

GSE Dynamics, Inc.

PURCHASE ORDER TERMS AND CONDITIONS

In the event the articles, materials and/or services covered by this Purchase Order are intended to be used directly or indirectly in the performance of a contract with the United States Government, or with a prime or subcontractor of the said Government this order shall be deemed to include, in addition to all the terms and conditions set forth herein, all applicable provisions of such contract, laws executive orders, and regulations of the United States required to be incorporated in this type of contract. In addition, seller agrees to flow down these requirements contained in this document to its lower-tier subcontractors and to also require further flow down, where applicable.

1. **ACCEPTANCE** – This Purchase Order shall not constitute a binding agreement until accepted by the Seller by acknowledging receipt and acceptance by immediately returning to the Buyer the attached acknowledgement form properly executed. Acceptance of this Purchase Order shall constitute acceptance of the terms and conditions set forth herein. If the Buyer does not receive the acknowledgement copy of the Purchase Order duly executed by the Seller, any shipment or performance by the Seller pursuant to the Purchase Order shall constitute and acceptance of this Purchase Order, including its terms and conditions by the Seller. No modification of this Purchase Order will be binding upon the Buyer unless agreed to in writing by a duly authorized agent of the Buyer.
2. **PRICES** – The prices indicated on this Purchase Order include packing and shipping cost unless otherwise specified. The Seller expressly warrants that the prices charged herein are not in excess of the prices charged to any other customer for like or smaller quantities. Unless otherwise indicated on the face of this Purchase Order, the prices include all Federal, State and local taxes and duties.
3. **PACKING & SHIPPING** – Damage to any merchandise not packed to ensure proper protection to same, if accepted by the Buyer, will be charged to the Seller. The Seller will not insure shipment made F.O.B. Seller's plant unless specifically requested to do so to the Buyer. If shipment is made by Parcel Post and the value of the package exceeds \$500.00 the Seller will insure for \$50.00 only.
4. **WARRANTY** – Seller expressly warrants that all articles, materials and work or services ordered to specification will conform hereto, and to the specifications, drawings, samples or other descriptions furnished by the Buyer or that if not ordered to specification that they will be fit and sufficient for the purpose intended and that all articles will be of good quality and workmanship and free from defects, including latent. This warranty shall run to the Buyer and/or its vendors and shall survive delivery and shall not be deemed waived either by reason of inspection and/or acceptance thereof for the payment therefore by the Buyer. Any material delivered under this Purchase Order for the Buyer which is rejected by the Buyer may be held by the Buyer after notice of rejection to the Seller at the Sellers risk and expense and subject to the Sellers order or at the option of the Buyer, may be returned for credit, transportation collect. The Seller will pay the cost of the Buyer's material which may be damaged by any defective workmanship by the Seller. Where the Seller delivers material not in accordance with the warranty contained herein, the Buyer shall have the option of canceling this Purchase Order either in whole or in part or, if in the opinion of the Buyer the non-compliance of the Seller may retard the Buyer's production schedule, the Buyer may take all necessary steps in order to maintain production
5. **INSPECTION** – All articles, supplies and material to be furnished under this Purchase Order shall be subject to inspection and test by the Buyer and/or the Government to the extent practicable at all times and places, including the period of manufacture and in any event, prior to final acceptance. If inspection and test is made on the Seller's premises or that of its supplier, the Seller shall furnish all reasonable facilities and assistance without addition charge. All such inspection and tests shall be performed in such manner as not to delay the work unduly. All records of manufacture, inspection and testing are to be legible and stored in such a way that they are identifiable protected and readily retrievable if so required. All such records of manufacture, inspection and test are to be retained for a minimum of ten years. If the face of this Purchase Order indicates that Government source inspection is required, a document bearing Government source inspection approval must accompany each shipment. If Government source inspection is not indicated on the face of this Order, then the Seller, by acceptance of this Purchase Order certifies that all supplies included in each shipment will be in accordance with said Purchase Order

and with all requirements, specifications and drawings listed or referenced in said Purchase Order including all requirements, specifications and drawings as to process finishers and techniques, and that the material used conform in all respects to the requirements of said Purchase Order. The clause confirms the rights of the Buyer, its customers and any regulatory authority, access to any facilities involved in the processing of the order and any records associated with that order upon request. FAR clause 52.246-11, Higher Level Contract Quality Requirement Applies.

6. PRIORITIES – When a priority symbol (e.g. - DO-A1) appears on the face page hereof, Seller is required to follow the provisions of DMS REG 1 and of all other applicable regulations and orders of BDSA in obtaining controlled materials and other products and material needed to fulfill this Purchase Order.

7. DELIVERY –The date or dates of delivery herein specified must be strictly adhered to, since time is of the essence. The Buyer may refuse any delivery if prevented by strikes, causalities, or other causes beyond its control from receiving or using it. Over shipment allowances, if duly authorized by the buyer by E Mail or amended order, will be applied to the entire order. Acceptance of late deliveries shall not be deemed a waiver of the Buyer's right to hold Seller liable for any loss or damage resulting from such late deliveries, nor shall it act as a modification of Seller's obligation to make remaining deliveries in accordance with the delivery schedule set forth in this order.

The Seller shall have a ten (10) day grace period for delivery due dates for orders sent to Seller for items with agreed upon lead times; thereafter, the Buyer may impose liquidated damages equal to five (5) percent of the line item value for each line received beyond the grace period. The Buyer shall communicate such damages to the Seller and shall have the right to withhold such damages for payments due the Seller. In such event, the Seller agrees to save the Buyer harmless from any damage resulting from Seller's refusal or failure to make deliveries as specified, including but not limited to the excess cost of repurchase to the Buyer, provided however, that the Seller shall not be charged with any such costs paid by the Buyer when the delay of the Seller in making deliveries is due to causes beyond the control and without the fault or negligence of the Seller including but not restricted to Acts of God, strikes, freight embargoes, further provided, however that the Seller shall notify the Buyer in writing of any anticipated delay within one week after first obtaining notice that such delay may occur. The Buyer may at any time place a hold or stop order with respect to any deliveries to be attached under this Purchase Order. In such event, the delivery schedules will be extended to reflect any delay in delivery solely attributable to such order upon written request therefore by the Seller within 30 days after the placing of such hold or stop order by the Buyer. No cost consequences, however, may be imposed upon the Buyer as a result thereof.

8. CHANGES – The Buyer may at anytime, by written order and without notice to any sureties or assignees of the Seller, change the extent, amount or quantity of the work covered by the Purchase Order, or make changes in or additions to the drawings and specifications. If such changes cause a material increase or decrease in the amount or character of such work or in the time required for its performances an equitable adjustment of the prices and/or the delivery schedule applicable to this Purchase Order shall be made and said Purchase Order shall be modified accordingly. Any claim for an increase in price or extension of the deliveries by the Seller under this clause must be asserted by the Seller within thirty (30) days from the date on which the change is ordered and shall set forth the amount involved together with a breakdown and such other information as the Buyer may request to justify the said claim, provided that the Buyer may consider and act upon any such claim at any time prior to the date of final settlement of the Purchase Order if the Buyer determines that the facts justify such action. Nothing contained in this clause shall excuse the Seller from proceeding with performing the Purchase Order as changed. The Seller must notify the Buyer and seek approval for any and all changes in product and/or process after Purchase Order acceptance. The seller also must notify the buyer of any change in suppliers sub-contractor use or of a change in facility location or of a change in the sellers outside agency quality level accreditations such as AS9100, ISO9001 or NADCAP process approvals. The seller may not alter the chemical or physical makeup of the product being purchased unless the buyer approves of the changes.

9. INDEMNITY – The Seller agrees to protect, indemnity and hold harmless the Buyer, its successors assigns, customers and users of its products against any liability loss damage or expense whatsoever, resulting from any infringement of any United State or Canadian patent trade names or trade marks (except those owned or controlled by the Buyer) by any thing or material of design composition or processing of the Seller's origin or practice supplied by the Sellers under this Purchase Order. The Buyer agrees to notify the Seller of any claim, demand of suit for

infringement involving any such thing or material within a reasonable time.

10. SUBCONTRACTS – No subcontract shall be made by the Seller with any other party for furnishing any the completed or substantially completed material articles, spare parts or work herein contracted for without the written approval of the Buyer. For the purpose of this clause the term “subcontract” includes only contracts for the production of or work upon an item, component, or assembly manufactured according to Government specifications or specifications of the Buyer and does not include (1) any purchase of a standard commercial or catalog item (2) any purchase of a basic raw material (3) any purchase of supplies or services for the general operation of the Seller’s plant or (4) any purchase from a parent, subsidiary or affiliate of the Seller. The procurement of these items shall be made by the supplier and appropriate controls of such are to applied to their direct and sub-tier suppliers to ensure that the requirements are met. In the event that a subcontract is authorized by the Buyer, then any and all applicable requirements including key characteristics must be flowed down to all sub tier suppliers as required.

11. ASSIGNMENT – None of the monies due or to become due nor any of the work to be performed under this Purchase Order shall be assigned without the written consent of the Buyer having been obtained beforehand, and the Buyer shall not be bound by any assignment made without such consent and shall have the right to make any payment which may be due hereunder to the Seller without incurring any obligation to such assignee.

12. SETOFFS - The Buyer shall have the right at any time to set off any amounts now or hereafter owing whether or not due and payable, by the Seller to the Buyer under this agreement or otherwise, against amounts which are then or may thereafter become due and payable under this Purchase Order.

13. INSOLVENCY – The Buyer reserves the right to cancel this Purchase Order at no cost the Buyer by notice thereof to the Seller if the Seller takes or becomes subject to any proceeding based on insolvency or reorganization.

14. DISPUTES – Except as may be otherwise provided herein any dispute arising under this Purchase Order which is not disposed of by mutual agreement shall be submitted for arbitration under the rules of the American Arbitration Association and judgment upon any resulting award thereon may be entered in any court of competent jurisdiction. However, the parties agree that the arbitration shall be conducted only at a location within 100 miles of Hauppauge, New York, with the laws of the State of New York being the applicable law.

15. BUYER FURNISHED MATERIAL – All tools, articles or property furnished by the Buyer to the Seller, including tools made by the Seller for the Buyer’s account to process the material covered by this Purchase Order shall be retained and utilized by the Seller at the Seller’s risk subject to the Buyer’s examination and return to the Buyer on demand at the Seller’s expense in as good condition as received ordinary wear and tear excepted and shall be kept segregated and clearly marked by the Seller as the property of the Buyer, or if so instructed by the Buyer as the Property of the Government.

The Buyer retains all rights in designs and drawings furnished by the Buyer to the Seller in connection with the Purchase Order and no such design or drawing shall without the Buyer’s written permission be incorporated or used in connection with goods furnished to others nor shall such designs or drawings be exhibited or disclosed to any other person except as permitted under the clause entitled “Subcontractor” herein if this order is for a government contract the following rules and regulations shall apply. No drawing design changes may be made by the supplier without authorization from GSE Dynamics. The Seller must provide timely notification to the Buyer regarding any nonconforming materials and must make the appropriate arrangements for the Buyer to inspect and provide disposition of said nonconforming material. The Seller shall plan and control a process to prevent the use of counterfeit parts in its products produced.

16. ADDITIONAL REQUIREMENTS – The following paragraphs of the Federal Acquisition Regulation (FAR) and Defense Federal Acquisition Regulation Supplement with applicable amendments and deletions thereto in effect on the date of this Purchase Order, are incorporated herein by reference and made a part of this Purchase Order.

CLAUSE	FAR REFERENCE
Utilization of Small Business Concerns	52.219.8
Buy American Act	52.225.8
Equal Opportunity	52.222.26
Officers Not To Benefit	52.203.1
Notice of Gov't of Labor Disputes	52.222.1
Security Requirements	52.204-2
Examination of Records	52.215.1
Convict Labor	52.222.3
Price Reduction for Defective Pricing	52.215.23
Affirmative Action Program	52.222.35
Termination	52.249.1, 52.249.2
Default	52.249.8
Patent Rights	52.227.10
Data	52.215.22
Contracts Work Hours Standards Act-Overtime	52.222.4
Walsh Healy Public Contracts Act	52.222.20
Special Tooling	52.245.17
Higher Level Contract Quality Requirement	52.246-11
Defense Priorities and Allocation System	15 CFR 700
Export Controlled Items	48 CFR 252.204-7008
Compliance with Safeguarding Defense Information	252.204-7008
Safeguarding Covered Defense Information and Cyber Incident Reporting	252.204-7012
Combatting Trafficking in Persons	52.222-50
Contractor Code of Business Ethics and Conduct	52.203-13
Prohibition on Contracting Certain Telecommunications and Video Equip.	52.204-25
Protecting the Government's Interest (Contractor's debarred, suspended)	52.209-6
Reporting Nonconforming Items	52.246-26
CLAUSE	DFAR REFERENCE
Contractor Counterfeit Electronic Part Detection and Avoidance System	252.246-7007
Sources of Electronic Parts	252.246-7008
Restriction on Acquisition of Specialty Metals	252.225-7008
Restriction on Acquisition of Certain Articles Containing Specialty Metals	252.225-7009
Restriction on Acquisition of Certain Magnets, Tantalum, and Tungsten	252.225-7052

17. DAMAGE – The Seller will indemnify the Buyer against and save it harmless and defend it from all liability or loss, damage or injury to persons or property in any manner arising out of or incident to the performance of this Purchase Order.

18. EQUAL OPPORTUNITY & NON-DISCRIMINATION IN EMPLOYMENT – included in this contract by reference are Paragraphs 1 through 6 Section 202 Executive Order 11246 eff. October 24, 1965 as amended by Executive Order 11375 eff October 13, 1967 and as such Orders may be further amended or superseded to the date of this contract. As used therein, the word “Contractor” shall be deemed to mean the word “Seller” and the word “Contract” shall be deemed to refer to this Purchase Order. Seller shall file the compliance reports referred to in Section 302 of said Executive Order as well as any other reports that may be required by regulations issued pursuant thereto.

This contractor and subcontractor shall abide by the requirements of 41 CFR 60-1.4(a). This regulation prohibits discrimination against qualified individuals on the basis of race, color, religion, sex or national origin and requires affirmative action by covered prime contractors and subcontractors to ensure applicants are employed and that employees are treated without regard to race, color, religion, sex or national origin.

This contractor and subcontractor shall abide by the requirements of 41 CFR 60-741.5(a). This regulation prohibits discrimination against qualified individuals on the basis of disability, and requires affirmative action by covered prime contractors and subcontractors to employ and advance in employment qualified individuals with disabilities.

This contractor and subcontractor shall abide by the requirements of 41 CFR 60-300.5(a). This regulation prohibits discrimination against qualified protected veterans, and requires affirmative action by covered prime contractors and subcontractors to employ and advance in employment qualified protected veterans.

19. WAIVER – The waiver of a breach of any provision of this contract shall not constitute waiver of any other breach or of such provision.

20. REWORK – In the event rework is necessary, due to non-adherence to specifications and only through the fault of the vendor. Buyer at its discretion may rework same and charge back to the vendor at the prevailing hourly rate.

21. DIGITAL PRODUCT DEFINITION – D6-51991 is invoked when purchase order is a direct to Boeing contract. MAA1-10009-1 is invoked when purchase order is direct to Spirit Aerosystems contract.

22. TERMINATION –

a. For Convenience:

Buyer may terminate order for its convenience in whole or in part, from time to time (i) upon thirty (30) days written notice or (ii) as applicable in accordance with FAR 52.249-2 in effect on the date of this order in which the terms “Government” and “Contracting Officer” mean Buyer and the term “Contractor” means Seller. Notwithstanding anything to the contrary; Buyer shall not be liable for any incidental, special or consequential damages or loss profits arising out of any termination for convenience under this order.

The provisions of clause 22(a) shall not limit or affect the right of the Buyer to terminate this order for default.

b. For Default

(i) This order may be terminated (i) in whole or part for cause upon Buyer’s written notice providing ten (10) day opportunity to cure or, (ii) as applicable, for default pursuant to FAR 52.249-8, incorporated herein by reference, it being understood that time is of the essence. Any references to “disputed clauses” is hereby deleted. In the context of the clause “Contracting Officer” and “Government” mean Buyer, and “Contractor” means “Seller”.

(ii) This order may be terminated immediately for default if Seller becomes insolvent or is subject to proceedings under any law relating to bankruptcy or in the event of an appointment or a receiver or trustee, or the assignment by Seller for the benefit of creditors.