



Approved

Guidelines

Title: Purchasing Valcor Standard PO Terms and Conditions

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A	Initial Release.	08/08/19	N. McLucas A. scott J. England L. Violante
B	Amend Clause #18, Section D to capture requirements for reporting non-conformances.	09/12/20	J. Racz L. Violante

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1 Clauses

Clause 1- DEFINITIONS

The following definitions apply unless otherwise specifically stated:



"Article(s)":	Good(s) and service(s) described In the Order;
"Buyer" or "Valcor":	The legal entity issuing the Order: Valcor Engineering Corporation, Springfield, NJ 07081;
"Contracting Officer":	U.S. Government Contracting Officer for the Prime Contract;
"Manufacturing Materials":	Supplies, materials, samples, tooling, dies, jigs, fixtures, plans, designs, specifications, software, drawings, technical information, and contract rights;
"Order":	Purchase order, change order, subcontract or contract for the Articles;
"Parties":	Buyer and Seller collectively;
"Prime Contract":	U.S. Government contract under which and Order may be issued;
"Seller":	Person or Company providing the Article;
"FAR":	Federal Acquisition Regulation;

Clause 2 - ORDERS/CHANGE ORDERS

These Terms and Conditions are a part of each Order Buyer may issue to Seller. Each Order must contain a description of the Articles and identify the specifications, drawings, quantities, prices, delivery schedule, terms and place of delivery. EACH ORDER OR CHANGE TO AN ORDER MUST BE SIGNED (OR AUTHENTICATED IF THIS IS AN ELECTRONIC ORDER) BY BUYER'S AUTHORIZED PROCUREMENT REPRESENTATIVE TO BE VALID.

Clause 3 - AGREEMENT/ACCEPTANCE/MODIFICATIONS

An Order Is Buyer's offer to Seller and acceptance is expressly limited to its terms without additions, deletions, or other modifications. Seller's commencement of performance, delivery of any Articles or acknowledgment of the Order or electronic signature will conclusively evidence such acceptance. NO CHANGE OR MODIFICATION TO THE ORDER (INCLUDING ANY ADDITIONAL OR DIFFERENT TERMS IN SELLER'S ACCEPTANCE) WILL BE BINDING ON BUYER UNLESS SIGNED (OR AUTHENTICATED IF THIS IS AN ELECTRONIC ORDER) BY BUYER'S AUTHORIZED PROCUREMENT REPRESENTATIVE.

Clause 4 – CHANGES

[Not applicable If Valcor Standard Purchase Order Terms and Conditions • FAR/DFARS Clause Flow-Downs in Fulfillment of a U. S. Government Contract (Flow-Downs), Section III Applies.]

- A. Buyer may by written notice make changes within the general scope of the Order in any one or more of the following:
 - i. Drawing, designs or specifications;
 - ii. Method of shipment or packaging
 - iii. Place of Inspection, delivery or acceptance;
 - iv. Amount of Buyer-furnished Manufacturing Materials;
 - v. Quantity.

- B. Seller shall proceed immediately to perform the Order as changed. If any such change causes a material increase or decrease in the cost of, or the time required for the performance of any part of the work in the Order, except as otherwise provided for in paragraph (C) below, Buyer will make an equitable adjustment in the purchase price or delivery schedule or both. Seller shall provide written notice of its intent to assert a claim within ten (10) calendar days from the date of receipt by Seller of such written notice of change. Seller shall proceed with the change pending resolution of any claim for adjustment. Failure to agree to any adjustment will be resolved In accordance with the Disputes clause of the Order.

- C. Notwithstanding paragraphs (A) and (6) below, Buyer may make changes to the Order delivery schedule without cost impact provided that:
 - i. Buyer provides a minimum four (4) week notice to Seller for any delivery schedule acceleration; or
 - ii. Buyer provides a minimum four (4) week notice to Seller for any delivery schedule deceleration.
 - iii. Seller shall, at no cost to Buyer, use best effort to support any changes required by Buyer within the four (4) week notice period.



Clause 5 - STOP WORK

When directed by written notice from Buyer, Seller will immediately stop all or part of the work relating to the Order to the extent specified in the notice for a period of up to one hundred-eighty (180) calendar days or longer if extended by mutual agreement. Seller shall take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the Order during the period of the stop work. Within such period, Buyer may either terminate or continue the work by written order to the Seller. If a Stop Work notice is cancelled or the period of the Stop Work notice or any agreed extension thereof expires, Seller must resume work and Buyer and Seller will agree upon a reasonable adjustment in the delivery schedule. In no event will such adjustment exceed the period of time in which the Stop Work notice was in effect. Except as otherwise provided herein, the total Order price will not be adjusted and Buyer will not incur any liability by the issuance of a Stop Work notice.

Clause 6 - TERMINATION FOR CONVENIENCE

- A. Notwithstanding any other provisions of the Order, the Buyer may by written notice terminate for its convenience the whole or any part of the Order upon providing ten (10) calendar days' notice of, except that the Buyer may immediately terminate for its convenience the whole or any part of the order in those instances in which such action is reasonably required as a result of Buyer's customer taking action affecting all or part of the performance of work under the prime contract. Upon receipt of such notice, the Seller must immediately cease work, including but not limited to the manufacture and procurement of materials for the fulfillment of the terminated portion of the Order.
- B. Buyer's only obligation shall be to pay Seller a percentage of the price reflecting the percentage of the work performed prior to the notice of termination. Seller shall not be paid for any work performed or costs incurred that reasonably could have been avoided.
- C. In no event shall Buyer be liable for lost or anticipated profits, unabsorbed indirect costs or overhead, or any amount in excess of the total Order price.
- D. Seller shall continue all work not terminated.
- E. In the event Seller has a claim for adjustment, it must notify Buyer in writing of its intent to file a claim within twenty-one (21) calendar days from the effective date of termination. Seller's final termination claim must be submitted to Buyer within ninety (90) calendar days from the date that Seller's intent to file a claim was submitted to Buyer. Seller shall have no other remedies after this period.

Clause 7 - TERMINATION FOR DEFAULT

- A. If the Seller fails to comply with any of the terms of the Order fails to make progress so as to endanger performance of the Order, fails to provide adequate assurance of future performance, files or has filed against it a petition in bankruptcy or becomes insolvent or suffers a material adverse change in financial condition, the Buyer shall, prior to termination of the whole or part of the Order, give the Seller notice of default. The Seller shall have ten (10) calendar days (or more if authorized in writing from the Buyer) from the date of receipt of such notice in which to cure the default or to satisfy the Buyer that such default shall be cured within a period of time acceptable to the Buyer. Upon failure to cure the default, Buyer may give the Seller written notice of Termination for Default.
- B. Upon termination, the Seller will have no claim for further payment other than as provided in this clause, but will be liable to the Buyer for all direct losses and direct damages which may be suffered by the Buyer by reason of the default, including any increase in the costs incurred by the Buyer in procuring the Articles from another source. Nothing in this clause affects any obligation of the Buyer under the law to mitigate damages and Seller must proceed with the portion of the Order not terminated under the provisions of this clause.
- C. If the Order is terminated for default, the Buyer may require the Seller to transfer the title and deliver, as directed by the Buyer any completed Articles, and
 - ii. Manufacturing Materials that the Seller and its subcontractor have specifically produced or acquired for the portion of the Order under notice of Termination for Default. Upon direction of the Buyer, the Seller shall also protect and preserve property in its possession in which the Buyer has an interest.
- D. The Buyer shall pay the Order price for completed Articles delivered and accepted. The Seller and Buyer will agree on the amount of payment for Manufacturing Materials delivered and accepted. Failure to agree will be a dispute under the Disputes clause. The Buyer may withhold from these amounts any sum the Buyer determines to be necessary to protect the Buyer against loss because of outstanding liens or claims of former lien holders and Buyer's estimate of re-procurement costs due Buyer.
- E. If, after termination, it is determined that the Seller was not in default, or that the default was excusable, as defined in the Excusable Delay clause, the rights and obligations of the Parties will be the same as if the termination had been issued for the convenience of the Buyer and the provisions of the Termination for Convenience clause, will apply. The rights and remedies of the Buyer in this



clause or in any other clause of the Order are in addition to any other rights and remedies provided to Buyer by the law or under these Terms and Conditions.

Clause 8 - EXCUSABLE DELAY Standard Purchase Order

- A. A Delay in the performance by the Seller of any obligations under the Order that is caused by an event which:
 - i. is an act of God, act of Government, fire, riot, war, terrorism or any other event which constitutes a superior force and is beyond the reasonable control of the Seller, and without any fault on the part of the Seller and interferes with the performance of Seller's obligations; and
 - ii. The effects of which could not reasonably have been avoided by the Seller will, subject to the provisions of this Clause, constitute an Excusable Delay.
- B. In addition to the events described in paragraph (A), a delay caused by the default of a subcontractor of the Seller may constitute an Excusable Delay if the event causing the default of such subcontractor is an event that meets the criteria set out in paragraph (A) and such delay has not been contributed to by the Seller, unless the subcontracted supplies or services were obtainable from other sources in sufficient time for the Seller to meet the required delivery schedule.
- C. Except as otherwise provided herein, the following will not be considered as events beyond the reasonable control of the Seller.
 - i. Lack of financial resources of the Seller or its subcontractors; or
 - ii. any labor disturbances including strikes/lock-outs experienced by the Seller or its subcontractors;
- D. To claim an Excusable Delay, the Seller must, by written notice to the Buyer, describe in detail any excusable delay and provide the Buyer with an acceptable "recovery schedule" plan within ten (10) calendar days of such facts coming to the attention of Seller. The Buyer may accept or reject such "recovery schedule" plan in writing and, if accepted, the Seller must promptly implement such "recovery schedule" plan at Seller's expense.
- E. In the event of an Excusable Delay, any affected delivery date will be postponed for such period as is reasonably necessary to offset the effects of the Excusable Delay. In no event will the delivery date be extended by a time period longer than the time period in that the Excusable Delay was in effect. No adjustment will be made to the Order price; adjustment to the delivery schedule is the exclusive remedy of the Seller in the case of an Excusable Delay.
- F. Notwithstanding the above, after an Excusable Delay has continued for a period of thirty (30) calendar days in the aggregate the Buyer may, in the Buyer's absolute discretion, terminate the Order. In the event of such termination, the rights and obligations of Buyer and Seller shall be determined in accordance with the provisions of the Termination for Convenience clause herein.

Clause 9 - BUYER FURNISHED MANUFACTURING MATERIALS

The restrictions in this section do not apply to the Seller's performance of U.S.G. contracts to the extent the U.S. Government has unlimited rights in the Manufacturing Materials pursuant to DFARS 252.227-7013 "Rights in Technical Data-Non Commercial Items". The term "Buyer Furnished Manufacturing Material" includes, when applicable, Government property furnished to or acquired by the Seller under the Order.

- A. Except as otherwise provided herein, Seller must not use, reproduce, or disclose for the benefit of any party other than Buyer, any Manufacturing Materials furnished by Buyer. Seller must not use the Manufacturing Materials to produce or manufacture Articles, other than those required by the Order, without prior written authorization from Buyer.
- B. Title to Manufacturing Materials furnished by Buyer will remain with Buyer or U.S. Government, as applicable, at all times. Seller must bear the risk of loss, damage or destruction of the Manufacturing Materials furnished by Buyer and shall promptly replace or repair, without expense to Buyer, any of the Manufacturing Materials which are lost, damaged, or destroyed unless such loss, damage or destruction is solely and directly caused by Buyer's negligence.
- C. Seller is responsible for care, maintenance, use and records of Buyer Furnished Manufacturing Materials. Physical Inventories will be performed as required by Buyer.
- D. All Buyers furnished Manufacturing Materials, together with spoiled and surplus materials and Articles must be returned to Buyer upon termination or completion of the Order unless Buyer will direct otherwise in writing. When Buyer approves Manufacturing Materials to be furnished to Seller's subcontractors for procurement of Articles by Seller for use in the performance of Buyer's Order, Seller must insert the substance of this clause in its subcontracts.
- E. Seller acknowledges that Buyer's Manufacturing Materials are unique and proprietary and that monetary damages will be inadequate to compensate Buyer for Seller's breach or this provision. The parties agree that, in addition to any other remedies available to Buyer under the Order, or at law or in equity, Buyer will be entitled to seek injunctive relief to enforce the terms of this clause.



- F. If the U.S. Government provides to the Seller Buyer's Manufacturing Materials with unlimited rights, or Buyer has authorized Seller to manufacture Articles for direct sale to the U.S. Government or a third party, Seller may use Manufacturing Materials provided:
- i. Seller provides to Buyer a notice of each such proposed use, Identification of each Article being provided by Seller, and applicable U. S. Government contract number;
 - ii. Buyer's name and cage code number must not be used to Identify Articles;
 - iii. Seller makes no claim against Buyer, which arises out of Seller's use of the Manufacturing Materials;
 - iv. Seller Indemnifies and holds Buyer harmless from any end all claims and causes of action for wrongful death, bodily injury or property damage based upon, but not limited to, theories of strict liability or negligence, actual or implied, which may arise out of such use and direct sale, and;
 - v. Seller certifies that use of such Manufacturing Materials will be limited to manufacturing Articles for delivery to the U.S. Government or authorized third party and agrees to provide Buyer reasonable access to Seller's books and records to verify compliance with this provision.

Clause 10 – QUALITY CONTROL/INSPECTION

- A. Seller must provide and maintain a Quality Management System in accordance with the latest revisions to ISO-9001 or AS/EN-9100 or is within quality system compliance. Seller's system must also be in compliance with the applicable requirements of the Seller's civil airworthiness authority (Transport Canada, the Federal Aviation Administration (FAA), or Foreign Air Worthiness Authority) and the Supplier Quality Requirements Manual (SQRM-001) referenced in the Order. Seller agrees to permit Buyer or U.S. Government access to its facilities, quality system procedures, processes and documentation related product/service compliance to requirements. This accessibility will remain applicable to Seller in addition to any special quality assurance provisions, which may be incorporated elsewhere in the Order. If FAA surveillance is required, a bilateral agreement between FAA and a foreign civil air authority may apply.
- B. All Articles are subject to final inspection and acceptance by Buyer at destination, notwithstanding any payment or prior inspection at source. The final Inspection Clause will be made within a reasonable time after receipt of the Articles. When Buyer inspection is performed at source, Seller must provide, at no charge to the Buyer, appropriate facilities and assistance to allow the performance of the inspection. Buyer must notify Seller if any Articles delivered hereunder are rejected, and such Articles may be returned to Seller at Seller's risk and expense at Buyer's discretion. Inspection and tests by Buyer do not relieve the Seller of responsibility for defects or other failures to meet the Order's requirements. Acceptance will not be final with respect to latent defects, fraud, or gross mistakes amounting to fraud. Notwithstanding anything else in the contract terms to the contrary, Seller and Buyer expressly agree that Seller is responsible for any claims for damages, losses, expenses which specifically exclude any administrative fees referenced in paragraph E and F below, that result from Seller's failure to comply with the requirements of this clause.
- C. The Seller must have an effective program for Investigation of quality system or product deficiencies that includes utilization of a disciplined problem solving method for determining the root cause and determination of effective corrective actions that preclude recurrence of deficiencies detected by the Seller or Buyer. The Buyer may forward a request for root cause and corrective actions response from the Seller when the Buyer discovers discrepancies for which the Seller is responsible. The Seller's response must be returned to the Buyer within thirty (30) calendar days unless otherwise specified by the Buyer. The response will include the corrective action affectivity point by part number, unit serial number, ship dates into Buyer, quantity end/or manufactured date.
- D. The Seller is responsible for compliance to all contract (e.g.,) engineering drawing, specification, purchase order) requirements. All documents, drawings and specifications, regardless of origin, are applicable to the Seller when specified in the contract or in documents referenced in the contract, and are required to be flowed down to all levels of the supply chain. Audit, surveillance, inspection nor tests made by Buyer, representatives of the Buyer or its customer(s) at Seller's facilities, at any sub-tier facilities, or upon receipt at Buyers facility, relieves the Seller of the responsibility to furnish acceptable products or services that conform to all contract requirements; nor does it preclude subsequent rejection by Buyer or its customers. Failure to comply with Quality System requirements or to achieve an acceptable quality performance level may result in an on-site audit or additional source inspection oversight being initiated by Buyer, at Seller's expense. Buyer reserves the right to debit Seller accounts to compensate for inspection or related activities that take place as a result of Buyer directed inspections, including source inspections being by-passed by the Seller.
- E. As described in paragraph (B) of this clause, the following administrative fees shall apply: If Buyer determines that the defective part is non-conforming to the applicable engineering drawings or specifications and must be returned to Seller, Buyer shall debit Seller's account per event for actual freight charges and customs brokerage if applicable incurred in shipping defective Articles both to and from the Buyer to Buyer's operators, plus \$175.00 US per event for administration fees or 10% total value of the Order line item. It is the Buyer's sole discretion to choose a freight carrier (s) and customs broker (s) of its choice. If Buyer determines that the defective part is non-conforming to the applicable engineering drawings or specifications, however, if it is dispositioned by Buyer to be USE AS IS, Buyer shall have the right to debit Seller's account a review and disposition fee of \$175.00 US.
- F. If Buyer determines that the defective Article is not re-workable and must be scrapped, then Buyer shall debit Seller's account the amount of the parts cost to Buyer plus an administration fee of \$175.00 US. or 10% total value of the Order line item.



- G. If Buyer finds it impractical to return defective Articles, or Seller is unable to repair or replace the defective Article within the time allotted herein, Buyer may perform necessary repair at its own facility and charge or debit Seller's account for those costs. Buyer shall debit Seller's account \$300.00 US for each Supplier Material Disposition Action Request (SMDAR) or 10% total value of the Order line item submitted to Buyer where the non-conforming material is determined to be caused by Seller.
- H. All rights and remedies of Buyer under the Order or at law shall be cumulative, and the exercise of one shall not be deemed a waiver of the right to exercise any other.

Clause 11 - SUSPECT/COUNTERFEIT PARTS

- A. Seller shall supply Articles that are not and do not contain suspect counterfeit parts. A suspect item is an item in which there is an indication by visual inspection, testing, or other information that it may not conform to established government or industry accepted specifications or national consensus standards. A suspect/counterfeit item is any item that is a copy damaged beyond possible repair, but are or substitute without legal right or authority to do so, or one whose material, performance, characteristics or identity does not appear to be authentic. The term also includes approved Article that has reached a design life limit or has been altered and deliberately misrepresented as acceptable. Failure by Seller to document material substitution or identify that an item has been refurbished or remanufactured is considered to be fraud, and the Item then becomes suspect counterfeit.
- B. If it is determined by Buyer that a suspect counterfeit part has been supplied, Buyer will impound the items pending a decision on disposition. Notwithstanding anything else to the contrary herein, Seller shall replace such items with items acceptable to Buyer and shall be liable for all costs relating to the impoundment, removal, and replacement. The remedies contained in this paragraph are in addition to any remedies Buyer may have at law, equity or under other provisions herein. Buyer may also notify the applicable Government representatives and reserves the right to withhold payment for the items pending results of the Investigation.

Clause 12 -GENERAL TOOLING DOCUMENT

When required, Buyer's latest revision of the General Tooling Document is applicable to the Order. All lost, damaged or destroyed tools will be charged the Seller at replacement value. Invoices for tooling will not be processed until Buyer's inspection has accepted parts produced from such tools and a certified OMTR (Outside Manufacturing Tooling Requirement) has been submitted to and approved by Buyer.

Clause 13 - WARRANTY

- A. Seller warrants that all Articles delivered under the Order will be free from defects in design; material and workmanship will conform to applicable descriptions, specifications and drawings and are suitable for the purpose intended. THIS WARRANTY SHALL BE IN ADDITION TO ALL WARRANTIES ARISING AS A MATTER OF LAW AND SHALL SURVIVE ACCEPTANCE AND PAYMENT.
- B. Seller's warranties must be enforceable by Buyer's customers as well as Buyer and will be valid for thirty-six (36) months after delivery to Buyer(s) customers.
- C. Buyer shall debit Seller's account for reasonable labor charges incurred by Buyer's customer(s) associated with warranty related issues, including part(s) removal and re-installation.
- D. Defective Articles will be returned to Seller at Seller's expense for repair or replacement, at Buyer's option. In the event defective Articles are returned to Seller, the repaired or replacement Articles will be provided by Seller, FCA Seller's plant, to Buyer within a negotiated amount of time when the defects were first found from receipt of the defective Article by Seller. For valid warranty claims, Buyer will debit Seller's account for actual freight charges and costs incurred both from and to the Buyer. If Buyer finds it impractical to return defective Articles, or Seller is unable to repair or replace the defective Article within the time allotted herein, Buyer may perform necessary repair at its own facility and charge or debit Seller's account for those costs. In addition to remedies contained in this clause, Buyer also has the right to charge Seller administrative fees for warranty administration as set forth in clauses 10 (E) and (F).

Clause 14 - INTELLECTUAL PROPERTY RIGHTS & INDEMNITY

- A. If this Order includes Articles which are for use in connection with a U.S. Government prime contract or subcontract, then this Clause does not change the rights in technical data that the U.S. Government obtains pursuant to any FAR or DFARS clauses incorporated into this Order.
- B. Except for Orders funded by the U.S. Government, any copyright, trademark, trade secret, software, data, idea, concept, process, formula, invention, system, report or other Intellectual property resulting from any Seller work performed for the Order, derived from or based on information supplied by Buyer, or conceived or reduced to practice by Seller using Buyer's funds, will be the sole property of Buyer. Seller agrees to assign and hereby assigns to Buyer any interest Seller may have in such intellectual property right or invention(s) conceived by Seller or reduced to practice by Seller.



- C. *With respect to Articles delivered under the Order, Seller shall save Buyer, its agents, customers, and users of its products harmless from all loss, damage and liability incurred on account of any infringement or alleged Infringement of a Patent, copyright, or trademark or misappropriation of a trade secret or other violation of an intellectual property right of a third party, arising out of the manufacture, sale, or use of such Articles by Seller, Buyer, Buyer's agents, customers, or users of its products. Seller shall at its own expense defend all claims, suits and actions against Buyer, Its agents, customers or users of its products in which such infringement or other violation of an intellectual property right of any third party is alleged, provided Seller is notified of such claims, suits and actions. This indemnification does not apply to articles manufactured to detailed designs developed and furnished by Buyer.*

Clause 15 - BOOKS AND RECORDS

Seller must provide authorized representatives of Buyer, reasonable access to its books, records and data which will permit the adequate evaluation of cost date, direct materials, labor hours and incorporated rates used to arrive at a price. In addition, any proposals submitted by the Seller, pursuant to the Changes, Termination for Default, or Termination for Convenience clauses shall also include sufficient cost data and reasonable access to Seller's books, records and data as indicated herein. At Buyer's request, Seller shall provide copies of collective labor agreements, if any, and audited company financial statements.

Clause 16 - PRICES, PAYMENT AND DISCOUNT

Payment by Buyer will be made net forty five (45) days from the later of the following: (i) the date of acceptance of the Articles or (II) from Buyer's receipt of an acceptable invoice. Any payment discounts will be calculated from the same date. Discount terms shall be clearly stated on the face of each invoice.

Clause 17 - INVOICING, PACKING AND SHIPPING

- A. *Separate invoices indicating Order number, line item number(s), quantity, unit price and extended value are required for each Order unless Pay upon Receipt has been established with the Seller. For International Imports, seller should indicate the harmonized tariff system code for each item shipped and country of origin on the export documents related to the export shipment.*

For shipments in fulfillment of Valcor Issued Orders, on date of shipment(s) Seller shall email one copy of each Invoice to Finance@valcor.com or mail to the address below, unless a different address is provided in the face of the Purchase Order:

*Valcor Engineering Corporation
ATTN: Accounts Payable
2 Lawrence Road
Springfield, NJ 07081*

- B. *Seller must comply with the routing instructions shown on the Order. Premium transportation will be paid by Buyer only when specifically authorized. If delays caused by the Seller result in the need for premium transportation, the additional costs for the premium transportation is the sole responsibility of the Seller. Seller must not prepay, insure, or declare value of any shipment made FCA shipping point.*
- C. *Separate packing lists are required for each Order and must accompany each shipment. The location of the packing slip must be clearly marked on the container. The complete Order number must appear on all documents.*
- D. *Single Article containers will be identified with Order, part number, and quantity. When multiple Orders or Articles are combined in one container, they must be separately packaged inside that container and the packages identified as to Order, part number and quantity.*
- E. *Seller must send orders in compliance with Buyer's routing instructions. In case of noncompliance of those instructions, Seller can be subject to a freight debit, representing the cost difference between Buyer's endorsed carrier cost and the one used by the Seller, and/or as well as the mode of transport ,and/or transit time service used. Test reports, x-rays, certificates and other supporting documents must accompany each shipment when required by the Order.*
- F. *Articles will be marked in such a manner as to be readily identifiable with the part number reflected on the Order. Kits, assemblies and all parts consisting of multiple Articles, that is, hardware, pins, gaskets, etc., must be unit packaged as a complete unit and so identified. If the Article is individually packaged, the package will be so marked. Single Articles too small to be separately identified will be separated into lots and tagged or bagged. Proper markings corresponding to the Order description and part number must be applied to the tags or bags for handling and storage purposes.*
- G. *When required by Buyer, Seller will provide bar coded shipping labels with each shipment.*



- H. *With each shipment to Buyer, the Seller must include on the packing slip a "Statement of Product Conformity". Unless otherwise required by contract, the Seller must include a statement declaring compliance to all requirements specified in applicable standards or specification documents. This certification of compliance must be signed by Seller's authorized Quality representative.*
- I. *Unless otherwise specified, the price stated in the Order includes the costs of preparing and packing for shipment, container marking, and furnishing packing lists and test reports.*
- J. *If Seller fails to comply with Invoice, packing, or shipping instructions, title and risk of loss shall not pass to Buyer until acceptance of Articles.*

Clause 18 -DELIVERY

- A. *Seller is responsible for the Articles covered by the Order until they are delivered to the designated FCA point specified on the Order. Title and risk of loss shall pass to Buyer upon receipt of Articles at point specified on the Order, subject to Clause 17(J). If Articles are received more than five (5) calendar days ahead of specified schedule, Buyer reserves the right to keep the Articles and make payment as if the delivery was made per the specified delivery schedule, return the Articles to Seller at Seller's expense. Buyer may debit Seller's account for actual freight charges incurred both from and to Buyer. The delivery dates contained in the Order are the dates that the Articles are required on dock at Buyer's facilities.*
- B. *Should Seller experience or anticipate any delay in performing the Order, Seller must immediately notify Buyer in writing of such delay, it's expected duration and the reasons thereof. Neither such notification nor an acknowledgment by Buyer will constitute a waiver of the Order's specified delivery schedule.*
- C. *In the event that the Seller breaches its obligation to deliver Article(s) in accordance with the schedule(s) provided for in this Order, or any extensions granted by Buyer In writing, Seller shall pay Buyer 3% of the price of the late Article(s) per calendar day for each day of delay as liquidated damages. The Parties agree that quantifying losses arising from Seller's delay in inherently difficult, and further stipulate that the agreed upon sum is not a penalty, but a reasonable measure of damages, based upon the Parties' experience in the industry and given the nature or the losses that may result from delay. Buyer has the right to set-off against or withhold any liquidated damages due or at issue under the Order or any Order between Buyer and Seller in accordance with the Set- Off and Withholding clause herein.
 - i. *The total amount of the above mentioned liquidated damages shall not exceed 10% of the price of the late Articles;*
 - ii. *Five (5) days will be granted before Buyer begins to toll liquidated damages;*
 - iii. *In the event that the delivery or Seller's Articles are delayed in delivery for a period In excess of four (4) weeks, the Buyer has the right to terminate the Order, in full or in part, for Default in accordance with Clause 7 of these Terms and Conditions at its sole discretion;*
 - iv. *Neither the Buyer's right to not accept defective Articles from Seller in accordance with the Quality Control Inspection provision herein, nor any delay in Buyer issuing the demand for payment to Seller, constitutes a waiver of this liquidated damages clause;*
 - v. *This clause does not limit the rights and remedies or the Buyer in any other clause of the Order provided by the law or under these Terms and Conditions;*
 - vi. *Any disputes arising between Buyer and Seller regarding liquidated damages will be in accordance with the provisions of the Disputes clause herein.**
- D. *Nonconforming Work: With respect to any Nonconforming Work, Buyer shall have the right to (i) accept all or part of such Nonconforming Work at an equitable price reduction; (ii) reject all or part of such Nonconforming Work, or (iii) require that such Nonconforming Work be corrected, repaired, or replaced promptly, all at Seller's sole expense. Nonconforming Work rejected by Buyer shall be returned at Seller's expense, including packaging, transportation, and handling costs.

*If Buyer rejects Nonconforming Work, or if Seller fails to proceed promptly with the replacement, repair, or correction thereof after Buyer's request therefor, Buyer either may terminate the Purchase Order for default or may replace or correct such Work, including by having a third party make all repairs, modifications, or replacements necessary to bring such Work into compliance with the requirements of this Clause. All costs and expenses arising from having the Work corrected shall be the responsibility of the Seller.**
- E. *Seller, as applicable, shall pay all taxes and Import or Export duties of any kind outside of the United States or Canada, including those taxes or duties that may be imposed or assessed on any property furnished by Buyer (data. information, materials, components or tooling), and all fines or penalties imposed by reason of Seller's failure to pay such taxes or duties. All such taxes and duties, existing, new or increased, are included in the price stated in the Order.*

Clause 19 - ASSIGNMENT

- A. *Neither the Order nor any interest herein nor any claim hereunder will be assigned by Seller without the prior written consent of Buyer. An assignment without Buyer's written consent is ineffective and void. No such consent will be deemed to relieve Seller of its*



obligations to comply fully with the requirements of the Order. Seller may, however, without Buyer's consent, assign the rights to be paid monies due or to become due to a financing institution if the following conditions are met:

- i. Buyer must continue to have the right to exercise any and all of its rights under, settle any and all claims arising out of, and enter into amendments hereto, without notice to or consent of the assignee;
 - ii. the entire amount of said monies is assigned to a single assignee and
 - iii. Buyer is given notice of the assignment and all invoices submitted by Seller contain adequate reference to the assignment.
- B.** Any costs associated with Buyer's efforts to approve an assignment including, but not limited to: Quality Assurance or financial audits, shall be borne by the Seller. Should the assignment be unacceptable to the Buyer, this Order will be terminated and the provisions of the Termination for Default clause will apply.

Clause 20 - SALES LIMITATION

Without the prior written consent of Buyer, Articles carrying Buyer's part numbers may not be sold to third parties, other than the U.S. Government, in the event the U.S. Government has unlimited rights in the Manufacturing Materials pursuant to DFARS 252.227-7013 "Rights in Technical Data-Non

Clause 21 - 1-PUBLIC RELEASE OF MATERIAL

Seller shall not advertise or publicize without Buyer's prior written consent, in any medium, including, without limitation, any print, broadcast, direct mailing, or any internet web site maintained by or for Seller, the fact that Seller is a supplier of products or services to Buyer. Neither Seller nor its subcontractors, suppliers or agents shall without Buyer's prior written consent:

- i. Use Buyer's name, photographs, logos, trademarks, or any other identifying information in any such medium;
- ii. Use (except to communicate with Buyer) or its affiliates any Internet domain names, metatags, or electronic mail addresses containing the name, "Valcor", or the names of any product or service for which Buyer owns the trademark;
- iii. Provide a link to any domain name or internet address registered to Buyer or any of its affiliates.

Clause 22- SET-OFF AND WITHHOLDING

Buyer has the right of set-off against any payments due or at issue under the Order or any Order between Buyer and Seller. Buyer may withhold from payment to Seller in an amount sufficient to reimburse Buyer for any loss, damage, expense, cost or liability relating to Seller's failure to comply with any requirements of the Order.

Clause 23 -DRAWINGS

- A.** All drawings, specifications and data furnished by the Buyer to the Seller shall remain the property of the Buyer and shall not be disclosed to others by the Seller and shall be used by Seller only as and to the extent required for the performance of the Order, unless otherwise approved by Buyer in writing.
- B.** If the performance of the Order, Seller is obligated to manufacture Seller-designed Valcor part numbered Articles to the Seller's drawing revision level as specified in the Order or approved by Buyer, and where manufacturing will be to a different revision level, Seller will provide Buyer released updated drawings with explanation as to how the present configuration differs from the specified or approved revision level configuration. Seller must receive Buyer's approval of updated drawing prior to the manufacturing and shipment of Articles to Buyer.
- C.** No review or approval by the Buyer of any work hereunder or of any designs, drawings, specifications or other documents prepared by Seller will be construed to relieve Seller, in any way from design responsibility for the Articles to be delivered hereunder, or from responsibility to comply with the requirements of the Order.

Clause 24 - DISPUTES

- A.** In the event of a dispute arising between Buyer and Seller, which is not disposed of by agreement, Seller must request a final written decision from Buyer's Procurement Manager. If the parties can't agree on a dispute resolution process or otherwise resolve a dispute, the said dispute may be filed in the proper court for disposition pursuant to the Applicable Law and Venue clause hereof.
- B.** Pending final resolution of any dispute or appeal hereunder, the Seller shall proceed diligently with the performance of the Order as directed by the Buyer. If the dispute arises out of a difference in interpretation between the parties as to the performance requirements of the Order, then Seller shall continue performance as determined by the Buyer.

Clause 25 - GRATUITIES

- A.** Seller (or any agent or representative of Seller) will not offer or provide gratuities to any employee of Buyer. Failure of Seller to honor this commitment may, at Buyer's option, result in immediate termination of the Order in accordance with the Termination for Default clause, without provision for cure.



- B. Seller is prohibited from providing, offering, or attempting to offer kickbacks or soliciting or accepting kickbacks. Seller must have and follow procedures designed to prevent and detect possible violations, shall report in writing and telephonically any violation to the Buyer (973-467-8400), and shall cooperate fully with any Government agency investigating a possible violation. The substance of this clause shall be included in all subcontracts issued under the Order.
- C. For orders issued by Valcor, Seller, by accepting the Order or any long-term contract from Buyer or performing against such Order or contract, hereby certifies, to the best of their knowledge and belief, that:
 - i. No United States government ("Federal") appropriated funds have been paid or will be paid by or on behalf of the Seller to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement and the extension, continuation, renewal, amendment or modification of any Federal contract, grant, loan or cooperative agreement.
 - ii. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress or an employee of a Member of Congress in connection with this Federal contract, grant, loan or cooperative agreement, Seller shall completed and submit Standard Form-LLL, "Disclosure Form to Report Lobbying" in accordance with its instructions.
 - iii. Seller shall require that the language of this certification be included in the award documents for all sub awards at all tiers (including subcontracts, sub grants, and contracts under sub grants, loans and cooperative agreements) and that all sub recipients shall certify and disclose accordingly.
 - iv. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, USC.

Clause 26 - COMPLIANCE WITH LAWS

- A. Seller shall comply with all applicable federal (U.S. or Canada), state, provincial and local laws, including, but not limited to, laws with respect to the protection of the environment, and Seller hereby certifies that it is in compliance with all such laws and regulations in the production of the Articles, and that the Articles themselves are compliant with all applicable laws. Seller will indemnify and hold Buyer harmless to the full extent of any loss, damage or expense, including lost profit, attorneys' fees and court costs, for any failure or alleged failure of Seller to comply with the requirements of this clause or for any release or threat of release of any hazardous substance, hazardous or solid waste, pollutant or contaminate from any site now, or in the past, owned or operated by Seller, or any site where Seller disposed of or arranged for the disposal of any hazardous substance, hazardous or solid waste, pollutant or contaminate.
- B. Seller shall comply with the Valcor Code of Conduct for Suppliers and Other Business Partners, available at www.valcor.com.

Clause 27 - PRODUCT ORIGIN

- A. Prior to or with the first shipment of Articles to Buyer, Seller must provide Buyer a statement specifying the Country of Origin, the Article name and description, Buyer and Seller part number, Harmonized (Tariff) Schedule (HTS/HS) number, the Export Control List number, and manufacturer name and location. Seller will also provide, as requested, any other documentation that is required for U.S and/or Canadian Customs and other Government agency compliance.
- B. If the Articles provided under the Order qualify for preferential duty treatment under a Free Trade Agreement such as the North American Free Trade Agreement (NAFTA), Seller must provide Buyer's Global Trade Compliance Department with a NAFTA or other Certificate of Origin to enable Buyer to claim preferential duty treatment at the time of entry. Seller acknowledges that the Certificate will be used by Buyer as proof of eligibility for preferential duty treatment, and agrees to provide full cooperation to Buyer for any U.S., Canadian or other foreign Customs inquiries into preferential duty claims that arise out of any Article furnished under the Order. Unless Buyer requests individual certificates for each shipment, Seller may provide annual blanket certificates to cover multiple shipments during the calendar year.
- C. Seller will send Certificates of Origin or statements specifying Country of Origin to Buyer's Compliance Department at the following e-mail, address, or fax numbers:

Valcor Engineering Corporation
Incoming@valcor.com
Trade Compliance
2 Lawrence Road
Springfield, NJ 07081
Fax: 973-467-8382

- D. Seller must notify Buyer in writing of any change in the Origin of the Article.



- E. Buyer will notify Seller in writing if Seller fails to supply documentation required under Paragraphs (A) through (D) of this Clause, and Seller agrees to provide Buyer the relevant documentation within 48 hours of receipt of notice from Buyer.
- F. Seller shall be responsible for all losses, costs, claims, causes of action, damages, liabilities, and expenses, including attorneys' fees, all expense of litigation and/or settlement, and court costs, arising from any act or omission of Seller, its officers, employees, agents, suppliers, or subcontractors at any tier, in the performance of any of its obligations under this clause.

Clause 28 - HAZARDOUS MATERIAL

- A. Seller certifies it is in compliance with all federal, state or provincial laws, including but not limited to the U.S. Occupational Safety and Health Act of 1970 (OSHA) or the Canadian Hazardous Products Act as applicable. Furthermore, if the Articles purchased herein are considered toxic or hazardous as defined in the above set of regulations, Seller shall provide a copy of the Material Safety Data Sheet (MSDS) with each shipment or as otherwise specified on the Order.
- B. For products manufactured or delivered from the European Union, chemical substances and preparation integrated in such products shall be made only with substances pre-registered and authorized by REACH (Registration, Evaluation, and Authorization of Chemicals) regulations. This requirement is also applicable for chemical substances and preparation used in manufacturing process. Additional information about REACH and a list of pre-registered substances is available on the following web site: <http://echa.europa.eu/web/questions-information-on-chemicals/pre-registered-Substances>

Clause 29 – INDEMNIFICATION

- A. All rights hereunder shall exist by agreement of the parties notwithstanding any limitations regarding indemnity and/or contribution which exist herein or under the laws of any state. Buyer and Seller expressly agree that Seller is responsible for and agrees to Indemnify Buyer for any and all damages, losses, expense, attorney fees, court costs, etc., that result from incidents, accidents, injuries or deaths to any persons or damage and/or losses to property, which result in whole or in part or are alleged to have resulted in whole or in part from (a) any act or omission of Seller with respect to the products or services furnished to Buyer hereunder; (b) any claimed defect in the goods or services supplied to Buyer by Seller; and (c) any claimed negligence on the part of Buyer with respect to supervision, monitoring, directing or inspecting (i) the goods and/or services supplied by Seller; (ii) the design/manufacturing or other activities of Seller in making or supplying the goods or services.
- B. Seller agrees, at its own expense, to defend Buyer, its directors, officers, employees, agents and successors against any and all actions, suits or other legal proceedings that may be brought or instituted upon any claim or demand alleging any claim covered by the indemnity agreement above, and to keep Buyer informed at reasonable intervals of significant developments in such actions.
- C. If Seller does not have actual notice of a claim, Buyer agrees to give Seller prompt notice of any such claim and legal action within a reasonable period of time after Buyer receives written notice hereof to tender to Seller the defense and handling of any such claim and legal action, including the right to settle or compromise such claim or action at Seller's sole expense, however, Seller will not consent to the entry of a judgment with respect to any claim or enter into any settlement which does not include a provision whereby the plaintiff or claimant in the matter releasing the Buyer from all liability with respect thereto, without the written consent of Buyer (not to be withheld, delayed or conditioned unreasonably) and to reasonably cooperate with Seller in the defense of every such claim or legal action at the sole expense of Seller.

Clause 30 - A PPLICABLE LAW AND VENUE

- A. Order is issued by Valcor:
 - i. Pursuant to a U.S. Government prime contract, the Order including these terms and conditions will be construed and applied in accordance with the Federal common law of Government contracts. To the extent that the Federal common law of Government contracts is not dispositive, choice of law shall be determined in accordance with paragraph (ii) below.
 - ii. Except as set forth in (i) above, Seller and Purchaser agree that this Order shall be deemed made and entered into the State of New Jersey, and any dispute arising under, out of, or related in any way to this Order, the legal relationship between Seller and Purchaser, or the transaction that is the subject of this Order shall be governed and construed exclusively under the laws of the State of New Jersey, USA exclusive of conflicts of laws. Any dispute arising under, out of, or related in any way to this Order or the legal relationship between Seller and Purchaser shall be adjudicated solely and exclusively in (a) the Courts of the State of New Jersey in the County of Union, or (b) the Federal District Court for Northern New Jersey, Newark. The Seller and Purchaser agree that this forum selection is mandatory and exclusive of all other forums.



Clause 31 - PARTIAL INVALIDITY; WAIVER

If any provisions of the Order including these Terms and Conditions become void or unenforceable, the other provisions will remain valid and enforceable. Waiver of one or more provisions of these Terms and Conditions by Buyer will in no way act as a waiver of any other provision herein.

Clause 32 - ORDER OF PRECEDENCE

In the event of any inconsistency among the provisions of the Order hereunder, such inconsistency will be resolved by giving precedence in the following sequence:

- A. Provisions typed on the face of the Order including any applicable mandatory flow-downs in Buyer's Prime Contract,*
- B. Long Term or Multiyear Agreement Contract between Buyer and Seller (If applicable)*
- C. Terms and Conditions,*
- D. Statement of Work,*
- E. Specifications,*
- F. Other documents, exhibits, and attachments to the Order.*

Clause 33 - OFFSET CREDIT

- A. Buyer represents that its business base consists in part of international orders, and that it must, from time to time, enter into International offset agreements to secure such orders. To the extent that the Articles ordered hereunder are components of Buyer's products/systems sold to a foreign nation or concern or are non-recurring activities, tooling, equipment, engineering, etc. associated with Buyer's products/systems sold to a foreign nation or concern, and in the event such foreign sale includes an offset requirement, Seller will enter into good faith discussions with Buyer regarding the Seller's assumption of a proportionate share of such offset obligations.*
- B. Buyer reserves the right and declares its intention to claim credit for the value of this Order or any related or follow-on orders against any offset or industrial cooperation commitment, either present or future, that Buyer may undertake in the Seller's country. The Seller agrees to provide all reasonable information in such form as may be required to enable Buyer to obtain the aforementioned offset credits.*

Clause 34 - OUTSOURCING

Notwithstanding any other provision of the Order, Seller must not procure any of the completed or substantially completed Articles described herein without the prior written consent of Buyer.

Clause 35 - ELECTRONIC DATA INTERCHANGE AND SUPPLIER PORTAL

- A. The Parties agree that if an Order is transmitted electronically neither party shall contest the validity of the Order, or any acknowledgement thereof, on the basis that the Order or acknowledgement contains an electronic signature.*
- B. Buyer and Seller agree that in the event any part of the purchase and sale of Articles covered by these Terms and Conditions will hereafter be effected using electronic data interchange, these Terms and Conditions shall continue to apply thereto.*
- C. When not available, Seller shall confirm via fax, email, or postal mail, acceptance of purchase orders or purchase order change orders.*

Clause 36 - GOVERNMENT REGULATIONS RELATING TO EXPORT - IMPORT OF GOODS AND TECHNICAL DATA

- A. Articles, technical data, and software provided under the Order may be subject to the export control laws of the United States of America ("U.S."), Canada and other applicable jurisdictions. The Parties acknowledge that the export control laws of the U.S. impose restrictions on the import, export, re-export, or transfer to third countries certain categories of articles, technical data, and software. Neither Party shall export, transfer, re-export, or re-transfer any articles, technical data, and software to any U.S. or Canadian Government sanctioned countries, denied/debarred or designated parties even where the articles have been integrated into Seller's product. These restrictions apply to Seller, its employees, and any third party including, but not limited to Seller's suppliers and subcontractors. All relevant manufacturing location(s) of products subject to the Order during Seller's performance shall be compliant with all applicable U.S. and other germane export and/or import laws and regulations including all U.S. Customs' Trade Partnership Against Terrorism (C-TPAT) supply chain security requirements.*
- B. The Parties acknowledge that licenses and/or permits from the relevant U.S. or foreign government agency may be required before Buyer is permitted to provide controlled Articles to Seller, before Seller is permitted to export controlled Articles to Buyer, or before*



Buyer is permitted to import controlled Articles from Seller. The Parties acknowledge that such licenses or permits may impose restrictions on use of the controlled articles, technical data, and/or software subject to the contract. Each Party shall comply with all U.S. license and/or permit requirements and all other applicable export and import laws and regulations controlling the import and/or export of the subject controlled articles.

- C. All technical data and software subject to the International Traffic In Arms Regulations (ITAR) (22 CFR 120-130) or the Export Administration Regulations (EAR) (15 CFR 730-774) shall be clearly marked with their applicable export classification(s) and any subsequent information identified by either Party impacting the classification of the subject Articles shall be communicated to the other Party within a reasonable time. Upon completion of performance or termination of the Order, Buyer furnished articles, technical data, and software shall, at Buyer's option, be returned to Buyer.

Clause 37 - ENTIRE AGREEMENT/SEVERABILITY/SURVIVAL

- A. The Order, including attachments hereto, constitutes the entire understanding and agreement between the parties with respect to the subject matter hereof and supersedes all prior representations and understandings, whether oral or written. However, nothing herein will be construed as a limitation or exclusion of any right or remedy available to Buyer by law. Buyer and Seller agree that the U.N. Convention on Contracts for the International Sale of Goods will not apply to any purchase and sale of Articles governed by these Terms and Conditions.
- B. If any provision of the Order is invalid or is prohibited by applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions, terms or conditions or of such Order.
- C. The provisions of the Order which by their nature are intended to survive the termination, cancellation, completion or expiration of the Order, including any indemnities, warranties and expressed limitations or releases from liability, shall continue as valid and enforceable obligations of the parties notwithstanding any such termination, cancellation, completion or expiration.

Clause 38 - INDEPENDENT CONTRACTOR

Seller is an independent contractor in all its operations and activities under the Order and all personnel furnished by Seller or used by Seller in the performance of the Order will be Seller's employees exclusively without any relation whatsoever to Buyer. Seller is responsible for all obligations and reporting requirements covering social security, unemployment insurance, worker's compensation, income tax, and any other reports, payments or deductions required by local, state, or federal law or regulation. Seller is not granted, expressly or impliedly, any right or authority to create any obligation or liability on behalf of or in the name of Buyer.

Clause 39 - INFORMATION ON POLITICAL CONTRIBUTIONS AND FEES OR COMMISSIONS IN CONNECTION WITH THE SALE OF DEFENSE ARTICLES OR SERVICES

For Orders issued by Valcor, Seller agrees to furnish information, within seven (7) days of Buyer's request, regarding any payment, offer or agreement to pay "political contributions" or "fees or commissions" (as those terms are defined at 22 CFR Sec. 130) with respect to any sale by the Buyer for which a license or approval from the Office of Defense Trade Controls, Department of State, is required or any sale pursuant to a contract with the Department of Defense under Section 22 of the Arms Export Control Act (22 USC Sec. 2762).

Clause 40 - BUYER INFORMATION

Seller agrees to comply with the terms of any Proprietary Information Exchange Agreement(s) with Buyer and to comply with all proprietary information markings and restrictive legends on information provided hereunder by Buyer to Seller. Seller agrees not to use any Buyer-provided information for any purpose except to perform the Order and agrees not to disclose such information to third parties without the prior written consent of the Buyer.

Clause 41 - CONFLICT MINERALS

Seller acknowledges that although Buyer is not subject to direct reporting as defined in Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act") and the implementing rule promulgated by the U.S. Securities and Exchange Commission ("SEC") Valcor will be required to report to OEMs related to tin, tantalum, tungsten and gold (the "Conflict Minerals") contained in products sold by Buyer. Seller shall promptly provide such written certifications concerning Conflict Minerals contained in products, components, parts and materials supplied to Buyer by Seller as Buyer may request from time to time. Seller acknowledges that for purposes of any reports Valcor may file with the OEM, Buyer and Valcor will rely on the accuracy and completeness of each such certification. Seller represents and warrants that it has adopted and will maintain a supply chain policy and procedure to conduct, and require its suppliers to conduct, a reasonable inquiry to determine (I) whether the products, components, parts or materials supplier to Buyer contain Conflict Minerals and (II) whether the source of any such Conflict Minerals not derived from recycled or scrap materials may be the Democratic Republic of the Congo or an adjoining country and if so to perform due diligence to identify the facilities used to process such Conflict Minerals and make efforts to identify the location of each mine or location of origin of such Conflict Minerals with the greatest possible specificity. Seller represents warrants and certifies that its products, parts, components and materials are not, and will not be, produced with child, indentured, forced or prison labor.

Clause 42 - RESCISSION, ADJUSTMENT, AND TERMINATION FOR ILLEGAL OR IMPROPER ACTIVITY

For Orders in fulfillment of a U.S. Government contract:



- A. *If the Government pursues action under FAR 52.203-8, "Cancellation, Rescission and Recovery of Funds for Illegal or Improper Activity" and cancels the solicitation or rescinds the prime contract to which the Order relates, and such action results from Seller's violation of the Procurement Integrity Act, 41 U.S.C. 423, Buyer may 1) rescind the Order; 2) recover from Seller all amounts paid by Buyer to Seller related to the Order; 3) recover from Seller any amounts including any penalty prescribed by law, which Buyer is required to pay; and, 4) recover from Seller any other costs, expenses, liabilities incurred by Buyer in connection with Seller's violation of the Procurement Integrity Act.*
- B. *Seller agrees to pay Buyer the amount equal Buyer's price or fee is reduced pursuant to FAR clause 52.203-10, "Price or Fee Adjustment for Illegal or Improper Activity" to extent such reduction results from Seller's violation of the Procurement Integrity Act and as such act is implemented in the FAR. In the event the Government terminates for default any Buyer prime contracts under which the Order is issued, as a result of Seller's violation of the Procurement Integrity Act, Buyer shall have the right to terminate the Order in whole or part.*
- C. *Buyer's rights and remedies under this clause are in addition to any other rights and remedies provided by law, regulation, or under the Order.*

Clause 43 - FEDERAL ACQUISITION REGULATION (FAR)

- A. *If the Order contains a U.S. Government Prime Contract Number or if any of the Articles to be supplied under the Order (or any other Orders placed under the Agreement under which the Order is placed) are to be used on a U.S. Government contract, the FAR and, if applicable, DFARS clauses listed under the Valcor Standard Purchase Order Terms and Conditions - FAR and DFARS Clause Flow-downs in Fulfillment of a U.S. Government Contract (Flow-Downs) is incorporated herein by reference and made a part of these Terms and Conditions. The Parties agree that Sections I and III of the Flow-Downs shall be incorporated in all Orders in support of a U.S. Government Prime Contract until Seller provides sufficient documentation that the Article(s) qualifies for commercial item status in accordance with FAR 2.101. If and when Buyer determines the Article to be a commercial item, then Section II will be incorporated into all Orders for that particular Article. Unless specified otherwise, Buyer agrees that Articles supplied to Valcor are commercial items.*
- B. *The dates of these clauses are the dates in effect in the U.S. Government Prime Contract issued to Buyer. Unless specified otherwise, the term "Contractor" will mean "Seller," the term "contract" will mean "Order," and the term "subcontractor" will mean Seller's subcontractors. Seller agrees to negotiate with Buyer to incorporate additional provisions beyond those identified in the Flow-Downs or to change provisions as Buyer reasonably deems necessary to comply with the applicable Prime Contract or with amendments or modifications to the applicable Prime Contract. Seller shall accept mandatory flow-down clauses in Buyer's Prime Contract or modifications thereto at no additional cost to Buyer.*

Clause 44 - DEFENCE FEDERAL ACQUISITION REGULATION SUPPLEMENT (DFARS)-CYBER SECURITY REPORTING

DFARS 252.204-7012 SAFEGUARDING COVERED DEFENSE INFORMATION AND CYBER INCIDENT REPORTING have become a mandatory flow down on all DOD prime contracts. Seller is required to comply with this DFAR clause as it has become FAR/DFAR standard flow down from all Buyer U.S. Government prime contractors. The full text of this requirement can be found at the following URL:
<http://farsite.hill.af.mil/vmdfara.htm>



2 SUPPLIER INSTRUCTIONS REFERRED FROM FACE FORMING PART OF THIS PURCHASE ORDER

A. CERTIFICATIONS, REPORTS

- (1) *Certification of compliance is required for all applicable specifications, drawings and data required per purchase order. Certification shall be endorsed by an individual responsible for quality.*
- (2) *Material certification required. Material test reports must be maintained by Supplier and subject to examination for period not less than seven years.*
- (3) *Material typical certification required. Name of mill to be noted. Material must be FAR/DFARS compliant.*
- (4) *Material mechanical/chemical mill test reports required. Material must be FAR/DFARS compliant.*
- (5) *Plating certification required noting specification and thickness. Certification shall be endorsed by an individual responsible for quality.*
- (6) *Heat treating certification required noting specification. Certification shall be endorsed by an individual responsible for quality.*
- (7) *Passivation certification required noting specification. Certification shall be endorsed by an individual responsible for quality.*
- (8) *Stress relief certification required noting specification. Certification shall be endorsed by an individual responsible for quality.*
- (9) *Test reports per purchase order required.*
- (10) *Non-destructive examination test report required.*
- (11) *Calibration per ISO/IEC 17025, ANSI/NCSL Z540-1 or ISO 10012 & certification required. The latest issue in effect on the date of contract award shall apply.*
- (12) *All supplier required documents ie; certifications, test reports etc. must accompany goods shipped and be noted on packing slips.*
- (13) *10CFR21 - Reporting defects and noncompliance applies. Valcor must be informed in writing when defects or noncompliance are discovered. Valcor deviation report form or similar are to be used.*
 - (13a) *10CFR14 - A voluntary disclosure may be accepted if received later than 24 hours after the RE discovers the apparent noncompliance if (1) the RE discovered the noncompliance as a result of an ODA self-audit and (2) the noncompliance does not pose more than a remote risk to safety. If the noncompliance poses more than a remote risk to safety, the 24 hour policy applies. The RE must disclose the noncompliance in accordance with this AC and note the noncompliance in the self-audit report as described in FAA Order 8100.15,*

Notification must address the following items:

Brief Description of Apparent Noncompliance. A brief description of the apparent noncompliance, including an estimate of the duration of time that it remained undetected, as well as by whom, where, how, and when it was discovered.

Verification the Noncompliance has Ceased. Verification that noncompliance ceased after the apparent noncompliance was identified.

Brief Description of Immediate Action. A brief description of the immediate action taken after the apparent noncompliance was identified, the immediate action taken to terminate the conduct that resulted in the apparent noncompliance, and identification of the person responsible for taking the immediate action.

Verification of Evaluation. Verification that the RE is evaluating its operations to determine if there are any systemic problems and the corrective steps necessary to prevent the apparent noncompliance from recurring.

Identification of Responsible Person. Identification of the person responsible for the implementation of the CAP.

Acknowledgement of Written Report. Acknowledgment that a detailed written report will be provided to the IP within 10 working days.

- (14) *Ultrasonic test report required.*
- (15) *Liquid penetrant test report required.*
- (16) *Electro polishing certification required noting specification. Certification shall be endorsed by an individual responsible for quality.*
- (17) *Priming, plating or coating certification required per drawing or special instructions. Certification shall be endorsed by an individual responsible for quality.*



- (18) *Material safety data sheets (MSDS) as required by the OSHA Hazard Communication Standard 29CFR1910.1200 shall be supplied along with the Certification of Conformance for each item on the order. Following shipment, if additional safety information becomes known, the supplier is responsible to notify Valcor.*
- (19) *Certificate of Calibration traceable to National Institute of Standards and Technology required with shipment. NIST test report numbers or statement of traceability required.*
- (20) *Cleaning certification required noting specification. Certification shall be endorsed by an individual responsible for quality.*

B. INSPECTION REQUIREMENTS

- (21) *Supplier to submit samples for Valcor inspection and approval before proceeding with production. (First Article)*
- (22) *When provided by reasonable notification by Valcor, the Supplier shall make his facilities and records available for inspection or audit of the items ordered hereunder. This inspection or audit may be conducted by Valcor, Valcor's customer/government inspector or other parties authorized by Valcor.*
- (23) *Government inspection is required prior to shipment from your plant. Upon receipt of this order promptly notify the Gov't Representative who normally services your plant so that appropriate planning for Government inspection can be accomplished. In the event the Inspector does not schedule inspection within seven work days of request, notify Valcor.*
- (24) *All work on this order is subject to inspection and test by the Government at all times at supplier facilities. The Government representative should be notified (48) hours in advance of the time articles or processes are ready for inspection or test. A copy of this subcontract must be furnished to the Government Inspector or the nearest Navy, Army or Air Force inspection office in your locality. In the event the inspector or office cannot be located, Valcor should be notified.*

C. QUALITY REQUIREMENTS

- (25) *The Supplier shall provide and maintain a quality management system which meets the requirements of AS9100. The latest issue in effect on the date of contract award shall apply.*
- (26) *The Supplier shall provide and maintain a quality management system which meets the requirements of ISO9000 or MIL-Q-9858. The latest issue in effect on the date of contract award shall apply.*
- (27) *The Supplier shall provide and maintain a quality control system which meets the requirements of ISO9000 or MIL-I-45208. The latest issue in effect on the date of contract award shall apply.*
- (28) *The Supplier shall provide and maintain a calibration system which meets the requirements of ISO 17025, ISO 10012, ANSI Z1.4 or MILSTD-45662. The latest issue in effect on the date of contract award shall apply.*
- (29) *The Supplier shall provide and maintain a quality management system which meets the requirements of 10CFR50 APPENDIX B NQA-1 or ANSI N45-2. The latest issue in effect on the date of contract award shall apply.*

D. TOOLING REQUIREMENTS

- (30) *Omitted.*
- (31) *Standard tooling is the responsibility of the supplier and is not considered "Valcor" property.*

E. FOREIGN OBJECT DEBRIS/ DAMAGE

- (32) *As required by the Purchase Order, the Supplier shall maintain a foreign object debris/damage (FOD) prevention program. This program can follow NAS412 or be an otherwise approved control by Valcor. Delivered products must be clean and free from any material/debris, such as machined chips, burrs, and other foreign material on surfaces to prevent FOD entrapment.*