

CONDITIONS OF PURCHASE ORDER

Standard Armament

631 Allen Ave.
Glendale, CA 91201

During the performance of this contract, the contractor agrees as follows:

A. SECTION 202 OF EXECUTIVE ORDER 11246 (1) The contractor will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin. The contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and relevant orders of the Secretary of Labor.

(2) In the event of the contractor's noncompliance with the nondiscrimination clauses of the contract or with any of such rules, regulations, or orders, this contract may be cancelled, terminated or suspended in whole or in part and the contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies involved as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

B. You are required to follow the provisions of DMS Reg. 1 and all other applicable regulations and orders of BDSA in obtaining controlled materials and other products and materials needed to fill this order.

C. This is a rated order certified for national defense use, and you are required to follow all the provisions of the Defense Priorities and Allocations System regulation (15 CFR part 700).

All items as listed herein, are binding on Seller and must be adhered to by Seller and their sub-tiers upon Seller's acceptance of this order.

1. WARRANTIES:

Unless otherwise agreed in writing, Seller warrants that all work will be free from defects in workmanship and materials and will comply with all specifications, drawings or other descriptions furnished by Buyer.

2. AUDIT (Right of Entry)

The following applies to all orders which indicate on the face hereof that the order is issued under a prime contract between the United States of America and STANDARD ARMAMENT INC. The Seller agrees that its books or such part of any manufacturing plant as may be engaged in work under this order shall at all times be subject to inspections and audit by the Buyer. The Seller further agrees that the Comptroller General of the United States or his duly appointed representative shall until the expiration of three years after final payment under the prime contract of the United States of America and STANDARD ARMAMENT INC. have access to and the right to examine any directly pertinent books, documents, papers and records of the Seller involving transactions related to this order.

3. DISCLOSURE OF INFORMATION: Secrecy:

Seller agrees to be responsible for matters within its control for the safeguarding of all "Secret," "Confidential," or "Restricted Matter," that may be disclosed or developed in connection with this order, and to require a similar agreement of all Seller's subcontractors and agents to whom any work or duty relation hereto may be allotted, which persons (including Seller's employees) may be subject to criminal liability for failure to so act. All applicable ITAR technical data requirements must be adhered to.

4. TERMINATION:

Buyer may terminate this order or any part thereof even though Seller is not in default; in such event there will be made an equitable adjustment of the terms of this order. Upon notice of termination, Seller shall, immediately discontinue all work, and take any action to protect property in Seller's possession in which Buyer has or may acquire an interest. Upon Buyer's termination, Buyer may demand immediate release of all Buyer-owned or Buyer-acquired tooling, parts or material.

5. LABOR DISPUTES:

Whenever an actual or potential labor dispute is delaying or threatens the delay of this order, Seller will immediately give notice thereof, including all relevant information to Buyer.

6. CHANGES:

Buyer may at any time by written change order make changes in or additions to the drawings and/or specifications, issue additional requirements or instructions, require additional work or direct the omission of work ordered hereunder.

7. BUYER FURNISHED MATERIAL:

Any and all materials, tools, and other property of Buyer furnished to Seller prior or subsequent to or concurrently with this order, or in the possession of Seller, shall at all times be and remain the property of Buyer.

8. PRICES AND TERMS:

Payment is contingent upon Buyer's approval of articles delivered or services rendered in accordance with this order

9. ESPIONAGE, SABOTAGE OR SUBVERSIVE ACTIVITIES.

Seller shall immediately submit to Buyer a confidential report concerning existing or threatening sabotage, espionage or subversive activities at any place at which work under this contract is being performed, or at which material acquired and used in connection with the performance of this contract is stored, and shall submit such additional pertinent information as may be required.

10. PREFERENCE FOR DOMESTIC SPECIALTY METALS (DEFARS)

Seller warrants that the materials furnished under this order will be mined or produced in the United States or manufactured from such materials insofar as required by Defense Federal Acquisition Regulations Supplement (DEFARS) and amendments thereto and regulations thereunder.

11. PACKING AND SHIPPING

All articles and materials shall be suitably packed for protection against damage in shipment, storage and from atmospheric deterioration and as to secure the lowest transportation rates to meet carrier's requirements. Except as specifically provided herein, delivery shall be strictly in accordance with delivery schedule.

12. INSPECTION REQUIREMENTS:

All materials and workmanship furnished in performance of this order shall be subject to inspection and test by the Buyer and/or the Government at all times and places. Both the Buyer and the Government have the right to reject any articles found to be defective in material or workmanship, or to require their replacement or correction. Quality Records pertaining to this purchase order shall be retained for no less than a period of 10 years or unless otherwise specified on the purchase order.

13. TOOLING:

(a) Title to and the right of immediate possession of all tooling, (dies, jigs, patterns, molds) designs and drawings furnished by Buyer to Seller for use hereunder shall be and remain in Buyer in all stages of construction. All such tooling must be permanently marked or identified as property of STANDARD ARMAMENT INC., and with the part number designated by Buyer. (c) No tooling, designs, patterns drawings furnished by Buyer and/or by the Government to Seller for use in the manufacturing of articles ordered hereunder, or which become the property of Buyer, shall be used in production, manufacture, design of any other articles for any other purchase from the manufacture or production of larger quantities than those specified by Buyer except with Buyer's express written consent. Seller will pay Buyer's replacement costs of Buyer's tools damaged while in seller's possession.

14. PATENT RIGHTS:

Patent rights to all improvements embodied in designs, tools, patterns, drawings, information and equipment supplied by Buyer under this contract and exclusive rights for the use and reproduction thereof are reserved by the Buyer.

15. ADVERTISING:

Seller shall not, without the written consent of the Buyer, in any manner, advertise or publish the fact that Buyer has placed this order and for failure to observe this provision, Buyer shall have the right to terminate the contract resulting from the acceptance of this order without any obligation to accept deliveries after the date of termination or make further payments except for completed articles delivered prior to termination.

16. CANCELLATION:

Buyer reserves the right to cancel all or any part of undelivered portion of this order and to seize Buyer's parts in process and buyer's material if Seller does not make deliveries as provided in this contract, or if Seller breaches any of the terms thereof. Buyer shall also have the right to cancel this order or any part thereof in the event of the occurrence of any of the following: Insolvency of Seller; filing of a voluntary petition in bankruptcy; filing of an involuntary petition to have Seller declare bankruptcy; the appointment of a receiver or trustee for Seller; the execution by Seller or an assignment for the benefit of creditors; the filing of a petition under Chapter XI of the Bankruptcy Act. If after notice of cancellation under the terms of this paragraph, it is determined either by Buyer or a Court of competent jurisdiction, that the Buyer was not entitled to cancel this order, then such notice and cancellation shall be deemed to have been given and this order terminated under the terms of Paragraph 6 and the rights and obligations of the parties shall in such event be governed by such paragraph.

17. USE:

The articles contracted for herein are understood to be for the use of the Buyer. All articles contracted for may be subjected to further process of manufactured, combined with any articles, or put to use whatsoever by the Buyer, as it may elect, and in no event shall any claim for royalty or additional compensation be made by the Seller by reason of such manufacture, combination or use.

18. OWNERSHIP OF VENDOR'S PARTS:

Where the Buyer has furnished raw stock of partially completed parts to the Seller and on which the seller has added additional work, the Seller agrees not to declare these parts or any portion thereof his property, withholding delivery until cash payment has been made by the Buyer. Where the Buyer has a pre-investment in parts, these parts are considered the Buyer's property, and regular inspection and reasonable credit procedure will be used in payment of the Seller's cost accrual. The Buyer shall have the right to demand delivery before payment for parts so held.

19. REJECTED PARTS:

Debit memos will be issued for parts which do not pass the Government inspection or the Buyer's inspection. Replacement without cost of the Seller's operation on rejected parts will not be acceptable to the Buyer where the Buyer has accumulated previous costs on the parts (for example: Material pre-machining and processing) all of which are lost by the operation in which the seller scrapped out the parts.

20. FOREIGN OBJECT DEBRIS/DAMAGE (FOD) PREVENTION:

General housecleaning shall be implemented in order to safeguard Standard Armament from any potential or actual FOD that could be shipped. If the products or services provided by the vendor could allow for FOD then the FOD program AS9146 shall be followed.

21. COUNTERFEIT PART PREVENTION:

Due diligence is to be taken in checking that parts, raw stock, or processes performed by sub-tier suppliers are from the sources they are purported to be from and have undergone the work indicated on the packing slips. If any material is found or suspected to be counterfeit material, counterfeit parts, or counterfeit processes then the Buyer is to be contacted and notified of the situation.

22. AWARENESS:

The work done on the parts provided or processes performed is integral to the product conformity as the product is sold for defense. The quality of the workmanship helps to ensure the safety of our product in the field. The ethical behavior of the supplier is important as the work must be performed as stipulated on the purchase order, falsification of documentation or other unethical behavior ultimately endangers people's lives.