Watson Industries, Inc.

3035 Melby Street Eau Claire, WI 54703
Tel: 715-839-0628
Fax: 715-839-8248
email: support@watson-gyro.com

PURCHASE TERMS & CONDITIONS

1. **Acceptance of Purchase Order:** Agreement by supplier to furnish materials or services shall constitute acceptance by supplier of this purchase order subject to these terms and conditions.

2. **Quality:** The supplier shall maintain a Quality Control System acceptable to Watson Industries, Inc. and shall inspect the product sufficiently to assure conformance to requirements and acceptance at Watson Industries, Inc.

3. **Delivery:** Watson Industries, Inc. expects 100% On-Time Delivery. Failure to deliver in accordance with the delivery schedule under this purchase order, if unexcused, shall be considered a material breach of this purchase order. Suppliers shall notify Watson Industries immediately of any actual or potential delay to the performance of this purchase order. Such notice shall include a proposed revised schedule but such notice and proposal shall not constitute a waiver of Watson Industries rights. Watson Industries also reserves the right to refuse or return at supplier's risk and expense shipments made in excess of Watson Industries orders or in advance of required schedules. Payment on advance deliveries shall be deferred until scheduled delivery dates. Periodic evaluations identify suppliers with poor On-Time Delivery history, and a corrective action request may be issued for supplier response.

4. **Inspection and Acceptance**: Watson Industries final acceptance of Goods or Services is subject to inspection within sixty (60) days after receipt at Watson Industries facility or such other place as may be designated, notwithstanding any payment or prior test or inspection. Supplier shall keep and maintain inspection, test and related records, which shall be available to Watson Industries or Watson Industries representative. Supplier shall allow copies to be made and shall furnish all information required by Watson Industries or Watson Industries representative.

5. **Right of Entry:** Watson Industries reserves the right for itself and for any of its customers, including a regulatory agency, to inspect, at origin, any and all items supplied under this purchase order and further, the right to reject items and/or cancel items, including the entire purchase order, should the quality of the goods or service not meet required standards.

6. **Material Traceability, Identification and Control:** The applicable part number, military, federal or commercial specification number, batch/lot number and manufacturers' name shall appear on the external surface of the unit or unit container, reel, spool or package. Each lot of parts shall be kept separate and shall not be intermixed with subsequent lots of the same part.

7. **Certifications of Conformity:** In order to assure product safety, all items shall conform to Original Equipment Manufacturer's specification and tests. When required, Certifications of Conformity shall accompany the items. This Certificate of Conformity shall include a statement of the condition of the items and a signature by an authorized representative. The supplier shall keep records of certificates of compliance for ten years.

8. **Report of Non-Conformities:** Watson Industries, Inc requires products delivered to be correct and free of defect. Suppliers shall notify Watson Industries if product is nonconforming and make arrangements for Watson Industries approval. Suppliers shall notify Watson Industries of any changes in product and/or process definition and, where required, obtain Watson Industries approval. Periodic evaluations identify suppliers with a history of excessive rejections, and a corrective action request may be issued for supplier response.

9. **Sub-Tier Suppliers:** The supplier shall flow down to sub-tier suppliers the applicable requirements in the purchasing documents, including key characteristics, where required.

10. **Counterfeit Parts:** Suppliers shall ensure that only new and authentic electronic components are used in products delivered to Watson Industries, Inc. The supplier shall only purchase parts from Original Component Manufacturers (OCMs), OCM franchised distributors, or authorized aftermarket manufacturers. Use of product that was not provided by these sources is not authorized unless first approved in writing by Watson Industries.

11. **Watson Industries' Property:** Supplier shall be responsible for the protection, calibration, maintenance, and care of all dies, jigs, tools, patterns, gauges and other equipment owned by Watson Industries or their customers. All such items shall be used only in the performance of work under this purchase order unless Watson Industries consents otherwise in writing. Said tooling or equipment shall be subject to surveillance inspection upon notice, by either Watson Industries or their customers, and shall be returned in an accepted condition upon demand. Any tooling, drawings, specifications, and information issued with this order shall be considered the confidential property of Watson Industries or their customer and the supplier shall be bound by all rules of confidentiality.

12. **Age-Sensitive Materials:** Age-sensitive materials shall be identified with manufacture and/or expiration date. There shall be at least 75% of shelf life remaining for any item to be received by Watson Industries.

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13. **Hardware:** When required, hardware shall conform to Army-Navy Standards (AN), Military Standards (MS), or National Aerospace Standard (NAS) prints and specifications.
14. **Safety Data Sheet:** The Supplier shall submit special handling instructions, storage instructions and/or hazard notices with each shipment if the material is hazardous in nature to personnel or equipment.
15. **Electrostatic Discharge Sensitive (ESD):** ESD sensitive items shall be properly packaged and marked. Watson Industries, Inc. has the option to reject non-conforming supplies.
16. **Packing and Shipping Instructions:** All parts shall be packaged in a manner to prevent damage in handling and transit. Pricing shall include all charges for packing, crating, freight, transportation to the FOB delivery point and/or any other services unless so specified in this purchase order. The packaging, labeling and shipping of all hazardous materials shall comply with all applicable laws and regulations.
17. **Standards of Business Ethics and Conduct:** Watson Industries expectation is that supplier will conduct its business fairly, impartially, and in an ethical and proper manner.
18. **Notification:** To maintain an expected level of product conformity and safety, Watson Industries shall be notified of changes to processes, services, or parts associated with the manufacture of the purchased items. This includes changes of external providers and the items' location of manufacture.

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