



LAVI SYSTEMS, INC.

Terms and Conditions of Purchase

13731 Saticoy Street
Van Nuys, CA 91402

Doc. No.: **F 604**

Rev. No.: F

Date: 23 May 2019

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Supplier has read and accepted this LSI form Yes; No (Return page 1 only)

Company Name:					
Address:					
City:		State:		Zip:	
Phone:		Fax:			
Name of Purchasing Mgr.:				Date:	
Name of Quality Mgr.:				Date:	
Quality Mgrs. Signature:				Date:	

Supplier shall establish and maintain a **FOD** (*Foreign Object Damage/Debris*) prevention program.

1 Applicable law:

This agreement shall be governed by the Uniform Commercial Code and other applicable laws of the: State of California.

2 Formation:

This Order constitutes LSI's offer to Supplier and becomes a binding contract subject to the terms and conditions set forth herein when accepted by acknowledgment or commencement of performance by Supplier. Acceptance is strictly limited to its terms.

LSI shall not be bound by and specifically objects to any term or condition whatsoever which is inconsistent with or in addition to the provisions of this Order, unless specifically agreed to in writing by LSI's authorized representative.

3 Definitions:

Whenever used in this or our Purchase Order(s)

3.1 "Customer" means any customer of LSI, any subsequent owner, operator or user of the Products and any other individual, partnership, corporation, person or entity which has or acquires any interest in the Products from, through or under LSI.

3.2 "Products" means all the Products, services, data, software and other items furnished by or to LSI under this Order.

3.3 "Order" means the purchase order that incorporates by reference these Terms and Conditions of Purchase and all of the specifications, technical descriptions, statements of work, drawings, designs, documents, and other requirements and provisions attached to, incorporated into, or otherwise made a part of this purchase order by LSI.

4 Records:

Records that are created by the Supplier to fulfill this Order shall be retained on file by the supplier:

4.1 10 years for Non-serialized parts; and

4.1 25 years Serialized parts. Certifications will be available to LSI within **48** hours request, unless otherwise specified on the LSI Purchase Order.

5 Flow Down of Requirements:

Supplier shall 1st notify LSI if product needs to be flowed down to sub-tier suppliers, the supplier will have an Approved Vendor List (AVL) on the sub-tier suppliers and be able to meet the requirements specified in the LSI Order.



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6 Right of Access Audit and Inspection:

Supplier agrees to provide right of access to LSI, LSI's customer and regulatory authorities, to all applicable areas of all facilities at any level of the supply chain involved in the order and to all applicable records. LSI, LSI's customer and/or pertinent regulatory agencies may perform on-site audits or inspections related to Supplier's performance hereunder at Supplier's or sub-tier suppliers' plant, including, but not limited to, audit or inspection of facilities, systems, equipment, testing, data, records, personnel, all work-in-process and completed products manufactured.

7 Quotations and prices:

All prices quoted are F.O.B. Seller's place of business unless otherwise stated.

- 7.1 In the absence of contrary instructions from the Buyer, Seller may insure the goods against risk of loss in an amount not to exceed the purchase price and charge this expense to Buyer's account.
- 7.2 In addition, Buyer shall pay all taxes, federal, state, and local, which may be imposed upon the sale or manufacture of the goods or in lieu thereof the purchaser shall provide a tax exemption certificate acceptable to the taxing authorities.
- 7.3 Written quotations automatically expire 60 calendar days from the date issued and are subject to termination by notice within that period.
- 7.5 Method and route of shipment are at our discretion, unless the purchaser supplies explicit instructions.
- 7.6 Identification of the goods to the contract shall occur as each shipment is placed in the hands of the carrier.

8 Specifications:

Seller shall manufacture for Buyer the goods to the specifications, in the quantities and for the price described on the front of this quotation, including any plans, specifications and exceptions, together with the relevant patent numbers, if any, referenced to this order.

9 Terms of Payment:

Payment of invoiced amount shall be made no later than **30** days after the date of the invoice unless otherwise stated. A one percent (**1%**) discount is allowed on payments made on or before **10** days after invoice. Bills will be dated the day of shipment. If, in Seller's opinion, the financial condition of the purchaser at any time does not justify continuance of production or shipment on the terms of payment specified, we may require full or partial payment in advance.

10 Cancellation:

An order, once placed with and accepted by Seller, can be cancelled or delivery delayed only with Seller's consent and upon terms that will indemnify Seller against loss for costs and expenses reasonably incurred by Seller for materials, tooling, fitting up, staging and other liabilities associated with preparing or continuing to fill Buyer's order.

11 Acceptance:

This is not a firm offer and may be changed or revoked at any time.

- 11.1 Acceptance of this offer is expressly limited to the exact terms contained herein and any attempt to add to, alter or omit any of such terms, except the description, specification, price, or quantity of the goods, shall be deemed null and voided.
- 11.2 These terms and conditions shall supersede any provisions, terms, and conditions contained on any confirmation order, or other writing Buyer may give or receive, and the rights of the parties shall be governed exclusively by the provisions, terms, and conditions hereof.



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11.3 If this quotation is accepted and Buyer's order form is used for the purpose, it is expressly understood and agreed that the terms and conditions herein set forth shall prevail insofar as the same may in any way conflict with the terms and conditions set forth in such order form, and the issuance of such order by Buyer shall be deemed to note Buyer's assent to the foregoing.

11.4 This order may not be changed or modified except in writing signed by the Seller.

12 Compliance:

Unless otherwise specified, orders will be considered complete upon shipment of a reasonable quantity, acceptably over or under the amount specified in the order when it is impractical to produce the exact quantity ordered. Deliveries shall be subject to, and contingent upon, strikes, labor difficulties, riot, civil unrest, war, fire, delay or defaults of common carriers, failure or curtailment in Seller's usual sources of supply, governmental decrees or orders, or, without limiting the foregoing, any other delays beyond Seller's reasonable control. Seller shall not be liable for any loss or damage arising there from.

12.1 Seller shall have the additional right, in the event of the happening of any of the above contingencies, at its option, to cancel this contract or any part thereof without any resulting liability.

12.2 Shipments made within 15 days before specified date of delivery shall constitute a good delivery.

12.3 Any delivery not in dispute shall be paid for regardless of other controversies relating to other delivered or undelivered merchandise.

12.4 In the event Lavi Systems rejects all or a portion of Supplier's parts as non-conforming and, in connection therewith issues a formal Corrective Action Request on our internal Form 638, Supplier shall promptly deliver conforming parts to Lavi Systems together with the completed Corrective Action Report. In such case, Lavi Systems reserves the right to withhold payment on the associated Purchase Order until both conforming parts and a completed Corrective Action Report are received and approved by the Lavi Systems Quality Control Manager.

13 Fitting-up charges:

Buyer shall pay all fitting-up charges which cover manufacture of and operating cost of the necessary tools, dies and fixtures required for the particular work quoted to fill this order.

13.1 Such tools, dies and fixtures shall remain in Seller's possession and control.

13.2 If a period of three (3) years has elapsed since the receipt of any order from Buyer requiring the use of such tools, dies, or fixtures, Seller may thereafter make any such use or disposition of such tools, dies, or fixtures as Seller desires without any accounting to Buyer for such use or disposition or the proceeds thereof.

13.3 Tools, dies, and fixtures are not subject to rebates, prorating, or absorption.

14 Multiple Delivery Units:

If this order covers multiple delivery units to be delivered over a specified period, unless otherwise specified, Seller shall not be required to deliver in any month more than the monthly prorate amount of the whole quantity covered by this contact and Buyer shall be required to accept delivery of at least the monthly prorate amount of the whole quantity. If Buyer fails to fulfill the terms of purchase or payment under this contract, Seller may defer further shipments without notice until such default is made good, or may treat such default as a final refusal by buyer to accept further shipments hereunder.



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15 Claims/Nonconformity:

Goods are to be manufactured in accordance with plans supplied or approved by the buyer. Should any goods prove defective due to faults in manufacture, or fail to meet the written specifications accepted by Seller, Buyer shall not return the goods without first obtaining Seller's permission but instead shall notify Seller immediately, stating full particulars in support of any claim. Seller will either replace goods upon return of the defective or unsatisfactory material or adjust the matter fairly and promptly.

16 Infringement indemnity:

Buyer shall hold Seller harmless from infringement claims of third parties and release and not make claim or suit against Seller because of, any suits, claims, losses, or other liabilities made against, or suffered by, Buyer arising from any claim of, or infringement of, patent, copyright, trademark, or other proprietary right, at common law, claim of unfair trade or of unfair competition, resulting from, or occasioned by, Buyer's use, possession, sale, or delivery of the product sold to Buyer by Seller.

17 Interpretation:

This instrument constitutes the sole and entire agreement between the parties hereto with regard to the subject matter hereof.

- 17.1** No course of prior dealings between the parties and no usage of trade shall be relevant or admissible to supplement, explain, or vary any of the terms of this agreement.
- 17.2** Acceptance of or acquiescence in a course of performance rendered under this or any prior agreement shall not be relevant or admissible to determine the meaning of this agreement, even though the accepting or acquiescing party has knowledge of the nature of the performance and an opportunity to make objection.
- 17.3** No representations, understandings, or agreements have been made or relied upon in the making of this agreement other than those specifically set forth herein.
- 17.4** This agreement may be modified only in an instrument signed by the parties or their duly authorized agents.

18 Arbitration:

Any controversy or claim arising out of or relating to this order or the performance or breach thereof shall be settled by binding arbitration in Van Nuys, California in accordance with the rules and procedure then obtaining of the American Arbitration Association.

19 THE SELLER MAKES NO WARRANTY THAT THE GOODS ARE MERCHANTABILITY OR FIT FOR ANY PARTICULAR PURPOSE.

- 19.1** THE SOLE RESPONSIBILITY OF THE SELLER SHALL BE THAT IT WILL MANUFACTURE THE GOODS IN ACCORDANCE WITH THE PLANS AND SPECIFICATIONS, AND THAT THE GOODS WILL BE FREE FROM DEFECTS IN MATERIAL AND WORKMANSHIP.
- 19.2** THIS WARRANTY IS EXPRESSLY MADE IN LIEU OF ANY AND ALL WARRANTIES AND THE SOLE LIABILITY OF THE SELLER SHALL BE TO REPLACE OR, AT SELLER'S OPTION, REPAIR, F.O.B. SELLER'S FACTORY ANY GOODS THAT ARE FOUND TO BE NOT IN CONFORMITY WITH THE PLANS AND SPECIFICATIONS FOR WHICH SELLER HAS RECEIVED WRITTEN NOTIFICATION OF CLAIM WITHIN ONE YEAR FROM THE DATE OF SHIPMENT.
- 19.3** IN NO EVENT SHALL SELLER BE LIABLE FOR CONSEQUENTIAL OR SPECIAL DAMAGES OR FOR TRANSPORTATION, INSTALLATION, ADJUSTMENT, OR OTHER EXPENSES WHICH MAY ARISE IN CONNECTION WITH THE GOODS.



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19.4 THE ADVICE OF SELLER'S TECHNICAL STAFF IS AVAILABLE TO THE TRADE, BUT SELLER, NOT CONTROLLING OR SUPERVISING THE ENGINEERING OR SUBSEQUENT MANUFACTURE, FABRICATION, OR INSTALLATION OF ITS PRODUCTS OR THEIR USE AFTER SALE, DOES NOT WARRANT OR GUARANTEE SUCH ADVICE

20 Awareness

Per the AS9100:2016 aerospace standard, the supplier must be aware of the following:

- Their contribution to product conformity;
- Their contribution to product safety;

Their importance of acting with ethical behavior in conducting business and manufacturing of aerospace components.

21 Cybersecurity

By accepting the purchase order from Lavi Systems, the supplier is ensuring they are compliant with NIST SP 800-171 security controls and the related DFAR 252.204-7008 & 252.204-7012 requirements for incident response reporting. The supplier certifies they have adequate security controls that meet the above flow down requirements when handling Controlled Unclassified Information (CUI).

22 Liquidated Damages

Late deliveries to Lavi Systems disrupt our production schedule, and as a result, may cause Lavi Systems to miss delivery dates to our customers. These delays may cause irreparable damage to Lavi Systems' reputation, on-time delivery scores and customer relationships. As such, late deliveries by the Supplier shall be assessed liquidated damages at the rate of 2% of the purchase order value per day, without limitation.