

SKILLED MANUFACTURING, INC.
AEROSPACE BUSINESS UNIT
CONTRACT TERMS AND CONDITIONS

1. Acceptance:

Seller has read and understands this contract and agrees that Seller's written acceptance within 24 business hours from receipt, or commencement of any work or services under this contract shall constitute Seller's acceptance of these terms and conditions only.

2. General:

Components must comply with all specifications / requirements of the ultimate customer.

3. Shipping and Billing:

Seller agrees: (a) to properly pack, mark and ship goods in accordance with the requirements of Buyer, the involved carriers, and, if applicable, the country of destination, (b) to route shipments in accordance with Buyer's instructions, (c) to make no charge for handling, packaging, storage or transportation of goods, unless otherwise stated as an item on this contract, (d) to provide with each shipment packing slips with Buyer's contract and/or release number and date of shipment marked thereon, (e) to properly mark each package with a label or tag according to Buyer's instructions, (f) to promptly forward the original bill of lading or other shipping receipt for each shipment in accordance with Buyer's instructions. Seller will include a bill of lading or other shipping receipts with correct classification identification of the goods shipped in accordance with Buyer's instructions and the carrier's requirements. The marks on each package and identification of the goods on packing slips, bills of lading and invoices (when required) shall be sufficient to enable Buyer to easily identify the goods purchased. Seller further agrees: to accept payment based upon an invoice from the Seller to the Buyer. The payment date is set forth in the Line Item Detail of this contract or if not stated, shall be net75 days. Buyer may withhold payment pending receipt of evidence, in such form and detail as Buyer may direct, of the absence of any liens, encumbrances and claims on the goods or services under this contract.

4. Delivery Schedules:

Time is of the essence, and deliveries shall be made both in quantities and at times specified in Buyer's schedules. Deliveries will be considered miss-shipped if they are more than 2 days prior to, or 1 or more days after the due date. If the required delivery date cannot be met, is the suppliers responsibility to notify the buyer within 24 hours. Buyer shall not be required to make payment for goods delivered to Buyer that are in excess of quantities specified in Buyer's delivery schedules unless within specified buy contract.

5. Premium Shipments:

If Seller's acts or omissions result in Seller's failure to meet Buyer's delivery requirements and Buyer requires a more expeditious method of transportation for the goods than the transportation method originally specified by Buyer, Seller shall ship the goods as expeditiously as possible at Seller's sole expense.

6. Changes:

Buyer reserves the right at any time to direct changes, or cause Seller to make changes, to drawings and specifications of the goods or to otherwise change the scope of the work covered by this contract including work with respect to such matters as inspection, testing or quality control, and Seller agrees to promptly make such changes. Any difference in price or time for performance resulting from such changes shall be equitably adjusted by Buyer after receipt of documentation in such form and detail as Buyer may direct. Seller must notify Buyer of any changes in product and/or process changes of suppliers, changes of manufacturing facility location and where required obtain Buyer's approval and flow down supplier chain the applicable requirements including customer requirements.

7. Supplier Quality and Development Inspection:

Seller agrees to participate in Buyer's supplier quality and development program(s) and to comply with all quality requirements and procedures specified by Buyer, as revised from time to time, including those applicable to Seller as set forth in Quality System Requirements ISO 9001: 2000 and AS9100 C. In addition, Buyer shall have the right to enter Seller's facility at reasonable times to inspect the facility, goods, materials and any property of Buyer covered by this contract. Buyer's inspection of the goods, whether during manufacture, prior to delivery or within a reasonable time after delivery, shall not constitute acceptance of any work-in-process or finished goods. The Buyer's Customer shall also have the right to verify at the Seller's premises, that product conforms to specified requirements.

8. Nonconforming Goods:

Seller acknowledges that Buyer will not be required to perform incoming inspections of the goods, and waives any rights to require Buyer to conduct such inspections. Seller must notify Buyer of nonconforming product and obtain Buyer's approval for nonconforming product disposition. The Seller agrees that scrap or nonconformities associated with or caused by its process resulting in nonconforming product after machining, assembly or other processing will be reimbursed to the Buyer. The Buyer will be reimbursed for material and labor associated with the problems from or caused by the Seller. Also, the Seller will reimburse the Buyer for all consigned material that it causes to become nonconforming product. Nonconforming goods will be held by Buyer in accordance with Seller's instructions at Seller's risk. Seller's failure to provide written instructions within 10 days, or such shorter period as may be commercially reasonable under the circumstances, after notice of nonconformity shall entitle Buyer, at Buyer's option, to charge Seller excess costs incurred, for storage and handling or to dispose of the goods without liability to Seller by the Buyer. Payment for nonconforming goods shall not constitute an acceptance of them, limit or impair Buyer's right to assert any legal or equitable remedy, or relieve Seller's responsibility for latent defects. The Seller agrees that the Buyer will not be responsible for nonconformities that are found at the ultimate customer or subsequently.

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AEROSPACE BUSINESS UNIT
CONTRACT TERMS AND CONDITIONS

9. Force Majeure

Any delay or failure of either party to perform its obligations shall be excused if, it is caused by and event or occurrence beyond the reasonable control of the party and without its fault or negligence, including, but not limited to, acts of God, actions by any governmental authority (whether valid or invalid), fires, floods, windstorms, explosions, riots, natural disasters, wars, sabotage, labor problems (including lockouts, strikes and slowdowns), inability to obtain power, material, labor equipment or transportation, or court injunction or order provided that written notice of such delay (including the anticipated duration of the delay) shall be given by the affected party to the other party as soon as possible after the event or occurrence (but in no event more than 10 days thereafter). During the period of such delay or failure to perform by Seller, Buyer, at its option, may purchase goods from other sources and reduce its schedules to Seller by such quantities, without liability to Seller or have Seller provide the goods from other sources in quantities and at times requested by Buyer, and at the price set forth in this contract. In addition, Seller at its expense shall take such actions as are necessary to ensure the supply of goods to Buyer for a period of at least 30 days during any anticipated labor disruption or resulting from the expiration of Seller's labor contract(s). If requested by Buyer, Seller shall, within 10 days, provide adequate assurances that the delay shall not exceed 30 days. If the delay lasts more than 30 days or Seller does not provide adequate assurances that the delay will cease within 30 days, Buyer may immediately terminate this contract without liability.

10. Warranty:

Seller warrants / guarantees that the goods covered by this contract will conform to the specifications, drawings, samples, or descriptions furnished to or by Buyer, and will be merchantable, of good material and workmanship and free from defect. In addition, Seller acknowledges that Seller knows of Buyer's intended use and warrants / guarantees that all goods covered by this contract that have been selected, designed, manufactured or assembled by Seller based upon Buyer's state use will be fit and sufficient for the particular purpose intended by Buyer. The warranty period shall be that provided by applicable law, except that if Buyer offers a longer warranty to its customers for goods, such longer period shall apply.

11. Ingredients Disclosure Special Warnings and Instructions:

If requested by Buyer, Seller shall promptly furnish to Buyer in such form and detail as Buyer may direct: (a) a list of all ingredients in the goods, (b) the amount of all ingredients, and (c) information concerning any changes in or additions to such ingredients. Prior to and with the shipment of the goods, Seller agrees to furnish to Buyer sufficient warning and notice in writing (including appropriate labels on the goods, containers, and packing) of any hazardous material that is an ingredient or a part of any of the goods, together with such special handling instructions as may be necessary to advise carriers, Buyer, and their respective employees of how to exercise that measure of care and precaution that will best prevent bodily injury or property damage in the handling, transportation, processing, use or disposal of the goods, containers and packing shipped to Buyer.

12. Insolvency:

Buyer may immediately terminate this contract without liability to Seller in any of the following or any other comparable events: (a) insolvency of Seller, (b) filing of a voluntary petition in bankruptcy by Seller, (c) filing of any involuntary petition in bankruptcy against Seller, (d) appointment of a receiver or trustee for Seller or, (e) execution of an assignment for the benefit of creditors by Seller, provided that such petition, appointment or assignment is not vacated or nullified within 15 days of such event. Seller shall reimburse Buyer for all costs incurred by Buyer in connection with any of the foregoing, including, but not limited to, all attorneys or other professional fees.

13. Termination for Breach or Nonperformance:

Buyer reserves the right to terminate all or any part of this contract, without liability to Seller, if Seller: (a) repudiates or breaches any of the terms of this contract, including Seller's warranties, (b) fails to perform services or deliver goods as specified by Buyer, (c) fails to make progress so as to endanger timely and proper completion of services or delivery of goods, and does not correct such failure or breach within 10 days (or such shorter period of time if commercially reasonable under the circumstances) after receipt of written notice from Buyer specifying such failure or breach.

14. Termination for Convenience:

In addition to any other rights of Buyer to terminate this contract, Buyer may, at its option, immediately terminate all or any part of this contract, at any time and for any reason, by giving written notice to Seller. Upon such termination, Buyer shall pay to Seller the following amounts without duplication: (a) the contract price for all goods or services that have been completed in accordance with this contract and not previously paid for and, (b) the actual costs of work-in-process and raw materials incurred by Seller in furnishing the goods or services under this contract to the extent such costs are reasonable in amount and are properly allocable or apportionable under generally accepted accounting principles to the terminated portion of this contract less, however, the sum of the reasonable value or cost (whichever is higher) of any goods or materials used or sold by Seller with Buyer's written consent, and the cost of any damaged or destroyed goods or material. Buyer will make no payments for finished goods, work-in-process or raw materials fabricated or procured by Seller in amounts in excess of those authorized in delivery releases nor for any undelivered goods that are in Seller's standard stock or that are readily marketable. Payments made under this Paragraph shall not exceed the aggregate price payable by Buyer for finished goods that would be produced by Seller under delivery or release schedules outstanding at the date of termination. Except as provided in the Paragraph, Buyer shall not be liable for and shall not be required to make payments to Seller, directly or on account of claims by Seller's subcontractors, for loss of anticipated profit, unabsorbed overhead, interest on claims, product development and engineering costs, facilities and equipment rearranged costs or rental, unamortized depreciation costs, or general and administrative burden charges from termination of this contract. Within 60 days from the effective date of termination,

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AEROSPACE BUSINESS UNIT
CONTRACT TERMS AND CONDITIONS

Seller shall submit a comprehensive termination claim to Buyer, with sufficient supporting data to permit Buyer's audit, and shall thereafter promptly furnish such supplemental and supporting information as Buyer shall request. Buyer or its agents shall have the right to audit and examine all books, records, facilities, work, material, inventories and other items relating to any termination claim of Seller.

15. Intellectual Property:

Seller agrees: (a) to defend, hold harmless and indemnify Buyer, its successors and customers against any claims of infringement (including patent, trademark copyright, industrial design right, or other proprietary right, or misuse or misappropriation of trade secret) and resulting damages and expenses (including attorney's and other professional fees) arising in any way in relation to the goods or services contracted, including such claims where Seller has provided only part of the goods or services. Seller expressly waives any claim against Buyer that such infringement arose out of compliance with Buyer's specification, (b) that Buyer or Buyer's subcontractor has the right to repair, reconstruct, or rebuild the specific goods delivered under this contract without payment of any royalty to Seller, (c) that parts manufactured based on Buyer's drawings and / or specifications may not be used for its own use or sold to third parties without Buyer's express written authorization, and (d) to the extent that this contract is issued for the creation of copyrightable works, the works shall be considered "works made for hire" to the extent that the works do not qualify as "works made for hire." Seller hereby assigns to Buyer all right, title and interest in all copyrights and moral rights therein.

16. Technical Information Disclosed to Buyer:

Seller agrees not to assert any claim (other than a claim for patent infringement) with respect to any technical information that Seller shall have disclosed or may hereafter disclose to Buyer in connection with the goods or services covered by this contract.

17. Foundry Related Scrap:

If the Seller is providing a casting of any type under this contract, the Seller agrees that scrap or nonconformities associated with the casting process resulting in nonconforming product before or after machining will be reimbursed to the Buyer. The Buyer will be reimbursed for material and labor associated with foundry problems from the Seller including but not limited to: porosity, cold shuts, hot tears, cracks, oxides, foreign material, folds, laps, laminations, chemistry, drag marks, soldering, non-fill, dimensional, burrs and unacceptable parting line irregularities. The Buyer will accumulate defective product and the Seller will be invoiced to reimburse the Buyer. The Seller agrees that the Buyer will not be responsible for foundry related nonconformities that are found at the ultimate customer.

18. Indemnification:

If Seller performs any work on Buyer's premises or utilizes the property of Buyer, whether on or off Buyer's premises, Seller shall indemnify and hold Buyer harmless from and against any liability, claims, demands or expenses (including attorney's and other professional fees) for damages to the property of or injuries (including death) to Buyer, its employees or any other person arising from or in connection with Seller's performance of work or use of Buyer's property, except for such liability, claim, or demand arising out of the sole negligence of Buyer.

19. Insurance:

Product shipped FOB shipping point, see item 3 (proper packaging).

20. Seller's Property:

Unless otherwise agreed to by Buyer, Seller, at its expense, shall furnish, keep in good condition, and replace when necessary all machinery, equipment, tools, jigs, dies, gauges, fixtures, molds, patterns and other items ("Seller's Property") necessary for the production of the goods. Buyer shall pay for the cost of changes to Seller's Property necessary to make design and specification changes authorized by Buyer unless otherwise agreed. Seller shall insure Seller's Property with full fire and extended coverage insurance for its replacement value. Seller grants Buyer an irrevocable option to take possession of and title to Seller's Property that is special for the production of the goods upon payment to Seller of its net book value less any amounts that Buyer has previously paid to Seller for the cost of such items provided, however, that this option shall not apply if Seller's Property is used to produce goods that are the standard stock of Seller or if a substantial quantity of like goods are being sold by Seller to others.

21. Buyer's Property:

All supplies, materials, tools, jigs, dies, gauges, fixtures, molds, patterns, equipment and other items furnished by Buyer, either directly or indirectly, to Seller to perform this contract, or for which Seller has been reimbursed by Buyer, shall be and remain the property of Buyer and held by Seller on a bailment basis ("Buyer's Property"). Seller shall bear the risk of loss of and damage to Buyer's Property. Seller shall insure Buyer's Property with full fire and extended coverage insurance for its replacement value. Buyer's Property shall at all times be properly housed and maintained by Seller, at its expense, shall not be used by Seller for any purpose other than the performance of this contract, shall be conspicuously marked by Seller as the property of Buyer, shall not be commingled with the property of Seller or with that of a third person, and shall not be moved from Seller's premises without Buyer's prior written approval. Buyer shall have the right to enter Seller's premises at all reasonable times to inspect such property and Seller's records with respect thereto. Upon the request of Buyer, Buyer's property shall be immediately released to Buyer or delivered to Buyer by Seller, F.O.B. Seller's plant, properly packed and marked in accordance with the requirements of the carrier selected by Buyer to transport such property, or (ii) to any location designated by Buyer, in which event Buyer shall pay to Seller the reasonable costs of delivering such property to such location. When permitted by law, Seller waives any lien or other rights that Seller might otherwise have on any of Buyer's Property for work performed on such property otherwise.

SKILLED MANUFACTURING, INC.
AEROSPACE BUSINESS UNIT
CONTRACT TERMS AND CONDITIONS

22. Remedies:

If requested by Buyer, Seller will enter into a separate agreement for the administrative or processing of warranty charge backs for nonconforming goods.

23. Customs Export Controls:

Credits or benefits resulting or arising from this contract, including trade credits, export credits or the refunds of duties, taxes or fees, shall belong to Buyer. Seller shall provide all information necessary (including written documentation and electronic transaction records) to permit Buyer to receive such benefits or credits, as well as to fulfill its customs related obligations, origin making or labeling requirements and local content origin requirements, if any. Export licenses or authorizations necessary for the export of the goods shall be the responsibility of Seller unless otherwise indicated in this contract, in which event Seller shall provide such information as may be necessary to enable Buyer to obtain such licenses or authorization(s). Seller shall undertake such arrangements as necessary for the goods to be covered by any duty deferral or free trade zone program(s) of the country of import.

24. No Advertising:

Seller shall not, without first obtaining the written consent of Buyer, in any manner advertise or publish the fact that Seller has contracted to furnish Buyer the goods or services covered by this contract, or use any trademarks or trade names of Buyer in Seller's advertising or promotional materials.

25. Compliance with Laws / Forced Labor:

Seller, and any goods or services supplied by Seller, shall comply with all applicable laws, rules, regulations, orders, conventions, ordinances or standards of the country(ies) of destination or that relate to the manufacture, labeling, transportation, importation, exportation, licensing, approval or certification of the goods or services, including, but not limited to, those relating to environmental matters, wages, hours and conditions of employment, subcontractor selection, discrimination, occupational health/safety and motor vehicle safety. Seller further represents that neither it nor any of its subcontractors will utilize slave, prisoner or any other form of forced or involuntary labor in the supply of goods or provision of services under this contract. At Buyer's request, Seller shall certify in writing its compliance with the foregoing. Seller shall indemnify and hold Buyer harmless from and against any liability claims, demands or expenses (including attorney's or other professional fees) arising from or resulting to Seller's noncompliance.

26. Non-Assignment:

Seller may not assign or delegate its obligations under this contract without Buyer's prior written consent.

27. Relationship of Parties:

Seller and Buyer are independent contracting parties and nothing in this contract shall make either party the agent or legal representative of the other for any purpose whatsoever, nor does it grant either party any authority to assume or to create any obligation on behalf of or in the name of the other.

28. Governing Law Jurisdiction:

This contract is to be construed according to the laws of the country (and state / province, if applicable) from which this contract is issued as shown by the address of Buyer, excluding the provisions of the United Nations Convention on Contracts for the International Sale of Goods and any conflict of law provisions that would require application of another choice of law. Any action or proceedings by Buyer against Seller may be brought by Buyer in any court(s) having jurisdiction over Seller or, at Buyer's option, in the court(s) having jurisdiction over Buyer's location, in which event Seller consents to jurisdiction and service of process in accordance with applicable procedures. Any actions or proceedings by Seller against Buyer may be brought by Seller only in the court(s) having jurisdiction over the location of Buyer from which this contract is issued.

29. Severability:

If any term(s) of this contract is invalid or unenforceable under any statute, regulation, ordinance, executive order or other rule of law, such term(s) shall be deemed reformed or deleted, as the case may be, but only to the extent necessary to comply with such statute, regulation, ordinance, order or rule, and the remaining provisions of this contract shall remain in full force and effect.

30. Entire Agreement:

This contract, together with the attachments, exhibits, supplements or other terms of Buyer specifically referenced in this contract, constitutes the entire agreement between Seller and Buyer with respect to the matters contained in this contract and supersedes all prior oral or written representations and agreements. A contract amendment issue by Buyer may only modify this contract.

31. Record Retention:

All quality records, including radiographic film, shall be retained indefinitely per Honeywell SPOC Manual 1.10.5 record retention.