



Terms and Conditions

1. **TERMS AND CONDITIONS** - These Terms and Conditions of Purchase ("Terms") supersede and take precedence over any solicitations, proposals, terms, or conditions submitted by Seller to Purchaser prior to acceptance by Seller of Purchaser's Purchase Orders; and no terms and conditions other than those set forth in Purchaser's Purchase Orders or in any document attached to or incorporated by reference in these orders, shall bind Purchaser. Seller is conclusively deemed to have expressly agreed to and accepted all terms and conditions herein if Seller expressly agrees in writing to accept Purchaser's orders, or if any part of the goods covered by these orders are shipped by Seller.

2. **COMPLIANCE WITH LAWS** - Seller is, and shall remain, in compliance with all applicable Federal, State and Local laws, ordinances, orders, rules, and regulations now in effect or hereinafter enacted.

3. **CONFIDENTIAL OR PROPRIETARY INFORMATION** - Any knowledge or information which Seller has disclosed or may disclose to Purchaser which in any way relates to the goods or services covered by Purchase Orders, shall not, unless specifically agreed to in writing by Purchaser, be deemed to be confidential or proprietary information, and shall be acquired by Purchaser free of all restrictions, as part of the consideration for orders.

4. **QUALITY CONTROL AND INSPECTION; REJECTION AND ACCEPTANCE** - Supplier shall provide and maintain a quality control system (which shall include inspection and testing) which shall comply in all material respects with CNC 2000, INC.'s supplier quality requirement and adequate to ensure compliance with any additional quality control requirements or specifications set forth on the face of this Order and acceptable to Buyer. Test reports and/or certifications shall be retained by Seller for a period of ten (10) years. During performance of this Order, Supplier's quality control, inspection and testing system and manufacturing processes are subject to review, verification, and analysis by Buyer, Government representative (s), and any other interested party. All Supplies ordered may be subject to (a) inspection, verification, or testing during the period of manufacture; (b) inspection or verification prior to shipment; and (c) final inspection at destination notwithstanding any prior inspection. Such inspection and verification rights shall extend to any other interested party and/or the Government. If any inspection or test is made on the premises of Supplier or its lower-tier suppliers, Supplier shall, without additional charge to Buyer, provide and shall require its lower-tier suppliers to provide all reasonable facilities and assistance for the safety and convenience of Buyer, any interested parties, and Government inspectors in the performance of their duties. Upon any such inspection, Buyer may reject Supplies that do not conform to applicable specifications, drawings, samples, or descriptions or that are defective in material, workmanship, or design. Supplier shall not re-tender rejected Supplies reworked to specification or replaced to Buyer unless Buyer has consented to such re-tender. Supplier shall notify Buyer of past rejections of all retendered Supplies. Neither inspection nor testing by Buyer; nor Buyer's decision not to inspect or test; nor Acceptance or deemed Acceptance shall relieve Supplier from its obligations (i) to provide Supplies in accordance with applicable

specification, drawings, samples, and descriptions and (ii) honor its warranty obligations.

5. **SELLER'S WARRANTIES** - Seller warrants and represents to Purchaser that all products and materials sold by Seller pursuant hereto will, when delivered to Purchaser, conform to the specifications, drawings or samples specified or furnished thereof and be and remain free from defects in workmanship and material. In addition to other remedies available, all products or components which, in Purchaser's judgment, fail to meet either such warranty shall, at Purchaser's option, be replaced by Seller at no charge for the product or components thereof or labor connected therewith. This warranty shall survive any inspection, delivery, or acceptance of, or payment by Purchaser for, the products or materials or services.

6. **TERMINATION** - Purchaser may terminate all or any portions of their Purchase Orders at any time by written notice to Seller (including but not limited to any time that Seller has ceased to operate its business in the normal course for any reason [including cessation resulting from inability of Seller to meet its obligations as they mature or Seller becoming subject to any proceeding under bankruptcy or insolvency laws or subject of a receiver appointed for Seller or an assignment for the benefit of creditors]), and upon termination by Purchaser, Purchaser and Seller shall negotiate reasonable termination charges, which shall not exceed

(a) the Purchase price incurred by Seller for materials purchased for ultimate delivery to Purchaser hereunder which materials have not yet been delivered to Purchaser and cannot be returned, reused, or resold by Seller and (b) actual costs of work done to or upon such materials to prepare them for delivery to Purchaser.

7. **EXTRA CHARGES AND PACKAGING REQUIREMENTS** - No charges, including but not limited to boxing and cartage charges, will be allowed unless specifically agreed to by Purchaser in writing. Seller shall be responsible for packing and packaging necessary to withstand transportation hazards, and any special packaging instructions of the Purchaser set forth on the Purchase Orders are Seller's obligations. Price will cover net weight, unless otherwise agreed. Packaging for shipments on Commercial Bills of Lading must meet commercial standards and accepted industry practices with full protection of the materials to ultimate destination and must conform to governing classifications, including but not limited to Uniform Freight Classification, for rail - National Motor Freight Classification, for truck - Railway Express Classification, for express - U.S. Official Postal Manual, for parcel post - Official Air Freight Rules Tariffs, for air freight.

8. **DELIVERY SCHEDULE** - Seller shall not make material commitments or production arrangements schedules. Seller shall comply with the delivery requirements set forth on the Purchase Orders. Goods shipped to Purchaser in advance of schedules may be returned by Purchaser to Seller at Seller's expense.

9. **DELAYS IN DELIVERY** - Purchaser's production schedules are based upon Seller's timely delivery. Time is of the essence for Purchaser's Purchase Orders. If Seller for any reason does not comply with Purchaser's delivery schedules



Terms and Conditions

solely by reason of causes beyond Seller's reasonable control of which delays Seller gave written notice to Purchaser after the start of any such delay, Purchaser, in addition to any other rights, may, at its option, either approve or provide a revised delivery schedule or terminate in whole or in part its Purchase Order without liability to Seller on account thereof.

10. REJECTIONS - If any of the goods are defective in material or workmanship or do not conform with the requirements of any Purchase Orders, Purchaser, in addition to all other rights which it may have at law, in equity or under these Terms, may, at its option, at Seller's expense, correct or have corrected the defect or nonconformity or reject and return such goods to Seller.

11. CHANGES- Purchaser shall have the right to make changes in orders, but no additional charges will be allowed unless authorized in writing by Purchaser. If such change affects deliveries or the amounts to be paid by Purchaser, Seller shall notify Purchaser immediately and negotiate an adjustment, based upon Seller's actual additional out-of-pocket costs. The maximum liability of Purchaser for obsolescence, scrapage, and/or rework resulting from any change shall be limited to the materials and parts in process at the time of the change and when such parts are within Seller's normal manufacturing cycle required to meet the established delivery schedules. Purchaser shall have no liability hereunder for cost of obsolescence, scrapage or rework of materials and parts which Seller has released for manufacture in advance of Seller's normal manufacturing process.

12. PROCESS CONTROL - When prior review is required by Purchaser, the Seller shall identify and present to the Purchaser processes for planning the fulfillment of Purchase Order requirements. Seller shall not modify the manufacturing and/or processing of controlled items without Purchaser's prior written approval. For any such item, the Seller will submit a written request to Purchaser for prior approval before making any modifications to the process including changes in suppliers or changes in manufacturing facility locations.

13. PATENT INDEMNITY - Seller shall, at its expense, handle, adjust and dispose of all claims and defend all suits and proceedings brought against Purchaser or its customers (which term includes, without limitation, Purchaser's lessees, bailees, transferees and assigns) based to any extent on any claim that the manufacture, use or sale of goods, constitutes infringement of any patent or intellectual property rights; and Seller shall indemnify, defend, and save harmless Purchaser and its customers from and against all losses, costs, damages, expenses, and liabilities arising out of or related to any such claim, suit or proceeding. If said goods or their manufacture or sale are enjoined or interfered with, Seller shall, at the election of Purchaser, but at Seller's expense, (i) procure for Purchaser and its customers the right to continue using said goods, or modify them so they become non-infringing, or (ii) remove said goods and refund the purchase price and transportation and

installation costs thereof. The foregoing indemnity and warranty obligations are inapplicable:

a) where the infringement results from detail designs supplied by Purchaser, unless goods embodying such designs are normally sold or advertised for sale to others by Seller; or

b) to the extent that a suit based on said infringement claim may be maintained only against the U.S. Government.

14. SPECIFICATIONS - All specifications, drawings, notes, instructions, engineering notices, or technical data referred to in Purchase Orders shall be deemed incorporated herein by reference as if fully set forth.

15. TITLE TO DRAWINGS AND SPECIFICATIONS - Purchaser shall always retain title to all drawings and specifications furnished by Purchaser to Seller. Seller shall use such drawings and specifications only in connection with Purchase Orders and not disclose or use such drawings and specifications to or for the benefit of any person or entity other than Purchaser. Seller shall, upon Purchaser's request or completion of orders, promptly return all drawings and specifications to Purchaser.

16. PROOF OF SHIPMENT - Seller shall forward to Purchaser, with each receipt of goods by Purchaser, the express receipt or bill of lading, signed by the carrier, evidencing the fact the shipment has been made. No partial shipments are allowed.

17. RECORD RETENTION - Seller shall maintain a documented procedure for the generation, verification, and retention of records associated with articles and materials throughout procurement, processing, fabrication, inspection, and test. Records shall be of sufficient detail, accuracy, and format to permit analysis of quality performance. Records shall be legible and reproducible. These records shall be identified and traceable to associated articles, including unit or lot serialization and configuration, when applicable; and shall be made available to Purchaser upon request. Records shall be retained for a minimum of ten (10) years after final payment of any Purchase Order or for an additional period, if specified in the Purchase Order. Records retained, unless otherwise specified include:

- Seller's Procurement Documents
- Receiving/In-Process/Final Inspection and Test (including results)
- Process Control Records
- Employee Training/Qualifications
- Calibration Records
- Dispositions of Nonconforming Articles and Corrective Action

18. CERTIFICATE OF CONFORMANCE - Seller agrees to generate Certificates of Conformance when required by the Purchaser that comply with the following criteria:

a) The CoC shall identify the purchased material, equipment, or service such as by the Purchase Order number including change order number where applicable.



Terms and Conditions

b) The CoC shall identify the specific procurement requirements met by the purchased material, equipment, or service, such as codes, standards, and other specifications. The procurement requirements identified shall include any approved changes, waivers, or deviations applicable to the subject material, equipment, or service.

c) The CoC shall identify any procurement requirements that have not been met, together with an explanation and the means for resolving the nonconformance(s).

d) The CoC shall be signed or otherwise authenticated by a person who is responsible for this quality assurance function and whose function and position are described in the Purchaser's or Seller's quality assurance program.

e) The CoC shall be completed per established procedures within the Seller's quality assurance program. These procedures include defined processes for filling out, reviewing, and approving all C of Cs.

19. SUBTIER VENDOR FLOWDOWN - Seller is responsible for passing down all applicable Purchase Order requirements to sub-tier vendors.

20. AWARENESS - Seller shall ensure that persons doing work under their organization's control are aware of their contribution to product or service conformity, safety, and the importance of ethical behavior.

21. COUNTERFEIT - Applies to suppliers at any tier for acquisition of electronic parts, end items, components, parts, or assemblies containing electronic parts, services supplying the foregoing as part of the service, including commercial items. To prevent the purchase of counterfeit or suspect / unapproved products, to ensure product identification and traceability, and for other reasons, CNC 2000, Inc. will institute controls that include the requirement of Material Certificates, Certificates of Conformity, and / or other supporting documentation from its suppliers as is appropriate. These requirements may be specified on CNC 2000, Inc. Purchase Order or may otherwise be communicated to the supplier.