on its Purchase Order or in referenced specifications. Aerocraft will use additional load thermocouples when requested by customer or required by applicable specifications, at additional charge to Customer.

3.7. Specifying Tolerances

3.7.1. See §7, "Tolerances" below for Aerocraft's default tolerances for temperature and time.

4. Quotations and Pricing

4.1. Price Quotations

4.1.1. Aerocraft will honor no quotation that is not made by Aerocraft in writing. Aerocraft will begin processing materials only after it receives a correct Purchase Order that conforms to the written quotation; no work will begin on any Customer order that deviates from the terms of the quotation. Quotations expire automatically thirty (30) days from the date issued and are subject to withdrawal or extension by notice from Aerocraft during that period.

4.2. Price Changes

4.2.1. Prices are subject to change without notice; new pricing will not be applied to existing orders that have been accepted by Aerocraft.

4.3. Unit Pricing

4.3.1. Aerocraft can accommodate Unit Pricing only upon its prior written approval. Unit Pricing requires that all material provided with an order must have the same lot size, an agreed unit weight, and the identical bundle of processing requirements.

4.4. Storage

4.4.1. Product held by Aerocraft for customer for more than seven (7) days shall be at the risk and expense of Customer.

5. Terms of Payment

5.1. Terms are net thirty (30) days from date of invoice, subject to approval by Aerocraft of credit-line amount and terms of credit. Any modification of payment terms must be agreed to in writing, signed by Customer and Aerocraft, BEFORE an order is processed. Aerocraft reserves the right to require payment in advance or by C.O.D.; in the absence of an affirming credit check and approval by Aerocraft, Aerocraft's terms are Cash on Delivery (C.O.D.). Neither party will have any rights to set-off hereunder.

5.2. Invoicing

5.2.1. Each Purchase Order shall be invoiced separately, and Customer shall pay for each shipment as invoiced.



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5.3. Finance Charges

5.3.1. Aerocraft reserves the right to add a monthly financing charge as allowed by law. No partial payment shall constitute an accord and satisfaction or constitute a waiver of Aerocraft's right to collect the balance.

5.4. Past-Due Invoices

5.4.1. When a Customer has an invoice that is past due, Aerocraft may hold all orders from that Customer in abeyance until Aerocraft has received payment in full for all outstanding invoices.

6. Scheduling

6.1. Lead Time

6.1.1. Only Aerocraft's Operations Manager or Production Supervisor can establish a lead time.

6.2. Due Dates

6.2.1. Only Aerocraft's Operations Manager or Production Supervisor can establish a due date. Quality personnel cannot grant a due date.

6.3. Rush Order

6.3.1. Rush order are processed on a first-come, first-served basis. Multiple Rush jobs presented concurrently must be ranked by priority.

7. Tolerances

7.1. Temperature

7.1.1. When no tolerance is specified by the Purchase Order or in referenced specifications, Aerocraft uses a default temperature tolerance of $\pm 25^{\circ}\text{F}$. (Aerocraft cannot attain a surveyed temperature tolerance of less than $\pm 9^{\circ}\text{F}$.)

7.2. Time

7.2.1. When no time tolerance is specified by the Purchase Order or in referenced specifications, Aerocraft uses a TIME AT or SOAK TIME tolerance of the shorter of +10%/-0% or +15 minutes/-0 minutes whichever is less.

8. Testing

8.1. No Testing

8.1.1. **Aerocraft performs no mechanical or metallurgical testing**, whether or not required by referenced specifications. (It does provide hardness inspection of steel products to verify heat treatment.) Aerocraft also does not coordinate outside testing for Customers. **All testing is the responsibility of the Customer.** If convenient to Aerocraft and its schedule, Aerocraft may drop-ship material to a Third-Party Testing Laboratory – or for sandblasting, machining, or other processes – if requested on Customer's Purchase Order.

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9. Order of Precedence

9.1. Customer orders are processed based on the following order of precedence unless Aerocraft and Customer specifically agree otherwise in writing:

- 9.1.1. Customer Purchase Order
- 9.1.2. Customer procedures / Test Plans / drawings / Fixed Process
- 9.1.3. Referenced / Applicable Specifications [e.g. AMS or ASTM]

10. Force Majeure

10.1. All promises and commitments by Aerocraft are made subject to acts or demands of the governments of the United States and California and to all acts of war, strikes, fires, accidents, freight embargoes, car and labor shortages, energy price changes, natural disasters, terrorist acts, and all other causes beyond Aerocraft's reasonable control; Aerocraft shall have no liability for damages resulting from delay or failure in deliveries due to any of said causes.

11. Changes to Certifications

11.1. Aerocraft reserves the right to determine, in its sole discretion, the need for and nature of any changes to certification it issues.

11.2. Aerocraft will NOT change any of the following on its Certification, except to correct a clear typographical or clerical error:

- 11.2.1. Processes
- 11.2.2. Time to
- 11.2.3. Time at
- 11.2.4. Temperature
- 11.2.5. Tolerances
- 11.2.6. Specifications, Revisions
- 11.2.7. Quantity
- 11.2.8. Heat Number
- 11.2.9. Serial Number

12. Limitations on Aerocraft's Capability

12.1. Quench Delay Time

12.1.1. Aerocraft does not have Drop-Bottom Furnaces, and it cannot achieve ten-second quench delay time. The best quench delay achievable is 45 seconds or less.

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12.2. Atmosphere

12.2.1. Aerocraft has air atmosphere and oxidizing open-flame atmosphere. These create products of combustion. Aerocraft does not offer a controlled environment or a vacuum furnace.

Note: Because air atmosphere is used, steel products may have surface contamination from oxidation and decarburization, and titanium products may have hydrogen pick-up and surface contamination.

12.3. Material Types

12.3.1. Aerocraft can perform non-final heat treatment of raw material, castings, and forgings. Aerocraft can only treat forgings or raw material that has at least 0.020 inches of stock that can be removed by subsequent processing (e.g. machining). Aerocraft does final heat treating but cannot heat-treat finished machined parts / material.

12.4. Minimum Dimensions of Materials

12.4.1. Rings (rectangular or contour) and Closed Die Forgings must have a cross-sectional thickness of no less than 1/4 inch. Bars (round, square or rectangular), Plates, and Strips must have a cross-section of at least one inch.

12.5. Temperature Tolerances

12.5.1. Aerocraft cannot attain a surveyed temperature tolerance of less than $\pm 9^{\circ}\text{F}$. See §7, "Tolerances" for default time and temperature tolerances.

13. Governing Law

13.1. These terms and conditions shall be governed by the laws of the State of California. Customer hereby consents to the exercise of jurisdiction over it by any state or federal court within the State of California for any action arising out of these terms and conditions.

14. Conflicts in Terms

14.1. If the terms and conditions stated here conflict with terms or conditions either provided by a customer or referenced in its purchase order, customer and Aerocraft agree that Aerocraft's Terms and Conditions shall control.

15. Amendment to Terms and Conditions

15.1. These terms and conditions can be modified only in writing and when signed by the President or General Manager of Aerocraft.

16. I.P. Indemnity

16.1. Buyer and Seller will indemnify, defend and hold harmless each other against any liability or claim for patent, trademark or other intellectual property right infringement or misappropriation arising out of or resulting from each other's respective designs, specifications or manufacturing processes or procedures.



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17. Charges or Fees

17.1. Customer may not assign any charges or fees related to Supplier's performance or compliance, unless such charges or fees are mutually agreed by Supplier and Customer, or as otherwise provided or its sub-contractors must be mutually agreed and may be subject to additional charges or fees.

18. U.S. Export Control

18.1. U.S. Export Control laws apply to the products and technologies covered by this Order. Export or re-export of these products or technology may require the prior approval of the U.S. government in accordance with the Export Administration Regulations and OFAC rules, and the Buyer agrees to notify the Seller of any such intended export or re-export. Diversion contrary to U.S. law is prohibited.

19. Other

19.1. The parties hereto shall abide by the requirements of 41 CFR §§60-1.4(a), 60-300.5(a) and 60-741.5(a). These regulations prohibit discrimination against qualified individuals based on their status as protected veterans or individuals with disabilities, and prohibit discrimination against all individuals based on their race, color, religion, sex, or national origin. Moreover, these regulations require that covered prime contractors and subcontractors take affirmative action to employ and advance in employment individuals without regard to race, color, religion, sex, national origin, protected veteran status or disability.