



## Purchase Order Terms and Conditions Rev. F

**1. DEFINITIONS.** As used in these Terms and Conditions:

- a. "Buyer" means United Precision Corp. (UPC),
- b. "Purchasing Representative" means Buyer's authorized representative whose name appears on the face of an Order,
- c. "Order" means this purchase order or any written order issued by UPC which incorporates these terms and conditions,
- d. "Seller" means the person(s) or company to whom an Order is issued,
- e. "FAR" means the Federal Acquisition Regulations (Title 48 CFR Chapter 1),
- f. "DFARS" means the Department of Defense FAR Supplement (Title 48 CFR Chapter 2) in effect on the date of this Order unless a revision date is specified.

**2. ACCEPTANCE AND AGREEMENT.** These terms and conditions apply to, and are agreed to be incorporated in, any Order issued by Buyer to Seller. An Order becomes a binding contract, including all terms and conditions that appear in the Order, in these Purchase Order Terms and Conditions, and in documents incorporated by reference, either upon acknowledgement in writing or commencement of performance. The Order, including these terms, supersedes all prior written or oral communications and is the sole and exclusive statement of the agreement between Buyer and Seller. It is not subject to variation, regardless of the wording of any purported acceptance by Seller, unless stated in a written agreement signed by Buyer's Purchasing Representative. Any additional or different terms appearing in Seller's acceptance are hereby expressly rejected.

**3. ADDITIONAL GOODS GUARANTEE.** As part of the consideration for this Order, Seller agrees that it will accept future orders for additional quantities of the goods procured by this Order. If Seller plans to discontinue the sale of the goods purchased by this Order, Seller shall so notify Buyer no less than one year prior to any such discontinuance.

**4. QUALITY CLAUSES.** Optimally seller shall maintain a quality control system compliant with the requirements of AS9100 or other industry standard, minimally the quality control system shall be consistent with good commercial practice.

- a. Where required on the UPC Purchase Orders, its suppliers must use UPC customer-approved special process sources.
- b. Supplier shall contact UPC Quality management in the event of nonconforming product/material intended for shipment to UPC to obtain disposition. Arrangements for the approval of supplier nonconforming product/material must be as directed by the UPC Quality Manager.
- c. The supplier is required to notify UPC of any changes to a previously approved product and/or process or certification (AS9100, ISO17025, etc) and to obtain approval from the UPC quality manager when applicable prior to implementing the change for UPC product.
- d. In the event the supplier identifies nonconforming material AFTER shipment to UPC, the supplier must notify the UPC Quality Manager within 24 hours.
- e. UPC their customers, and regulatory authorities retain the right of access to all supplier facilities involved in the aerospace order and to all applicable records.
- f. All applicable records associated with UPC orders shall be maintained for at least ten years from product shipment to UPC.
- g. The AS9100 standard requires that all applicable customer/regulatory/AS9100 requirements for the supplier to flow-down to sub-tier suppliers (includes requirements in the purchasing documents and key characteristics where required). However, UPC does not allow its aerospace suppliers to subcontract any product or process to a sub-tier supplier without UPC quality management expressed written consent.
- h. UPC performs inspection activities to ensure that purchased product meets purchase requirements. This may include:
  - i. Receiving inspections (of supplier products / services / documents) may be / are performed by a designated employee.
  - ii. UPC verifies the authenticity of the appropriate certificate of conformity, material certificates, etc. and other accompanying documentation by review and comparison (as is appropriate) to the drawing and/or industry specifications or by other means.
  - iii. When necessary, UPC may inspect or audit at the supplier's facility.
  - iv. Products are inspected to ensure they meet requirements and the results are recorded (as appropriate).
- i. All special processes (anodizing, heat treat etc.) where the compliance cannot be verified by inspections will require a Certificate of Conformity.



- j. When appropriate, UPC may delegate the inspection authority to one of its approved suppliers.
  - k. When UPC or its customer intends to perform verification at the supplier's premises; UPC will first state the intended verification arrangements and the method of product release. This information will be communicated on the UPC Purchase Order or by another acceptable purchasing arrangement.
  - l. Where specified in the contract, the UPC customer or customer's representative will be afforded the right to verify at the supplier's premises and UPC premises that subcontracted product conforms to specified requirements. Verification by the customer is not used by UPC as evidence of effective control of quality by the supplier and shall not absolve UPC or its supplier of the responsibility to provide acceptable product, nor shall it preclude subsequent rejection by the customer.
  - m. To prevent the purchase of counterfeit or suspect/unapproved products and to ensure product identification and traceability (and for other reasons), UPC 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 UPC Purchase Order or may otherwise be communicated to the supplier. Records are available for review by customers and regulatory authorities in accordance with contract or regulatory requirements.
  - n. UPC expects 100% on time delivery. If the agreed upon delivery cannot be met, the UPC Quality Manger must be notified in advance. If UPC annual supplier evaluation identifies a supplier with an on time delivery rate of 95% or less a corrective action can be issued.
  - o. UPC requires that products provided by its Approved Suppliers be correct and free of defect per the supplied Purchase Order. If UPC's annual supplier evaluation identifies a supplier with a scrap/rework rate that exceeds 10% of their UPC work orders; a corrective action can be issued.
  - p. UPC may also require specific actions where timely and/or effective corrective actions to a supplier issue(s) are not achieved. These actions may include but are not limited to any or all of the following: withholding payment until the issue is resolved, removal of the supplier from UPC Approved Supplier List, and/or legal action.
  - q. Supplier acknowledges and agrees to maintain a high standard of ethical conduct in all its business dealings, as well as with its personnel while doing business with UPC. Supplier is encouraged to implement their own written code of conduct and to flow down their principles to the entities that furnish them with goods and services. UPC expects its Supplier to maintain effective programs to encourage their employees to make ethical, value driven choices in their business dealings.
  - r. All appropriate controls shall be applied to direct and sub-tier external providers to ensure that UPC and all other requirements are met.
  - s. Supplier shall take steps to mitigate contamination by foreign objects/debris throughout the manufacture, assembly, test and shipping processes. The Supplier will document, investigate, determine root cause, and eliminate repetitive nonconformances related to Foreign Object Debris (FOD) incidents. In addition, packaging materials will be taken into consideration when mitigating FOD; packaging materials that generate particles, fibers, or other debris are not acceptable. Specification NAS 412 is recommended to be used as a guide for FOD programs.
5. **ANTI-KICKBACK COVENANT AND PROHIBITION OF GIFTS AND GRATUITIES.** If a Government contract number appears on the face of an Order or if Seller otherwise knows or should know that an Order is in furtherance of a Federal Government contract, it is subject to the Anti-Kickback Act of 1986 (41 U.S.C. Sec. 51- 58) and implementing regulations and prime contract clauses. Seller shall be strictly prohibited from providing or attempting to provide, or offering to provide, any money, fee, commission, credit, gift, gratuity, thing of value or compensation of any kind directly or indirectly to Buyer or any of its employees or other subcontractors, for the purpose of improperly obtaining any Order from Buyer, or for rewarding favorable treatment in connection with any Order between Buyer and Seller. Seller agrees to report promptly to Buyer's President any solicitation or request for a kickback. Seller's breach of the foregoing prohibition or of the obligation to report shall be considered a material breach of this Order and any other order or contracts between Buyer and Seller.
6. **ASSIGNMENTS AND SUBCONTRACTING.** Seller may not assign an Order or any portion thereof without the written consent of Buyer. Seller agrees to obtain Buyer's written approval before subcontracting performance of an Order or any substantial portion thereof. Buyer's approval of any such subcontractor shall not relieve Seller from any obligations imposed by these terms.



7. **BUYER'S PROPERTY.** All tools, dies, jigs, patterns, equipment, material, industrial property or other items purchased, furnished, charged to or paid for by Buyer, and any replacement thereof, shall remain the property of Buyer. Such property shall be plainly marked to evidence that it is Buyer's property and shall be stored safely apart from Seller's other property. Seller shall not substitute other property for Buyer's property and shall not use such property except to fill Buyer's orders. Seller shall hold such property at its own risk and upon Buyer's written request shall return the property to Buyer at its expense in the same condition as originally received, reasonable wear and tear excepted.
8. **CHANGES.** This Order may not be changed except by written modification signed by Buyer's Purchasing Representative. Buyer may at any time by written notice and without notice to sureties, make changes in any one or more of the following: (i) drawings, designs, or specifications; (ii) method of packing or shipment; (iii) place of inspection, acceptance or point of delivery; (iv) delivery schedule. Should any such change cause an increase or decrease in the cost of or time required for performance of an Order, an equitable adjustment shall be negotiated and the Order shall be modified accordingly. If no agreement is reached, the equitable adjustment due shall be resolved pursuant to the "Disputes" clause below. Any claim by Seller for such adjustment shall be submitted to Buyer in writing within 15 days of Buyer's written notice of such change. If not submitted within 15 days, the claim is waived. Seller must proceed without delay in performing the Order as changed, even if a "Dispute" is pending and not resolved.
9. **COMPLIANCE WITH LAWS AND REGULATIONS.** Seller warrants that Seller's performance of an Order shall comply with all federal, state and local laws and regulations.
10. **CONFLICT MATERIALS.** UPC fully supports the position of the Electronic Industry Citizenship Coalition (EICC) and the Organization for Economic Co-operation and Development (OECD) to avoid the use of metallic ores which finance or benefit armed groups in the Democratic Republic of the Congo (DRC) or adjoining countries. UPC is fully aware of section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act pertaining to "Conflict Materials". Seller represents and warrants that the Goods and Services delivered pursuant to all or any part of this Order shall be "DRC conflict free" and shall not contain "Conflict Minerals" originating from any of the "Covered Countries", in each case as such terms are defined by the Securities Exchange Commission pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, as may be amended from time to time. Seller shall provide Buyer with an opportunity to audit from time to time the source of the Conflict Minerals contained in all or any part of the Goods and Services. Seller will reimburse UPC for any costs, fines or penalties that it incurs if Seller does not comply with this Section.
11. **COST OR PRICING DATA INDEMNITY.** If Seller submitted cost or pricing data as defined at FAR 15.401, as part of the process of award of this Order, or if Seller submits such data in connection with any change order or other modification, Seller acknowledges that it is aware of Buyer's potential liability to the Government or to Buyer's customer if the ultimate customer is the Government, in the event that any of Seller's data were not current, complete or accurate. Seller warrants that all cost or pricing data submitted including data obtained from its subcontractors or suppliers, shall be complete, accurate and current at the time of agreement between Buyer and Seller to the price of this Order or of any modification. Seller agrees to indemnify and save Buyer harmless from any and all loss and expense (including the total of any reduction to Buyer's prime contract or higher-tier subcontract price) and attorney's fees caused by any breach of this warranty.
12. **DELIVERY.** Unless otherwise stated on the face of an Order, delivery shall be to Buyer's facility (F.O.B Destination). Time is of the essence in the performance of an Order. Delivery shall be in strict accordance with the schedule and quantity specified in an Order. ***Seller is on notice that delays in delivery may result in damages assessments including price reduction under Buyer's prime contracts; Seller shall be liable for any such assessments or price reductions.*** Buyer may return goods at Seller's expense or payment may be deferred until the date payment would become due according to the specified schedule.
13. **DISPUTES.** If Buyer's contract with its customer contains a "Disputes" clause or procedure, any claim or demand by Seller which derives or results in any way from an act or omission of Buyer's customer which is not resolved by agreement may, at Buyer's election, be submitted for resolution pursuant to the customer contract "Disputes" clause. In that event, Seller's sole remedy will be the "Disputes" procedure in Buyer's contract with its customer, and Seller's recovery is limited to the amount if any recovered from Buyer's customer on Seller's behalf. Pending resolution, Seller shall not take any other action, including but not limited to pursuit of independent litigation with respect to any claim or demand, pending final determination under Buyer's prime contract "Disputes" provision. Seller shall not be entitled to receive from Buyer any amount greater than Buyer actually receives from Buyer's customer on account of Seller's claim, less any markups and costs incurred by Buyer. All claims and disputes between Buyer and Seller not



originating with acts or omissions of Buyer's customer and not settled by mutual agreement, shall be decided by arbitration conducted in Los Angeles County, California in accordance with California law. The arbitration proceeding shall be conducted by a single arbitrator agreed upon by the parties or appointed in accordance with applicable law. Arbitration will proceed without discovery. This agreement to arbitrate shall be specifically enforceable under prevailing arbitration law. Except to the extent that Federal law may apply to the interpretation of FAR and DFARS clauses incorporated herein, this contract shall be governed by and construed in accordance with the laws of the State of California.

- 14. DRAWINGS, SPECIFICATIONS, INTELLECTUAL PROPERTY AND TECHNICAL DATA.** The ideas, information, designs, drawings, specifications and any other data or business and manufacturing information supplied by Buyer shall remain Buyer's property. Such data shall be retained in confidence by Seller and shall not be disclosed to any other person or entity, and shall not be used or incorporated into any product or item that is manufactured for or supplied to anyone other than Buyer. Seller shall not use any Buyer's part number for any purpose other than performance of this Order. Regarding such data, Seller shall permanently destroy, return to Buyer, or maintain in a controlled environment at Buyers direction upon completion of performance of this Order.
- 15. INDEMNITY REGARDING INTELLECTUAL PROPERTY.** Seller agrees to indemnify and hold harmless Buyer and its successors, assigns or customers from any expense (including attorney's fees and costs), or loss, damage or liability, on account of any infringement or claim of infringement of any United States or foreign patent, copyright or trademark, arising out of or resulting from the sale or use of the materials, articles or services supplied by Seller. Seller also agrees at its own expense to defend any actions, lawsuits or claims in which such infringement is alleged, provided that Seller has first been notified as to the existence of such action, lawsuit or claim.
- 16. INVOICES AND PAYMENT.** Unless otherwise specified, payment terms are 60 days from receipt date of the invoice, assuming product has been received. Payments are to be processed twice a month. Invoices are pulled for payment based on due date in the system. Payment shall be deemed to have been made as of the date of the check being mailed or the electronic funds transfer being processed. Unless otherwise specified, prices include all applicable federal, state and local taxes, duties, tariffs, and similar fees imposed by any government, all of which shall be listed separately on the invoice.
- 17. NOTICE OF LATE DELIVERY.** If it appears Seller will not meet schedule or if Seller's deliveries fail to meet the schedule, then in addition to any other right or remedy that Buyer has under law or this Order, Buyer may require Seller to ship via expedited means at Seller's expense. If Seller's delay is due to causes beyond Seller's control and without Seller's fault or negligence, and if Seller has exercised due diligence by promptly notifying Buyer in writing of the conditions which will result in delay, then Seller shall not be liable for delay. If Seller's delay is caused by the default of a subcontractor or supplier, and such default arises out of causes beyond the control of both Seller and its subcontractor or supplier, and without the fault or negligence of either of them, and if the supplies or services to be furnished by Seller's subcontractor or supplier are not obtainable from another source in sufficient time to permit Seller to meet the required schedule, Seller shall have no liability for delay. Notification of delay pursuant to this clause shall not constitute a waiver of any of Seller's other obligations nor a waiver by Buyer of any right under an Order.
- 18. PACKING AND SHIPPING.** Seller shall pack, mark and ship all goods in accordance with specific requirements of an Order, and in a manner which complies with transportation regulations and good commercial practice for protection and shipment of goods. No separate or additional charge is payable by Buyer for containers or any other aspect of packing and shipping to the F.O.B. Point unless specifically stated in an Order. Seller shall mark the number of an Order on each container and include a packing slip with each shipment, listing Order and line item numbers.
- 19. PROHIBITION OF GRATUITIES TO BUYER'S PERSONNEL.** This Order serves as notice to Seller that Buyer's personnel owe complete loyalty to Buyer and are forbidden to accept money or things of value from any supplier of goods, materials or services to Buyer, regardless whether such acceptance would constitute an act prohibited by Anti-Kickback laws and regulations. Seller for itself and its principal owner's warrants and represents that no employee of Buyer has any financial interest in Seller except such as has been disclosed in writing to Buyer's President. Further, Seller has not and will not give anything of value to any employee of Buyer, except promotional or commemorative items having a value of less than \$50, and food and refreshments served during business meetings. Breach of the foregoing warranty and covenant shall entitle Buyer, in addition to any other rights and remedies, immediately to terminate for default any and all Orders to Seller existing at the time that Buyer learns of any such breach, and regardless of when such breach occurred.



- 20. REMEDIES AND NON-WAIVER.** The remedies reserved to Buyer by these terms are not exclusive and shall be cumulative and in addition to any other right or remedy provided by law or equity. No waiver of a breach, or a failure to enforce any provision of an Order, shall constitute a waiver of any subsequent breach or of any other provision. If any provision of an Order is void or becomes void or unenforceable, by operation of law, all other provisions shall remain in full force and effect.
- 21. TAXES.** Unless otherwise specified in writing on the face of an order, the prices stated include all applicable state, federal and local taxes.
- 22. TERMINATION FOR DEFAULT.** Buyer may, by written notice to Seller, terminate this Order in whole or in part for default if Seller fails to (i) deliver supplies or perform services within the time specified, (ii) make progress so as to endanger performance of an Order and fails, within 10 days of written notice of such failure, to cure that failure or otherwise provide adequate assurance of performance, or to (iii) perform any other provision of this Order. If Buyer terminates in whole or in part for default, Buyer may acquire under terms that Buyer considers appropriate materials or services similar to those terminated. Seller shall be liable to Buyer for any excess costs for procurement of supplies or services. At the time of termination or thereafter, Buyer may at its option also require Seller to transfer title and deliver to Buyer any completed supplies, partially completed supplies, or materials, parts, tools, dies, jigs, fixtures and the like that Seller has specifically produced or acquired for the terminated portion of this Order. Subject to Buyer's right of setoff for excess procurement costs or other damages, Buyer shall pay Seller the contract price for completed supplies delivered and accepted by Buyer. Buyer and Seller shall agree on the amount of payment for partially completed supplies, or materials delivered to Buyer at Buyer's specific direction. Buyer's rights and remedies in this clause are in addition to any other rights and remedies provided by law or under this Order. In the event it is later determined by a court, arbitrator, or other tribunal with jurisdiction that Seller was not in default, the termination shall be deemed to have been for the convenience of Buyer.
- 23. WARRANTY.** Seller warrants that all materials, articles, work and services furnished will be free from defects in material and workmanship, will conform to all applicable specifications, drawings, samples and descriptions, that Seller's design or selection will be free from design defects, and that the goods will be fit for their intended use. Seller warrants that all items or components supplied under an Order shall be new, that is, not used or reconditioned. All warranties and guarantees shall run to Buyer and Buyer's customers, for a period of 12 months after final acceptance by Buyer, or 6 months after the item in which Seller's goods are incorporated is accepted by Buyer's customer, whichever is later. Seller agrees to repair or replace at its cost any item which does not conform to this warranty, as Buyer directs. These warranties are in addition to any standard warranty or guarantee of Seller, and any warranty and related remedy otherwise created by operation of law.
- 24. DPAS RATINGS:** UPC Corp. does fulfill orders that do have DPAS ratings per 15 CFR 700. It is the supplier's responsibility to ensure that all DPAS requirements are met when accepting a P.O. that is DPAS rated per the requirements of 15 CFR 700 including prioritization of work, notification to UPC Corp. of delays, personnel training, etc. The P.O. from UPC Corp. states the DPAS rating.
- 25. SUSPECT AND COUNTERFEIT PARTS PREVENTION/GIDEP**
- Supplier shall establish and maintain controls which seek to prevent the purchase and delivery of Suspect and Counterfeit Parts to UPC. Supplier shall only purchase products to be delivered to UPC directly from the Original Component Manufacturer (OCM)/Original Equipment Manufacturer (OEM) or through an OCM/OEM authorized distributor chain. **Parts shall not be acquired by the supplier and furnished to UPC from independent distributors or brokers unless approved in advance and in writing by UPC.**
  - Supplier shall immediately notify UPC with the pertinent facts if the Supplier becomes aware that it has furnished Suspect or Counterfeit parts. After such notification, when requested by UPC, Supplier shall provide copies of OCM/OEM documentation in its possession that authenticates traceability (up to and including other testing validation methods) of the affected items to the applicable OCM/OEM.
  - Suspect counterfeit parts and/or materials shall be immediately quarantined to prevent parts/materials from getting back into component/materials supply chain until authenticity validation can be conducted.
  - In the event that the Supplier delivers items under this Contract that are determined to be counterfeit,
- (Continued next page)**



# UNITED PRECISION CORP.

20810 Plummer Street, Chatsworth, CA 91311

O: 818-576-9540 [www.upc-usa.com](http://www.upc-usa.com)

Supplier shall, at its expense, (i) promptly replace such Counterfeit items with items conforming to the requirements of this Contract, and (ii) reimburse UPC for all reasonable, direct costs incurred for the removal and replacement of Counterfeit items, including any testing costs necessitated by the removal and replacement, if any.

e. Suppliers eligible for utilization of the Government-Industry Data Exchange Program (GIDEP) shall utilize the GIDEP process to alert industry of encountered counterfeit parts. Supplier is prohibited from shipping material for which a GIDEP Alert has been issued. The supplier agrees to support UPC in GIDEP compliance efforts. Also the Supplier shall not ship any suspected counterfeit parts as notified by UPC of any alerts or other suspect counterfeit conditions.

f. Supplier shall include paragraphs 8.a through 8.e of this section or equivalent provisions in lower tier subcontracts for the delivery of items that will be included in or furnished as Work to UPC.