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Purchase Order Terms and Conditions

1.0 Certification of Conformance, Documents, and Reports

The supplier is required to provide documented certification(s) that the material supplied against this order meets all applicable drawings, specifications, test and purchase order requirements. Records of materials, processing and tests must be maintained for 7 years minimum.

2.0 Change in Approved Processes

Supplier is prohibited from making changes to any drawing, process, tooling, material, or procedure originally subject to Torotel Product's approval without express written consent from Torotel Products. First Article Inspection Reports per STD AS9102 are required from Supplier. Torotel can provide information on t AS9102 FAI requirements. Supplier will be required to resubmit samples along with a FAI report if manufacturing of the item is discontinued for 12 months. Additionally:

- (i) Work shall not be moved from the original location of manufacture to another location of manufacture within a production facility or to any other production facility.
- (ii) When First Article Inspection (FAI) is a requirement, work shall not be moved from the original location where the work was produced at the time of FAI acceptance.

3.0 Discontinuation or Obsolescence

Supplier is required to provide written notification to Torotel at least 12 months prior to discontinuation or obsolescence of material.

4.0 Flow Down to Supply Chain

Supplier is required to ensure its subcontractors or sub-tier suppliers adhere to any contractual, regulatory, statutory, or material flow down requirements as may be communicated to Supplier by purchase order, specification, or other written notification from Torotel. Examples may be (but are not limited to) DFARS, ITAR, EAR, or other regulatory requirements, test reports, special processes, and so forth.

5.0 Counterfeit Parts

Supplier shall implement and maintain a Counterfeit Item risk mitigation process internally and with sub-tier suppliers. Supplier is contractually required to deliver products to Torotel that are:

- (i) Not used;
- (ii) Obtained either from OEMs or authorized OEM resellers or distributors;
- (iii) Not Counterfeit Items; and
- (iv) Authentically marked with OEM labels and other markings.

Any items identified by Supplier as counterfeit must be removed from shipments to Torotel.

At any time if Torotel has reasonable cause to believe Supplier has provided counterfeit material, whether material remains in Torotel inventory, WIP, or in the form of finished

goods, Supplier will be responsible for all costs deemed necessary and reasonable to investigate and replace counterfeit materials. These costs include, but may not be limited to, travel expense, legal expenses, shipping costs, fines or penalties, labor, replacement materials, administrative expenses, and the like.

6.0 Special Processes

Special processes will be defined in the Torotel specification, purchase order, or other control document provided to the Supplier. Special processes must be performed exclusively by Torotel-approved sources. Supplier must contact Torotel Quality Manager or Supply Chain Manager for list of approved sources. If a sub-tier supplier is utilized to perform a special process, in order to maintain traceability, the Supplier is required to send with each shipment a Certificate of Compliance from the sub-tier supplier which references the Torotel part number and purchase order.

7.0 Supplier's Responsibility and Final Acceptance.

Neither surveillance, source inspection, nor tests performed by Torotel Products or its customer, at the supplier's facility, shall necessarily constitute final approval or acceptance of the items on this order. All items are subject to final inspection, tests, etc. at Torotel Products, notwithstanding prior payments or inspections, final acceptance shall be determined by Torotel Products' Receiving Inspection.

8.0 Nonconformances

Supplier shall not repair, "use as is" or ship to Torotel Products any item which fails to conform to all drawing, specification and/or purchase order requirements. Supplier deviation requests must be approved by Torotel Products in writing. Any repair or "use as is" disposition applies only to the requested action. Any recurrence requires resubmittal of a new Supplier Deviation Request. Suppliers that delivery more than 100 purchasing units (pcs, ea, kits, etc) per shipment must exhibit a calculated defect rate of less than 500ppm. Defect rates that exceed these limits will require a Supplier Correction Action Report (SCAR) for the first occurrence. A second occurrence may result in Supplier losing Preferred status. Additionally, supplier is required to notify Torotel of any nonconforming product, if discovered after product has shipped from supplier's facility. Torotel will determine final disposition of nonconforming material.

9.0 Delivery

Supplier shall delivery goods to Torotel's dock no sooner than 5 days prior to the contractual dock date (indicated as the line item due date in the Torotel Purchase order), and no later than zero days after. Torotel reserves the right to either delay payment by the number of days shipment arrives ahead of the allowable delivery window.

10.0 Shipping, Handling, and Identification

All material shall be packaged so as to prevent damage during handling and shipping, and shall be marked so as to be easily identified. Damaged goods received at Torotel Products shall be rejected as the supplier's responsibility.

11.0 Access to Supplier's Facility

Torotel Products reserves the right of access (at any reasonable time) to any location where work is performed under this purchase order and such right shall be extended to Torotel Products' customer and/or cognizant government representatives.

12.0 Supplier Quality Control System

The Supplier is required to maintain a quality control program (subject to audit by Torotel Products) which assures that all supplies and services furnished to Torotel Products conform to contractual requirements. You are required to perform, or require your sub-tier suppliers to perform, all inspections and tests necessary to substantiate product conformance to all drawings, specifications, and P.O. requirements. Your quality program shall be documented and available for review by Torotel Products throughout the life to the P.O. The Supplier is responsible for ensuring that sub-tier suppliers maintain quality records for a period of 7 years.

Statement of Policy and Program of Affirmative Action - Equal Employment Program

Torotel Products firmly rejects any employer practices which violate Equal Employment Standards. Torotel's policy is to insure the promotion of equal opportunity for all persons employed or seeking employment, without regard to race, color, creed, national origin, sex, age or handicap. It shall be the policy of all Suppliers to provide equal opportunity to all applicants for employment and to administer all personnel practices such as recruitment, selection, training, promotions, terminations, transfers, layoffs, compensation, benefits and other terms, conditions and privileges of employment in a manner which does not discriminate on the basis of race, color, creed, age, sex, national origin or handicap. It is the policy of Torotel that Suppliers ensure:

1. No practice, activity, policy or decision which discriminates against an individual or group on the basis of race, color, age, nationality, creed, sex or handicap shall be allowed to stand.
2. Affirmative action will be taken to identify the areas where minorities and women are underutilized, and a vigorous effort will be made to correct employment imbalances. All decisions in regard to recruitment, hiring, promotion, training, compensation and terminations will be made in a manner in which they will further the principles of equal employment opportunity and the achievement of the established affirmative action goals.
3. These policies shall be applied to all aspects of recruiting, hiring, training, compensation, benefits, upgrading, promotion, retention, transfer, and working conditions of all employees.
4. Goals will be established in all categories of employment to achieve minority employment balance that reflects the availability of minorities in the labor market. Supervisory and management personnel will be evaluated on their compliance with this program and their ability to achieve the established goals. The purpose of Torotel's commitment to such goals as to minority employment balance is to meet its affirmative action obligations under the equal opportunity clause of its grant contract with the Federal Transit Administration. This commitment is not intended and shall not be used to discriminate against any qualified applicant or employee.
5. Race, color, creed, nationality, age, sex or handicap shall not be criteria on how transit service is provided to the public. Service shall be provided in a non-discriminatory manner.
6. Management will evaluate and monitor the Equal Employment Opportunity Program and adhere to the administration of the policy and program. Supplier's program shall be action oriented and will be reevaluated and revised when necessary.