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## **FLEXCO PURCHASE ORDER TERMS & CONDITIONS**

This document constitutes the entire agreement between the parties relating to purchases of the materials specified on the purchase order and prevails over any and all terms contained in Sellers terms and conditions or Flexco Inc.'s written acknowledgment. However, prices, quantities, dates, delivery destination, means of transportation are to be specified by Flexco Inc. (hereinafter called Buyer) on the purchase order. Seller shall acknowledge in writing acceptance of Purchase Order conditions.

### **1. Quality**

All suppliers shall have a quality system approved by the Buyer's Quality Assurance Manager. Suppliers with 100% quality and delivery rating will receive Preferred Status in consideration by the purchasing department for placement of orders. All suppliers are expected to have a rating of 95.0% or better.

### **2. Inspection**

Seller agrees to inspect and test all goods furnished in performance of this agreement to insure compliance with specifications and other requirements of an order. Test reports and/or certifications shall be retained by Seller for a minimum of eleven (11) years after shipment of goods. Seller agrees to permit inspection and testing by Buyer of all goods furnished in performance of this agreement during manufacture, where practical, and at all other reasonable times and places. All goods shall be received subject to Buyer's inspection and acceptance or rejection. Inspection or testing of, or payment for any goods shall not constitute an acceptance thereof. Acceptance by Buyer does not relieve Seller of liability for latent defects, fraud or such gross error or defects as amount to fraud. Buyer shall have the right to reject any goods found not to be in compliance with specifications or other requirements of this agreement. The obligations of this paragraph shall survive the cancellation, termination or completion of any Order.

### **3. Flow-down Of Applicable Requirements and Key Characteristics to Sub-tiers**

The supplier shall flow-down to sub-tiers the applicable requirements in the purchasing documents, including key characteristics where required.

### **4. Notification of Changes**

All Flexco Inc. drawings are owned by the Buyer with proprietary rights in effect. They are not to be copied or used by anyone other than the Seller awarded a purchase order to manufacture parts from said print. Seller assumes responsibility for any patent infringement by any person, firm or corporation while in the Seller's company. Off loading, sub-contracting or novating of Buyer's parts, without the expressed written permission of the Buyer, is considered reason for terminating any contract, agreement or purchase order.

### **5. Material**

Buyer prefers that domestic material be used in the production of the products on this order, however, if material that is being supplied complies with Defense Federal Acquisition Regulation (DFAR) 252.225-7014, and the foreign country is listed as a "qualifying country" per DFAR 225.872, and sub-section 225.872-1 of the Defense Federal Acquisition Regulation Supplement, then Buyer will accept material from a "qualifying country".

The seller must list any hazardous material. The hazardous material shall be properly identified and include material safety data sheet.

### **6. Notification/Disposition of Non-Conforming Product**

Seller shall promptly notify Buyer when nonconforming product has been shipped. The notification shall include part numbers, traceability, ship dates, quantities and description of the nonconformance. Buyer reserves the right to return nonconforming parts (material) to Seller at the Seller's expense. Seller will be debited until discrepant parts are accepted by the Buyer's quality department. If parts are scrapped it is the sole responsibility of Seller to replace material in an expedient manner acceptable to Buyer.

### **7. Prevention of Counterfeit Parts**

Supplier shall plan, implement and control processes for the prevention of counterfeit or suspect counterfeit parts. Seller shall notify Buyer when counterfeit or suspect counterfeit parts have shipped.

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## **8. Clerical Errors**

Buyer reserves the right to ask for corrected certifications, shippers or any and all paperwork sent with typographical errors which will interfere in acceptance of purchased material. Incorrect paperwork may result in delay in payment to the Seller.

## **9. Retention of Documents**

Seller shall maintain records of Manufacturing and traceability of material used in the fabrication of the parts, sub-assemblies or assemblies produced in fulfillment of this purchase order. These records shall be maintained by the Seller for a period of eleven (11) years after completion of the purchase order and shall be made available for review by authorized Buyer personnel, upon written request. After the retention period, the records will be either destroyed or returned to Flexco. Supplier records shall include copies of dimensional layouts, First Article Inspections ( when required by contract), SPC charts ( when contractually required) and records pertaining to the process and process control of purchased product, i.e. part routers, inspection and test data, and any special process control records for heat treat, mechanical and/or physical testing, and rejection and rework data.

## **10. Tooling**

Tooling purchased to aid in the manufacture of Buyer's parts and paid for by the Buyer becomes the sole property of the Buyer and cannot be used for any other customer. Tooling may be retained by the Seller, and shall be clearly identified with the Flexco Inc. name and part number. Buyer reserves the right to have tooling shipped to our facility or any facility Buyer requests. Rework of tooling to be done only with the written permission of the Buyer.

## **11. Configuration Control**

Please use the latest revision of any applicable specifications unless noted otherwise. Seller shall make no change in design, manufacturing or assembly processes or source of supply which would affect form, fit, function, weight or performance of the Goods ordered hereunder without the express, written approval of Buyer. In the event the Seller proposes such a change, the Seller shall provide copies of the proposed revision and supporting data to the Buyer for written approval. Should the Seller fail to obtain the Buyer's written approval prior to delivering the modified Goods, then Buyer may reject the Goods and seek all applicable rights and remedies. The seller shall notify Flexco Inc. of any changes in product and/or product definition and, where required, obtain Flexco Inc. approval.

The Seller shall advise Buyer of products(s) deficiencies and rectification actions which affect the satisfactory operation of the product(s) and/or Value of which it is a part.

## **12. Laws and Regulations**

Seller agrees, in accepting this Agreement, to comply with all applicable local, state and federal laws, Orders, directives and regulations heretofore or hereafter promulgated. Including, but not limited to, those found in 41 CFR Chapter 60 requiring equal opportunity and affirmative action without regard to race, color, religion, sex, national origin, presence of a disability or status as a special disabled veteran or Vietnam era veteran. If Seller fails to comply with the provisions of this Paragraph, Buyer may, by written notice to Seller, terminate this Agreement upon a default in accordance with the "Termination for Default" paragraphs of this Agreement in addition to any other rights or remedies provided by law.

Buyer encourages seller to ban text messaging while driving.

## **13. Confidentiality**

Proprietary information from buyer shall not be disclosed by the seller to any third party without the prior written consent of the buyer. A consultant to, or other non-employee representative of, the buyer shall be considered a third party. In the event that permission is granted for the buyer to disclose such proprietary information to such third party consultant or representative, the buyer shall be responsible for unauthorized disclosures by that party.

Proprietary information shall not be copied or reproduced by the seller without the express written permission of the buyer; except for such copies as may be reasonable required to accomplish the purpose .

#### **14. Force Majeure**

Seller shall not be liable for any excess costs if the failure to perform an Order rises out of causes beyond the control and without the fault or negligence of Seller. Such causes may include, but are not limited to: acts of God, or of the public enemy, acts of Government in either its sovereign or contractual capacity, fires, flood, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather. However, in every case the failure to perform must be beyond the control and without the fault or negligence of Seller.

#### **15. Long Term Agreements**

Long Term Agreements (LTAs) will specify individual part numbers, firm fixed pricing with no escalation clauses for number of years called out in agreement. Agreements will be given only to those Sellers whose quality and delivery are consistently high enough to receive preferred status by the Buyer's Quality Assurance Manager. The preferred level is 100% as noted the "Performance Expectations" clause of this document.

#### **16. Stop Work**

Buyer may at any time, by written notice to Seller, require Seller to stop all or any part of the work called for by an Order for a period of up to ninety (90) days after notice is delivered to Seller. Upon receipt of a Stop Work Order, Seller shall forthwith comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the

Order during the period of work stoppage. Within a period of ninety (90) days after Stop Work Order is delivered to Seller, or within any extension of that period to which the parties shall have agreed, Buyer shall either cancel the Stop Work Order, or terminate the work covered by the Order as provided in the "Termination for Default" or the "Termination for Convenience" paragraph of this Agreement, whichever may be appropriate. Seller shall resume work upon cancellation or expiration of any Stop Work Order. An equitable adjustment may be made in the delivery schedule or prices hereunder, or both, and the Order shall be modified in writing accordingly, if the Stop Work Order results in an increase in the time required for the performance of the Order or the Seller's costs properly allocable thereto.

#### **17. Payment Terms**

Payment terms are net 30 days from date of shipment. As mutually agreed upon by the Buyer and the Seller, a discounted invoice for early payment shall be utilized.

#### **18. ITAR/EAR Export Control Regulations Notification to U.S. Suppliers**

The supplier shall agree to the terms and conditions outlined in the Flexco Inc. Notification to U.S. Suppliers letter for orders subject to U.S. Government Export control regulation in accordance with ITAR 120.10 and EAR 772. A signed agreement will be provided to Flexco Inc. Purchasing prior to acceptance of the contract.

#### **19. Right of Entry**

Supplier agrees to allow Right of Entry to Flexco, their customers, and regulatory authorities to all facilities involved in the order and to all applicable records, and requirements for the supplier to flow down to sub-tier suppliers the applicable requirements in the purchasing documents.

#### **20. Awareness**

Supplier shall ensure that persons are aware of their contribution to product or service conformity, contribution to the product safety, and the importance of ethical behavior.

#### **21. Termination**

Buyer may, by written notice of default to Seller, immediately terminate the whole or any part of an Order if Seller fails to make delivery of the Goods or to perform the services required by an Order within the time specified on the purchase order or any modification thereof. If Seller fails to satisfy any of the other requirements of an Order, or so fails to make progress as to endanger performance of an Order in accordance with its terms and conditions, and does not cure such failure within a period of ten (10) calendar days (or such longer period as Buyer may authorize in writing) after receipt of notice from Buyer specifying such failure, then Buyer may terminate the whole part of an Order.

If an Order is terminated, Buyer, in addition to any other rights provided in this Agreement may require Seller to transfer title and deliver to Buyer, in the manner and to the extent directed by Buyer, the following: (i) any completed goods; and (ii) such partially completed goods and materials, parts, tools, dies, fixtures, plans, drawings, information, and contract rights (hereinafter called "manufacturing materials") as Seller has specifically produced or specifically acquired for the performance of such part of the Order as has been terminated. Seller shall also, upon direction of Buyer, protect and preserve property in the possession of Seller in which Buyer has an interest. Payment for completed goods delivered to and accepted by Buyer shall be at the contract price. Payment for manufacturing materials delivered to and accepted by Buyer and for the protection and preservation of property shall be in an amount agreed upon by Buyer and Seller; failure to agree to such amount shall be considered a dispute and may be handled in arbitration by a third party or arbitrator to resolve any issues. Buyer may withhold from amounts otherwise due to Seller for such completed goods or manufacturing materials such sum as Buyer determines to be necessary to protect Buyer against loss because of outstanding liens or claims of former lien holders.

The rights and remedies of Buyer provided in this Paragraph shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Agreement. Any termination of an Order shall not relieve Seller of any obligations and liabilities which may have arisen under any of the terms and conditions of this Agreement prior to such termination, including, but not limited to, patent infringement, reproduction rights, latent defects, and warranty obligations.

## **22. Assignability**

This order, in whole or in part, shall not be transferred by the Seller to any other party, except upon the prior written consent of the Buyer.

The Buyer's purchase order specifies the delivery date. Parts are to be delivered by P.O. dock date. It is the responsibility of the Seller to notify Flexco Inc., in advance, if on-time delivery cannot be met. Late delivery shall seriously affect the delivery rating of the Seller. Items received greater than one day late will begin to negatively affect the suppliers rating.

## **23. DPAS**

Rated order quantities (DX, DO) are certified for national defense and US companies are required to follow all of the provisions of the defense priorities and allocations system regulation (15 CFR 700), only as it pertains to rated quantities, pursuant to 15 CFR 700.13(d) (1). A person must accept or reject a rated order and transmit the acceptance or rejection in writing in electronic format VIA email within fifteen (15) working days after receipt of a DO rated and within Ten (10) working days after receipt of DX rated order. If the order is rejected, the person must also provide reason(s) for the rejection, pursuant to paragraphs (b) and (c) of 15 CFR 700.13, in writing in electronic format.