



Standard Terms and Conditions

Requirements Applicable to All Purchase Orders (“PO”).

VI Manufacturing, Inc. is referred to as “Buyer” in this document. Any party that accepts a PO from Buyer is referred to as “Seller” in this document.

1 General Requirements

1.1 Order of Precedence – The following is the sequence of priority for requirements:

- 1.1.1 Purchase Change Order
- 1.1.2 Original PO
- 1.1.3 Engineering Drawings specified in PO
- 1.1.4 Subcontractor Quality Clauses identified on PO
- 1.1.5 Standard Terms and Conditions (this document)

1.2 Terms and Conditions

1.2.1 Products and Processes: Identification and Agreement

- 1.2.1.1 Buyer will identify on PO the product or process to be provided by Seller.
- 1.2.1.2 Buyer will provide any drawings and specifications that are specific to the product to be provided.
- 1.2.1.3 Seller is required to maintain documentation of current standards that are applicable but not specific to the product.
- 1.2.1.4 For special processes (i.e., any process whose results cannot be verified through basic dimensional or visual nondestructive testing), the process and qualification of personnel must be agreed on by Buyer and Seller, and included on the PO.

1.2.2 Interactions Between Seller and Buyer

- 1.2.2.1 Original PO and Purchase Change Orders should be acknowledged by the Seller within one business day.
- 1.2.2.2 Any status checks or open order reports are expected to be responded to within one business day.
- 1.2.2.3 Buyer will also respond within one business day to any questions from the Seller.

1.2.3 Control and Monitoring or Performance

1.2.3.1 Supplier key performance indicators regarding quality and on-time delivery are maintained and reviewed by top management.

1.2.4 Design and Development

1.2.4.1 Buyer does not expect Seller to do any design or development unless specified on PO.

1.2.4.2 If design and development requirements are included on the PO, then the supplier should exhibit control over this process consistent with the current revisions of ISO 9001 and AS 9100.

1.2.5 Special Requirements, Critical Items, and Key Characteristics will be noted on the PO, if applicable.

1.2.6 Test, Inspection, and Verification

1.2.6.1 Unless otherwise noted on the PO (typically through indication of subcontractor clauses), Seller is expected to 100% inspect each applicable characteristic of each part shipped.

1.2.6.2 In the event of large quantity orders, statistical techniques for acceptance of product or process may be accepted, but only if explicitly approved by Buyer.

1.2.6.3 See "Quality Requirements" section for details on verification that Buyer will be performing.

1.2.7 Additional Requirements

1.2.7.1 Quality Management System that conforms to current revision of ISO 9001 or AS 9100

1.2.7.2 Use of Approved External Providers – if designated on PO. Otherwise, no external providers may be used.

1.2.7.3 Prevention of Counterfeit Parts Program

1.2.7.4 Notification (and Approval) of Changes – to processes, products, services, external providers, or location of manufacture

1.2.7.5 Flow Down to External Providers – if the use of external providers has been approved, then all applicable requirements of the Buyer's PO and terms need to be flowed down to those providers.

1.2.7.6 Retention of Documented Information – information needs to be retained for a minimum of 10 years.

1.2.8 Right of Access

1.2.8.1 Buyer reserves the right to access areas Seller's facility and documentation that are relevant to PO, provided reasonable notice is given.

1.2.9 Awareness of Conformity, Safety, and Ethical Behavior – At all levels of involvement, it is expected that Seller will ensure that persons doing work under its control are aware of:

- 1.2.9.1 Product or service conformity, and their contribution to it.
- 1.2.9.2 Product safety, and their contribution to it.
- 1.2.9.3 Ethical Behavior, and their contribution to it.

1.2.10 Purchase Change Orders

- 1.2.10.1 Buyer may, at any time prior to the Delivery Schedule, by a written order suspend its purchase of products herein, change the quantities of products or the scope of services ordered, change delivery dates, method of packaging and shipment and/or the place of delivery or the specified location for services to be performed.
- 1.2.10.2 If a change made by Buyer causes an increase in the cost or time required for Seller's performance under the PO, and the Seller so notifies Buyer promptly in writing prior to shipment, then the price and/or delivery schedule of the products and/or services may be equitably adjusted as mutually agreed upon by both parties, and Buyer shall modify the PO accordingly.

1.2.11 Shipment and Delivery

- 1.2.11.1 All shipments are F.O.B. VI Manufacturing, Inc., Webster, NY
- 1.2.11.2 If the products ordered by Buyer are delivered more than five (5) workdays prior to the PO Delivery Schedule, Buyer may elect to reject the products and return the shipment to the Seller, at the Seller's expense, or accept the products pursuant to paragraph titled "Verification & Acceptance of Received Product."
- 1.2.11.3 Buyer shall return the shipment to the Seller of any products that do not meet specification pursuant to paragraph titled "Verification and Acceptance of Received Product", are shipped in excess of PO quantity pursuant to paragraph titled "Purchase Order Quantities", or are delivered early, and Seller's shipment to Buyer of all replacement or reworked products to replace non-conforming product shall be at Seller's own risk and expense, including, without limitation, transportation and insurance charges (round trip).

1.2.12 Performance: If the Seller shall fail in any respect to execute its duties and obligations as set forth in this agreement or the PO with promptness and diligence and/or where the Seller fails to alert Buyer of any late deliveries or quantity shortage, Buyer may cancel any agreement in part or in its entirety without liability for the canceled part(s) or entire order.

- 1.2.13 Price: If the prices for the goods under the P.O. are higher than specified on the PO, Seller must secure Buyer's written approval before shipment.
- 1.2.14 Transportation / Freight: The Seller agrees to comply with Buyer's routing instructions. All Shipment to Buyer must be "Ground Shipments" - UPS or equivalent: (with no individual package more than 35 lbs., where lifting or moving unit packages without mechanical abilities is required) unless otherwise authorized by Buyer. Non-Compliance with these routing instructions will result in a charge back to Seller of excess freight charges.
- 1.2.15 Payment Terms: Buyer prefers discount terms for early payment prior to stipulated net payment terms are to be negotiated individually between the Buyer and the Seller, and shall be set forth in the PO, or as otherwise agreed to by the parties.
- 1.2.16 Confidentiality: Any drawings, specifications, technical information or any other information documents related to Buyer supplied to the Seller by Buyer shall be held in confidence by the Seller and shall not be used, reproduced or disclosed to others without written permission from Buyer at any time during or after the term of this Agreement.
- 1.2.17 Consent: The Seller shall not, without Buyer's prior written consent, commence to manufacture or procure any of the products specified in the PO, in advance of Seller's normal lead time for such products. In the absence of Buyer's prior written consent, Buyer shall not be obligated, in the event of termination or change in the PO, with respect to any products manufactured or procured in advance of Seller's normal lead time for such product.
- 1.2.18 Purchase Order Quantities: PO quantities are exact. Seller shall not ship less than or in excess of PO quantity. The Buyer reserves the right to return excess material for full credit or refund at Seller's expense. The Buyer reserves the right to charge back the Seller for unreported quantity discrepancies.
- 1.2.19 Identification: The Seller shall properly identify each shipment as follows:
- 1.2.19.1 Individual packages shall be labeled with PO Number and Part Number and/or description
 - 1.2.19.2 Packing Slip shall identify PO Number and Part Number and/or description
 - 1.2.19.3 Identification to packaging or parts as required by supplied drawings and/or specifications.
 - 1.2.19.4 Additional information, e.g. bar codes, etc. shall be per drawing/specification or by agreement with the Buyer.

- 1.2.19.5 Failure to identify the parts and/or containers to the aforementioned means of identification may result in a rejection of the Products subject to being returned to the Seller for replacement or repair at the Seller's expense.
- 1.2.20 Packing, Preservation and Handling: The Seller shall preserve, pack, package and handle, all Products ordered by Buyer as to protect the Products from loss or damage. Seller shall be liable for and promptly refund to Buyer the amount of any loss or damage due to Seller's failure or negligence to properly preserve, pack, package, or handle such products as specified within the Buyer PO.
- 1.2.21 Termination for Cause: Buyer, upon written notice, may terminate a PO, or any part thereof, as a result of the Seller's failure to render to the satisfaction of Buyer, the materials and/or products required of it, including progress of the work. Such abandonment or termination shall not be deemed a breach. Seller shall not be entitled to, nor shall Buyer give any consideration to claims for any costs or for loss of anticipated revenue(s), including overhead and profit, due to the abandonment or termination of this agreement, or any part thereof, by Buyer for cause.
- 1.2.22 Termination Without Cause: Buyer, upon ten (10) days written notice, may terminate a PO, or any part thereof, for any reason, with or without cause. Termination shall in no event be deemed a breach of this Agreement by Buyer. Any deposit for an order of Products that has been canceled shall be refunded within thirty (30) days of termination. Upon a receipt of written notice from Buyer that an Agreement and/or PO, or any part thereof, is to be terminated, the Seller shall immediately cease operation of the work stipulated. The Seller shall be entitled to just and equitable payment in accordance with this Agreement for all Products that have been properly and satisfactorily delivered to Buyer and not compensated for. Buyer shall determine the amount of work satisfactorily performed by the Seller and Buyer's evaluation shall be used as a basis to determine the amount of compensation due to the Seller for this work. The Seller shall not be entitled to, nor shall Buyer give any consideration to the Seller for, claims for loss of compensation, anticipated revenue(s) or consequential damages, including overhead and profit, which the Seller might have reasonably expected to make on the uncompleted or undelivered portion of the PO.
- 1.3 ITAR CONTROL STATEMENT: In the event that a document submitted to Seller contains technical data within the definition of the International Traffic in Arms Regulations or Export Administration Regulations, it is subject to the export control laws of the U.S. Government. Transfer of this data by any means to a foreign person, whether in the United States or abroad, without an export license

or other approval from the U.S. Department of State or Commerce, is prohibited.

2 Quality Requirements

2.1 Certificate of Compliance (C of C)

- 2.1.1 All shipments are to be accompanied with a C of C
- 2.1.2 Seller's C of C needs to define the relevant product or process, and revision, provided.

2.2 Verification and Acceptance of Received Product: All materials, equipment, work and/or products to be supplied under this Agreement are subject to inspection and expediting by Buyer or its representative. The Seller shall allow Buyer free access to Seller's work and provide free access to the work of Seller's sub-contractors. See "Right of Access" section.

- 2.2.1 Buyer may reject all or any part of any shipment or performance that fails to meet the specification in the PO, or is in any manner non-conforming. Acceptance by Buyer of a non-conforming shipment shall not be deemed a waiver or any other breach or acceptance of future non-conforming shipments.
- 2.2.2 Buyer reserves the right to rework and/or sort non-conforming material and charge Seller the cost of this rework and/or sort, provided that the Seller is unable to complete the rework and/or sort within a reasonable time frame established by Buyer.
- 2.2.3 Buyer reserves the right to perform Source Inspection at the Seller's facility. Where required, the Buyer PO shall specify if Source Inspection is required. The Seller shall notify the Buyer when the order is ready for Source Inspection and make provisions for inspection by Buyer, making available the necessary manpower and/or equipment.
- 2.2.4 For service organizations, e.g., Plating, Painting, Heat Treating, Destructive and Non-Destructive Testing, and Calibration Services, records of completion specifying the services performed which satisfy the requirements as stipulated on the Buyer PO, must accompany each shipment to Buyer.
- 2.2.5 Calibration sources must submit calibration results that illustrate traceability through NIST, and include the "as found" condition on documentation accompanying each shipment.
- 2.2.6 Material Suppliers and Manufacturer's, including distributors of such material, shall submit Certificates of Analysis in addition to the Certificates of

Conformance.

- 2.2.7 For Sub-Contracted Services, such as: machining, forming, welding, material cutting, etc., the Seller shall conform to the identified quality clauses imposed by Buyer PO requirements. The Seller shall report inspection results in variable data unless the characteristic is listed as an attribute.
 - 2.2.8 At no time, may the Seller deviate from any specified requirement within the Procurement Document(s) without prior written authorization from the Buyer.
- 2.3 Corrective Action by Seller
- 2.3.1 The Seller agrees to repair or replace any and all Products that have been rejected as a result of failure to conform to these terms and conditions and/or the requirements imposed by the PO unless Buyer agrees otherwise to accept less than the entire number of products under the PO for a proportionately decreased cost.
 - 2.3.2 Buyer reserves the right to cancel all or any portion of the PO quantity where the received lots do not conform to these requirements and/or PO requirements.
 - 2.3.3 The Seller agrees to formally respond with the supplied Supplier Corrective Action Request (SCAR) as the result of rejected shipments by Buyer. This includes:
 - 2.3.3.1 Immediate Corrective Action Measures
 - 2.3.3.2 Root Cause
 - 2.3.3.3 Measures to Preclude Recurrence
 - 2.3.4 This report shall be either returned with the material or mailed concurrently with the returned shipment.
 - 2.3.5 Buyer may accept the response by Seller, or request different or further action to be taken.
 - 2.3.6 Any Measures to Preclude Recurrence must be completed before any further work is provided by Seller, unless specifically authorized in writing by Buyer.