



**Engineered Composites, Inc.**

1046 East 9th Street  
Minden, NE 68959

P: 308-832-2760  
F: 308-832-2870

info@royalcomposites.com  
**RoyalComposites.com**

## Purchase Order Terms and Conditions

These Purchase Order Terms and Conditions ("Terms"), govern the terms of your ("Supplier") Purchase Order with Royal Engineered Composites, Inc. ("REC"), and is a legally binding agreement between you and REC and are incorporated into the purchase order by this reference. This document has also been posted to our website, <http://www.royalcomposites.com/>, for your convenience.

RQ 1 **Binding Agreement.** Your signature on a Purchase Order constitutes your agreement to be bound by the Terms. Please fax or e-mail your signed Purchase Order to REC. You acknowledge and agree that you shall bind any sub-tier vendors to these Terms.

RQ 2 **Shipment Contents.**

The supplier shall furnish a Certificate of Conformance (C of C) with each shipment listed on the purchase order. At a minimum, the C of C shall include the following:

The Royal Purchase Order number  
Part number and revision level  
Quantity

Name and Address of manufacturer

Statement of conformity certifying that all materials furnished conform to the applicable drawing, specifications, and purchase order.

In addition to the minimum requirements, the following is required by Purchase Order:

- (a) Material and/or process certifications, including lot traceability to original manufacturer are required, including sub-tier vendors with all shipments. Royal Engineered Composites reserves the right to reject inbound shipments and return them to supplier if proper certification is not received with shipment. **If no specification revision level is called out, the latest revision shall be used.** Supplier and Sub-Tier vendors are required to use Royal Engineered Composites, customer-approved special process sources. Information on the approval status of a processor and their process approval can be obtained by contacting Royal Engineered Composites. Any Sub-Tier vendor that is not customer-approved for special process sources may not be used without specific written approval from Royal Engineered Composites. The supplier shall notify REC of changes to processes, products, or services, including changes of their external providers or location of manufacture, and obtain Royal Engineered Composites approval.

RQ 3 **Packaging.**

- (a) All resin pre-impregnated material to be shipped with plastic backing material applied to both sides of product, unless specifically stated in the purchase order.
- (b) Unless otherwise specified, all packaging and packing shall comply with best commercial practices.

RQ 4 **Quality Systems.** Supplier shall have a documented quality system that, at a minimum, meets the minimum requirements in the current revision of ISO9001.

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In addition to the minimum system requirements, the supplier shall:

1. *Flow all requirements* of this purchase order to any sub-tier suppliers performing work under this purchase order.
2. *Retain records* – Records created by suppliers in support of product manufacture, quality, and acceptance shall be retained at the supplier for a minimum of twelve (12) years from completion of purchase order, or as specified by Royal purchase order. Records that have reached their required retention period shall be disposed of by shredding. Records may be retained in any manner which does not cause degradation, wear, or illegibility of the record. All supplier retained documents shall be readily retrievable upon request.
3. *Use only approved suppliers* in accordance with RQ2 (a) and/or (b). Requirements for qualification of personnel or process will be defined specifically in the additional notes of the applicable purchase order.
4. *Notify REC in the event of non-conforming material.* The supplier shall submit a written request for disposition by REC. The supplier agrees to hold non-conforming material from shipment until written approval is received.
5.
  - a. *Reply to REC issued corrective actions* within a timely manner, generally 30 days unless otherwise agreed.
  - b. *Failure to complete any corrective action may disqualify the supplier and prohibit future business with REC.*
  - c. *Evaluation of suppliers are performed periodically. The supplier will be notified in the event of a status change.*
6. *Notify REC Quality Manager in the event of a process or product change.* Product and process changes require approval prior to the change.

RQ 5 **Delivery.** You must delivery shipments by no later than the date set forth in the Purchase Order. If Supplier becomes aware that a shipment to REC will be delayed beyond the deadline set forth in the relevant Purchase Order, Supplier shall notify REC immediately and provide a revised delivery date. REC reserves the right, in its sole discretion, to cancel any late order without liability to REC or any other third party. If requested by REC, Supplier will ship late orders by expedited (next day) delivery at supplier's expense. Early shipments are acceptable, unless otherwise stipulated by the Purchaser Order.

RQ 6 **Shelf Life.** All materials shipped by Supplier must have at least 75% of their specified shelf life remaining upon receipt of delivery by REC. Determination of shelf life is defined as follows, in descending order of significance: 1) Material and/or process specifications, 2) Documented industry standards, and 3) Manufacturer's specification.

RQ 7 **Right of Entry and Inspection.** REC and/or its customer's Quality Representative shall have the right to conduct inspections at Supplier's and Supplier's subcontractors' locations to inspect shipments and ensure conformance with these Terms and industry standard practices. REC will notify Supplier if an inspection is to be conducted on specific shipments.

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- RQ 8      **Dispute Resolution.** Any dispute or claims arising or relating to this order, which cannot be mutually resolved, shall be settled pursuant to the rules of the American Arbitration Association, and be determined by a single arbitrator in accordance with such rules.
- RQ 9      **Ownership of Drawings and Documents.** REC technical documents and drawings ("REC Documentation") are the exclusive property of REC and are including copyright. All REC Documentation is confidential, and may not be distributed to any third party, copied or reproduced without written consent from REC. REC Documentation must be destroyed upon completion of the contracted project, or six months after quoting if no purchase order is placed. Any technical documents and/or drawings created on behalf of REC are to be approved by REC prior to production, and are not to be used without written permission from REC. Technical documents and drawings created on behalf of REC shall be owned by REC and are subject to the same non-disclosure obligations as REC Documentation, and may not be used for other projects without written consent from REC.
- RQ 10     **REC Materials and Special Product Requirements.**
- (a) Any REC-owned tools, fixtures or product supplied by REC ("REC Materials") must be stored and handled according to procedures provided to Supplier. If no procedures are provided, then Supplier shall employ best business practices for storage and handling of REC Materials. REC Materials must be stored indoors, protected from weathering elements, damage, or loss. REC Materials supplied to Supplier will only be used for the benefit of REC, unless explicit written approval is granted by REC. Excess and scrap material from the REC Materials must be returned to REC upon completion of the applicable Purchase Order unless authorized in writing by REC.
  - (b) Supplier is responsible for repair and/or replacement of any REC Materials lost, destroyed, damaged, or broken while in its possession, custody or control, including any loss of damage during shipment, when the shipment is the responsibility of Supplier. REC has the right to visit the supplier's facilities and survey the procedures and storage for provided tools.
  - (c) If special product or process requirements exist on this purchase order, the supplier will coordinate with REC Engineering to define the applicable requirements for design, key or critical characteristics, test, inspection, verification (including process verification). The use of statistical techniques, test methods or specimens shall be defined in writing by the applicable REC cognizant Engineer.
- RQ 11     **First Article Inspection.** Supplier shall perform a First Article Inspection (FAI) and/or test as required, in accordance with AS9102, to insure conformance to specifications and Purchase Order requirements. Quantitative results of inspections and/or tests shall be documented in the current AS9102 format. One copy of the FAI and all supporting data shall be sent with the Supplier's shipping documents to REC. Unless specified otherwise, supplier shall not deliver products to REC until written acceptance of the FAI Report has been received from REC.
- RQ 12     **Source Inspection.** Source inspection required at supplier's facility, after supplier inspection, and prior to packaging and shipment from supplier's facility. Evidence of such inspection must be indicated on the shipping documents. Supplier shall notify Royal Engineered Composites, Inc. Quality Manager at least 48 hours in advance of required source inspection.

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**RQ 13      Compliance with Federal Regulation.**

- (a) This is a rated order certified for national defense use, and Supplier is required to comply with all applicable provisions of the Defense Priorities and Allocations System regulation (15 CFR part 700 et seq.).
- (b) Supplier must comply with the applicable subparts of DFARS 225.70-- which requires that any specialty metals', used on products delivered under U.S. Government contracts, Country of Origin must be a "Qualifying country" as listed in the current revision of the DFARS regulation.
- (c) Dodd-Frank Wall Street Reform and Consumer Protection Act. Supplier is required to source conflict minerals 3TG (Tantalum, Tin, Tungsten and Gold) from smelters whose due diligence practices have been validated by an independent third-party audit program.
- (d) FAR 52.204-27 Prohibition on a ByteDance Covered Application.

This rule prohibits your company from having or using certain ByteDance applications, specifically including TikTok, on any information technology used or provided in support of your U.S. Government contract obligations. The supplier shall insert the substance of this clause, including this paragraph in all subcontracts, including subcontracts for the acquisition of commercial products or commercial services.

**RQ 14**

The item(s) contained herein are to be treated by the receiver as being restricted data by U.S. export regulations (the International Traffic in Arms Regulations and the Export Administration Regulations). If the receiver of these items desires to resell, divert, transfer, transship, or otherwise make available to a foreign person within the United States, or otherwise dispose of in any other country outside of the United States, either in original form or after being incorporated through an intermediate process into other items or data, the receiver must evaluate the items as they apply to the appropriate U.S. export control regulations, and follow all the applicable requirements of these regulations, including securing authorization for the export through a properly executed license.

**RQ 15**

The item(s) contained herein are subject to the Code of Federal Regulation, Title 22, Chapter I, Subchapter M - International Traffic in Arms Regulations (Part 120 – 130). If a U.S.M.L category applies, the category number will be listed on the purchase order. These items may not be resold, diverted, transferred, transshipped, made available to a foreign person within the United States, or otherwise disposed of in any other country, either in original form or after being incorporated through an intermediate process into other data, without the prior written approval/licensing of the U.S. Department of State.

**RQ 16**

Supplier agrees that, notwithstanding the provisions of any warranties, expressed or otherwise, negotiated with respect to products or goods purchased from the Supplier by REC or REC's customer(s), Supplier shall reimburse the REC for the labor, material costs, and shall include overhead and general and administrative expenses reasonably incurred by REC in connection with:

- (e) The unscheduled removal and/or replacement of such products or goods or components thereof from a higher level assembly due to failure of such products or goods to conform to requirements of the Terms or the relevant Purchase Order or defective material, workmanship or design; or
- (f) Any removal of said products or goods at Supplier's request; or
- (g) Any such removal of said products or goods required due to any previously required changes to said products or goods that Supplier failed to incorporate.

**RQ 17**

This remedy is not exclusive and shall not be in lieu of any other remedy available at law, in equity or under this clause.

Supplier shall defend, indemnify, and hold harmless REC, its directors, officers, employees, representatives, successors and assigns (all known as "Indemnified Party"), whether acting in the



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course of their employment or otherwise, against any claims, allegations, demands, actions at law or in equity, and from any costs (including any attorney fees) arising from any breach of these Terms or the Purchase Order, or act or omission of Supplier, except to the extent attributable to the gross negligence of REC. REC shall have the right to participate in the selection of counsel and Supplier shall not enter into any settlement agreement that contains any act of admission of liability on the part of REC and/or any Indemnified Party.

RQ 18

**Limitation of Liability.**

(a) No Consequential Damages. IN NO EVENT SHALL REC BE LIABLE UNDER ANY THEORY OF TORT, CONTRACT, STRICT LIABILITY OR OTHER LEGAL OR EQUITABLE THEORY FOR LOST PROFITS, EXEMPLARY, PUNITIVE, SPECIAL, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES OR THE LIKE, EACH OF WHICH IS HEREBY EXCLUDED BY AGREEMENT OF THE PARTIES REGARDLESS OF WHETHER SUCH DAMAGES WERE FORESEEABLE OR WHETHER REC HAD BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

(b) Monetary Cap. IN NO EVENT SHALL REC'S AGGREGATE LIABILITY TO SUPPLIER OR ANY THIRD PARTY FOR ANY CLAIMS, LOSSES, INJURIES, SUITS, DEMANDS, JUDGMENTS, LIABILITIES, COSTS, EXPENSES OR DAMAGES FOR ANY CAUSE WHATSOEVER (INCLUDING, BUT NOT LIMITED TO, THOSE ARISING OUT OF OR RELATED TO THIS AGREEMENT) AND REGARDLESS OF THE FORM OF ACTION OR LEGAL THEORY, EXCEED THE TOTAL FEES PAID BY REC TO SUPPLIER UNDER THE ACCEPTED PURCHASE ORDER THAT GAVE RISE TO SUCH CLAIM. THE LIMITATIONS OF LIABILITY REFLECT THE ALLOCATION OF RISK BETWEEN THE PARTIES. THE LIMITATIONS SPECIFIED IN THIS SECTION WILL SURVIVE AND APPLY EVEN IF ANY LIMITED REMEDY SPECIFIED IN THIS AGREEMENT IS FOUND TO HAVE FAILED OF ITS ESSENTIAL PURPOSE.

RQ 19

The Buyer may at any time, by a written order, make changes within the general scope of this purchase order for compliance by Supplier for:

1. Drawings, designs, or specifications, where supplies furnished are specific to the Buyer
2. Method of shipment or packaging
3. Destination of delivery and
4. Delivery schedule and period of performance of work.

If any such change causes an increase or decrease in the cost of or the time required for the performance of any part of the work under this purchase order, an adjustment shall be made in the purchase order price or delivery schedule and period of performance, or both, and the purchase order shall be modified in writing accordingly. Any claim by Supplier for adjustment under this clause shall be asserted within 7 days from the date of receipt by Supplier of the notification of change.

RQ 20

The Buyer may, at any time, by written order to the Supplier, require the Supplier to stop all, or any part, of the work called for by this purchase order any time after the written order is delivered to the Supplier, and for any further period to which the parties may agree. The order shall be specifically identified as a stop-work order issued under this clause. Upon receipt of the stop-work order, the Supplier shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the order during the period of work stoppage.

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RQ 21

#### **Counterfeit Parts Prevention**

- (h) Supplier agrees and shall ensure that Counterfeit Work is not delivered to REC.
- (i) Supplier shall immediately notify REC with the pertinent facts if supplier becomes aware or suspects that it has furnished Counterfeit Work. When requested by REC, supplier shall provide OCM/OEM documentation that authenticates traceability of the affected items to the applicable OCM/OEM.
- (j) In the event that Work delivered under this Contract constitutes or includes Counterfeit Work, SUPPLIER shall, at its expense, promptly replace such Counterfeit Work with genuine Work conforming to the requirements of this Contract. Notwithstanding any other provision in this Contract, SUPPLIER shall be liable for all costs relating to the removal and replacement of Counterfeit Work, including without limitation REC's costs of removing Counterfeit Work, of reinserting replacement Work and of any testing necessitated by the reinstallation of Work after Counterfeit Work has been exchanged.
- (k) This clause applies in addition to any quality provision, specification, statement of work or other provision included in this Contract addressing the authenticity of Work. To the extent such provisions conflict with this clause, this clause prevails.
- (l) Supplier shall include paragraphs (a) through (d) of this clause or equivalent provisions in lower tier subcontracts for the delivery of items that will be included in or furnished as Work to REC

RQ 22

**REACH Compliance.** All goods, articles, and substances provided shall be compliant to the REACH regulations. The supplier shall bear full responsibility for continuous monitoring of the applicable laws and regulations of the publication and updates of the Registration, Evaluation, Authorization and Restriction of Chemicals otherwise known as "REACH". Information on REACH regulation may be obtained on the website of the ECHA (<http://echa.europa.eu/>). Any unreported goods, articles, or substances may result in purchase order cancellation and/or return of goods.

The contractor will not discharge or in any other manner discriminate against employees or applicants because they have inquired about, discussed, or disclosed their own pay or the pay of another employee or applicant. However, employees who have access to the compensation information of other employees or applicants as a part of their essential job functions cannot disclose the pay of other employees or applicants to individuals who do not otherwise have access to compensation information, unless the disclosure is (a) in response to a formal complaint or charge, (b) in furtherance of an investigation, proceeding, hearing, or action including an investigation conducted by the employer, or (c) consistent with the contractor's legal duty to furnish information.

The supplier shall ensure all persons are aware of their contribution to product or service conformity, product safety, and the importance of ethical behavior.

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The parties hereby incorporate the requirements of 41 C.F.R. § 60-1.4(a)(7), 29 C.F.R. Part 471, Appendix A to Subpart A, 41 C.F.R. § 60-300.5(a)(ii), 41 C.F.R. § 60-741.5(a), and 41 C.F.R. Part 61-300.10, if applicable.

**RQ 23      Equal Opportunity**

This contractor and subcontractor shall abide by the requirements of **41 C.F.R. §§ 60-1.4(a), 60-300.5(a) and 60-741.5(a)**. These regulations prohibit discrimination against qualified individuals based on their status as protected veterans or individuals with disabilities, and prohibit discrimination against all individuals based on their race, color, religion, sex, national origin, sexual orientation, or gender identity. Moreover, these regulations requires that covered prime contractors and subcontractors take affirmative action to employ and advance in employment individuals without regard to race, religion, color, sex, national origin, sexual orientation, gender identity, protected veteran status or disability.

**RQ 24      Cyber Security Control**

Royal expects suppliers to have risk-based cybersecurity programs designed to mitigate emerging threats to their information systems, products, services, and supply chain and to comply with all applicable contractual and legal requirements.

In addition, Royal's U.S. government customers now include contract clauses that require contractors and subcontractors (at all tiers) to provide "adequate security" to safeguard certain types of government information on their internal systems, including the following FAR and DFARS contract clauses:

This contractor and subcontractor shall abide by the requirements of **FAR 52.204-21 and DFARS 252.204-7012**. These regulations require compliance upon award of the order with a select subset of NIST SP 800-171 (FAR 52.204-24) "basic safeguarding" cybersecurity controls for internal systems with "Federal Contract Information" and of NIST SP 800-171 (DFARS 252.204-7012), which includes cybersecurity controls for internal systems with "Covered Defense Information" (CDI). To have implemented NIST SP 800-171 for purposes of this DFARS clause, companies must have performed a self-assessment of their covered systems, completed a System Security Plan (SSP) and, as applicable, a Plan of Actions and Milestones (POA&M).

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