

WESTERN DESIGN

Purchase Order Terms and Conditions

Effective 01 JAN 2004

1. DEFINITIONS. As used in these Terms and Conditions: "Buyer" means Western Design; "Purchasing Representative" means Buyer's authorized representative whose name appears on the face of an Order; "Order" means this purchase order or any written order issued by Western Design which incorporates these terms and conditions; "Seller" means the person(s) or company to whom an Order is issued; "FAR" means the Federal Acquisition Regulations (Title 48 CFR Chapter 1); "DFARS" means the Department of Defense Supplement to FAR (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 or 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. 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.
4. 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 shall not ship to arrive earlier than two weeks in advance of the specified schedule unless authorized in writing. 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.

5. 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.
6. INVOICES AND PAYMENT. Upon Buyer's receipt of a proper invoice, Seller will be paid the price stated in an Order for supplies delivered and accepted, or services rendered and accepted, less deductions if any as provided by the Order. Cash discounts are determined by receipt date of supplies or services, or of a proper invoice, whichever is later. Payment is subject to setoff of any claim of Buyer against Seller, arising from this or any other transaction.
7. INSPECTION AND ACCEPTANCE. Seller shall maintain a quality control system consistent with good commercial practice, unless a specific system of quality control or other standard of quality is specified in an Order or document incorporated by reference. All materials, articles, work or services performed by Seller shall be made available for inspection or test at Seller's plant or that of Seller's subcontractor by authorized representatives of Buyer or Buyer's customer, or both. No inspection or test prior to final inspection and acceptance shall relieve Seller from responsibility for defects or other failure to meet the requirements of an Order. All materials, articles, work or services shall be subject to final inspection and acceptance by Buyer after delivery to destination, notwithstanding prior payment. Acceptance shall not be final with respect to latent defects, fraud, or such gross mistakes as amount to fraud, or as to Seller's warranty obligations.
8. 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 18 months after final acceptance by Buyer, or 12 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.

9. 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.
10. CHANGES. This Order may not be changed except by written modification signed by Buyer's Purchasing Representative. Buyer may at anytime 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.
11. TERMINATION/CANCELLATION/STOP WORK.
 - a. Termination For Convenience. The performance of work under an Order may be terminated in whole or in part by Buyer for Buyer's convenience, at any time and without regard to whether Buyer's contract with its customer may have been terminated. The rights, duties and obligations of the parties including compensation to be paid to Seller shall be in accordance with FAR Subparts 49.1 and 49.2 as if Buyer was in the position of the Government, Buyer's Purchasing Representatives was the Termination Contracting Officer, and Seller was in the position of Contractor, as those terms are used in those FAR subparts.

- b. 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, (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 reprourement 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 reprourement 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 or other tribunal with jurisdiction that Seller was not in default, the termination shall be deemed to have been for the convenience of Buyer. Seller's exclusive remedy will be for payment as provided in subparagraph a. above.
- c. Stop Work. By written notice Buyer may require Seller to stop work for a period not to exceed 90 days in accordance with the clause at FAR 52.242-15 "Stop Work Order (Aug 1989)", incorporated by reference and altered to insert "Buyer" and "Buyer's Purchasing Representative" for "Government" and "Contracting Officer", and to substitute "Seller" for "Contractor." Seller shall continue performance of the Order in accordance with its terms even though a "Dispute" has arisen which has not been resolved either finally or partially.

12. 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 another 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 accordance with California Code of Civil Procedure Part 3, Title 9 (excluding '1283.05). The arbitration proceeding shall be conducted in Orange County, California by a single arbitrator agreed upon by the parties or appointed pursuant to California Code of Civil Procedure '1281.6. This agreement to arbitrate shall be specifically enforceable under prevailing arbitration law.

13. ASSIGNMENT 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.
14. 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.
15. TAXES. Unless otherwise specified in writing on the face of an Order, the prices stated include all applicable state, federal and local taxes.
16. 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. Any patented or unpatented materials, technology or technical data concerning Seller's processes or procedures or its present or contemplated products or their uses, which Seller may disclose to employees of Buyer in connection with an Order shall, unless otherwise specifically agreed in writing, be deemed to have been disclosed in strictest confidence.
17. 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.

18. 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.
19. 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.
20. 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 by 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 or expense or attorneys fees caused by any breach of this warranty. This includes but is not limited to costs and fees incurred by Buyer in defending against claims alleging deficiencies in Seller's cost or pricing data, regardless of whether such claims may ultimately be held lacking in merit.
21. 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. '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 Chief

Executive Officer 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.

22. 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 owners, shareholders, and officers 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 Chief Executive Officer. 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 \$25, 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.
23. FEDERAL GOVERNMENT CONTRACT PROVISIONS. If the face of an Order identifies a prime contract with the United States or if Seller otherwise is advised that an Order is in furtherance of a prime contract with the United States, the following provisions of FAR and DFARS in effect on the effective date of the Government contract are hereby incorporated by reference. Except as specifically indicated to the contrary below, as used in the following provisions, the term "Contract" means an Order, the terms "contractor" or "offeror" mean Seller, and the terms "Government" and "Contracting Officer" mean Buyer.

FAR Section	Title and Applicable Limitations
52.203-6	Restrictions on Subcontractor Sales to the Government (applies to Orders over \$100,000; "Government" remains unchanged).
52.203-7	Anti-Kickback Procedures (applies to Orders over \$100,000).
52.203-8	Cancellation, Rescission, and Recovery of Funds for Illegal or Improper Activity.
53.203-10	Price or Fee Adjustment for Illegal or Improper Activity.
53.203-11	Certification and Disclosure Regarding Payments to Influence Certain Federal Transaction [applies if an Order exceeds

\$100,000: by accepting an Order, Seller certifies it has not used appropriated funds to influence federal transactions and that it complies with the disclosure provisions].

- 53.203-12 Limitations on Payments to Influence Certain Federal Transactions [applies if Order exceeds \$100,000].
- 53.204-2 Security Requirements
- 53.209-6 Protecting Government's Interest when Subcontracting with Contractors Debarred, Suspended or Proposed for Debarment [applies to Orders over \$25,000: "Government" and "Contractor" remain unchanged: by accepting an Order, Seller certifies that it is not debarred, suspended, or proposed for debarment unless Seller otherwise has notified Buyer's Purchasing Representative].
- 52.211-5 Material Requirements.
- 52.211-15 Defense Priority and Allocation Requirements [applies if a defense priority rating appears on the face of an Order or Buyer otherwise advises Seller of a defense priority rating].
- 52.214-26 Audit and Records-Sealed Bidding [applies to Orders exceeding \$500,000].
- 52.214-28 Subcontractor Cost or Pricing Data - Modifications - Sealed Bidding [applies if Order exceeds \$500,000; "Contractor" means Seller]
- 52.215-2 Audit and Records--Negotiation [applies as described in FAR 52.215-2(g): "Contractor" means Seller, and "Contracting Officer" means the Government's Contracting Officer under Seller's prime contract].
- 52.215-10 Price Reduction for Defective Cost or Pricing Data
- 52.215-11 Price Reduction for Defective Cost or Pricing Data-Modifications
- 52.215.12 Subcontractor Cost or Pricing Data [applies to Orders exceeding \$500,000; "Contractor" means Seller]
- 52.215-13 Subcontractor Cost or Pricing Data [applies to Orders exceeding

\$500,000; "Contractor" means Seller]

52.215-14 Integrity of Unit Prices [subparagraph (b) is deleted].

52.215-16 Termination of Defined Benefit Pension Plans [applies as described at FAR 15-408(h)].

52.215-18 Revisions or Adjustment of Plans for Postretirement Benefits (PRB) [applies as described in FAR 15-408(j)].

52.215-19 Notification of Ownership Changes [applies as described at FAR 15.408(k)].

52.219-8 Utilization of Small Business Concerns [applies as described at 52.219-9(d)(9)].

52.219-9 Small Business Subcontracting Plans

52.222-1 Notice of Government of Labor Disputes

52.222-4 Contract Work Hours and Safety Standards Act--Overtime Compensation [applies to Orders exceeding \$100,000 and must be flowed down to Seller's subcontractors].

52.222-6 Davis-Bacon Act [applies as set forth at FAR 22.407(a)].

52.222-7 Withholding of Funds [applies as set forth at FAR 22.407(a)].

52.222-8 Payment for Overtime Premiums [applies as set forth at FAR 22.407(a)].

52.222-9 Apprentices and Trainees [applies as set forth at FAR 22.407(a)].

52.222-10 Compliance with Copeland Act Requirements [applies as set forth at FAR 22.407(a)].

52.222-11 Subcontract (Labor Standards) [applies as set forth at FAR 22.407(a)].

52.222-12 Contract Termination--Debarment [applies as set forth at FAR 22.407(a)].

52.222-13 Compliance with Davis-Bacon and Related Act Regulations [applies as set forth at FAR 22.407(a)].

52.222-14 Disputes Concerning Labor Standards [applies as set forth at FAR 22.407(a)].

52.222-15 Certification of Eligibility [applies as set forth at FAR 22.407(a)].

52.222-16 Approval of Wage Rates [applies as set forth at FAR 22.407(a)].

52.222-20 Walsh-Healy Public Contracts Act

52.222-21 Prohibition of Segregated Facilities [by accepting an Order, Seller certifies that it does not and will not maintain segregated facilities and does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained]

52.222-22 Previous Contracts and Compliance reports [by accepting an Order, Seller certifies that it has participated in a contract subject to the Equal Opportunity clause and has filed an affirmative action program, unless Seller otherwise notifies Buyer's Purchasing Representative]

52.222-26 Equal Opportunity

52.222-27 Affirmative Action Compliance Requirements for Construction [applies to Orders for construction exceeding \$10,000].

52.222-35 Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era [applies if an Order exceeds \$10,000].

52.222-36 Affirmative Action for Workers with Disabilities [applies if an Order exceeds \$10,000].

52.222-37 Employment Reports on Disabled Veterans and Veterans of the Vietnam Era [applies if an Order exceeds \$10,000].

52.223-3 Hazardous Material Identification and Material Safety Data

52.225-1 Buy American Act -- Balance of Payments Program - Suppliers

52.225-2	Buy American Act -- Balance of Payments Program Certificate
52.225-8	Duty-Free Entry
52.225-13	Restrictions on Certain Foreign Purchases
52.227-1	Authorization and Consent [in which "Government" and "Contracting Officer" remain uncharged]
52.227-2	Notice and Assistance Regarding Patent and Copyright Infringement [applies as set forth at (c) of the clause; Government remains unchanged]
52.227-3	Patent Indemnity
52.227-10	Filing of Patent Applications-Classified Subject Matter
52.227-14	Rights in Data - General
52.227-16	Additional Data Requirements
52.230-2	Cost Accounting Standards [applies only to subcontracts as set forth at subparagraph (d) of the clause]
52.230.3	Disclosure and Consistency of Cost Accounting Practices [applies only to subcontracts as set forth at subparagraph (d) of the clause; paragraph (b) is deleted]
52.230-6	Administration of Cost Accounting Standards
52.244-6	Subcontracts for Commercial Items and Commercial Components
52.245-17	Special Tooling
52.246-20	Warranty of Services
52.248-1	Value Engineering
DFARS Section	Title and Applicable Limitations
252.203-7001	Prohibition on Persons Convicted of Fraud or Other Defense Contract

Related Felonies [applies if Order exceeds \$100,000]

- 252.204-7000 Disclosure of Information
- 252-208-7000 Intent to Furnish Precious Metals as Government-Furnished Material
- 252.209-7000 Acquisition from Subcontractors Subject to On-Site Inspection Under the Intermediate-range Nuclear Forces (INF) Treaty [applies to Orders over \$100,000]
- 252.211-7000 Acquisition Streamlining (if Order greater than \$1 million)
- 252.215-7000 Pricing Adjustments
- 252.219-7003 Small. Small Disadvantage and Women-Owned Small Business Subcontracting Plan (DOD Contracts)
- 252.223-7001 Hazard Warning Labels
- 252.225-7001 Buy American Act and Balance of Payments Program
- 252.225-7007 Buy American-Trade Agreements - Balance of Payments Program
- 252.225-7009 Duty-Free Entry - Qualifying Country Supplies (End Products and Components)
- 252.225-7010 Duty-Free Entry - Additional Provisions
- 252.225-7012 Preference for Certain Domestic Commodities
- 252.225-7014 Preference for Domestic Specialty Metals
- 252.225-7016 Restriction on Acquisition of Ball and Roller Bearings
- 252.225-7025 Restrictions on Acquisition of Forgings
- 252-225-7026 Reporting of Contract Performance Outside the United States [applies to Orders over \$500,000 except as noted in subparagraph (c) (i)]
- 252.225-7032 Waiver of United Kingdom Levies (where subcontract over \$1 million with a United Kingdom firm)

- 252.225-7036 Buy American Act - North American Free Trade Agreement Implementation Act - Balance of Payments Program
- 252.225-7037 Duty-Free Entry - Eligible Products [in which "Government" and "Contracting Officer" remain unchanged]
- 252.227-7013 Rights in Technical Data and Computer Software [in which "Government" remains unchanged]
- 252.227-7014 Rights in Non-Commercial Computer Software and Non-Commercial Computer Software Documentation
- 252.277-7015 Technical Data - Commercial Items (in which "Government" is unchanged)
- 252.227-7017 Identification and Assertion of Use, Release or Disclosure Restrictions [applies to Orders requiring delivery of technical data]
- 252.227-7037 Validation of Restrictive Markings on Technical Data [in which "Government" and "Contracting Officer" remain unchanged]
- 252.243-7001 Pricing of Contract Modifications
- 252.243-7002 Requests for Equitable Adjustments
- 252.246-7001 Warranty of Data
- 252.247-7023 Transportation of Supplies by Sea [applies to Orders over \$100,000; "Contracting Officer" remains unchanged in subparagraphs (b), (c), (d) and (e) (3) of the clause]
- 252.247-7024 Notification of Transportation of Supplies by Sea
- 252.249.7002 Notification of Anticipated Contract Termination or Reduction [applies to Orders over \$500,000]

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