



## **EXHIBIT 3**

### **GENERAL TERMS AND CONDITIONS FOR EQUIPMENT**

#### **1. DEFINITIONS**

Except as otherwise provided in this Purchase Order

- a) "Buyer" means Watson Laboratories, Inc ("Watson") or any designated representative on the Purchase Order,
- b) "Seller" means the company to which this Purchase Order is addressed;
- c) Purchase Order means Buyer's order sheet, and Buyer's Terms and Conditions as set forth herein, with the specifications, terms and conditions set forth herein or incorporated herein by reference and all printed, stamped or written material affixed or attached by Buyer to the Purchase Order. Seller, in accepting this order, agrees to be bound by and comply to all Terms and Conditions set forth.

#### **2. CONTRACT DOCUMENTS**

Unless specified to the contrary on the Buyer's order sheet, the contract documents shall represent the requirements of the order and consist of, at a minimum, the following documents:

- a) These 'Conditions for Purchase of Equipment',
- b) The 'Technical Specifications or Scope of Work',
- c) The 'Acceptance Criteria', and
- d) The 'Project Schedule'. The actual name of the document on the order sheet may vary slightly from that indicated herein. In event of conflict or non conforming terms, the Seller must immediately notify the Buyer for clarification prior to commencing with the order.

#### **3. CHANGES**

All equipment manufactured or fabricated under this order shall be in accordance with the Contract Documents. No changes to form, fit, or function are permitted by Seller without written acknowledgement from the Buyer. The Buyer may, by written order issued at any time after the Seller's acceptance of this Purchase Order, make changes herein with respect to

- a) drawings, designs, specifications, or when the equipment to be furnished are to be specially manufactured by the Seller in accordance therewith;
- b) method or shipment or packing; and
- c) place of delivery. If any such change causes an increase or decrease in the cost of or the time required for performance hereunder, an equitable adjustment shall be made in the price or delivery schedule, or both, and the Purchase Order shall be modified in writing accordingly. Any claim by the Seller for adjustment under this clause must be asserted within 30 days from Seller's receipt of notification of such change.

#### **4. SHOP DRAWINGS AND APPROVALS**

If this Purchase Order is for equipment or device that requires Shop Drawing approvals, testing and/or certification, design reports and/or performance criteria as indicated on Buyer's order sheet, then Seller shall adhere to submittal schedules and/or procedures to afford time for Buyer to adequately inspect such data and/or documents and return to Seller. Seller should anticipate a five (5) day turnaround time for Buyer's approval. Corrections, if any, should be made with all reasonable promptness.

Unless otherwise specified, Seller shall submit three (3) copies of Shop Drawings for review. Upon completion of the order, Seller shall furnish a complete set of all Shop Drawings as finally approved. These Shop Drawings should show all changes and revisions made up to the time the Order is accepted.

#### **5. SHIPMENTS**

Unless otherwise specified on the Buyer's purchase documents, Seller shall arrange shipment of the equipment with:

- a) packaging, crating, and/or otherwise securing or rigging the equipment to assure a minimum of in-transit soiling from road debris and damage from handling;



- b) selection of carriers that are experienced and reputable for safe, on time delivery;
- c) packing slip and bill of lading indicating the Buyer's Purchase Order number appearing on face of Purchase Order.
- d) Seller shall give advance notice of shipment to Buyer with specific shipping configuration and unpacking and rigging instructions, if any.

#### **6. FOB AND RISK OF LOSS**

Unless otherwise specified on the face of the Purchase Order, the order is FOB DELIVERED at designated "Ship to" address. Risk of loss or damage to the equipment remain with the Seller until such equipment have been delivered and accepted by Buyer. Unless otherwise indicated in the Purchase Order, freight and insurance cost are to be prepaid by Seller and added to the invoice to Buyer.

#### **7. PAYMENTS AND DISCOUNTS**

Payment for the performance of this order shall be made in accordance with the Payment Schedule indicated on order sheet. Seller shall be paid upon the submission of proper invoice in duplicate, the prices stipulated herein for equipment delivered and accepted or services rendered and accepted, less deductions, if any, as herein provided. No such invoice, however, shall be honored in any case until Seller has returned the Acceptance copy hereof in accordance with the provisions set forth on the Purchase Order. Discount, if any, shall be calculated from the later of

- a) the date of Buyer's receipt of acceptable invoice, or
- b) the date of inspection and acceptance of materials by Buyer.

#### **8. VARIATION IN QUANTITY**

No variation in the quantity of any item called for by this Purchase Order will be permitted except variations approved in advance by Buyer and documented on the order sheet. Buyer's count will be accepted as final and conclusive on all shipments not accompanied by packing list enumerating contents.

#### **9. SUSPENSION OF WORK AND SHIPMENT**

Seller shall, if occasioned by Buyer's request, suspend shipment and delivery of the equipment, performance of services, and all work and operations hereunder for such period as Buyer may reasonably request.

#### **10. TITLE, INSPECTION, AND RETURNS**

Title to the equipment purchased hereunder shall pass to the Buyer on acceptance thereof. However, all such equipment are subject to inspection, in accordance with the specifications of the Purchase Order, by Buyer at the designated delivery point within a reasonable time after arrival. The Buyer reserves the right to reject any equipment which do not pass such inspection. Rejected equipment may be held for pick-up by the Seller or returned to the Seller's with all re-packing, handling, and transportation cost paid by the Seller. No replacements of defective equipment returned shall be made unless so specified by Buyer.

#### **11. FORMATION AND CONSTRUCTION OF CONTRACT**

This Purchase Order, upon Seller's acceptance hereof, shall be a final and binding contract between the parties and shall be construed in accordance with the laws of the State of California. This Purchase Order constitutes the only agreement between Buyer and Seller and any additional or inconsistent terms or conditions contained in or accompanying Seller's acceptance copy or invoices in connection herewith shall be null and void.

#### **12. ACCESS TO PLANT**

Buyer shall at all times be afforded an opportunity and proper facilities at Seller's premises for inspection of the work in progress, factory acceptance testing (FAT), factory training, or any other requirement specified on the Purchase Order.

#### **13. RETURNABLE CONTAINERS**

Reusable shipping containers such as carboys, drums, barrels and reels are returnable only as specified on the face of this Purchase Order. Reusable containers so specified as returnable shall remain the property of Seller. Seller shall invoice Buyer on a separate invoice for such containers. Such invoice shall state the amount of deposit required, if any, and any such deposits shall be refunded immediately upon return of such containers F.O.B. Buyer's plant. An equitable adjustment shall be made if such containers are not returned in good condition, reasonable wear and tear excepted.



#### **14. PATENTS**

Seller shall hold and save the Buyer, its officers, agents, servants and employees harmless from liability of any nature or kind, including attorney's fees, costs and expenses for or on account of any patented invention, article or appliance furnished hereunder including the use thereof by the Buyer.

#### **15. GUARANTEE**

Seller guarantees the end item or items provided for this Purchase Order to be free from defects in design, workmanship and/or material. Seller further agrees to repair or replace, at his own expense, any part of the equipment proving defective within one (1) year, or longer if so specified on order sheet, from date of acceptance. Said acceptance date to be not later than ninety (90) days after delivery to Buyer at destination, provided the defect existed at the time of acceptance or was caused by poor design, workmanship and/or material.

#### **16. INSURANCE, LIABILITY AND LIENS**

If this Purchase Order requires a performance of any labor on the premises of Buyer or Buyer's Client, then Seller shall agree as follows:

- a) to maintain Workmen's Compensation Insurance and Public Liability and Property Damage insurance, including Contractual Liability insurance, and in the event of the performance of labor hereunder by any subcontractor, the Subcontractor shall maintain like insurance and the Seller shall maintain adequate Contingent Liability insurance, all such insurance to be satisfactory to Buyer and the Seller shall, before the performance of any labor and if required at any other time, furnish the Buyer with satisfactory evidence of such insurance;
- b) to indemnify and hold harmless the Buyer and Buyer's Client, from any loss, damage, liability, or expense, on account of damage to property and injuries, including death, to all persons, including Seller's employees, which may arise from performance of any work or the delivery of defective supplies or equipment under this Purchase Order, when not attributable solely to the fault, failure, or negligence of the Buyer or Buyer's Client;
- c) Seller for himself and his Subcontractors and for his and their material men and employees, and for all other persons performing any labor and/or furnishing any materials hereunder, waives the right to file Mechanics or other Liens for or on account of the labor performed or the materials furnished and agrees that all labor and materials furnished and the improvement or structure wherein the same may be incorporated and the land to which they are appurtenant shall at all times be free and clear of all such liens.
- d) Seller shall upon request of Buyer and at any time, including before final payment and as a condition precedent thereto, deliver to Buyer a satisfactory Release of all Liens arising hereunder.

#### **17. CANCELLATION**

Without limitation of its other remedies hereunder, Buyer shall have the right to cancel this Purchase Order in whole or in part, for one or more of the following causes:

- a) failure of equipment or services purchased hereunder to conform to drawings and prints, approved samples, specifications, modifications thereof, or instructions issued in connection therewith;
- b) defects of workmanship or quality in such equipment or services;
- c) rejection of any such equipment or services on final inspection thereof;
- d) failure to comply with shipping instructions contained herein or modifications thereof;
- e) failure to comply with any other specifications, terms, or conditions hereof;
- f) failure of Seller to reasonably comply to the production and delivery schedule as specified on the order sheet,
- g) Buyer's inability to perform hereunder due to causes beyond its control, including, but not limited to, fires, floods, windstorms, labor disputes, Court Orders, and acts or demands of any person or agency exercising governmental authority.

#### **18. LIMITATION OF ACTIONS**

Seller agrees not to bring any suit, nor to assert, institute or commence an action in any Court on a cause of action arising hereunder if more than two years and one day have elapsed from the time that said cause of action arose hereunder.



#### **19. NOTICE OF LABOR DISPUTES**

If Seller or any lower tier subcontractor is involved in or threatened with any labor dispute which may delay the timely performance hereof, Seller shall immediately notify the Buyer of all relevant information with respect to such dispute. In all subcontracts or orders relating to this Purchase Order, Seller shall require its suppliers to furnish timely information to enable Seller to comply with this clause.

#### **20. SUBCONTRACTING AND ASSIGNING**

The Seller specifically agrees that the end item or items to be furnished hereunder will not be supplied in whole or in part by a subcontractor of the Seller without Buyer's written consent. Any assignment of funds under this Purchase Order shall be made pursuant to the Assignment of Claims Act of 1940 as amended.

#### **21. COMPLIANCE and ACCEPTANCE**

Buyer shall inspect and accept the order in compliance with the requirements of the Contract Documents. Buyer's failure to demand strict compliance with the terms of this order shall not be construed as a waiver thereof. Buyer's acceptance of the equipment and/or services furnished by Seller shall not be construed by the Seller as assent by the Buyer to any differing or contradictory term made by the Seller in connection with this order.

#### **22. EQUAL OPPORTUNITY**

Obligations as established by the Civil Rights Act of 1964, as amended, Executive Orders 11246 and 11375, as amended, and subsequent Orders and Federal Rules and Regulations developed thereafter apply and are part of this order.

#### **23. UTILIZATION OF SMALL BUSINESS CONCERNS**

As a prime supplier to the federal government, Watson Pharmaceuticals, Inc. adheres to and encourages its prime suppliers to adhere to the Utilization of Small Business Concerns as outlined in the Code of Federal Regulations, Title 48, 52.219-9, and as stated below.

It is the policy of the United States that small business concerns, small business concerns owned and controlled by socially and economically disadvantaged individuals (i.e., minorities), women, veterans, or service-disabled veterans, and HUBZone small business concerns shall have the maximum practicable opportunity to participate in performing contracts let by any Federal agency, including contracts and subcontracts for subsystems, assemblies, components and related services for major systems. It is further the policy of the United States that its prime contractors establish procedures to ensure the timely payment of amounts due pursuant to the terms of their subcontracts with the small business concerns referenced herein.

The Contractor hereby agrees to carry out this policy in the awarding of subcontracts to the fullest extent consistent with efficient contract performance. The Contractor further agrees to cooperate in any studies or surveys as may be conducted by the United States Small Business Administration or the awarding agency of the United States as may be necessary to determine the extent of the Contractor's compliance with this clause.

As stated in 15 U.S.C. 645 (d), any person who misrepresents a firm's status as a small, small disadvantaged, or women owned small business in order to obtain a contract to be awarded under the preference programs established pursuant to section 8(a), 8(d), 9, or 15 of the Small Business Act or any other provision of Federal law that specifically references section 8(d) for a definition of program eligibility, shall—

- (i) Be punished by imposition of fine, imprisonment, or both;
- (ii) Be subject to administrative remedies, including suspension and debarment; and
- (iii) Be ineligible for participation in programs conducted under the authority of the Act.

#### **24. SAFETY FEATURES**

In the performance of this order, Seller shall comply to all necessary safety features and programs that meet current Occupational Safety and Health Act (OSHA) standards and all other Federal, State, and local laws, rules and regulations as may be applicable.

#### **25. CONFIDENTIALITY**

Seller agrees to hold in confidence all methods, processes, techniques, shop practices, formulae, compounds, compositions, equipment, research data, marketing and sales information, customer lists, plans and all other know-how and trade secrets owned by Buyer or in Buyer's possession and disclosed to Seller as a result of this Purchase Order. Until such information has been published or disclosed to the general public, Seller agrees not to use such information for itself or others to disclose such information to others and then only at Buyer's discretion and after Buyer's written consent.