



CPI MPP Procurement Policies

Ethics in Relationships with Suppliers

Our valued suppliers should be aware of CPI MPP's strict policy regarding gifts and gratuities. Our objectives for CPI MPP employees is that they not only be unbiased in their business relationships with suppliers, but also avoid even an appearance of improper conduct.

CPI MPP employees or members of their families may not solicit or accept any gift, gratuity, favor or special accommodation from any supplier or prospective supplier, at any time.

Promotional novelties of less than \$25 retail value and normal business courtesies of nominal value are acceptable provided they are intended to facilitate the purposes of a working business meeting. These may include meals, refreshments, and local transportation. However, the acceptance of any courtesy which might be construed as entertainment or as an inducement for the award of any order or as an acknowledgement of any previous order is not permitted and is unlawful.

We consider compliance with this policy to be an essential element of our business relationship with our suppliers. Accordingly, we would appreciate it if the appropriate personnel in our supplier's organization, including divisional offices and sales activities or representatives, are informed of CPI MPP's strict policy in this matter.

Anti-Kickback Enforcement

The Anti-kickback Enforcement Act of 1986 specifies procedures designed to prevent and detect kickbacks. Federal Acquisition Regulation (FAR) 52.207-7 states that directly or indirectly offering, providing, soliciting, or accepting anything of value in return for favorable treatment in connection with a government contract or subcontract is a violation of federal law that may result in severe civil or criminal penalties.

The FAR clause is incorporated in all Federal Government prime contracts solicited on or after February 1987. The clause contains a flow-down provision, and is incorporated in all subcontracts placed under Government prime contracts which contain it.

We recommend that our suppliers flow-down the requirement by incorporating in all subcontracts, a clause similar to the following, which appears in the body of MPPD purchase orders for Government contract of goods and services:

ANTI-KICKBACK PROCEDURES: FAR 52.207-7 IS INCORPORATED HEREIN BY THIS REFERENCE



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Security

The word "security" has many meanings, but when used in this manual it refers to industrial security. It encompasses all the various methods and procedures designed to prevent vital information from falling into the hands of individuals who would use this information to the detriment of the United States. Security attempts to keep our enemies or potential enemies from knowing what we are doing at the time we are doing it, so we can stay ahead of them in military strength and capabilities. Stated in another way, the purpose of security is to protect "technical lead time".

Where subcontractors or suppliers are used to provide classified components, systems, or services, CPI MPP is in a responsible position and must interpret the instructions it has received from the U.S. Government of prime contractor. CPI MPP also must furnish these instructions to the subcontractor in sufficient detail that the requirements may be fulfilled, as they apply to the particular equipment or service provided. It is essential, therefore, that CPI MPP prepare and issue to its prospective subcontractors a DD Form 254 whenever classified material will be involved. This form should be furnished to the prospective subcontractor along with requests for quotation and again at the time and actual contract or purchase order is awarded.

CPI MPP's relationship with its contractors and suppliers is similar to that between CPI MPP and its customer. The subcontractor/supplier regards CPI MPP as a customer, and carries out their security responsibilities in accordance with instructions received from CPI MPP.

Proprietary Information

Proprietary information, knowledge, or know-how, which gives a competitive advantage, is treated as intellectual property under our laws and those of most other countries. It is an asset as valuable as money, property, or skill. It must be used for company business only. In this context, proprietary information ("Information") refers to technical information, software, Products, business plans, marketing plans, future potential business relationships, and financial information.

In conducting our business, we will seek any information to which we are entitled, and we will not disclose information that should remain private. CPI MPP complies with the Department of Defense requirements for the handling of government-classified information.

Unless otherwise authorized in writing by CPI MPP, subcontracts/suppliers will not divulge any "Information" to any third party, nor circulate it within their own organization, except to personnel with a "need to know". This includes, but is not limited to, any government in connection with a proposal. Such persons shall be notified that said "Information" is proprietary.



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Small Business Programs

In compliance with the Small Business Act, Public Law 95-507, it is CPI MPP's policy to:

1. Place a fair proportion of purchase contracts for supplies or services with small business (SB), small disadvantaged business (SDB), and small women-owned business (SWOB) concerns.
2. Give an equitable opportunity for existing and potential, SB, SDB, and SWOB concerns to compete for all contracts within their performance capability.

Compliance with CPI MPP Procurement Policy

The U.S. Government represents an important segment of our customer base. Our ability to secure ongoing contracts depends largely on our "approval" status as a producer of Vacuum Electron Devices (VEDs). One condition of this approval is a purchasing system that is in full compliance with the Federal Acquisition Regulations (FAR) and maintains the discipline to pass annual Contractor Purchasing System Review (CPSR) audits conducted by the Defense Contract Audit Agency (DCAA).

To ensure a continuance of our full approval by the DCAA, it is necessary to recognize the importance of CPI MPP's Company Policy 0550 - "Procurement".

Only the Purchasing Department has vested authority to negotiate and commit company funds. Communications between suppliers and requisitioners may be conducted only with the knowledge and concurrence of the responsible Buyer or Buyer/Planner. Non-purchasing contacts with suppliers must be limited to technical discussions or supplier product information.

It is important to note that this policy does not discriminate between commercial and government activities, or between inventory and expense items. It is all encompassing.

CPI Open Line

CPI MPP has procurement policies which are shown above in this section. If during the course of business, a supplier becomes aware of any policy violations, we require them to alert the Company by contacting a member of the CPI MPP Purchasing team or if the matter is sensitive in nature, a call may be placed anonymously to CPI's Open Line at 1-800-876-0912. The Open Line is an independent third-party service for reporting matters of concern. More information concerning the reporting of a potential policy/procedure violation is available in the section titled "CPI Open Line".