



SUPPLIER'S TERMS AND CONDITIONS

AAA Plating & Inspection, Inc. Terms and Conditions Governing Purchases

1. INTRODUCTION

Sales to AAA Plating & Inspection are subject to the following terms and conditions. "AAA Plating & Inspection", "AAA", "we" or "us" means AAA, a California corporation. "Supplier" shall include you and any of your affiliates that sell products or otherwise provide goods or services to us (either in writing, electronically or via telephone), you accept these terms, unless we have agreed to different terms in writing.

2. PURCHASES

A. Order Acceptance and Acknowledgement. Each Purchase Order ("PO") shall be deemed accepted by Supplier if any shipment of products is made, performance of services commences or if the PO is acknowledged by Supplier. Supplier will not reject a PO unless it has provided at least thirty (30) days prior written notice to AAA that it is unwilling to or will no longer accept a PO after a specified date. All product(s) must meet all specifications provided by AAA from time to time.

Supplier is to notify AAA in detail in a timely manner, (not to exceed 30 days), when nonconformity is discovered by supplier, or in processing that may affect product already delivered. The notification will include concise description of discrepancy, processing and serial numbers affected, lot number, delivered quantity, delivery dates and a statement of corrective action for the noted discrepancy. Further, supplier must also receive AAA approval for disposition of nonconforming product.

In accordance with the specific requirement of this Order, Seller shall maintain a quality management system that meets the intent of MIL-I-45208A, ISO 9001 or AS 9100 covering the goods and services supplied hereunder. Records of all certifications and inspection work by Seller and its suppliers shall be kept complete and available to Buyer at Seller's facilities, including, without limitation, all records, reports, data and other information necessary to insure compliance with applicable Federal Acquisition Regulations.

B. Prices. Changes to Supplier prices must be communicated to AAA at least sixty (60) days prior to the planned effective date. Supplier shall provide the proposed price change, including the current price, the proposed new price, the percent variance (\pm) between the two prices and rationale substantiating the price change. All price changes must be accepted by AAA prior to shipment or invoice of product at the new price in order to be effective for such products.

C. MSDS Documentation and Licensing

1. All required Material Safety Data Sheet (MSDS) documentation must be supplied with the initial delivery for all materials so classified by OSHA regulations. MSDS documentation for materials that are provided on a repetitive basis must be updated by supplier on an annual basis.

2. Supplier shall obtain all licenses and governmental approvals required by applicable laws, rules or regulations necessary for the shipment or delivery of the products sold by Supplier to AAA. Supplier shall protect, defend, and hold AAA and its agents, employees, directors, and affiliates harmless from losses arising out of Supplier's failure to comply with the terms and conditions contained in this paragraph.

D. Age-Sensitive Materials. All materials provided by Supplier to AAA that are susceptible to performance degradation over time must be clearly identified on the product packaging and associated shipping paperwork as 'Age-Sensitive', along with any actual expiration dates. No Age-Sensitive material that has less than 1 year of remaining shelf-life shall be shipped unless pre-authorized by AAA.

E. Payment Terms. Payment of Supplier's invoice is subject to adjustment for over-shipment, shortage and rejection. Individual invoices must be issued for each shipment applying to a PO unless otherwise negotiated or stated in such PO. Such invoices must state (a) the PO number, (b) the quantity of each order shipped, (c) description of each ordered item shipped and (d) price of each ordered item shipped. One copy of each individual invoice must be plainly marked "ORIGINAL". Any applicable sales tax, duty, excise tax, use tax or other similar tax or charge, for which AAA is responsible and for which AAA has not furnished an exemption certificate, must be itemized separately on each invoice.

F. Delivery Terms.

1. The delivery of products shall be F.O.B. point of delivery at AAA's facility in the State of California. AAA shall not be responsible for failure or delay in delivery prior to receipt at AAA's facility. Supplier is responsible for filing all freight or shipment claims arising prior to delivery of the products at AAA's facility.
2. Product deliveries shall be completed strictly in accordance with the quantities and schedules specified in the PO. If, at any defined delivery schedule, Supplier shall immediately notify AAA of the estimated duration of and reasons for any delay. In such event, supplier shall make every effort to mitigate the delay (or such portion thereof as AAA requires) by appropriate methods, including incurring expenditures for overtime and expedited shipment by air or other means of expedited transport. Any costs incurred by Supplier to avoid such delay shall be borne solely by Supplier unless delay is beyond the control and without the fault or negligence of Supplier or its subcontractors. The delivery date(s) will not be advanced or delayed without agreement between the parties.
3. Suppliers shall pack, mark and ship all goods and supplies in accordance with the requirements of any PO, all applicable transportation regulations and commercial practice for protection and shipment of the purchased product. Supplier shall secure the transportation service and rates most advantageous to AAA as long as procurement thereof shall be consistent with Supplier's obligations. No adjustments shall be made by Supplier to any applicable transportation or surcharges unless advance notice is provided to AAA in writing. No separate or additional charge shall be payable by AAA for containers, crating, boxes, damage, drayage or storage unless specifically stated in a PO. Any expense, damage, or liability incurred by AAA as a result of improper preservation, packaging, marking or method of shipment shall be reimbursed by Supplier upon demand. A packing list showing order number (and other identifiable demarcations, if applicable) shall be included with each shipment, and each container shall be marked to show the order number. Any transportation costs paid by Supplier for which Supplier is entitled to reimbursement shall be shown on Supplier's invoice as a separate line item and the receipted freight bill shall be attached thereto.

G. Inspection, Rejection and Remedy of Defects. AAA shall have the right to inspect and verify any item furnished pursuant to a PO. Inspection of product by AAA after delivery without complaint shall constitute final acceptance, except as regards to latent defects or those that aren't visible until the product is used during the production process. If AAA rejects any goods, AAA shall then be relieved of any obligation to pay that portion of any Supplier invoice and shall be entitled to require supplier to provide replacement goods that comply with the terms of the PO.

H. Loss or Damage Caused by Seller. In the event Supplier, its employees, agents and/or contractors enter AAA premises or those occupied by or under the control of AAA in the performance of a PO, Supplier shall fully compensate, indemnify and hold harmless AAA, its officers, employees, agents, and contractors for or from damage or injury of any sort to any person or property, any claim, charge, liability, obligation, penalty, damages, costs or expenses (including attorneys' fees incurred in



connection therewith) arising out of or in connection with any act or omission of Supplier, its employees, agents and/or subcontractors on or about such premises. Without in any way limiting the foregoing, Supplier (and its subcontractors at all tiers) shall maintain liability insurance in reasonable limits covering the obligations set forth above and shall maintain proper workmen's compensation insurance covering all employees, and contractors performing a PO. In no event shall a liability policy providing less than 2 million of coverage (per occurrence) be deemed reasonable for purposes of complying with the requirements of this paragraph. All employees, agents and subcontractors of Supplier who enter AAA's facility must be appropriately attired in correct safety and protection equipment. Individuals to fail to wear appropriate equipment will be asked to leave the premise immediately.

I. Notification of Changes. AAA must be notified in advance of any proposed changes to supplier's manufacturing process, critical process sources, equipment or facilities that may impact the quality, acceptability, reliability or on time delivery of the product(s) provided to AAA. This includes any proposed relocations of manufacturing or assembly facilities that include AAA products. Any such changes have the potential to negatively impact the flow of acceptable product to AAA's customers and must be planned and coordinated between Supplier and AAA prior to implementation. Failure to do so may result in termination of any PO.

3. RISK OF LOSS AND LIABILITY

A. Risk of Loss. Supplier assumes all risk of loss prior to delivery of the products to AAA at AAA's facility in the State of California.

B. Default. Should Supplier become insolvent or go into liquidation or have a receiver appointed or otherwise found to be in such a financial position that it may be reasonably assumed that it will not be able to fulfill its obligations, AAA shall have the right to cancel all future orders if Supplier has not, within ten (10) days after notice by AAA, furnished a satisfactory guarantee for its fulfillment of its obligations.

C. Indemnification. Supplier shall protect, defend, indemnify and hold AAA and its agents, employees and affiliates harmless from any losses, costs and expenses (including attorneys' fees and expenses), claims (including claims of AAA's employees), damages, demands, liability, suits, actions, recoveries and judgments of every nature and description (collectively, "losses") experienced by AAA arising out of the sale or transportation by Supplier or its designees, agents or employees, whether or not such losses are caused by the negligence (sole or concurrent), and whether or not such losses arise out of strict liability or any other cause of action, to the fullest extent permitted by applicable law.

4. GENERAL

A. Force Majeure. AAA and Supplier are excused from performance, delay, or failure in performance due to causes beyond such party's reasonable control, including without limitation, acts of God, fires, floods, wars, sabotage, accidents, labor unrest or shortages, government laws, ordinances, rules and regulations (valid or invalid), the inability to obtain materials, equipment, transportation, or any other similar or different contingency that is outside of such party's reasonable control.

B. Public Releases and Confidentiality. Supplier shall not, without first obtaining the written consent of AAA, in any manner advertise or publish the fact that Supplier has furnished or contracted to furnish AAA, or disclose any information contained in or connected with a PO to any person or entity other than Supplier or Supplier's agents and subcontractors, except as expressly allowed (if at all) herein, and except as may be required to perform the PO. All details of the PO, including prices, specifications, specifications, discounts, etc. between AAA and Supplier are considered proprietary and confidential information and as confidential information and as such may be shared only with appropriate AAA personnel and guarded against open disclosure, including, without limitation to any third parties.

C. Compliance with Laws. Supplier will ensure that, in the performance of any PO, it will comply with all applicable federal, state and local laws. Supplier also warrants that it is and will continue during the period of performance of any PO to be in full compliance with OSHA, EEOC, Fair Labor Standards (FLSA), and the provisions of the Anti-Kickback Act, as amended, 41 U.S.C. 51-54, and shall hold AAA harmless from any liability resulting from failure of such compliance. If AAA notifies Supplier that certain products or goods are being sold by Supplier to AAA pursuant to a subcontract or general contract with the federal government of the United States of America or one of its agencies to which the Federal Acquisition Regulations (FAR) apply, Supplier agrees to comply with all flow-through clauses of the Federal Acquisition Regulations required of Supplier under such subcontract or will advise AAA of its inability to comply with FAR prior to accepting or executing such a contract.

D. Termination. AAA may terminate all or part of any PO for "Cause" (failure to meet performance expectations or other business commitments, or to resolve issues after repeated notification of default) effective ten days following written notice to Supplier. Any such written notice of termination shall specify the cause, effective date and the extent of any such termination. Disposition of liability for remaining inventory or work-in-process will be negotiated between AAA and Supplier. AAA and Supplier may terminate all or part of a PO for any reason effective thirty days after formal written notice to the other party. Disposition of remaining inventory or work in process will be negotiated between AAA and Supplier in good faith.

E. Miscellaneous.

1. AAA expects all employees of Supplier to conduct themselves and associated business transactions with the highest level of honesty, integrity, and ethical behavior at all times. Failure to do so may result in grounds for termination of any PO by AAA.

2. These terms and conditions shall govern and apply to any purchases made by AAA from Supplier, or any division or predecessor thereof, whether past, present or future. In the event that any of these terms and conditions conflict with terms of any other existing or future agreement between AAA and Supplier, including without limitation, any writing submitted at any time by AAA to Supplier (whether or not signed by AAA) the, in each instance, these terms and conditions shall prevail in all respects, notwithstanding any language in such other agreement to the contrary.

3. These terms and conditions are the entire embodiment of the terms and conditions governing purchases by AAA from Supplier and supercede all prior agreements, unless otherwise stated, and may not be altered, supplemented, or amended by the use of any other document unless otherwise agreed to in a written agreement signed by both parties. No course of action on the part of AAA or any of its agents or affiliates shall be deemed to modify these terms and conditions.

4. All PO's shall be governed by the internal laws of the State of California without regard to conflicts of laws provisions. Any action between Supplier and AAA may be brought in any jurisdiction in which AAA conducts business, at the option of AAA.

Supplier may not transfer, assign, or subcontract its rights or obligations under these terms and conditions with the prior written consent of AAA. These terms and conditions shall be binding upon and inure to the benefit of AAA and Supplier and their respective permitted successors and assigns.

