



PURCHASE ORDER GENERAL TERMS AND CONDITIONS

DEFINITIONS. As used herein "Buyer" means Aero-Electric Connector, Inc. The term "Purchasing Representative" means Buyer's authorized representative whose name appears on the face of this order. "Seller" means the person(s) or company to whom this Purchase Order is issued. The term "FAR" means Federal Acquisition Regulation, Title 48 CFR Chapter 1, and "DFARS" means Department of Defense Supplement to Federal Acquisition Regulations, Title 48 CFR Chapter 2.

1. Acceptance and Agreement. This Purchase Order contains the entire agreement between Buyer and Seller and is not subject to variation irrespective of wording of Seller's acceptance without prior written agreement by Buyer's Purchasing Representative; any additional or different terms of Seller's acceptance are hereby expressly rejected. This Purchase Order becomes a binding contract, including all terms and conditions herein and in documents specifically incorporated by reference, either upon acknowledgment in writing or commencement of performance hereof. This agreement is entered into the State of California and shall be governed by and construed in accordance with the laws of that State.

2. Packing and Shipping. Seller shall pack, mark and ship all goods and supplies in accordance with the requirements of this Order so as to be in compliance with transportation regulations and good commercial practice for protection and shipment, and Seller shall secure the most advantageous transportation service and rates consistent therewith. No separate or additional charge is payable by Buyer for containers, crating, boxing or similar packing or shipping charges, unless specifically stated in this Order.

3. Delivery. Seller agrees that time is of the essence in the performance of this Order. Delivery shall be in strict accordance with the schedule and quantities specified in this Order. If it appears that Seller's deliveries will not meet such schedule or if Seller's deliveries fail to meet such schedule, in addition to any other rights or remedies provided to Buyer by law or under this Order. Buyer may require Seller to ship via expedited means and the cost difference between such expedited means and the means set forth in the Order shall be borne by Seller. Seller shall be liable to Buyer for any direct or consequential damages resulting from Seller's delay. Seller shall not be liable for delay in delivery due to causes beyond Seller's control and without Seller's fault or negligence, provided Seller exercises due diligence in promptly notifying Buyer in writing of the conditions which will result in delay and provided further. If Seller's delay is caused by the default of a subcontractor or supplier, such default arises out of causes beyond the control of both Seller and the subcontractor or supplier, and without the fault or negligence of either of them, and provided further that the supplies or services to be furnished by the subcontractor or supplier are not obtainable from other sources in sufficient time to permit Seller to meet the required delivery schedule. Seller shall not ship supplies to arrive at Buyer's plant earlier than two weeks in advance of the specified schedule unless authorized in writing. At Buyer's option, any earlier deliveries may be returned to Seller at Seller's expense or payment may be deferred by Buyer until the date payment would become due according to the specified schedule.

4. Invoices and Payment. Seller, upon submission of a proper invoice, will be paid prices stated herein for supplies delivered and accepted or services rendered and accepted, less deductions, if any as herein provided. Cash discount calculation is determined by receipt date of supplies or services or of proper invoice, whichever is late. Payment will be subject to set-off of any valid claim of Buyer against Seller arising from this or any other transaction.

5. Changes. Buyer through its Purchasing Representative may at any time, by written notice, and without notice to sureties, make changes within the general scope of this Order in any one or more of the following: (i) Drawings, designs or specifications; (ii) method of packing or shipment; (iii) place of inspection, acceptance or point of delivery; (iv) quantities; (v) period of performance of work; (vi) data requirements. Should any such change cause an increase or decrease in the cost of, or the time required for performance of this Order, an equitable adjustment shall be negotiated for this Order and the Order shall be modified accordingly. Any claim by Seller for such adjustment shall be submitted to Buyer within 15 days from Buyer's written notice of such change. Nothing contained in this clause shall relieve seller from proceeding without delay with the performance of this Order as changed.

6. Inspection and Acceptance. All materials, articles, services and work performed hereunder shall during the performance of this Order, be made available for inspection or test at Seller's plant by authorized representative of Buyer or Buyer's customer or both. All materials, articles, work or services furnished under this Order shall be subject to final inspection and acceptance by Buyer after delivery to destination notwithstanding prior payment. Buyer reserves the right to use ANSI/ASQC Z1.4-1993 or similar sampling plans for the acceptance or rejection of goods delivered.

7. Right of Entry. Buyer, Buyer's customer and regulatory authorities reserve the right to enter Seller's plant for the purpose of audit of product at any time during the duration of this order.

8. Warranty. Seller warrants that all articles, materials, work and services furnished hereunder will be free from defects in material and workmanship, will conform to all applicable specifications, drawings, samples and descriptions and if of Seller's design or selection, will be free from design defects and fit for the intended use. These warranties shall be effective for 12 months from Buyer's acceptance or if the articles, materials, work and services are incorporated into an end item delivered to Buyer's Customer for 12 months from the date of shipment of that end item. The foregoing shall be in addition to any standard warranty or guarantee of Seller and any warranties otherwise created by operation of law. All warranties and guarantees shall run to Buyer and Buyer's customers.

9. Indemnification and Insurance. Seller shall be liable for the loss or damage to Buyer-furnished or Government-furnished property while such property is in Seller's possession. If Seller is to perform work or services on premises occupied or under control of Buyer, Seller agrees to indemnify and save Buyer harmless from any and all judgments, orders, awards, costs and expenses including attorney's fees on account of damage to property or bodily injury (including death) which may be sustained by Seller, Seller's employees, Buyer, Buyer's employees or third persons. Without limiting the foregoing, Seller and its subcontractors and suppliers agree to maintain public liability and property damage insurance sufficient to cover Seller's obligations set forth above.

10. Indemnity for Patent Infringement. To the extent that detailed design specifications for the items hereby ordered have not originated with buyer, Seller agrees to indemnify and save harmless Buyer and its successors, assigns or customers from any expense, loss, damage, attorney's fees or liability on account of any infringement or alleged infringement of any United States or foreign patent or copyrights which may result from the sale or use of such items. Seller agrees at its own expense to defend any actions, suits, or claims in which such infringements is alleged provided that Seller is notified as to such actions, suits, or claims.

11. Confidentiality. Seller shall keep confidential all designs, processes, drawings, specifications and other technical or proprietary information, as well as tooling or manufacturing aids, furnished or disclosed to Seller by Buyer, and agrees further that technical information furnished by Buyer is Buyer's proprietary information unless expressly identified as the property of a third party. Unless otherwise provided herein or authorized by Buyer in writing, Seller shall use such information only in the performance of this Order.

12. Special Buyer Tooling. If the prices stated on the face of this order include as a separate item, any jigs, tools, dies, manufacturing aids, computer software, or other equipment to be used in filling this order, such shall become the property of Buyer and title thereto and the right of immediate possession thereof shall exclusively vest in Buyer (i) in cases where purchased outside of Seller's organization at the time they are first delivered to Seller or its agents or (ii) in cases where manufactured by Seller within its organization, at the time of acquisition of material and/or component parts which make up any of such jigs, tools, dies or other equipment. Upon completion of this Order such equipment shall be disposed of as Buyer may direct, or will be delivered with final shipment of the parts to the Buyer. As a condition of payment Seller shall furnish Buyer a certified tool list. In no event will Seller dispose of, use, or permit use by third parties without Buyer's prior written consent.

13. Termination/Cancellation/Stop work

a. Termination for Convenience: The performance of work under this Order may be terminated in whole or in part by buyer for Buyer's convenience at any time and without regard to whether Buyer's prime contract may have been terminated. If this Purchase Order is so terminated, the rights, duties and obligations of the parties, including compensation to be paid to Seller shall be in accordance with the clause at FAR 52. 249-2 changed as follows "Government" and "Contracting Officer" means Buyer, "contractor" means Seller and "contract" means this Order; in subparagraph (c) change "45" to "90" and in subparagraph (d) change "1 year" to "6 months"; delete subparagraphs (i) and (k).

b. Termination for Default: Buyer may, by written notice of default to Seller, terminate this contract in whole or in part if Seller (i) fails to deliver supplies or perform services within the time specified, (ii) fails to make progress so as to endanger performance of this Order and fails, within ten (10) days after receipt of written notice of such failure to make progress, to cure that failure or otherwise to provide adequate assurance of performance, or (iii) fails to perform any other provision of this contract, if the contract is terminated only in part. Seller shall proceed diligently with the performance of the un-terminated portion. If Buyer terminates this contract in whole or in part for Seller's default, Buyer may acquire, under terms that Buyer considers appropriate, supplies or services similar to



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those terminated and Seller shall be liable to Buyer for excess costs for those supplies or services as well as any incidental or consequential damages. In the event of such termination, Buyer may, at its option, also require Seller to transfer title and deliver to Buyer any completed supplies, partially completed supplies and materials, parts, tools, dies, jigs, fixtures and the like that Seller has specifically produced or acquired for the terminated portion of this Order. Subject to Buyer's right of setoff of excess re-procurement costs or other damages. Buyer shall pay to Seller the contract price for completed supplies delivered and accepted, and Buyer and Seller shall agree on an amount of payment for partially completed supplies, materials and the like delivered to Buyer at Buyer's specific direction. The rights and remedies of Buyer as specified in this clause are in addition to any other rights and remedies provided by law or under this contract. In the event that it is determined that Seller was not in default, or that any default was excusable, the rights and obligations of Buyer and Seller shall be those provided in subparagraph a above, Termination for Convenience.

c. Stop Work. By written notice to Seller, Buyer may require Seller to stop work for a period not to exceed ninety (90) days in accordance with the clause at FAR 52.212-13 which is incorporated by reference and altered to insert "Buyer" and "Buyer's Purchasing Representative" for "Government" and "Contracting Officer" and to substitute "Seller" for "Contractor".

14. Assignment and Subcontracting. Seller may not assign this Order or any portion thereof without the written consent of Buyer. Seller agrees to obtain Buyer's written approval before subcontracting this Order or any substantial portion thereof. Buyer's approval of any such subcontractor shall not relieve Seller from any obligation imposed by this Order.

15. Compliance with Laws and Regulations. Seller warrants that Seller's performance of this Order will comply with all applicable federal, state and local laws and regulations.

16. Taxes. Unless otherwise specified on the face of this Order, the prices stated include all applicable state, federal and local taxes.

17. Gifts and Gratuities to Buyer's Personnel: Anti-Kickback Covenants. Seller is on notice that it is Buyer's policy that buyer's personnel owe complete loyalty to Buyer and are forbidden to accept money or things of value from any supplier of goods or services to Buyer, Seller, for itself and its principal owners, stockholders and officers accordingly warrants and covenants that no employees of Buyer has any financial interest in Seller (except such as has been disclosed in writing to Buyer's Chief Financial Officer) and that Seller has not and will not directly or indirectly give anything of value to any employee of Buyer. The only exception to the foregoing shall be promotional and commemorative items having a value of less than \$25.00. Breach of the foregoing warranty and covenant shall entitle Buyer in addition to any other rights and remedies, immediately to terminate for default any and all Orders to Seller outstanding at the time that Buyer learns of any such breach, regardless when such breach may have occurred. Further, Seller is hereby on notice that if a Government contract number of the word "military" appears on the face of this Order, this Order is subject to the terms of the Anti-Kickback Act of 1986 (41 U.S.C. 51-58) and implementing regulations and prime contract clauses, including FAR 52.203-7. Seller agrees that it shall report promptly to Buyer's President or Vice President any solicitation or request for a kickback as defined therein. Seller's breach of the prohibitions of the Anti-Kickback Act and regulations or of the foregoing obligation to report shall be considered a material breach of this contract and of any and all contracts between Buyer and Seller.

18. Disputes. If Buyer's prime contract contains a "Disputes" article or procedure, any claim, demand or request for adjustment by Seller which originally derives or results in any way from any act or omission of Buyer's prime contract customer that is not disposed of by agreement, may, at Buyer's election, be submitted for resolution pursuant to such prime contract "Disputes" article. If Seller is the principal party-in-interest in connection with any such claim or demand, Buyer may authorize Seller to proceed under such Disputes provision in Buyer's name, if such authorization is provided. Seller shall have full responsibility for such proceedings and shall bear all expenses, including attorney's fees in connection therewith, provided however that such authorization shall not constitute Seller the agent or attorney of Buyer. Any other dispute or controversy arising out of this Purchase Order shall be subject to resolution only in a court of competent jurisdiction in Orange County, California, unless Buyer in its sole discretion elects otherwise.

19. Federal Government Contract Provisions. If the face of this Order includes identification of a prime contract with the United States, or reflects the "military," the following provisions of FAR and DFARS as in effect on the effective date of Buyer's prime contract are incorporated by reference, except as specifically indicated to the contrary below, as used in the following provisions for the purposes of this Order, the term "contract" means this Order, the term "contractor" means Seller and the terms "Government" and "Contracting Officer" mean Buyer:

FAR SECTION Title and Applicable Limitations

52.203-6 Restrictions on Contractor Sales to the Government
52.203-7 Anti-Kickback Procedures
52.204-2 Security Requirements
52.208-1 Required Sources for Jewel Bearings and Related Items
52.210-5 New Material
52.210-7 Used or Reconditioned Material. Residual Inventory, and Former Government Surplus Property
52.212-8 Defense Priority and Allocation Requirements (applies if a defense priority rating appears on the face of this Order).
52.214-26 Audit-Sealed Bidding (applicable to Purchase Orders exceeding \$10,000)
52.214-28 Subcontractor Cost or Pricing Data - Modifications - Sealed Bidding (applicable if this Purchase order exceeds (\$100,000)
52.215-1 Examination of Records by Comptroller General (applicable if this Purchase Order exceeds \$10,000)
52.215-2 Audit - Negotiation (applicable to Purchase Orders over \$10,000)
52.215-24 Subcontractor Cost or Pricing Data (applies to Purchase Orders exceeding \$100,000)
52.215-25 Subcontractor Cost or Pricing Data - Modification (applies to Purchase Orders over \$100,000)
52.215-26 Integrity of Unit Prices (Subparagraph (c) is deleted)
52.222-1 Notice to the Government of Labor Disputes
52.222-4 Contract Work Hours and Safety Standards Act - Overtime Compensation
52.222-30 Walsh-Healy Public Contracts Act
52.222-21 Certification of Non-Segregated Facilities
52.222-26 Equal Opportunity
52.222-35 Affirmative Action for Special Disabled and Vietnam Era Veteran (applicable if this Purchase Order exceeds \$10,000)
52.222-36 Affirmative Action to Handicapped Workers (applicable if this Order exceeds \$2,500)
52.222-37 Employment Reports on Special Disabled Veterans and Veterans of the Vietnam Era (applies if Order exceeds \$10,000)
52.223-2 Clean Air and Water
52.223-3 Hazardous Material Identification and Material Safety Data
52.225-3 Buy American Act - Supplies
52.225-9 Buy American Act - Trade Agreements Act - Balance of Payments Program
52.225-10 Duty Free Entry
52.225-11 Certain Communist Areas
52.227-1 Authorization and Consent (in which "Government" and "Contracting Officer" remain unchanged)
52.227-2 Notice and Assistance Regarding Patent and Copyright Infringement (applies to Purchase Orders over \$25,000)
52.227-10 Filing of Patent Applications - Classified Subject Matter
52.229-3 Federal, State and Local Taxes
52.230-3 Cost Accounting Standards (applies only to subcontracts as set forth at subparagraph (d) of the clause)
52.230-4 Administration of Cost Accounting Standards
52.230-5 Disclosure and Consistency of Cost Accounting Practices (paragraph (b) is deleted) (applies only to subcontracts and set forth at subparagraph (d) of the clause)
52.246-18 Responsibility for Supplies
52.246-23 Limitation of Liability (up which the term "Government" remains unchanged)
52.248-1 Value Engineering (applies to Purchase Orders over \$1,000)
DFARS Section Title and Applicable Limitations
52.203-7001 Special Prohibition on Employment (applies to Orders over \$25,000)
52.204-7005 Overseas Distribution of Defense Subcontracts (applies to subcontracts over \$100,000)
52.208-7000 Required Sources for Miniature and Instrument Ball Bearings
52.208-7001 Required Sources for Precision Components for Mechanical Time Devices
52.208-7002 Required Sources for High-Purity Silicon
52.208-7003 Required Sources for High-Carbon Ferrochrome (HCF)
52.208-7005 Required Sources for Forging Items Used for Military application for Combat and Direct Combat Support Items
52.225-7011 Reference for Domestic Specialty Metals
52.227-7013 Rights in Technical Data and Computer Software
52.227-7018 Restrictive Markings on Technical Data
52.227-7030 Technical Data - Withholding of Payment



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52.227-7037 Validation of Restrictive Markings on Technical Data (in which "Government" and "Contracting Officer" remain unchanged and Seller is a "subcontractor")
52.243-7001 Pricing of Adjustments
52.245-2 Government Property

20. Cost or Pricing Data Indemnity. If Seller submitted cost or pricing data (as defined at FAR 15 801) as part of the process leading up to the award of this Order, or if Seller submits such data in connection with the pricing of any change order or other modification of this Order, Seller acknowledges that it is aware of Buyer's potential liability to the government in the event that any of Seller's data were not current, complete or accurate, Seller warrants that all cost or pricing data submitted by it (including data obtained from Seller's subcontractors, if any) in connection with this Order shall be complete, accurate and current as of the time of agreement between Buyer and Seller to the price of this Order. Seller shall indemnify and save harmless Buyer from any and all loss, expenses or attorney fees caused by any breach of the foregoing warranty, including but not limited to any and all costs and fees incurred by Buyer in defending against claims alleging deficiencies in Seller's cost or pricing data, regardless whether such claims may be held lacking in merit.

21. Judicial Relief. Seller acknowledges and agrees that failure to deliver goods or services that conform to requirements of this order in a timely manner will seriously affect Buyer's production schedules and costs and result in damage to Buyer, and that the amount of such damages is difficult if not impossible to calculate, either in monetary or schedule terms. Therefore in the event that Seller fails to perform its obligations under this order, or fails to make progress so as to endanger performance of this order in accordance with its terms. Seller agrees to deliver any supplies or manufacturing materials pertaining to this Order within 48 hours of Buyer's written demand therefore, Seller hereby agrees and consents to issuance of a writ of possession or other form of court order including an injunction which compels delivery of supplies or material to Buyer, if Buyer in its sole discretion shall apply to a court of competent jurisdiction therefore. Seller agrees that the writ or other court order may issue solely on the basis of this clause and recitation of the facts of Seller's failure to deliver within 48 hours of Buyer's delivery demand. Seller's delivery of supplies and manufacturing materials in response to Buyer's demand, or as a result of court order, shall not affect Seller's right to payment for those supplies and materials under the invoices and Payment clause of this Order. Buyer shall be entitled to recover its costs and attorney's fees incident to obtaining the writ or other court order provided for herein.

22. Records. Seller agrees that applicable records (records that are involved in the order) created by and/or retained by Seller shall be controlled. Records shall be legible, readily identifiable and retrievable and maintained for a minimum of seven (7) years.