

TRADING TERMS AND CONDITIONS

1.0 ACCEPTANCE

This purchase order, including these general conditions and any specifications or attachments hereto, constitutes the sole and entire agreement between the parties. The Seller's quotation is incorporated in and made a part of this purchase order only to the extent of specifying the nature and description of all goods ordered and then only to the extent that such items are consistent with the other terms of this purchase order. No other terms or conditions shall be binding upon Buyer unless in writing.

2.0 CHANGES AND TERMINATIONS

Buyer may, by written change orders, make changes in specifications-drawings, method of shipment and place and time of delivery. If any change causes an increase or decrease in the cost of, or the time required for, performance, an equitable adjustment shall be made. By written notification, Buyer may terminate or cancel an order. Seller shall upon receipt of notice of termination, stop all work, except as otherwise directed by Buyer. Any amounts which Seller may claim as a result of termination shall be limited to reasonable costs incurred by Seller directly connected with the work prior to cancellation. Such amounts shall be reduced by any refunds or salvage values available to Seller and the aggregate amount of any previous payments made to Seller. Under no circumstances shall the total payments exceed the total price of this order. Upon such payment, title for materials and goods shall pass to Buyer. Buyer will not be liable for any material in excess of 60 days delivery schedule upon written notification that subject order has been cancelled. Any claim by Seller for adjustment or money shall be made within 30 days of the date of Buyer order/change.

3.0 DELIVERY AND PACKING

All goods are to be packed in suitable containers for protection in shipment and storage. Any highly polished, highly finished or precision parts are to be properly preserved and packed in containers which will afford protection against handling damages and/or atmospheric deterioration. Seller shall be responsible for goods until delivered at the designated delivery point regardless of the point of inspection, and Seller shall bear all risks as to rejected goods after notice of rejection. Seller shall mark Buyer's order number on all invoices, packages, bills of lading and shipping orders. Shipment shall be made F.O.B. to Buyer's plant at the address prescribed in this order, unless a different F.O.B. point is agreed upon. Unless otherwise provided herein, title in goods, including tooling, hereunder vests in Buyer only upon final inspection and acceptance at Buyer's designated facility.

4.0 PAYMENTS AND DISCOUNT

Upon submission of proper invoices, and subject to the terms of this purchase order, Seller shall be paid the prices herein for work and goods delivered and accepted or services rendered and accepted. No C.O.D. shipments shall be made unless pursuant to prior arrangements. Buyer may set off any of its claims against payments otherwise due Seller. Discounts shall be calculated as of the date of receipt of supplies or date of receipt of a proper invoice, whichever is later.

5.0 WARRANTIES

Seller warrants that the goods to be supplied under this, purchase order are fit and sufficient for the purpose intended, that they are merchantable, of good quality, and free from defects, whether patent or latent, in material and workmanship, and conform to all specifications, drawings, or samples of Buyer applicable to said articles. Seller agrees at its own expense and whenever and as often as requested by Buyer, to furnish and deliver to Buyer evidence in form and substance satisfactory to Buyer showing that each and all of said specifications have been fully and completely met and that the articles supplied hereunder fully and completely conform to such specifications. Seller warrants that it has good title to the goods to be supplied and that are free and clear from all liens and encumbrances. Seller agrees that it shall hold Buyer harmless from any claim asserted by any third party, on any legal theory, arising from any defect in material or workmanship of the items purchased hereunder. All work shall be done in a workmanlike and careful manner. These warranties are in addition to and not exclusive of, any others which may be implied by law or custom.

6.0 COMPLIANCE

Seller warrants that all goods and services sold hereunder shall have been produced, sold, delivered and furnished in strict compliance with all terms and conditions listed on both sides of the purchase order, all applicable laws and regulations including, but not limited to, the Federal Aviation Administration rules, and regulations, the Federal Occupational Safety and Health Act as amended, Executive Order 11246 and any subsequent laws relating to Equal Opportunity in employment, and any other applicable statutes, rules, regulations, and orders of the United States and of any state or political subdivision thereof.

7.0 DELAYS

Time is of the essence. If Seller does not ship as ordered on or before the shipping date shown on the order, or if Seller shall default in any material respect, or become insolvent, or if a receiver or trustee or assignee for the benefit of creditors is appointed to control any part of Seller's business, Buyer may terminate this order or the undelivered part thereof. Such cancellation shall be without prejudice to, or waiver of Buyer's right to recover damages therefore.

8.0 DATA AND MATERIAL

Seller agrees not to use or disclose any data or designs furnished by or belonging to Buyer, except in performance of this order. Upon Buyer's request such data or designs or any copy thereof shall be returned to Buyer. If Buyer furnishes or specifies any materials or processes for fabrication hereunder, Seller agrees to provide certification copies for specified material or process and agrees not to use any other material for process in such fabrication without Buyer's written consent

9.0 INSPECTION AND QUALITY CONTROL

The supplier shall ensure that its personnel are competent and have the relevant skills, qualification and training. Suppliers and sub-suppliers shall maintain a quality management system that ensures supplies and services comply with all Hawker Pacific Aerospace requirements. Physical and chemical analysis test data of the material supplied on the P.O. and a certified statement that the test results are within specified limits are required and shall be furnished by Seller. The test data shall provide objective evidence that the material meets the chemical and physical requirements of the applicable specification/drawing. When applicable, test specimens (e.g. production method, number, storage conditions) for design approval, inspection, investigation or auditing documentation traceable to the articles on the P.O. must be submitted with each shipment. The supplier shall maintain procedures to ensure that product which does not conform to specified requirements is prevented

from unauthorized shipment to Hawker Pacific Aerospace. If the supplier has reason to believe that nonconforming material may have been inadvertently shipped, the supplier is to immediately contact the buyer. If the supplier believes a deviation from the purchase order requirements is in order, written approval must be obtained from Hawker Pacific Aerospace. The buyer must be notified of any significant changes (pertaining to what is required on Hawker Pacific Aerospace's P.O.) to the suppliers process, methods, material, or product and obtain Hawker Pacific Aerospace's approval prior to implementation. Hawker Pacific Aerospace's suppliers must allow on-site verification of their quality management system, manufacturing process and product by Hawker Pacific Aerospace, our customer, our customer's representative or the government/regulatory agency. Suppliers, including dealers and distributors are responsible for ensuring that the applicable requirements of the purchase order flow down to lower tier suppliers that

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provide raw material, components or process services used in the product or service provided. Authority/regulatory approval requirements must be met prior to shipment of any item of the purchase order. The format and content of release documentation and quality records will include when applicable, but not limited to, some of the following: Approval Certificates of Conformity, Test Reports, Material Certification, Chemical Analysis, Travelers, non conformance documentation/rejection tags, FAA 8130-3 tags, Statement of Non-Incident, last certified operator, MSDS, and for life limited parts, back to birth traceability. The supplier must have a system for reporting defects and unairworthy conditions. All work shall be subject to inspection and test by Buyer and/or Buyer's customer including the United States Government. All materials or articles ordered may be subject to: (i) inspection during the period of manufacture (ii) inspection prior to shipment; and (iii) final inspection and acceptance at destination, notwithstanding any prior payment or inspection and acceptance. Seller shall inspect and document all work hereunder pursuant to high standards of quality control. Any material failing to meet Buyer's or its customer's standards may be rejected by Buyer, who may, at its option, and at Seller's risk and expense: (i) rework or repair rejected work; (ii) return rejected work to Seller, for which Seller shall refund the price and pay to Buyer the costs incurred by Buyer (iii) require Seller to repair or replace any such rejected work. Buyer's inspection shall not constitute a waiver or alteration of any warranties, including those set forth in paragraph 5. If this order is for elastomeric material then package parts individually in accordance with applicable specification and/or drawing requirements. Each package will be labeled with: Quantity, Part Number, Description, Cure Date, Shelf Life/Applicable MIL-SPEC of material, Manufacturer, Batch/Lot Number, Vendor Name, and P.O. Number.

10.0 TOOLING AND MATERIAL

Title to, and the right of immediate possession of all tooling and material furnished by Buyer to Seller shall remain with Buyer. Seller shall confirm to its own satisfaction that such tooling or materials is suitable for its performance under this contract.

If this order is for tooling, such tooling shall become the property of Buyer upon acceptance thereof by Buyer, at Buyer's facility, or as evidenced by written acceptance by Buyer.

Invoices shall be submitted for tooling after acceptance by Buyer of sample (first article) or a sample of production parts for which tooling was ordered. Payment by Buyer of invoices for tooling will be made following receipt of documentation (i) showing Buyer's part number and tool code number, other identifying data Buyer may reasonably require, and the unit price of each tool for which payment is sought, and (ii) bearing Seller's certification that each tool listed is complete and satisfactory for the use for which it is intended.

Buyer's tooling in the possession of Seller shall be maintained in good condition and must be permanently identified (i) showing the name of Buyer; (ii) the part number; and (iii) tool code number.

11.0 TOOLING AND MATERIAL

Subject to the provisions of the preceding paragraph 10 (i) all tooling ordered, and all tooling and material furnished by Buyer, shall be used solely in the performance of work ordered by Buyer and (ii) such tooling and material shall be disposed of at any time and in the manner as Buyer may direct. Seller shall maintain inventory control of all such tooling and material and furnish inventories as required by Buyer. Such tooling and material shall not be co-mingled with property belonging to Seller or others, except as much material may be incorporated into or attached to supplies consumed or expanded in the performance of this order.

The provisions of this clause apply to tooling ordered by Seller from its subcontractors under the order, and to tooling and material furnished by Buyer to Seller which is furnished by Seller to such subcontractors.

Seller shall carry term and extended coverage insurance on items covered by this article in an amount equal to the full replacement cost thereof.

12.0 PATENT INDEMNITY

To the extent that goods are manufactured to detailed designs not originated and furnished by Buyer or by a process or method, the use of which is specifically directed by Buyer, Buyer shall have no responsibility to Seller for patent infringement and Seller guarantees that the sale or use of such Supplies, or the use of such process or method hereunder, will not infringe any United States or foreign patents, trade marks, or copyrights and shall indemnify and save Buyer and its customers harmless from any expenses, loss, cost, damage, or liability which may be incurred on account of infringement or alleged infringement of patent rights, trademarks, or copyrights with respect to such supplies, and defend, at its own expense, any action or claim in which such infringement is alleged.

13.0 INSURANCE AND RISK OF LOSS

All tools, designs, patterns, drawings and other property, if any belonging to Buyer, shall while in Seller's possession, be at Seller's sole risk from loss or damage from all hazards; likewise, all materials until delivered and accepted at Buyer's plant shall be at Seller's sole risk from loss or damage from all hazards. In the event that Seller is required to come upon Buyer's premises, during delivery or installation of the materials herein specified, or for the performance of services required to be furnished by the Seller, Seller agrees that it will, before coming upon Buyer's premises, obtain insurance coverage indemnifying and holding harmless Buyer, its officers and employees from any property damage or personal injury of whatsoever kind or nature during such delivery, installation or performance of service. Such insurance shall be in standard form for property damage and public liability and in reasonable limits. Seller agrees to furnish Buyer on demand, with a certificate or other satisfactory evidence of such insurance coverage. If Buyer so requests prior to the commencement of said work, Seller further agrees to carry group worker's compensation insurance for its own employees.

14.0 PRICES

The prices to be charged for the articles ordered shall not be higher than those last quoted or charged by Seller, unless the price is specified on the face of this order.

15.0 GOVERNMENT CONTRACTS

If this order indicates that it is placed under a Government Contract, it is subject to all applicable Government Laws and Regulations, including those attached hereto.

16.0 DEFAULT

Should Seller fail to provide the items purchased hereunder in the quantities, and at the time and price specified herein, Buyer may elect to hold Seller in default, on reasonable notice not to exceed ten days. Buyer may proceed to acquire the items purchased herein from other sources upon such election, and Seller shall be liable to Buyer for any increased costs incurred by Buyer as a result of Seller's default. Furthermore, such action shall incur no liability on the part of Buyer.

17.0 CHOICE OF LAW

This Agreement shall be construed in accordance with and governed by the rules of the American Arbitration Association and the laws of the

State of California. Seller irrevocably and unconditionally submits to the jurisdiction of the American Arbitration Association in California and the courts of the State of California, and the Superior Court for the County of Los Angeles in connection with any arbitration and related legal action or proceeding arising out of or relating to this Agreement, and Seller waives any objection relating to the basis for personal or in rem jurisdiction or to venue which it may now or hereafter have in any such arbitration, suit, action or proceedings.