

STANDARD TERMS AND CONDITIONS FOR PURCHASE ORDERS/SUBCONTRACTS

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1. ACCEPTANCE: Seller must sign and return the attached Acceptance Copy of this Order within ten (10) days after receiving it. Ultra Electronics, Ocean Systems is referred to herein as "Buyer". Buyer's receipt of the signed Acceptance Copy or the Seller's initiation of performance under this Order shall constitute acceptance of the Order by Seller, including all of the terms and conditions therein. This Order expressly limits acceptance to the terms stated herein. Any additional or different terms proposed by Seller are rejected unless expressly agreed to in writing by an authorized representative of the Buyer's Purchasing Department.

2. APPLICABLE LAW AND DISPUTES: This Order shall be construed in accordance with, and any dispute over any question of fact or law arising under this Order shall be governed by, the law of the Commonwealth of Massachusetts. Any litigation under this Order, if commenced by Seller, shall be brought in a Court of competent jurisdiction in the Commonwealth of Massachusetts. Pending the resolution of any dispute, Seller shall diligently proceed with performance of this Order.

3. ASSIGNMENTS AND SUBCONTRACTING: This Order or any interest hereunder shall not be assigned or transferred by Seller without the prior written consent of Buyer. Buyer will not consider any proposed assignment unless and until Seller furnishes Buyer with two (2) executed copies of the proposed assignment. Seller shall not subcontract the furnishing of any of the complete or substantially complete items required by this Order without the prior written approval of Buyer.

4. AUDIT-INSPECTION OF RECORDS: Seller shall keep adequate records of payable hours of direct labor and all other costs of performance of this Order, which shall be subject to audit by Buyer in the event of termination, other equitable adjustment, or with respect to any aspect of this Order for which the price is based on time and cost of materials.

5. BANKRUPTCY: Buyer may terminate this Order for default, in whole or in part, by written or telegraphic notice to Seller if (1) Seller becomes insolvent or makes a general assignment for the benefit of creditors, or (2) a petition under any bankruptcy act or similar statute is filed by or against the Seller and not vacated within ten (10) days after it is filed.

6. BUYER'S RIGHT TO USE INFORMATION DISCLOSED BY SELLER: Unless otherwise expressly prohibited in this Order, Buyer shall have the right to use, for any purpose, unpatented information which Seller discloses to Buyer, without restrictions, during the performance of this Order.

7. CHANGES: Buyer may at any time, by written direction to Seller from an authorized representative of Buyer's Purchasing Department, make changes in the work to be performed or the items to be furnished hereunder in any one or more of the following: (a) Drawings, designs or specifications, (b) method of shipment or packing; (c) time and/or place of delivery, and (d) quantity of items ordered, provided that any change directed by Buyer hereunder shall not increase the quantity of items to be delivered by more than 10%. If such change causes an increase or decrease in the quantity of items to be delivered under this Order or the time required to perform, an equitable adjustment shall be made and the Order modified in writing accordingly, provided, however, that any equitable adjustment in price to which Seller may be entitled as a result of an increase in the quantity of items ordered shall not exceed the unit price established for such items herein. Any claim hereunder must be asserted by Seller in writing within fifteen (15) days from the date the change is ordered by Buyer. Nothing contained herein shall excuse Seller from proceeding without delay with the Order as changed, including failure of the parties to agree upon any adjustment to be made under this Article. Whether made pursuant to this Article or by mutual agreement, changes shall not be binding upon Buyer, except when confirmed in writing by an authorized representative of Buyer's Purchasing Department. The issuance of information, advice, approvals or instructions by Buyer's technical or program personnel shall be deemed expressions of personal opinion only and shall not affect Buyer's and Seller's rights and obligations hereunder, unless the same is in writing signed by an authorized representative of Buyer's Purchasing Department and expressly states that it constitutes an amendment to this Order.

8. COMPLIANCE WITH FEDERAL, STATE AND LOCAL LAWS: Seller has complied with and shall comply with all applicable Federal, State and Local laws and ordinances and all lawful orders, rules and regulations thereunder, including, but not limited to, the applicable provisions of the Fair Labor Standards Act of 1938 as amended (29 U S C Sec. 201-219) and the Occupational Safety and Health Act of 1970 and all regulations and standards and any amendments issued pursuant thereto. The supplies, equipment and services furnished by Seller shall comply with the above referenced laws and regulations.

9. CONFIDENTIAL RELATIONSHIP: Seller shall treat as proprietary and confidential all specifications, drawings, blueprints, nomenclature, samples, models and other information supplied by Buyer, except for that which the U.S. Government owns or has expressly authorized Seller in writing to use. Unless prior written consent from Buyer is obtained, Seller shall not in any manner advertise or

publish or release for publication any statement mentioning Buyer or the fact that Seller has furnished or contracted to furnish to Buyer items and/or services required by this Order, or quote the opinion of any employee of Buyer. Seller shall not disclose any information relating to this Order to any person not authorized by Buyer to receive it. Seller shall only use the information supplied by Buyer to accomplish work covered by this Order and for no other purpose. Upon completion, Seller shall return all such information to Buyer upon request.

10. DEFAULT: (a) Buyer may cancel this Order in whole or in part by written or telegraphic notice, (1) if Seller shall become insolvent or make a general assignment for the benefit of creditors, or (2) if a petition under the Federal Bankruptcy Act is filed by or against the Seller, or (3) if the Seller fails to make delivery of the items or to perform the services within the time specified in this Order or any increments thereof or extensions thereto, or (4) if the Seller fails to perform any of the other obligations of this Order, or so fails to make progress as to endanger timely performance of this Order in accordance with its terms, or (5) if Seller's financial condition shall become such as to endanger completion of performance, provided that with respect to any of the above, Seller shall fail to remedy any such condition within ten (10) days from the date of receipt of a notice from Buyer concerning the existence of the condition. (b) In the event Buyer cancels this Order in whole or in part as provided in Paragraph (a) of this Article, Buyer may procure, upon such terms and in such manner as Buyer may deem appropriate, items or services similar to those so canceled, and Seller shall be liable to Buyer for any excess costs of such similar items or services, and Seller shall continue the performance of this Order to the extent not canceled under the provisions of this Article. (c) After receipt of notice of such cancellation, the Seller shall transfer title and deliver to Buyer satisfactorily completed work and such work in progress as may be directed by Buyer. (d) The rights and remedies of Buyer provided in this Article shall not be exclusive, and are in addition to any other rights and remedies provided by law or under this Order. (e) If, after notice of cancellation of this Order under the provisions of this Article, it is determined that Seller was not in default of any of the terms or conditions of this Order, the rights and obligations of the parties shall be the same as if the notice of cancellation had been issued pursuant to Article 27 hereof "Termination for Convenience". (f) Seller shall not be liable for special or consequential damages.

11. DELAYS AND NOTICE OF LABOR DISPUTES: (a) Seller shall not be liable for any delays in delivery caused by circumstances beyond its control including acts of God or of the public enemy, fire, floods, epidemics, quarantine restrictions, strikes or embargoes. When any such circumstance occurs, Seller shall immediately give notice thereof to Buyer, including independently verifiable evidence of the occurrence and Seller's best estimate of

the duration of the delay, and shall immediately notify Buyer when such circumstance has ceased. If the delay in delivery continues for more than thirty (30) days, Seller shall have the right to terminate this Order or any portion thereof and the parties shall negotiate an equitable settlement of the portion so terminated. (b) Whenever an actual or potential labor dispute is delaying or threatening to delay the performance of this Order, Seller shall immediately notify Buyer in writing.

12. DELIVERY: Delivery shall be strictly in accordance with the schedule set forth in this Order, and Buyer reserves the right to refuse any or all shipments made in advance of the schedule. Overshipment allowances, if authorized, will be applied to the entire Order. If Buyer agrees to accept deliveries after the scheduled delivery date has passed, Buyer shall have the right to direct Seller to make shipment to the delivery point set forth in this Order by the most expeditious means and the total cost of such expedited shipment and handling shall be borne by the Seller. Acceptance of late deliveries shall not be deemed a waiver of Buyer's right to hold Seller liable for any loss or damage resulting therefrom, nor shall it act as a modification of the Seller's obligation to make future deliveries in accordance with the delivery schedule set forth in this Order.

13. DISPUTES:

A. Any dispute arising under this PO which is not the subject of an appeal by Buyer under Buyer's prime contract or subparagraph B. below, or if this PO is not placed under a Government prime contract, and which is not disposed of by agreement between Buyer and Seller, shall be determined by a Court of Law of competent jurisdiction. It is hereby agreed that any trial of court proceeding hereunder shall be held in the Commonwealth of Massachusetts. If the dispute is the subject of an appeal by Buyer under its prime contract, Seller agrees to be bound by the results of said appeal to the degree it affects the rights and obligations of Buyer under this order.

B. Buyer agrees to give Seller timely notice of any final decision by the Contracting Officer under the prime contract which affects this PO. Seller may request that Buyer appeal said final decision on behalf of Seller in Buyer's name if Buyer determines not to appeal the decision. The Seller shall be responsible for providing a timely request to Buyer for such appeal.

C. Any decision on the appeal in paragraph B. above, if binding on Buyer, shall also bind Seller to the extent that it relates to this PO, provided Buyer shall have promptly notified Seller of such decision and, if requested by Seller, shall bring suit or file a claim, as appropriate, against the Government. A final judgment in any such suit shall be conclusive upon Buyer and Seller.

D. If any appeal, suit, or claim is prosecuted by Buyer under this clause, Seller shall be permitted to participate fully in such prosecution for the purpose of protecting Seller's interest. If requested by Buyer, Seller shall assume the burden of prosecuting for Buyer any appeal, suit, or claim initiated by Buyer at Seller's request. Each party shall cooperate fully in assisting the other party in such proceedings. Buyer agrees not to enter into a settlement or agreement with the Government which would prejudice Seller's rights under this clause without notice to Seller.

E. All costs and expenses incurred by Seller and Buyer in prosecuting any appeal, suit, or claim initiated by Buyer at Seller's request shall be paid by Seller. The rights and obligations of Buyer and Seller under this clause shall survive completion of and final payment under this PO.

F. It is expressly agreed that pending resolution of any dispute, appeal, or court proceeding, performance of this PO shall continue as directed by Buyer.

14. INDUSTRIAL LAWS AND BENEFITS: Seller's relationship to Buyer in the performance of this Order is that of an Independent Contractor. Neither Seller nor any of the persons furnishing materials or performing work or services which are required by this Order are employees of Buyer. Seller shall, at its own expense, comply with all laws and regulations and assume all liabilities and obligations imposed by any one or more of said laws and regulations thereunder with respect to this Order.

15. INSPECTION/REJECTION: (a) All items, including, without limitation, raw materials, components, services, intermediate assemblies, end products and data, shall be subject to inspection and test by Buyer and/or its customer to the extent practicable at all times and places including the period of manufacture, and in any event prior to acceptance, (b) If any items or lots of items are defective in material or workmanship or otherwise not in conformity with the requirements of this Order, Buyer shall have the right either to reject them, with or without instructions as to their disposition, or to require their correction or their replacement. Items or lots of items which have been rejected or required to be corrected shall be removed or if permitted or required by Buyer, corrected in place by and at the expense of Seller promptly after notice, and shall not thereafter be tendered for acceptance unless the former rejection or requirement for correction is disclosed. If Seller fails to remove promptly such items or lots of items which are required to be removed or to replace or correct promptly such items or lots of items, Buyer may either (1) by separate contract or otherwise, replace or correct such items and charge to Seller the cost occasioned Buyer thereby, or (2) cancel this Order for default as provided in Article 10. Unless Seller corrects or replaces such items within the delivery schedule, Buyer may either (1) pay for such items at a reduced price which is equitable under the circumstances, or (2) cancel this Order for default as

provided in Article 10 of this Order, or require the delivery of such items at a reduction in price which is equitable under the circumstances. (c) If any inspection or test is made by Buyer and/or its customer on the premises of Seller or a lower tier subcontractor, the Seller without additional charge shall provide all reasonable facilities and assistance for the safety and convenience of Buyer and/or customer inspectors in the performance of their duties. If the inspection or test is made at a point other than the premises of Seller or a lower tier subcontractor at the request of Buyer, unless otherwise specified in this Order, it shall be at the expense of the Buyer, provided that in case of rejection, Buyer shall not be liable for any reduction in value of samples used in connection with such inspection or test. All inspections and tests by Buyer and/or its customer shall be performed in such a manner as not to unduly delay the work. Buyer reserves the right to charge Seller any additional cost of inspection and test when items are not ready at the time such inspection and test is requested by Seller or when reinspection or retest is necessitated by prior rejection. Acceptance or rejection of items shall be made as promptly as practicable after delivery, but failure to inspect or accept or reject items shall neither relieve Seller from responsibility for such items that are not in compliance with the requirements of this Order nor impose liability on Buyer therefor. (d) Seller shall provide and maintain an inspection system acceptable to Buyer covering the items ordered hereunder. Records of all inspections performed by Seller shall be kept complete and available to Buyer and/or its customer during performance of this Order and for such longer period as may be specified elsewhere herein. (e) Unless otherwise provided herein, final inspection and acceptance shall be after delivery to Buyer's facility. (f) The inspection and test by Buyer or its customer of any items or lots thereof does not relieve Seller from any responsibility for defects or other failures to comply with the requirements of this Order which may be discovered prior to acceptance or during the warranty period set forth in Article 30. (g) If prior to and/or at the time of final acceptance and/or within the warranty period, it was known or should have been known by Buyer that said items would not and did not conform to any/or all of the requirements of this Order, final acceptance and/or notice of particulars notwithstanding the failure of Buyer to inform the Seller of such non-conformance shall not be construed as a waiver of any rights Buyer may have with respect to the items purchased under this Order and applicable Articles contained as a part thereof.

16. INSURANCE: All personal property belonging to Buyer and in Seller's possession or control, shall be held at Seller's risk of loss or damage from all hazards. If Seller is required to enter premises owned, leased, occupied by or under the control of Buyer during the performance of this Order, Seller agrees to indemnify and hold harmless Buyer, its officers and employees, from any loss, cost, damage, expense or liability by reason of property damage or personal injury, including death, of whatsoever nature or

kind arising out of or resulting from such performance, whether arising out of the actions of Seller or of its employees, or its lower tier subcontractors. Seller and its lower tier subcontractors shall maintain public liability and property damage insurance in reasonable limits covering the obligations set forth above and shall maintain required worker's compensation insurance covering all employees engaged in the performance of this Order.

17. INVOICING AND PAYMENT: Seller shall issue a separate invoice for each shipment. Unless otherwise specified in this Order, an invoice shall not be issued prior to shipment of items and payment shall not be made prior to receipt of items and a correct invoice. Credit and discount periods will be computed from the date of receipt of the correct invoice to the date Buyer's check is mailed. Unless freight and other charges are itemized, the discount will be taken on the full amount invoiced.

18. MODIFICATION OF ORDER: This Order is the complete agreement between Buyer and Seller and contains all of the terms and conditions of sale, and no course of dealing or usage of the trade shall be applicable unless expressly incorporated in this Order. The terms and conditions contained in this Order may not be added to, modified, superseded or otherwise altered except by a written instrument signed by an authorized representative of the Buyer's Purchasing Department and delivered by Buyer to Seller. Each shipment received by Buyer from Seller shall be deemed to be only upon the terms and conditions contained in this Order notwithstanding any terms or conditions that may be contained in any acknowledgment, invoice or other form of Seller, and notwithstanding Buyer's act of accepting or paying for any shipment or any other act of Buyer.

19. NO WAIVER OF CONDITIONS: Buyer's failure to insist upon strict compliance shall not be deemed a waiver of any of its rights, and any valid waiver of a right under any Article of this Order shall not constitute a waiver of any other right or a waiver of any default under such Article or any other Article.

20. PACKING: Unless otherwise specified in this Order, Seller shall be responsible for safe and adequate packing which shall conform to the requirements of carriers' tariffs. Seller shall separately number all cases, packages, etc. showing the corresponding numbers on the invoices. An itemized packing slip, bearing this Order number must be placed in each container. No extra charge shall be made for packaging or packing materials unless authority therefor is set forth in this Order.

21. INTELLECTUAL PROPERTY INDEMNITY BY SELLER: Seller shall defend and hold harmless Buyer, its customers and those for whom Buyer may act as agent, from all loss or damage by reason of any and all actions or

proceedings charging infringement or wrongful use of any patent, trademark, trade secret or copyright by reasons of the sale or use of any items delivered by Seller under this Order, except items which Seller is directed in writing by Buyer to produce in strict accordance with Buyer's detailed manufacturing instructions or designs. If the use or sale of such item, in respect of which Seller indemnifies Buyer, is enjoined as a result of such action or proceeding, Seller, at no expense to Buyer, shall obtain for Buyer and its customers, the right to use and sell said item or shall substitute an equivalent item acceptable to Buyer and extend this indemnity with respect to such equivalent item. In the event that Seller is unable to secure such right of use for Buyer or its customer or to secure an equivalent item as a substitute, Seller shall indemnify Buyer and its customer for any and all losses or damages sustained by reason of such injunction.

22. PRICE WARRANTY: Seller warrants that the item prices charged to Buyer in this Order are not in excess of Seller's lowest prices in effect on the date of this Order for comparable quantities of similar items.

23. PRODUCT SUPPORT: Seller shall give Buyer at least six months advance notice in writing of its intent to discontinue any item purchased under this Order, or to change such item in any respect likely to result in the changed item being incompatible in any way (including form, fit, or function) with the item purchased, and in either case Buyer shall have the right to place, and Seller shall accept and deliver, one or more additional orders for such purchased item on the same terms and conditions applicable to this Order except unit price, which shall not exceed the unit price applicable hereunder by greater than five percent per year from the final delivery hereunder. This provision shall survive the completion, expiration or termination of this Order by Buyer.

24. SHIPPING INSTRUCTIONS: Seller shall comply with Buyer's Routing and Shipping Instructions. If instructions are not attached hereto or have not been previously received, Seller shall request instructions from Buyer immediately.

25. SUSPENSION OF WORK: (a) Buyer shall have the right to direct Seller in writing to suspend all or any part of the work under this Order for a period not to exceed ninety (90) days. (b) If work is suspended, an adjustment shall be made for any increase in the time and the cost (exclusive of profit) required to perform this Order necessarily caused by such suspension, and this Order shall be modified in writing accordingly. (c) Seller's claim under this Article shall not be allowed unless the claim, in a specific amount stated, is asserted in writing within thirty (30) days after termination of the suspension. When the suspension has been terminated, Seller shall immediately resume performance, notwithstanding that no agreement may yet

have been concluded with Buyer regarding the amount of the adjustment in the price of the Order.

26. TAXES: Unless prohibited by law, Seller shall pay, and has included in the Order price, any Federal, State or Local Sales Tax, Transportation Tax or other tax which is required to be imposed upon the items ordered hereunder, or by reason of their sale or delivery. Materials, supplies and services designated for use in the manufacture of any item or for incorporation as a component part of any item covered by this Order and intended for resale to the U. S. Government, shall not be subject to any Federal, State or Local Tax, from which said materials, supplies and services are exempt.

27. TERMINATION FOR CONVENIENCE: (a) Buyer shall have the right to terminate this Order in whole or in part at any time, and from time to time, by written notice effective upon receipt by Seller, even though Seller is not in breach of any obligation hereunder. Upon receipt of notice of termination, Seller shall immediately discontinue performance hereunder and shall comply with Buyer's instructions concerning disposition of completed and partially completed items, work in progress and materials acquired pursuant to this Order. In the event of such termination, Seller shall be paid an amount in settlement to be mutually agreed upon by the Parties which shall reimburse Seller's reasonable costs of performance incurred prior to termination in connection with the items for which this Order is terminated, plus a reasonable profit based upon such costs. In no event, however, shall said payment exceed the price specified herein for such terminated items. Seller shall notify Buyer, in writing, of Seller's claim, if any, for termination costs within ten (10) days after receipt of Buyer's notice of termination. Termination in accordance with this Article shall not affect Buyer's obligation to pay for items accepted by Buyer prior to such termination. (b) Nothing contained in Paragraph (a) hereof shall in any way limit or affect Buyer's right to terminate this Order for Seller's breach. (c) If this Order is issued under a U.S. Government prime contract, settlement will be in accordance with FAR 52.249-2 of the Federal Acquisition Regulations which is hereby incorporated by reference and is applicable in its entirety to this Order with appropriate substitution of terms, e.g., "contract" shall mean this Order.

28. TITLE AND RISK OF LOSS: Seller shall bear the risk of loss and damage to all items to be supplied hereunder until final acceptance by Buyer. Buyer shall have equitable title to all items in respect of which partial or progress payments have been made to Seller.

29. TOOLS, MATERIALS AND INFORMATION: If any designs, sketches, drawings, blueprints, patterns, dies, molds, models, tools, gauges, equipment, special appliances or other property should be made or procured by Seller especially for producing the items covered by this

Order, then immediately upon their manufacture or procurement, they shall become the property of Buyer. Seller shall maintain a current inventory list of all such Buyer property in Seller's possession or under its control. Any such Buyer property or other property furnished or paid for by Buyer, except that which the U.S. Government owns, shall while in Seller's possession or under its control: (a) be identified by Seller as property of Buyer, (b) be held by Seller on loan from Buyer and at Seller's risk, (c) be used exclusively in the production of items required by this Order, (d) be subject to disposition by Buyer at any and all times and upon demand they shall be returned to Buyer subject to the provision of Article 32B below. Seller shall establish procedures for the adequate storage, maintenance and inspection of such property and shall maintain inspection records available to Buyer upon request.

30. WARRANTY: (a) Seller warrants that all the items furnished hereunder shall conform fully with all requirements of this Order and shall conform to approved sample or samples, if any, shall be fit for the use intended by Buyer and free from defects in material, workmanship, design and fabrication. (b) These warranties shall remain in effect for a period of twenty-four (24) months after final acceptance of the items by Buyer. (c) If, within the warranty period, any defect or failure appears, Buyer shall have the right to take the following actions subject to (d) below: (1) Retain such defective item(s) and make an equitable adjustment in the Order price therefor, or (2) Reject such defective item(s) and require Seller to repair or replace such defective item(s), [Such repair or replacement shall be at Seller's sole expense (including shipping costs). Risk of loss of and damage to the rejected, corrected or replacement item(s) while in transit shall be borne by Seller. Item(s) rejected shall be removed promptly by Seller at its expense.], or (3) Correct or replace such defective item(s) with similar item(s) and recover the total cost (including shipping costs) thereof from Seller. Item(s) rejected shall be removed promptly by Seller at its expense and its risk. (d) Upon discovery or disclosure of any defect or failure within the warranty period provided hereby, the following conditions shall apply: (1) Buyer shall furnish written notice to Seller of the item(s) involved and the nature of the defect(s) or failure(s)

discovered, (2) Within twenty-one (21) days after receipt by Seller of this notification, Seller shall provide in writing to Buyer the following information: (i) Acknowledgment of the notification given by Buyer of the defect or failure, (ii) The corrective action to be taken by Seller to remedy the defect or failure, (iii) Disposition instructions regarding the defective item(s), (iv) The date that the defective item(s) will be repaired, corrected or replaced as applicable and redelivered to the appropriate destination as directed by Buyer (The redelivery date which applies to the corrected or replaced items shall be set forth as a supplement to this Order.), or (v) With the advance approval of Buyer, submit

a proposed price reduction to this Order for Buyer's consideration pursuant to (c) (1) above. (e) Approval by Buyer of Seller's design or material used shall not relieve Seller from any obligations under the warranties set forth in this Article. (f) The term "item(s)" as used herein includes materials, equipment, services and data required to be delivered under this Order. (g) Any item(s) corrected or replaced pursuant to this Article shall be subject to all provisions of this Article to the same extent as item(s) initially delivered except that time elapsed after final acceptance, as provided for in Paragraph (a) hereof, and prior to written notification by Buyer of the failure or defect, shall be deducted from the twenty-four (24) month warranty period provided for herein for the purpose of computing time remaining under this warranty for corrected or replacement item(s). Any time subsequent to notification by Buyer but prior to repair or replacement and redelivery, shall be added to the period of this warranty. (h) The aforesaid warranties shall survive acceptance and payment and shall run to Buyer, its customers and the users of item(s) and shall not be deemed to be the exclusive rights of Buyer but shall be in addition to other rights of Buyer under law and the terms of this Order.

31. CHANGES IN SELLER'S DESIGN, MATERIAL, OR PROCESS: Seller shall not make any change in the design, specifications, material, manufacturing location, workmanship standards or manufacturing process used by it in producing any item covered by this Order without prior written notice to and consent in writing from an authorized representative of Buyer's Purchasing Department. Seller's notice shall include an accurate and complete description of the proposed change and any effect it may have on the operating or performance characteristics of the item involved. Buyer's consent to any such change shall not relieve Seller from any of its obligations hereunder or otherwise in respect of items supplied under this Order, and Seller accepts full liability for, and agrees to indemnify Buyer against, any and all adverse effects or other consequences (including, but not limited to, damages, increases in cost, and reasonable expenses) suffered or incurred by Buyer resulting from or attributable to such change. Seller shall maintain an effective system for control of drawings, specifications, material, suppliers, and manufacturing processes used in producing the items covered by this Order. All changes shall be fully documented and controlled in Seller's system.

32. FARS AND ADDITIONAL ARTICLES APPLICABLE TO ORDERS PLACED UNDER UNITED STATES GOVERNMENT CONTRACTS OR SUBCONTRACTS: If this Order indicates that it is placed under a U.S. Government contract or subcontract, and unless otherwise specified, FAR and DFARS clauses also shall be applicable. In the event of conflict between any of Clauses 1 through 31 and any of the FAR or DFARS clauses set forth in this Clause 32, the FAR or DFARS clause shall take precedence.

(A) FARS AND DFARS INCORPORATED BY REFERENCE: The following clauses of the Federal Acquisition Regulations (FAR) and the Department of Defense Supplement (DFARS) are hereby incorporated by reference. However, whenever said clauses include a requirement for the settlement of disputes between the parties in accordance with the "Disputes" clause, the disposition of the dispute shall be in accordance with Article 2 above. Clauses referenced below shall be those in effect on the effective date of this Order. If there is a conflict or addition to a clause in effect on the effective date of this Order and a clause of the Prime Contract, the Prime Contract clause shall govern. Wherever necessary to make the context of the clauses set forth below applicable to this Order, the term "Contractor" shall mean Seller, the term "Contract" shall mean Order, and the terms "Government", "Contracting Officer" and equivalent terms or phrases shall mean the Buyer, except the terms "Government" and "Contracting Officer" have their original meaning: (1) In the phrases "Government Property", "Government Furnished Property", "Government-Owned Property", "Government Equipment" and "Government-Owned Equipment", (2) When a right, act, authorization or obligation can be granted or performed only by the Government or the Prime Contract Contracting Officer or his duly authorized representative, (3) When access to proprietary financial information or other proprietary data is required, (4) When title to property is to be transferred directly to the Government, (5) Where specifically modified as noted below, and (6) In FARS 52.227-1 and 52.227-2, and DFARS 252.227-7013, 252.227-7014, 252.227-7015, 252.227-7016, 252.227-7019, 252.227-7026, 252.227-7027, 252.227-7028, 252.227-7030, 252.227-7036 and 252.227-7037

<u>FAR REF.</u>	<u>CLAUSE</u>	<u>FAR REF.</u>	<u>CLAUSE</u>
52.202-1	Definitions	52.215-16	Facilities Capital Cost of Money
52.203-3	Gratuities	52.215-17	Waiver of Facilities Capital Cost of Money
52.203-5	Covenant Against Contingent Fees	52.215-18	Reversion or Adjustment of Plans for Post-Retirement Benefits Other Than Pensions
52.203-6	Restrictions on Subcontractor Sales to the Government	52.215-19	Notification of Ownership
52.203-7	Anti-Kickback Procedures [In Para. (c) (3), after "with" add "the Buyer"; in Subpara. (c) (4), delete "Government" and substitute "Buyer" therefor]	52.215-20	Requirements for Cost or Pricing Data or Information Other Than Cost or Pricing Data
52.203-10	Price or Fee Adjustment for Illegal or Improper Activity	52.215-21	Requirements for Cost or Pricing Data or Information Other Than Cost or Pricing Data--Modifications
52.203-11	Certification and Disclosure Regarding Payments to Influence Certain Federal Transactions	52.216-5	Price Re-determination—Prospective
52.203-12	Limitation of Payments to Influence Certain Federal Transactions	52.216-6	Price Re-determination –Retroactive.
52.203-13	Contractor Code of Business Ethics and Conduct	52.216-16	Incentive Price Revision—Firm Target
52.203-14	Display of Hotline Posters	52.216-17	Incentive Price Revision—Successive Targets
52.204-2	Security Requirements [The term "Government" does not change in Para. (c)]	52.219-16	Liquidated Damages—Subcontracting Plan
52.204-9	Personal Identification of Contractor Personnel	52.219-8	Utilization of Small Business Concerns
52.208-8	Required Sources for Helium and Helium Usage Data	52.219-9	Small Business Subcontracting Plan (Applicable to Orders over \$500,000.) (This clause does not apply to small business concerns.)
52.209-5	Certification Regarding Debarment, Suspension, Proposed Debarment and Other Responsibility Matters	52.222-4	Contract Work Hours and Safety Standards Act - Overtime Compensation
52.209-6	Protecting the Government's Interest When Subcontracting with Contractors Debarred, Suspended or Proposed for Debarment	52.222-20	Walsh-Healey Public Contracts Act
52.211-5	Material Requirements	52.222-21	Prohibition of Segregated Facilities
52.211-15	Defense Priority and Allocation Requirements	52.222-22	Previous Contracts and Compliance Reports
52.214-26	Audit and Records - Sealed Bidding	52.222-25	Affirmative Action Compliance
52.214-27	Price Reduction for Defective Cost or Pricing Data - Modifications - Sealed Bidding	52.222-26	Equal Opportunity (Applicable to Orders over \$10,000.)
52.214-28	Subcontractor Cost or Pricing Data - Modifications - Sealed Bidding	52.222-35	Affirmative Action for Special Disabled and Vietnam Era Veterans
52.215-2	Audit and Records - Negotiation	52.222-36	Affirmative Action for Handicapped Workers
52.215-10	Price Reduction for Defective Cost or Pricing Data (See (E) below)	52.222-37	Employment Reports on Special Disabled Veterans and Veterans of The Vietnam Era
52.215-11	Price Reduction for Defective Cost or Pricing Data - Modifications (See (E) below)	52.222-39	Notification of Employee Rights Concerning Payment of Union Dues or Fees
52.215-12	Subcontractor Cost or Pricing Data (See (E) below)	52.222-41	Service Contract Act of 1965, as Amended
52.215.13	Subcontractor Cost or Pricing Data - Modifications	52.222-50	Combating Trafficking in Persons
52.215-14	Integrity of Unit Prices (and Alternate 1)	52.222-54	Employment Eligibility Verification
52.215-15	Termination of Defined Benefit Pension Plans	52.223-1	Clean Air and Water Certification
		52.223-2	Clean Air and Water
		52.223-3	Hazardous Material Identification and Material Safety Data (Delete "Contractor" in Para. (C) and substitute "Buyer" and "Seller" therefor)

<u>FAR REF.</u>	<u>CLAUSE</u>	<u>FAR REF.</u>	<u>CLAUSE</u>
52.223-7	Notice of Radioactive Materials	52.237-2	Protection of Government Buildings, Equipment, and Vegetation
52.223-11	Ozone-Depleting Substances		Privacy or Security Safeguards
52.223-13	Certification of Toxic Chemical Release Reporting	52.239-1	Bankruptcy
52.223-14	Toxic Chemical Release Reporting	52.242-13	Stop-Work Order
52.224-2	Privacy Act	52.242-15	Government Delay of Work (Term "Contracting Officer" in Para. (a) includes Buyer)
52.225-1	Buy American Act--Supplies	52.242.17	Changes - Fixed Price (Delete "30" and substitute "20" therefore)
52.225-3	Buy American Act – Supplies		Change Order Accounting
52.225-5	Trade Agreements	52.243-1	Competition in Subcontracting
52.225-8	Duty Free Entry		Subcontracts for Commercial Items and Commercial Components
52.225-13	Restrictions on Certain Foreign Purchases	52.243-6	Government Property
		52.244-5	Government Property (Fixed-Price Contracts) (Note 2, 3)
52.227-1	Authorization and Consent	52.244-6	Inspection of Supplies - Fixed-Price (Note 1)
52.227-2	Notice and Assistance Regarding Patent and Copyright Infringement (Note 1)		Inspection of Services----Fixed-Price Responsibility for Supplies (Note 4)
52.227-3	Patent Indemnity	52.245-1	Preference for U.S.-Flag Air Carriers
52.227-9	Refund of Royalties (The substance of this clause, including (f) shall be included in any subcontract in which the amount of royalties reported during negotiations exceeds \$250.)	52.245-2	Preference for Privately Owned U.S.-Flag Commercial Vessels
		52.246-2	Value Engineering (Note 5)
			Termination for Convenience of the Government (Fixed Price) (Note 6)
52.227-10	Filing of Patent Applications - Classified Subject Matter	52.246-4	Default (Fixed-Price Supply and Service) (Note 7)
52.227-11	Patent Rights - Ownership by Contractor	52.246-16	Clauses Incorporated by Reference
52.227-13	Patent Rights - Acquisition by the Government	52.247-63	Authorized Deviations in Clauses
52.227-14	Rights in Data – General (DEC 2007)	52.247-64	
52.228-3	Workers' Compensation Insurance (Defense Base Act)		
52.228-4	Workers' Compensation and War - Hazard Insurance Overseas	52.248-1	
52.228-5	Insurance - Work on a Government Installation (Kinds and amounts, if applicable, set forth in Order)	52.249-2	
52.229-3	Federal, State and Local Taxes		
52.229-6	Taxes-----Foreign Fixed-Price Contracts	52.249-8	
52.229-7	Taxes-----Fixed Price Contracts with Foreign Governments		
52.229-10	State of New Mexico Gross receipts and Compensating Tax		
52.230-2	Cost Accounting Standards		
52.230-3	Disclosure and Consistency of Cost Accounting Practices		
52.230-4	Consistency In Cost Accounting Practices		
52.230-5	Cost Accounting Standards---Education Institution		
52.230-6	Administration of Cost Accounting Standards		
52.232-9	Limitation on Withholding of Payments		
52.233-1	Disputes		
52.233-3	Protest after Award		
52.234-1	Industrial Resources Developed Under Defense Production Act Title III		

<u>DFARS REF.</u>	<u>CLAUSE</u>	<u>DFARS REF.</u>	<u>CLAUSE</u>
252.203-7001	Prohibition on Persons Convicted of Fraud	252.227-7013	Rights in Technical Data-Noncommercial Items
252.204-7000	Disclosure of Information	252.227-7014	Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation
252.204-7008	Requirements for contracts Involving Export-Controlled Items	252.227-7015	Technical Data-Commercial Items
252.208-7000	Intent to Furnish Precious Metals as Government-Furnished Material	252.227-7016	Rights in Bid or Proposal Information
252.209-7000	Acquisition From Subcontractors Subject to On-Site Inspection Under the Intermediate-Range Nuclear Forces (INF) Treaty	252.227-7018	Rights in Noncommercial Technical Data and Computer Software—Small Business Innovation Research (SBIR) Program
252.211-7000	Acquisition Streamlining	252.227-7019	Validation of Asserted Restrictions-Computer and Software
252.211-7003	Item Identification and Valuation	252-227-7025	Limitations on the use or Disclosure of Government-Furnished Information Marked with Restrictive legends
252.211-7007	Reporting of Government-Furnished Equipment in the DoD Item Unique Identification (IUD) Registry	252.227-7026	Deferred Delivery of Technical Data or Computer Software
252.215-7000	Pricing Adjustments	252.227-7027	Deferred Ordering of Technical Data or Computer Software
252.215-7004	Excessive Pass-Through Charges	252.227-7028	Technical Data or Computer Software Previously Delivered to the Government
252.219-7003	Small, Small Disadvantaged and Women-Owned Small Business Subcontracting Plan	252.227-7030	Technical Data-Withholding of Payment
252.222-7000	Restrictions on Employment of Personnel	252.227-7037	Validation of Restrictive Markings on Technical Data (In Para. C, after the words "Government" add "and the Buyer")
252.223-7001	Hazard Warning Labels	252.227-7038	Patent rights—Ownership by the Contractor (Large Business)
252.223-7002	Safety Precautions for Ammunition and Explosives	252.227-7039	Patents-Reporting of Subject Inventions
252.223-7003	Change in Place of Performance—Ammunition and Explosives	252.228-7005	Accident Reporting and Investigation Involving Aircraft, Missiles and Space Launch Vehicles
252.223-7006	Prohibition on Storage and Disposal of Toxic and Hazardous Materials (and Alternate I)	252.231-7000	Supplemental Cost Principles
252.223-7007	Safeguarding Sensitive Conventional Arms, Ammunition, and Explosives	252.234-7001	Earned Value Management System
252.225-7001	Buy American Act and Balance of Payments Program	252.235-7003	Frequency Authorization
252.225-7006	Quarterly Reporting of Actual Contract Performance Outside the United States	252.236-7000	Modification proposals -Price Breakdown
252.225-7007	Prohibition on Acquisition of United States Munitions List Items from Communist Chinese Military Companies	252.237-7019	Training for Contractor Personnel Interacting with Detainees
252.225-7013	Duty Free Entry	252.239-7016	Telecommunications Security Equipment, Techniques, and Services
252.225-7014	Preference for Domestic Specialty Metals (and Alternate 1)	252.243-7001	Pricing of Contract Modifications
252.225-7016	Restriction on Acquisition of Ball & Roller Bearings	252.244-7000	Subcontracts for Commercial Items and Commercial Components (DoD Contracts)
252.225-7021	Trade Agreements	252.246-7001	Warranty of Data
252.225-7025	Restrictions on Acquisition of Forgings	252.246-7003	Notification of Potential Safety Issues
252.225-7026	Reporting of Contract Performance Outside the United States	252.247-7024	Notification of Transportation of Supplies by Sea
252.225-7032	Waiver of United Kingdom Levies—Evaluation of Offers	252.249-7002	Notification of Anticipated Contract Terminations or Reductions
252.225-7033	Waiver of United Kingdom Levies		
252.225-7037	Evaluation of Offers for Air Circuit Breakers		
252.225-7043	Antiterrorism/Force Protection for Defense Contractors Outside the United States		
252.226-7001	Utilization of Indian Organizations, Indian-Owned Economic Enterprises, and Native Hawaiian Small Business Concerns		

(B) GOVERNMENT AUTHORIZATION TO SELLER: To the extent authorized by the U.S. Government in a direct contract with Seller for the manufacture of products, and to the extent that such use will not interfere with Seller's performance of this or other Orders from Buyer in effect at the time Seller enters into such contract with the Government, and upon prior written notice to Buyer of such Government authorization and the contract number, Seller shall have the right to use items described in Article 29 which the Government owns or has a right to use or the right to authorize others to use. Performance of this or other Orders from Buyer in effect at the time Seller enters into such contract with the Government shall not be excused or adversely affected, and Seller shall continue to timely perform its obligations thereunder.

(C) SELLER'S CERTIFICATION OF CLAIMS: For any claim submitted by Seller under this Order in excess of \$100,000.00, Seller shall certify to Buyer, as to Seller's portion of the claim, that (a) the claim is made in good faith, (b) the supporting data is accurate and complete to the best of Seller's knowledge and belief, and (c) the amount requested accurately reflects the Order adjustment for which Seller believes the Government is liable.

(D) FALSE CLAIMS AND INDEMNITY: Seller shall indemnify Buyer for any costs incurred and payments made by Buyer resulting from: (1) false claims submitted by Seller under this Order, (2) Seller's misrepresentation of fact or fraud under appeals made by Buyer or at the request of Seller under (F) 2 below, and (3) failure of Seller to comply with FARS with respect to Cost Accounting Standards. Buyer shall notify Seller in writing of any allegations of a false claim, misrepresentation of fact, fraud, or non-compliance, to which this indemnity applies.

(E) PRICE REDUCTION FOR DEFECTIVE COST OR PRICING DATA:

1. If the Contracting Officer under Buyer's Prime Contract determines that any price, including profit or fee, negotiated in connection with such Prime Contract, or any cost reimbursable under such Prime Contract, was increased by any significant sum because Seller, or any subcontractor of Seller, pursuant to the clauses of this Order furnished incomplete or inaccurate cost or pricing data or data not current as certified in Seller's Certificate of Current Cost or Pricing Data, and if such Prime Contract price, including profit or fee, or any cost reimbursable under such Prime Contract, shall be reduced by reason thereof, then, in such event the price negotiated in connection with this Order, including profit or fee, or any cost reimbursable

hereunder, shall be reduced accordingly and this Order shall be modified in writing to reflect such reduction, and any amount paid Seller by Buyer in excess of the amount due Seller under this Order after said reduction is made shall be promptly paid by Seller to Buyer upon demand.

2. In the event of price reduction pursuant to Paragraph 1 above, Seller shall be bound by the determination of the Contracting Officer, provided that Buyer shall have promptly notified Seller of the decision of the Contracting Officer reducing Buyer's Prime Contract price, and, if timely requested by Seller, Buyer shall appeal such decision. All costs and expenses incurred by Seller and Buyer in prosecuting any appeal taken solely at Seller's request shall be paid by Seller.
3. Excluded from such reduction, however, shall be Buyer's profit applied to defective cost and pricing data of Seller and its subcontractors and suppliers.

NOTES RELATING TO CERTAIN OF THE ABOVE FAR/DFARS CLAUSES

1. The term "Government" in this clause shall be deemed to include both the Government and the Buyer (52.227-3 and 52.246-2).
2. The rights and obligations of Seller with respect to Buyer Furnished Property, if any, shall be the same as those which Seller has with respect to Government Property under this FAR not modified by Alternate 1 (52.245-2).
3. Alternate 1 shall not be applicable unless Seller has requested in writing to have Alternate 1 apply and Buyer has notified Seller in writing of the Prime Contract Contracting Officer's approval to grant Seller such limited liability (52.245-2).
4. The term "Government" in Para. (d) of this clause shall be deemed to include both the Government and the Buyer (52.246-16).
5. The terms "Government" and "Contracting Officer" do not change in this clause. However, all proposals under this FAR shall be submitted through Buyer (52.248-1).
6. If this Order is terminated for convenience as a result of a termination for convenience issued by the Government, the term "Government" does not change in (b) (4), (6) (8)

6. If this Order is terminated for convenience as a result of a termination for convenience issued by the Government, the term "Government" does not change in (b) (4), (6) (8)

And (m). Delete Para. (c). In Para. (d), delete "1 year" and substitute "6 months" therefor. In Para. (k), delete "90" and substitute "45" therefor. If this Order is terminated for convenience solely by the Buyer, audits and examinations of records, as required by the Buyer, shall be performed by an independent certified public accounting firm mutually acceptable to Buyer and Seller. The cost of such services shall be paid by Buyer. Notwithstanding anything to the contrary herein, Buyer shall not be liable for special, incidental or consequential damages (52.249-2).

7. The term "Government" does not change in Para. (c). In Para. (c), add "(10) acts of Buyer". Notwithstanding anything to the contrary set forth in Para. (h) of this FAR or any other provision of this Order, Seller shall not be liable for special, incidental, or consequential damages (52.249-8).

AFFIRMATIVE ACTION NOTICE

Vendors and subcontractors are notified that they may be subject to the provisions of 41CFR Section 60-741.4(c), 41CFR Section 60-250.4 and/or Section 60-300.5, and 41 CFR Section 60-741.5 with respect to affirmative action program and plan requirements.

