



HYDRO Systems USA Inc.
7028 South 204th street
98032 Kent, WA
USA
Phone: +1 (253) 876-2100
Fax: +1 (253) 876-2110
info.usa@hydro.aero

TERMS OF PURCHASE HYDRO SYSTEMS USA INC.

1. Agreement documents

The purchase order to which these Terms and Conditions are attached (the "Purchase Order") has been issued by HYDRO Systems USA Inc. ("Buyer") to the supplier named in the Purchase Order ("Seller"). Upon the first to occur of Seller's acceptance, acknowledgement or performance of the Purchase Order, there will be a binding agreement between Buyer and Seller, the terms of which will consist solely of (i) the Purchase Order, as submitted by Buyer, (ii) these Terms and Conditions (without modification), (iii) Seller's acknowledgement or acceptance of the Purchase Order, and (iv) any specifications or standards referenced in the Purchase Order or these Terms and Conditions. No other terms or conditions (whether stated by Seller in any proposal, email, acknowledgement or other acceptance of the Purchase Order, or otherwise), shall become part of the binding agreement between Buyer and Seller or binding upon Buyer.

2. Packing and shipping

All items must be suitably packed and prepared for shipment. Seller shall obtain the most favourable freight rate, which shall reflect, where possible, the anticipation of further orders from Buyer (provided, that under no circumstances will Buyer be obligated to place further orders with Seller). No charges will be assessed by Seller or payable by Buyer for packing, crating or cartage unless specifically stated in the Purchase Order. Two copies of packing sheets showing the relevant Purchase Order number shall be attached to each container of

each shipment. Unless otherwise specifically instructed by Buyer in writing, freight shall be prepaid by Seller and billed on the invoice for the goods. Seller shall make no declaration concerning value of goods shipped, except on goods where the tariff rating or rate is dependent upon the released or declared value, in which event such value shall be released or declared at the maximum value for the lowest rating or rate. Each shipment must contain complete documentation regarding the goods shipped including, without limit: inspection report (where required), raw material certifications for all metal goods and all Quality Control Notes noted in the Purchase Order. In addition, all parts must be properly marked or labelled for identification purposes.

3. Shipment, risk of loss, delivery and delayed deliveries

Time is of the essence in the performance of the Purchase Order. Shipments and deliveries shall be made strictly in accordance with the quantities and schedule specified in the Purchase Order. If at any time it appears Seller will not meet such schedule, Seller shall promptly notify Buyer of the estimated duration of the delay. If Buyer deems it necessary to require shipment of any of the items covered by the Purchase Order by air or other expedited means, Seller will promptly arrange and implement the required means of expedited shipping. Buyer will reimburse Seller for the difference between the regular freight rate and the air or expedited rate only if Seller's failure to meet delivery requirements is solely due to causes beyond the control and without



HYDRO Systems KG
Ahfeldstrasse 10
77781 Biberach / Baden
Germany
Phone: +49 (0) 7835 787 - 0
Fax: +49 (0) 7835 787 8888
info@hydro.aero

the fault or neglect of Seller. All other associated additional costs arising out of or related to a delay shall be borne by Seller.

Seller shall have title to and be responsible for, and shall bear all risk of loss of or damage to all items covered by the Purchase Order until they are delivered to Buyer's loading dock in the delivery city indicated in the Purchase Order (the "City"), in accordance with Incoterm 2010 DDP City. Upon such delivery title shall pass from Seller, and Seller's responsibility for loss or damage shall cease except for loss or damage resulting from Seller's negligence or failure to comply with the Purchase Order or these Terms and Conditions. Passing of title upon such delivery shall not constitute acceptance of the item by Buyer.

If all of the items specified in the Purchase Order are not delivered by the date required in the Purchase Order, Buyer may, in its sole discretion, charge Seller a daily administrative fee of 1% of the Purchase Order cost of the delayed items, up to 10% of the Purchase Order cost of the delayed items. In addition, Buyer may (i) cancel the Purchase Order (or any unperformed portion thereof, in Buyer's sole discretion) at any time the delivery of any item to be delivered thereunder has been delayed at least 15 calendar days (a "Delay Cancellation"), and (ii) pursue any and all other remedies available to Buyer at law or in equity. In case of a Delay Cancellation, Buyer shall not be responsible for any costs incurred by Seller arising in connection with the Delay Cancellation including, without limit, Seller's cost to ship any rejected items back to Seller, and Seller's costs incurred in connection with the termination of the manufacture and/or shipping of any items that have not yet been received by Buyer.

4. Invoice and Payment

Seller shall issue a separate invoice for each shipment. Unless otherwise specified in the Purchase Order, no invoice shall be issued prior to shipment of goods. Buyer shall not be obligated to remit payment on any invoice until 60 days following the last to occur of the following: (i) all items covered by the invoice have been received by Buyer at the location designated in the Purchase Order, (ii) Buyer has verified that the invoice is correct and covers only the goods shipped, and (iii) Buyer has received, inspected and accepted all such items. Should any items be found to be defective, they shall be deemed to be rejected and Buyer shall not be obligated to pay for such items. Notwithstanding anything contained herein to the contrary, Seller shall bear all risks (including, without limit, all return shipping costs) as to rejected items.

5. Right of entry, and disclosure of information

Buyer, Buyer's customers and representatives of any governmental agency with regulatory authority over Buyer or Buyer's customers shall have the right to enter and inspect Seller's facilities and those of Seller's subcontractors and suppliers, and, to the extent related to the production of the items specified in the Purchase Order, to review all processes, contracted parts, procedures and records at all such facilities. Buyer may also audit Seller's facilities to determine compliance with all applicable legal or regulatory requirements. Any failures to comply may be documented in a Corrective Action Request ("CAR"), which must be promptly resolved by Seller according to the action plan mutually agreed by Buyer and Seller following the audit. Without limiting the foregoing, upon Buyer's



HYDRO Systems KG
Ahfeldstrasse 10
77781 Biberach / Baden
Germany
Phone: +49 (0) 7835 787 - 0
Fax: +49 (0) 7835 787 8888
info@hydro.aero

request, Seller shall disclose to Buyer, in detail, all information regarding its costs to perform the Purchase Order.

6. Warranties

In addition to any other express or implied warranties, Seller warrants to Buyer that all items delivered under the Purchase Order will be merchantable and free from defects in materials and workmanship, that all items will conform to the requirements of the Purchase Order including but not limited to the applicable descriptions, specifications and drawings, and that, to the extent such items are not manufactured pursuant to detailed designs furnished by Buyer, all items will be free from defects in design and suitable for the purposes intended by Buyer. Seller's liability under this warranty Section shall include, at the Buyer's election, the obligation to repair, replace, or return for credit all defective or nonconforming items and to pay for all packing and transportation costs attributable to accomplishment of the above all at Seller's sole expense. Seller warrants all delivered items for a period of two (2) years, commencing on the date Buyer formally accepts the goods shipped, and continuing until the second anniversary of such acceptance date.

7. Price

Seller represents and warrants to Buyer that the prices of the items set forth in the Purchase Order do not exceed those charged by Seller to any other customer purchasing the same items in like or smaller quantities.

8. Rejection

If Buyer discovers that any item delivered pursuant to the Purchase Order fails to comply in any manner with the requirements of the Purchase Order or these Terms and Conditions, Buyer will be deemed to have not accepted, or to have revoked its acceptance, of such item. In such case, Buyer will create a Non-Conforming Material Report ("NMR") describing the failure to comply. Seller will be charged \$250/occurrence as an administrative charge.

Buyer shall have the right, in its sole discretion, to reject any non-conforming item, to agree to a correction of any non-conforming item, to accept a replacement for any non-conforming item, or to accept any non-conforming item with an equitable adjustment in price. Buyer shall notify Seller of such rejections and at Buyer's sole election (and at Seller's risk and expense), such rejected items may be held by Buyer or returned to Seller for credit, refund, rework, or replacement as directed by written instructions from Buyer. If Seller fails to promptly replace or correct any defective article within the contractual delivery schedule, Buyer may cancel the Purchase Order with respect to such defective item and/or require a reduction in price which is equitable under the circumstances.

If Buyer and Seller agree on rework to be performed by the Buyer, the time required for correction will be charged at 150 \$/hour and deducted from the amounts otherwise payable by Buyer to Seller. In addition, the fees specified in Paragraphs 3 and 8, above shall also apply.



HYDRO Systems KG
Ahfeldstrasse 10
77781 Biberach / Baden
Germany
Phone: +49 (0) 7835 787 - 0
Fax: +49 (0) 7835 787 8888
info@hydro.aero

9. Changes

Buyer may at any time, by written order, make changes to the Purchase Order, in any one or more of the following: 1) drawings, designs, or specifications; 2) method of shipment or packing; 3) place of inspection, delivery or acceptance; 4) reasonable increases in quantities; and 5) reasonable changes in delivery schedules. Seller shall proceed immediately to perform the Purchase Order as changed. If any such change causes an increase or decrease in the cost of, or in the time required for the performance of any part of the work under the Purchase Order, whether changed or not changed by any such change order, an equitable adjustment shall be made in the purchase price or delivery schedule, or both, and the Purchase Order shall be modified in writing accordingly. Unless otherwise agreed, any claim by Seller for adjustment under this clause must be asserted within thirty (30) days from the date of receipt by Seller of such written change order. Buyer has the right to examine all of Seller's pertinent books and records for the purpose of verifying Seller's claim. Nothing in this clause shall excuse Seller from proceeding with the Purchase Order as changed (including, without limit, failure of the parties to agree upon any adjustment to be made under this clause). Changes requested by Seller must be requested in writing using Buyer's deviation request form and are not valid unless approved in writing by Buyer, acting in its sole discretion.

10. Patent indemnity

Seller shall indemnify, defend and hold harmless Buyer, Buyer's customers, and any subsequent seller or user of the goods, against any and all claims, proceedings, costs (including, without

limit, attorneys' fees and costs) and all losses, liabilities and damages arising out of or related to any alleged infringement of any United States or foreign patent for any goods delivered under the Purchase Order.

11. Assignment

Seller may not assign any of its rights or delegate any of its duties related to or arising under the Purchase Order without the prior written consent of Buyer, which may be granted or withheld in its sole discretion.

12. Breach, remedies

The performance of work under the Purchase Order may be terminated in whole, or from time to time in part, by Buyer for its convenience and without cause. In addition, and without limiting the foregoing, in the event Seller breaches any of obligations under the Purchase Order Buyer may terminate the whole or any part of the Purchase Order and enforce all other remedies legally available to it. Seller shall be in breach of the Purchase Order, without limit, if any of the following circumstances occur: A) Seller fails to deliver the items subject to the Purchase Order or to perform the services required by the Purchase Order in the manner and within the time specified therein; B) Seller fails to perform any of the other provisions of the Purchase Order, or fails to make progress in a manner that risks performance of the Purchase Order in accordance with its terms, and in either of these two circumstances does not cure such failure within a period of ten (10) days after receipt of notice from Buyer specifying such failure; C) Seller becomes insolvent, or makes a general assignment for the benefit of creditors, or files or has filed against it a petition of



HYDRO Systems KG
Ahfeldstrasse 10
77781 Biberach / Baden
Germany
Phone: +49 (0) 7835 787 - 0
Fax: +49 (0) 7835 787 8888
info@hydro.aero

bankruptcy or for reorganization, or pursues any other remedy under any other law relating to the relief for debtors, or in the event a receiver is appointed for Seller's property or business; or D) Seller defaults in the performance of any of its other obligations under the Purchase Order.

In the event of Seller's default, Buyer may require Seller to transfer title and deliver to Buyer any or all property specifically produced or acquired for performance of the Purchase Order. Buyer shall have the further right to procure, on such terms and in such manners it may deem appropriate, supplies or services similar to those terminated, and to recover from Seller the excess cost for such similar supplies or services; provided, however, Seller shall not be liable for such excess costs where the failure upon which the default is based has arisen out of the following causes, which are deemed to be beyond the control of Seller, its suppliers or subcontractors: fires, floods, earthquakes, strikes, and acts of war. The rights of Buyer provided in this clause shall be in addition to any other rights provided by law or the Purchase Order.

If Seller fails to make deliveries on schedule as a result of causes beyond its control, Buyer may, in lieu of termination of the Purchase Order, elect to extend the delivery schedule. Such extension shall not entitle Seller to any additional compensation. In the event of such schedule extension, Seller shall, at its sole cost and expense, do everything possible to make delivery as soon as possible and to meet the new delivery schedule, including overtime work, extra shifts, expedited delivery and purchases from other suppliers and subcontractors whenever practicable. The rights and remedies of the

Buyer provided in these Terms and Conditions shall not be exclusive and are in addition to any other rights and remedies provided by law or under the Purchase Order.

13. Non-waiver

No failure of Buyer to enforce any provision of the Purchase Order shall constitute a waiver of such provision or prejudice the right of Buyer to enforce such provision at any subsequent time.

14. Notice of non-conforming items

If Seller determines that it cannot build an item to the precise specifications required by Buyer, or if Seller determines that it has not built an item to the precise specifications required by Buyer, Seller shall, at the earliest practical date, notify Buyer using Buyer's approved form, of such situation and, at the same time, Seller shall provide Buyer with all information necessary for Buyer to determine, in its sole discretion, whether to approve the non-conforming product, whether to require changes to the relevant specifications or to the non-conforming items, or whether to exercise any other remedy it may have under the Purchase Order, these Terms and Conditions or at law.

15. Review status

Buyer maintains a database on supplier performance. If Seller breaches the Purchase Order (including, without limit, by failing to adhere to any of these Terms and Conditions), Buyer, in Buyer's sole discretion, may, in addition to any other rights it may have, place Seller on "Review" status. If Seller is placed on "Review" status, a \$150.00 penalty for each Corrective Action



HYDRO Systems KG
Ahfeldstrasse 10
77781 Biberach / Baden
Germany
Phone: +49 (0) 7835 787 - 0
Fax: +49 (0) 7835 787 8888
info@hydro.aero

Request (CAR) that is issued to Seller will apply. Within five (5) business days after being informed that it is on "Review" status, Seller shall present to Buyer an action plan describing in detail how Seller will resolve the issues. The action plan will be subject to Buyer's approval, in its sole discretion. If Buyer's approves the action plan, Seller will promptly implement the action plan and if Seller fails to promptly implement and comply with the action plan, Buyer may terminate (in whole or in part) any open Purchase Orders and pursue any other remedy available to it.

16. Severability

If a provision of the Purchase Order is or becomes illegal, invalid or unenforceable in any jurisdiction, such circumstance shall not affect:

1. the validity or enforceability in that jurisdiction of any other provision of the Purchase Order; or
2. the validity or enforceability in other jurisdictions of that or any other provision of the Purchase Order.

17. Acceptance, terms and conditions of contract

Whether construed as an offer, acceptance or confirmation, the Purchase Order and these Terms and Conditions include all documents and exhibits attached thereto and hereto and all other terms incorporated by reference therein and herein. The Purchase Order and these Terms and Conditions shall constitute the final, complete and exclusive statement of the contract between Seller and Buyer and may not be modified or rescinded except by a written change order issued by the Buyer. If the Purchase Order constitutes an offer by the Buyer to purchase the goods and/or services specified upon

these Terms and Conditions and at the price(s) and with the delivery date(s) specified in the Purchase Order, Seller shall indicate its acceptance of the Purchase Order by verbal acceptance communicated to the Buyer, by written acceptance on the face of the Purchase Order received by the Buyer, by other written confirmation received by the Buyer, by commencing work on the Purchase Order in any manner expressly conditioned on notice of such commencement of work received by the Buyer, or by the delivery of the goods or services within the time for such delivery as stated in the Purchase Order. Regardless of the manner or medium of acceptance time is of the essence. As an offer, the Purchase Order expressly limits acceptance to its terms and conditions, and notification of objection to any different or additional terms in any response to that offer from the Seller is hereby given. If the Purchase Order is construed as an acceptance of the Seller's offer, the acceptance is expressly conditioned on the offeror's assent to any additional or different terms contained in the Purchase Order (including these Terms and Conditions). If the Purchase Order is construed as a confirmation of an existing contract, the parties agree that the Purchase Order (including these Terms and Conditions) constitutes the final, complete and exclusive terms and conditions of the contract between the parties. If the parties have otherwise completed a signed, written contract, the parties agree that the use of the Purchase Order to place orders for goods or services pursuant to such a contract shall be construed to supplement the terms of such written contract only to the extent that the terms and conditions of the Purchase Order are not inconsistent with such written contract. Regardless of its construction as an offer, acceptance, confirmation or use to place orders for goods or services pursuant to an earlier



HYDRO Systems KG
Ahfeldstrasse 10
77781 Biberach / Baden
Germany
Phone: +49 (0) 7835 787 - 0
Fax: +49 (0) 7835 787 8888
info@hydro.aero

contract, the Purchase Order incorporates.

By reference all terms of the Uniform Commercial Code providing any protection for the Buyer, including, without limitation, all express and implied warranty protection and all buyer's remedies under the Uniform Commercial Code.

The parties hereby agree to exclude application of the UN Convention on the International Sale of Goods (CISG) to any contract made pursuant to the Purchase Order. Any dispute arising under the contract between Buyer and Seller will be governed by the laws of the State of Washington, United States of America, including the Washington statutes of limitations, but excluding its conflict of laws provisions. Any dispute arising under that contract shall be adjudicated exclusively in the courts of the State of Washington or in the United States Federal District Court located in Seattle, Washington. The Seller waives any and all objections that it might otherwise have as to personal jurisdiction and venue in these exclusive tribunals.

18. Applicability to multiple purchase orders

Notwithstanding any other documents or records exchanged by Buyer and Seller, unless otherwise agreed by Buyer in its sole discretion, these Terms and Conditions shall apply to all purchase orders issued by Buyer and accepted, agreed to or performed by Seller. No additional terms or conditions will apply between Buyer and Seller unless specifically agreed to in writing by Buyer.