

PURCHASE AGREEMENT

Between FALCO Electronics (Xiamen) CO., Ltd.
Hereinafter called FALCO

And {insert supplier name}
Hereinafter called Supplier

Intent

Both parties intend to enter into a sourcing relationship. In consideration thereof, both parties agree to cooperate to achieve mutual long-term goals. Goals include: shortening lead-times, increasing volume flexibility, achieving just-in-time delivery, achieving ongoing cost reductions, achieving specific quality goals and continuous quality improvement.

Purchase and Sale

Supplier agrees to manufacture, sell and deliver products to FALCO, subject to and in accordance with the terms and conditions of this Agreement. FALCO agrees to purchase products from Supplier in accordance with the terms and conditions of this Agreement.

Duration

This agreement applies to all products delivered from the signature date until this agreement is cancelled or modified.

Product

This agreement covers all products that are quoted and or supplied to FALCO by the Supplier.

Quotations

At the moment of quotation FALCO will supply the intended annual volumes as per its best estimate and knowledge. FALCO does not make any commitment to buy the whole quantities required.

Supplier agrees to and is responsible for communicating information pertaining to each product including, but not limited to unit price, currency, duties and taxes, INCOTERMS, lead time, package quantity, and minimum order quantity. FALCO's financial responsibility is limited to the terms outlined and accepted in each respective quotation. Any additional condition not clearly contained in the quotation is the sole responsibility of the Supplier.

Cost Reduction and Prices

Cost reduction is a major factor in FALCOs' strategy to stay competitive in the marketplace. Supplier warrants that the prices quoted to FALCO are the most competitive in the market. Supplier states and warrants that during the term of this agreement it shall not offer lower prices to any other party for the same item under the same commercial terms.

FALCO has the right to re-negotiate the purchase price according to changes in the market price. The re-negotiated price will be applied to all deliveries for existing purchase orders starting from the date the purchase price in re-negotiation and to all future purchase orders unless further re-negotiated.

Unit Prices, Currency, Trade Terms & Payment Terms

The parties agree that unit prices, currency, trade terms and payment terms shall be as stated on FALCO purchase orders and accepted by the Supplier.

Purchase Orders

FALCO communicates its requirements to Suppliers through Purchase Orders. Purchase Orders generally reflect the MRP requirement up to 13 weeks (one quarter). New Purchase Orders and / or change orders are communicated in writing to Supplier via fax or e-mail. Purchase Orders are broken down in release quantities in accordance to agreed packaging quantities. If the Supplier cannot meet the quantity required they shall communicate this to FALCO immediately. FALCO shall make no verbal orders or changes.

The Supplier shall verify that all new and changed Purchase Orders are approved by the Electronic Signature and the date of approval. Any Purchase Order that results in *** WARNING PO NOT APPROVED *** shall be treated as such and be taken for information purposes only.

The Purchase Order must be confirmed in writing within 48 hours of receipt advising FALCO of any exceptions to the requested delivery dates, quantity, price, or other applicable terms and/or limitations that apply. Failure to advise of exceptions, in writing, constitutes the unconditional acceptance of the order as requested and subject to the terms herein. The confirmations and acknowledgements can be done (by order of preference):

Via Falco's On-Line Supplier-site (<https://online.FALCOmex.com/SupplierSite>)
Via e-mail to the respective Buyer.
Via FAX to the fax number that each Purchase Order specifies.

Any of the following seller acts shall also constitute seller's unconditional acceptance of the terms and conditions set forth herein: submission of the seller's order acknowledgment; commencement of any work or the performance of any services hereunder; shipment of goods ordered herein with buyer's consent.

Lead-time

Lead-time will be _____ week(s). Supplier will be responsible for keeping FALCO informed on any pipeline issues that would affect Suppliers ability to meet FALCO' requirements.

Order rescheduling

Reschedules will be accepted up to _____ week(s) before the confirmed delivery date.

Order cancellation

Cancellation will be accepted up to _____ week(s) before the confirmed delivery date. Products which are non-cancelable, non-returnable, and/or require value-added services, will be identified and communicated clearly as such by the Supplier for each quotation.

Packaging and Shipping

Unless otherwise instructed the goods shall be shipped to the address shown on the Purchase Order. All shipments to incorrect destinations will result in a charge to the Supplier for any additional freight costs incurred by FALCO.

Unless otherwise instructed the goods shall be shipped only via the means of transportation specified in the Purchase Order. Any shipment routed incorrectly will result in a charge to the Supplier for any additional freight cost incurred by FALCO.

All truck freight shipments are to be accurately classified according to applicable national motor freight classifications, in order to obtain the lowest available rates. All hazardous materials must be accurately and properly classified and labeled in accordance with legal requirements.

Unless otherwise specified goods shall be packed in accordance with sound commercial practices to obtain the lowest transportation rates. No charges will be allowed for packing or boxing unless specified in the Purchase Order.

Unless otherwise specified all palletized goods shall be shipped on industry standard 40" x 48" pallets. The fork entry side shall be the 40" side of the pallet. The height shall not exceed 52".

All cartons shall conform to the gross weight limitations set forth by the box manufacturer. Shipments damaged in transit due to insufficient or inadequate packaging are subject to rejection.

All shipments must be accompanied by a Packing List stating: (a) FALCO's Purchase Order number. (b) FALCO Stock Number (FSN) – Part number assigned by FALCO. (c) Quantity of parts. (d) Weight. (e) Number of pieces (cartons) and all necessary lifting, loading and shipping information.

FALCO requires that the weight declared on the packing list and bill of lading and commercial invoice matches the actual shipment weight. Weight mismatches can cause Customs fines and delays. If FALCO is penalized due to mismatches in weights and or prices declared in the Commercial Invoice, FALCO will charge back the Supplier accordingly.

Seller shall mark each container or package with the FALCO stock number, quantity, and weight, in addition to all the necessary lifting, loading, and shipping information.

Any over shipment of goods (other than quantity variations approved in writing by buyer prior to shipment) may be treated as gratuitous goods for which seller will not be paid. Buyer will not make any effort to return said over shipped goods.]

Whenever making a shipment to FALCO, the Supplier must fax a copy of the Packing List(s), Bill of Lading and other shipping documentation to Falco.

All Bill of Ladings are to contain the tariff item number, freight classification number, and FALCO's Purchase Order number(s). Supplier must consolidate all weekly shipments on one Bill of Lading for all Purchase Orders having identical routing instructions.

Suppliers located in the USA, Japan, Malaysia and Indonesia that ship to SHIP TO addresses located in Hong Kong and the Peoples Republic of China and that use wooden pallets for their shipments are required to enclose in the shipping documents a certificate that the wooden pallet where the shipment is has been fumigated or disinfected.

Delivery & Billing

Time is of the essence. FALCO schedules deliveries to arrive on Fridays unless expedited and indicated on the purchase order as such. Deliveries should be no more than three (3) days early and zero (0) days late.

If FALCO agrees to accept deliveries after the date of delivery has passed, FALCO shall have the right to direct Supplier to ship, using the most expeditious means, to the delivery point set forth in this order at Supplier's expense. Acceptance of late deliveries shall not be deemed a waiver of FALCO's right to hold the Supplier liable for any loss or damage resulting there from, nor shall it constitute a modification of the Supplier's obligation to make future deliveries in accordance with the delivery schedules set forth in this order.

Payment terms are 60 days end of month. For local deliveries the reference date for payment terms will be the delivery date. In any case the Invoice date will never be more than 30 days prior to delivery date.

Incoming inspection

FALCO may inspect all material within a reasonable time after arrival at destination. All or any portions not meeting FALCO's specifications shall be returned at Supplier's expense. Payment of invoices shall not be deemed as an acceptance of material delivered hereunder.

FALCO's failure to inspect does not relieve Supplier of any responsibility to perform according to the terms of the Purchase Order issued by FALCO.

Rejects

The disposition of material shall be limited to; (a) Use as is, (b) Return to Supplier, (c) Sort, or (d) Rework.

The Supplier is notified of the problem prior to taking any actions, and is required to give written consent to FALCO for any charges he approves for re-work or sorting.

For all parts that are to be returned a Return Material Authorization (RMA) number will be requested from the Supplier by Falco's Purchasing Department. FALCO will properly pack all parts and enclose a packing list for each RMA. No parts will leave FALCO without proper documentation and the Supplier's authorization.

A Cost of Quality charge will be applied every time that it is determined that the material is non-conforming due to a Supplier error. The charge will be 10% of the invoice value (excluding taxes) up to a maximum of USD \$250.00 per occurrence. This is in addition to any sorting and re-work charges. This charges is for recouping the costs of disruption in business.

Corrective Actions (SCAR)

SCARs are issued when parts are non-conforming due to the Supplier's processes or handling and of which FALCO is not aware of any action already being taken to resolve the problem. Not every non-conforming part generates a SCAR. The Supplier is to provide FALCO the following information; (a) Why the problem occurred, (b) how the

Supplier going to prevent the problem from re-occurring. In addition, the Supplier must demonstrate to FALCO that all containment issues are resolved and that subsequent deliveries will conform to all of FALCO's and/or Supplier specifications.

The Supplier's response will be evaluated by FALCO to determine if adequate action has been taken. If FALCO is satisfied that such action has been taken the SCAR will be closed. FALCO may at a later date carry out an audit to ensure that the Supplier has corrected the problem. If the Supplier's response is deemed inadequate, FALCO will notify the Supplier of this fact.

Warranty

Supplier warrants that the products delivered or services rendered are free of defects in workmanship, materials and design, and are in accordance with all the requirements of FALCO's purchased orders for a period of one (1) year from the date of accepted receipt by FALCO. This warranty entitlement covers both FALCO and FALCO customers. Supplier shall replace any and all defective or nonconforming products free of charge. Supplier shall be liable for and save FALCO harmless from any loss, damage or expense whatsoever that FALCO may suffer from breach of any of these warranties. Remedies include repair, replacement or reimbursement of the purchase price of nonconforming goods at the sole discretion of FALCO

Confidentiality

The parties acknowledge that by reason of their relationship to each other hereunder, each will have access to certain information and materials concerning the others technology, products, business operations, strategies, customers, and/or customer's product(s) or production levels, and other related business information that is confidential and of substantial value to that party, which value would be impaired if such information were disclosed to third parties ("Confidential Information"). Each party agrees that it will not use in any way for its own account, except as provided herein, nor disclose to any third party, any such Confidential Information (whether disclosed orally, visually or in writing) revealed to it by the other party. Each party will take every reasonable precaution to protect the confidentiality of such Confidential Information. The receiving party acknowledges that any unauthorized use or disclosure of Confidential Information could cause the disclosing party irreparable harm that could not be compensated by monetary damages. Accordingly, each party agrees that the other will be entitled to seek injunctive and preliminary relief to remedy any actual or threatened unauthorized use or disclosure of such other party's Confidential Information. The receiving party's obligation of confidentiality shall not apply to information that: (a) is already known to the receiving party or is publicly available at the time of disclosure; (b) is disclosed to the receiving party by a third party who is not in breach of an obligation of confidentiality to the party to this Agreement which is claiming a proprietary right in such information; or (c) becomes publicly available after disclosure through no fault of the receiving party.

Furthermore, to the extent any term of this Agreement conflicts with any term in a previously executed Non-Disclosure Agreement ("NDA") between Supplier and FALCO, the terms of this Agreement will control and take precedence. Confidential Information may only be used by those employees of the Recipient who have a need to know such information for the purposes related to this Agreement.

The obligation of both parties under this section will survive for one year after the termination of this Agreement for any reason.

Electronic Virus Policy

FALCO prohibits the circulation of electronic greeting cards or animations, jokes, attachments in *.exe, *.scr, *.vbs or any other attachment that is not strictly work related. All such items are usually carriers of latent viruses that may strike at any time. FALCO has experienced repetitive instances where Suppliers have transmitted viruses via e-mail. Given the wide usage of e-mail at FALCO these viruses spread quickly notwithstanding all the safety measures that FALCO takes to prevent this. If the Supplier cannot demonstrate that it has taken all responsible actions internally to prevent the spreading of viruses it agrees to be charged at a rate of USD \$10.00 per hour for the time spent to repair any damages to FALCO.

Environmental & Safety

The Supplier hereby assures that it: (a) works to correct the conditions that adversely affect the health and safety of its workers, customers, Suppliers, and neighbors, (b) has a commitment to continuous improvement of environmental, health, and safety objectives and, (c) supports the development of technological solutions and methods to cure environmental problems.

Integrity Declaration and Undertaking

Supplier agrees to sign the Falco Electronics (Xiamen) CO., Ltd Integrity Declaration and Undertaking and abide by its terms.

Governing Law and Enforcement

This Agreement shall be construed as if jointly prepared by both parties. This Agreement is to be interpreted, enforced and governed by and under the laws of Peoples Republic of China

If any provision of this Agreement be held by a court of competent jurisdiction to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions of this Agreement shall in no way be affected or impaired thereby.

Governing Language

FALCO and Supplier acknowledge and agree that the language of this agreement is the English language as used in the United States of America. In the event that this agreement is translated into one or more languages, the English language version of the Agreement, as the language used in the United States, shall be the governing version for purposes of interpreting and enforcing this Agreement.

Entire Agreement

This document in combination with the instructions on the front of the FALCO purchase order contains the entire understanding of the parties and Agreement between Supplier and FALCO pertaining to the subject matter hereof, and no other agreements, oral or otherwise, shall be deemed to exist or to bind the parties. Notwithstanding anything to the contrary contained herein, the parties hereto agree that the terms and conditions set forth herein shall supersede any and all terms and conditions submitted by the Supplier. This Agreement may not be modified or terminated orally, and no claimed modification, termination or waiver shall be binding unless in writing and signed by both parties.

Force Majeure

Neither FALCO nor Supplier shall be liable for any failure to perform obligations under this Agreement if prevented so by a cause beyond their control and without the fault or negligence of the defaulting party. Without limiting the generality of the foregoing, such causes include: acts of God, fires, floods, storms, epidemics, earthquakes, riots, civil disobedience, war or war like operations, or restraints of government. The time of performance of any such obligations shall be extended for the period of time lost to the reason of delay. Notwithstanding the foregoing, if such failure or delay continues for a period exceeding thirty (30) days, either party shall be entitled to terminate this Agreement upon written notice to the other party.

Parties Representative

The parties hereto represent and warrant that they are corporations duly incorporated, validly existing and in good standing under the laws of the state of their incorporation, and that the person executing this Agreement is duly authorized and empowered to execute and enter into a valid, legal and binding obligation of the parties.

Waiver

Failure by either party to insist in any instance on strict conformance by the other to any term of this Agreement or failure by either party to act in the event of a breach, will not be construed as a consent to or waiver of any subsequent breach of the same or of any other term contained in this Agreement.

IN WITNESS WHEREOF, the undersigned has caused this Purchase Agreement to be executed by its authorized official designated below, as of the date indicated above.

BY: FALCO Electronic (Xiamen)

BY: _____
(Signature of duly-authorized representative)

NAME: _____

TITLE: _____

DATE: _____

{Company Name of Supplier}

(Street Address)

BY: _____
(Signature of duly-authorized representative)

NAME: _____

TITLE: _____

DATE: _____