

## C&H Hydraulics Inc. Standard Terms and Conditions

**Acknowledgement of Purchase Order.** This purchase order is C&H's offer to Seller and when accepted either by acknowledgement or performance, it shall become a binding contract. These terms constitute the entire agreement between C&H and Seller and supersede any prior agreements or understandings between them.

**Packing and Shipping.** Deliveries shall be made as specified without charge for boxing, crating, carting, storage or any other form of packing. Seller shall comply with any specific instructions set forth on the reverse of this purchase order. Material shall be suitably packed to secure the lowest transportation costs pursuant to the requirements of common carriers and shall be packed to protect against damage from weather or transportation. C&H order numbers must be plainly marked on all invoices, packages, bills of lading and shipping orders. Each box or package shall be accompanied by a packing list showing C&H's order number, the item number and a description of materials. C&H's count or weight shall be final and conclusive on shipments not accompanied by a packing list containing the foregoing information. Shipping receipts or bills of lading shall be sent to C&H's Accounting Department on the date which the material is shipped.

**Over shipment.** C&H may return, at Seller's expense, any shipments which either exceed the amount or precede the delivery schedule stated on the face of this purchase order. C&H may retain such shipments at Seller's risk and expense and charge reasonable storage fees while awaiting shipping instructions. C&H may sell or destroy material for which return shipping instructions are not received within a reasonable time and apply any proceeds toward storage charges.

**Invoices.** Seller shall submit invoices in duplicate and include the purchase order number, description of products, sizes, quantities, unit prices and extended totals in addition to any other required information. Each invoice shall be accompanied by a bill of lading or express receipt. Payment shall not constitute C&H's acceptance of items and shall be subject to adjustment for errors, shortages, defects or any other failure of Seller to meet its obligations. C&H may offset amounts it owes to Seller by amounts Seller owes to C&H.

**Quality Control System; Warranty.** Seller will maintain an acceptable quality control system and C&H may review procedures, policies, practices and related documents to determine such acceptability. Seller warrants that all material and work covered by this purchase order will conform to applicable specifications, drawings, samples and/or other descriptions given and will be merchantable and free from defects in workmanship and material. Seller also warrants design unless the items covered by this purchase order are manufactured to a detailed design furnished by C&H. Seller's warranties shall run to C&H and/or its customers.

**Counterfeit Work:** Seller shall maintain a Counterfeit Prevention program in accordance with **AS6174** Standard for Counterfeit, Avoidance, detection, mitigation and disposition.

**Certification/Approval of Seller.** Seller warrants that it is approved and/or certified by C&H's customer to perform under this purchase order. Seller understands that C&H is relying on such warranty and that C&H will incur substantial damages if Seller does not maintain such approval or certification at all times. Seller shall immediately notify C&H if it loses such approval or certification and shall compensate C&H for any damages resulting from such loss.

**OTD and PC Conformity.** C&H monitors all suppliers' performance on an ongoing basis C&H tracks on-time delivery (OTD) and product conformity (PC) from all suppliers. C&H has established a minimum performance threshold of 95% product quality and 90% OTD. If minimum performance is not achieved by the supplier, supplier may be contacted by C&H Management and corrective action will be requested.

**Ethical Behavior** Supplier must ensure that all its personnel are aware of their contribution to product or service conformity; their contribution to product safety; and the importance of ethical behavior.

**Product Safety:** Supplier must ensure and be aware of their contribution to product safety.

**Inspection.** All items shall be subject to inspection at destination and C&H may either reject or direct the prompt correction of any defective items which fail to meet the requirements of this purchase order. C&H may, at Seller's expense, return such items to Seller or require that Seller remove them. If Seller fails to promptly remove, replace or correct defective items, then C&H may replace or correct such items at Seller's expense.

**Delivery.** All items shall be delivered in strict accordance with the delivery schedule of this purchase order. Seller shall incur the incremental costs for express delivery if Seller fails to meet such schedule and C&H requests expedited shipments. Parts fabricated beyond C&H's requested delivery dates are at Seller's risk and invoices covering material shipped in advance will not be paid. Seller shall comply with the Defense Priorities and Allocations System (or "DPAS") (15 CFR 700) where applicable.

**Risk of Loss.** Seller shall bear all risk of loss, damage or destruction until the items are delivered to the specified F.O.B. point. Seller shall also bear the same risks for any items rejected by C&H, except for loss occasioned by the willful misconduct of C&H's employees acting within the scope of their employment. Within 48 hours of receipt, Seller shall notify C&H of quantity or quality discrepancies with any C&H-supplied items or be deemed to concur with C&H's description of such items and thereafter bear any risk of loss.

**Changes.** C&H may, at any time by written order, suspend performance hereunder, increase or decrease the ordered quantities or make changes in any one or more of the following: (i) applicable drawings, designs or specifications; (ii) method of shipment or packing and (iii) time or place of delivery. If any such change causes an increase or decrease in either the cost of or the time required for performance, then an equitable adjustment shall be made to the price, delivery schedule or both and this purchase order shall be modified in writing accordingly. Any claim for adjustment must be in writing, accompanied by an estimate of

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costs and submitted to C&H within twenty (20) days from Seller's receipt of the change notification. Failure of Seller to assert a claim as provided above shall constitute an unconditional and absolute waiver for adjustment. C&H reserves the right to verify all claims and Seller shall make available to C&H, upon its request, all relevant books, records, inventories and facilities for inspection and audit.

**Termination for Cause.** C&H may cancel all or any part of the undelivered portion of this purchase order for cause if Seller breach any of its obligations to C&H, including but not limited to quality of items and timely delivery. Upon termination, Seller shall not be entitled to payment for (i) undelivered items, if any, and/or (ii) the delivered items which caused such termination.

**Termination for Convenience.** C&H may cancel all or any part of the undelivered portion of this purchase order for convenience by giving Seller written notice specifying the scope and effective date of such termination. Upon receipt of the notice and except as otherwise directed by C&H, Seller shall immediately stop work and, within thirty (30) days after receipt of the notice, submit its written termination claim to C&H. Failure of Seller to comply with the foregoing shall constitute an unconditional and absolute waiver of Seller's termination claim, which in any event shall consist solely of the following: (a) Completed products: for completed products delivered to and accepted but not yet paid for by C&H, Seller's claim shall be calculated by multiplying the number of such products by the unit price therefor as specified in this purchase order; and (b) Work in Process: for work in process, Seller's claim shall be calculated by multiplying the average unit cost by the number of units in process; provided, however, that (i) such number of units in process shall not exceed that amount which C&H has previously approved for delivery; and (ii) such claim shall exclude any costs for completed products as set forth above. The total sum to be paid to Seller under sections (a) and (b) above shall not exceed the total purchase order price, reduced by the amount of payments otherwise previously made by C&H. In no event shall Seller be entitled to recover incidental or consequential damages, costs of preparing claims, attorney's fees, costs of tooling and equipment or any third-party commissions.

**Special Tools.** Unless otherwise agreed, Seller shall furnish, at its expense, any necessary special castings, tools and drawings which shall be kept in good condition and, when necessary, replaced by Seller without expense to C&H. Upon agreement between the parties, C&H may reimburse Seller for the cost of such items (including any replacements) and thereafter own them and be entitled to their possession. If the price stated on the face of this purchase order identifies such items and includes their cost, then they shall become the property of C&H.

**C&H-Owned or Furnished Materials.** Seller assumes complete liability for any C&H-owned or C&H-furnished tooling, articles or materials in connection with this purchase order and Seller agrees to pay for their loss or damage. Title to such items shall at all times remain with C&H.

**Non-Disclosure of Confidential Matter and Publicity.** Items purchased pursuant to C&H's specifications or drawings shall not be quoted for sale to others without C&H's prior written authorization. Such specifications, drawings, samples or other data furnished by C&H shall be treated as confidential information by Seller, shall remain C&H's property and shall be promptly returned to C&H upon request. Any publicity regarding this purchase order (pictures, descriptions or samples thereof) is prohibited except with C&H's prior written approval.

**Compliance with Laws.** Seller shall comply with all applicable federal, state and local statutes, laws, rules, regulations and orders.

**Inspection and Audit.** Seller agrees that its books, records and facility (or such parts thereof as may be engaged in the performance of this purchase order) shall at all reasonable times be subject to inspection and audit by an authorized C&H representative.

**Changes in Process or Method of Manufacturing.** Seller agrees that it will not invoke any changes in its process or method of manufacturing during the term of this purchase order without C&H's prior written consent, and any contemplated changes will be submitted to C&H for reasonable evaluation. Seller shall notify C&H of changes to processes, products, or services, including changes of their external providers or location of manufacture, and obtain the organizations approval.

**Force Majeure.** Seller shall immediately notify C&H of an actual or potential delay or failure of performance because of acts of God or other causes beyond Seller's control, including but not limited to labor disputes. C&H may then either (i) extend the time for performance or (ii) terminate the uncompleted portion of the purchase order for cause and at no cost to C&H.

**Subcontracting.** Except for purchases of standard commercial supplies or raw material, Seller agrees to obtain C&H's approval before subcontracting this purchase order or any substantial portion thereof.

**Waiver.** The failure of C&H to enforce any provision of this purchase order shall neither waive such provision nor affect C&H's right to enforce it.

**Modifications.** None of the terms of this purchase order may be contradicted, modified, supplemented, explained, waived or rescinded except as expressly set forth herein. Only an authorized C&H purchasing representative may sign on behalf of and obligate C&H.

**Choice of Law; Choice of Forum.** The laws of California (excluding its conflict of laws rules) will govern the construction, validity and interpretation of this purchase order. All disputes shall be litigated in the Superior Court for the State of California, County of Orange, City of Newport Beach, or any other state court of competent jurisdiction located in Orange County and each party hereto consents to the jurisdiction of such courts and waives any objection to venue.