PO Box 429, 805 Greenlawn Road, Murphy, NC 28906-0429 TEL: (828) 837-4029 FAX: (828) 837-4106

Definition and Explanation. "Buyer" means Aegis Power Systems, Inc. "Seller" means the party with whom Buyer is contracting and includes any reference to "vendor," "subcontractor," "contractor," or "supplier." "Purchase Order"("Order") means the instrument of contracting, including all documents, exhibits, and attachments referenced therein. "Products" means those goods, supplies, materials, articles, items, parts, components, or assemblies described in the Order.

1. **Acceptance of Order.** This Order is Buyer's offer to Seller. Seller's Acceptance is expressly limited to the terms of the Order and Buyer hereby objects to any additional or different terms in Seller's acceptance. Seller accepts this Order as written by executing and returning to Buyer the Acceptance or Acknowledgement copy of the Order, or by beginning performance.

2. **Complete Agreement.** This Order is the complete and exclusive statement of the terms of agreement between Seller and Buyer.

3. **Modification.** No modification of this Order (including any additional or different terms in Seller's acceptance) shall be binding on Buyer unless agreed to in writing and signed by Buyer's duly authorized Purchasing Representative.

4. **Delivery.** Time is of the essence in the performance of this Order

   A. Deliveries shall be strictly in accordance with the quantities and schedule specified in the Order. If at any time, it appears Seller may not meet such schedule. Seller shall immediately, by verbal means (to be confirmed in writing), notify Buyer of the reasons for and estimated duration of the delay. At Buyer's request, Seller shall make every effort to avoid or minimize the delay to the maximum extent possible including the expenditure of premium time and shipping via air or other means of fast transportation. Any additional costs caused by these requirements shall be borne by Seller unless the delay in delivery arises out of causes beyond the control and without the fault or negligence of Seller or its subcontractors.

   B. Title and Risk of Loss. Unless otherwise specified herein, title to and the risk of any loss of or damage to the Products shall pass from Seller to Buyer F.O.B. Buyer's plant. Passing of title upon such delivery shall not constitute acceptance of the Products by Buyer or relieve Seller of any of its obligations hereunder. Note that this provision expressly creates a destination contract as contemplated by Article 2 of the North Carolina Uniform Commercial Code.

5. **Invoice and Payment.** Unless otherwise specified, a separate invoice shall be issued for each shipment. No invoice shall be issued prior to shipment of Products. No payment will be made prior to receipt of Products and correct invoice. Buyer reserves the right to delay payment until the Products have been accepted. Payment due dates, including discount periods, will be computed from the date of receipt of Products and correct invoice (whichever is later).

6. **Inspection, Acceptance and Rejection.**

   A. All products are subject to (a) inspection during manufacture, (b) inspection prior to shipment, and (c) final inspection and acceptance at destination, notwithstanding the F.O.B. point or any payment or prior inspection at source. Final inspection and acceptance will be made at a reasonable time after receipt of Products.

   B. Seller shall furnish to Buyer, if requested, all information and data as may be reasonably required by Buyer in order to perform inspection and acceptance.

   C. Buyer's failure to inspect any of the Products hereunder shall neither relieve Seller from responsibility for such Products as are not in accordance with the requirements of this Order nor impose liability on Buyer therefore.

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D. Any tender of Products, which is nonconforming as to quality, quantity, or delivery schedule shall constitute a breach of this Order and Buyer shall have the absolute right to reject such products. Buyer shall notify Seller, as to such rejection and Buyer shall have all such remedies, as provided by law, and this Order, including, but not limited to:

1) Hold such rejected Products or return same to Seller at Buyer's election and at Seller's risk and expense.

2) Replace or correct Seller's Products and charge to Seller the cost occasioned to Buyer thereby or require the delivery or replacement of such Products at an equitable reduction in price.

7. **Warranties.** Seller warrants that all Products delivered under this Order shall conform to the requirements of this Order (including all applicable descriptions, performance criteria, specifications, and drawings); shall be free from defects in material and workmanship; and shall to the extent not manufactured pursuant to detailed designs furnished by Buyer; be free from defects in design and fit for the intended purposes. Buyer's approval of designs furnished by Seller or any approval of Seller's "First Article" shall not relieve Seller of its obligations under this Warranty Seller's warranties shall be enforceable by Buyer's customers and any subsequent owner or operator of the Products as well as by Buyer.

   Seller's liability hereunder includes but is not limited to correction or replacement of the Product by Seller at no cost to the Buyer, of any Product which does not meet the requirements of this Warranty, in the event that Seller fails to repair or replace the failed or defective Product within a reasonable time. Buyer may replace or repair the Product and charge or debit the Seller for all costs connected therewith.

8. **Changes.** Buyer may at any time, by a written directive or order, make reasonable changes within the general scope of this Order, in any one of the following: (a) drawings, designs, or specification; (b) method of shipment or packing; (c) place of inspection, delivery, or acceptance; (d) increases in quantities; (e) changes in delivery schedules; and (f) the amount of Buyer-furnished property. Seller shall proceed immediately to perform this Order as changed. If any such change causes an increase or decrease in the cost of or in the time required for the performance of any part of the work under this Order, whether changed or not changed by any such order, an equitable adjustment shall be made in the purchase price or delivery schedule, or both, and this Order shall be so modified in writing. Unless otherwise agreed, Seller of such written order must assert any claim by Seller for adjustment under this clause within 15 days from the date of the receipt. Nothing in this clause shall excuse Seller from proceeding with this Order as changed, including failure of the parties to agree upon any adjustment to be made under this clause.

9. **Termination/Cancellation.** Buyer may, by prior written notice to Seller, terminate this Order or any part thereof, for cause, in the event of any defect by the Seller hereunder, which default, if curable, remains uncured for a period of fifteen (15) or more days after any notice thereof (or such shorter period as is reasonable. By way of example and not limitation, Seller's inability to pay its debts when due. Sellers filing of any bankruptcy or comparable proceedings, or the appointment of any custodian for its assets, deliveries hereunder may be deemed to be not curable.

10. **Seller's Data.** Any knowledge, information, drawings, designs, data or computer programs (herein called "Data") which Seller discloses to Buyer in connection with this Order, which Data Seller has not marked with a limited rights legend, in accordance with DoD FAR Supplement 52.227-7013, shall not be considered as proprietary to Seller or in any way restrict Buyer's use of such Data.

11. **Disclosure or Disposal.** Seller shall safeguard and keep secure all designs, processes, drawings, specifications, reports, data and other technical or proprietary information and features of all parts, equipment, tools, gauges, patterns and other items furnished or disclosed to Seller by Buyer. Unless otherwise provided herein or authorized by Buyer in writing.

12. **Patent and Copyright Indemnity.** Seller shall defend Buyer, Buyer's customers, and any subsequent seller or user of the Products against all claims and proceedings alleging infringement of any United States or foreign patent or copyright of any Products delivered under this Order, and Seller shall hold them harmless from any resulting liabilities and losses, provided Seller is reasonably notified of such claims and proceedings.

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13. **Delegation and Assignment.** No delegation of any duties under this Order shall be binding upon Buyer until its written consent thereto has been obtained. Seller is requested to inform Buyer prior to any assignments of rights to monies due or to become due under this Order.

14. **Compliance with and Applicability of Laws.** Federal, State, and Local Laws. Seller warrants that in the performance of this Order, it shall comply with all applicable Federal, state, and local laws. For purposes of any state law jurisdiction, North Carolina law will apply.

15. **Non-waiver.** Any failure at any time of Buyer to enforce any provision of this Order shall not constitute a waiver of such provision or prejudice the right of Buyer to enforce such provision at any subsequent time.

16. **Export Clause:** Each Party agrees that it will not knowingly: (a) export or re-export, directly or indirectly, any technical data **or products** (as defined by the U.S. Export Administration Regulations) provided by the other Party or (b) disclose such technical data for use in, or export or re-export directly or indirectly, any direct product of such technical data, including Software, to any destination to which such export or re-export is restricted or prohibited by United States or non-United States law, without obtaining prior authorization from the U.S. Department of Commerce and other competent Government Entities to the extent required by Applicable Laws.

17. **Brokers/Independent Broker –** No materials supplied against this Purchase Order shall be sourced through or from brokers without written approval from the Aegis Purchasing Representative unless otherwise specified on the Purchase Order.

18. **Certificate of Conformance CoC:** Seller represents and warrants that only new and authentic materials are being supplied for items on the Purchase Order. Seller will provide a Certification of Conformance [CoC] for all line items on the Purchase Order. The Seller shall maintain a Counterfeit Component Avoidance program. Components supplied to fulfill this purchase order must come from a trusted source as defined in the SAE Aerospace Standard AS5553.

19. **Conflict Minerals:** Seller shall not deliver to Aegis Power Systems, Inc. Products known to contain Conflict Minerals (tin, tantalum, tungsten or gold [3TG] that have originated from the Democratic Republic of Congo (DRC) or its adjoining countries) as defined in Dodd-Frank "Wall Street Reform and Consumer Protection Act, Section 1502". Product known to be free of Conflict Minerals from DRC or adjoining countries shall be delivered to Aegis before product whose origin cannot be determined.

20. **ETHICAL BUSINESS PRINCIPLES -** Supplier acknowledges and agrees that our Buyer requires that Supplier maintain a high standard of ethical conduct in all its dealings with the Buyer. Aegis Power policy prohibits all employees from accepting gratuities, gifts, entertainment or other favors, as well as from engaging in any activities which create the perception of a conflict of interest, from any current or prospective Supplier. Supplier is encouraged to implement their own written code of conduct and to flow down their principles to the entities that furnish them with goods and services. Aegis Power expects its Supplier to maintain effective programs to encourage their employees to make ethical, value driven choices in their business dealings. **Product conformity and Safety -** The supplier should ensure that their employees are aware of their contribution to product or service conformity, their contribution to product safety.
21. **Force Majeure:** In the event that either party is prevented from performing or is unable to perform any of its obligations under this Agreement (other than a payment obligation) due to any act of God, acts or decrees of governmental or military bodies, fire, casualty, flood, earthquake, war, strike, lockout, epidemic or mandated quarantine, destruction of production facilities, freight embargoes, riot, insurrection, materials unavailability, or any other similar cause beyond the reasonable control of the party or its' subcontractors control, thus invoking this section (collectively, a "Force Majeure"), and if such party shall have used its commercially reasonable efforts to mitigate its effects, such party shall give prompt written notice to the other party within ten (10) days of such cause, its performance shall be excused, and the time for the performance shall be extended for the period of delay or inability to perform due to such occurrences. Regardless of the excuse of Force Majeure, if such party is not able to perform within ninety (90) days after such event, the other party may terminate the Agreement.

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The above terms (1 thru 21) apply to all Aegis Purchase Orders.

Terms 22 thru 42 apply when noted on the Purchase Order.

22. **ITAR/EAR Statement – WARNING** – This purchase order may contain technical data, export of which is restricted by the International Traffic in Arms Regulations (ITAR) and Export Administration Regulations (EAR). Disclosure to foreign persons without prior U.S. Government approval is prohibited. Violations of these export laws and regulations are subject to severe civil and criminal penalties.

23. **RATED ORDER: DPAS RATING – DX-A(1-7)** – This is a rated order certified for national defense use, and you are required to follow all the provisions of the Defense Priorities and Allocations System regulation (15 CFR 700).

24. **RATED ORDER: DPAS RATING – DO-A(1-7)** – This is a rated order certified for national defense use, and you are required to follow all the provisions of the Defense Priorities and Allocations System regulation (15 CFR 700).

25. **Source Inspection:** Aegis, our customer, or regulatory agency has the right to visit the Sellers facilities to review processes or product. Seller will be given prior notice of visit.

26. **Material Safety Data Sheet:** In accordance with provisions outlined in OSHA hazard communications 29 CPR 1910, 120, Aegis Power Systems, Inc. requires all potentially hazardous materials to be accompanied by a MSDS at delivery.

27. **Certificate of Conformance and Traceability CoCT:** Seller represents and warrants that only new and authentic materials are being supplied for items on the Purchase Order. Seller shall provide a **Certification of Conformance and Traceability [CoCT]** showing chain of custody from the original source of manufacturer to Aegis Power Systems, Inc for all electronic components provided on the Purchase Order. Seller must also provide the traceability to the manufacturers part number, lot number and date codes of parts provided against the purchase order.

28. **Documentation Retention/Maintenance 3 Yr.:** Seller shall retain objective evidence of the quality of the item supplied (manufacturer CoC, assembly, inspection, test and special process records, etc.) for a period of 3 years unless stated otherwise on the Purchase Order. These records shall be made available to Aegis upon request.

29. **Documentation Retention/Maintenance 7 Yr.:** Seller shall retain objective evidence of the quality of the item supplied (manufacturer CoC, assembly, inspection, test and special process records, etc.) for a period of 7 years unless stated otherwise on the Purchase Order. These records shall be made available to Aegis upon request.

30. **Calibration Control:** The Seller shall control the calibration of all measuring and test devices against certified standards traceable to the National Institute of Standards and Technology. The Seller may use MIL-STD-45662, ISO/IEC 17025:2005 or ANSI/NCSL-Z540-1 for compliance to this requirement. Seller shall notify Aegis of as found condition of devices. Seller may only calibrate items that are within the Scope of Accreditation. Certificate of Calibration must include Acceptance Criteria for the item.

31. **Counterfeit Component Avoidance – Contract Manufacturer:** The Seller shall maintain a Counterfeit Component Avoidance program. Components utilized in the production of populated circuit boards must come from a trusted source as defined in the AS5553 document. No components from BROKERS are permitted without written approval from Aegis Purchasing. Certificate of conformance and Traceability showing chain of custody, Manufacturers part number, Lot Number, and Date Code must be presented to Aegis upon request. Aegis reserves the right to audit such records at the Sellers premises with prior notice.

32. **Critical and Limited Life Items: (Sundry Items):** Date of manufacture and/or shelf life period must be supplied with each limited life item. Limited life items must have a minimum of 75% of shelf life remaining when received by Aegis.

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33. **Electrostatic Discharge [ESD] Control:** The Seller shall be responsible for assuring that all ESD Sensitive parts are handled and packaged in accordance with MIL-STD-1686, ANSI/ESD S20.20 and/or MIL-HDBK-263, (Class 1, 2, or 3) as applicable to the product.

34. **First Piece Inspection: PC Board Populated:** The Seller shall submit a sample first piece for component loading and functional test approval prior to starting production run of boards. The Seller shall notify Aegis when the item is ready for approval examination. Examination will be conducted at Aegis unless otherwise noted on the Purchase Order.

35. **First Piece Inspection: Machined/Fabricated Part:** The Seller shall submit a sample first piece for dimensional and functional approval prior to making production item(s). The Seller shall notify Aegis when the item is ready for approval examination. Examination will be conducted at Aegis unless otherwise noted on the Purchase Order.

36. **Workmanship - Machined/Fabricated Parts:** Machined and/or fabricated parts shall be built to print and free of: Chatter Marks, Dings/Dents, Gouges, Nicks, Scrapes, Scratches and discoloration. Parts shall be free of FOD. Certificate of Conformance shall note any special processes called out on the drawing such as Chem Film and the applicable Type and Class applied. CoC shall be supplied with the delivery of parts.

37. **Removal of FOD:** Parts shall be in the condition specified by the drawings, specifications or Workmanship requirements. Parts shall be free from defects such as but not limited to: Debris, dirt, chips, slivers, grease, oil, flux, chemical deposits, residue or other foreign matter. The cleaning methods and agents used shall not be injurious to any part or the environment nor contaminate part with cleaning agents.

38. **Printed Wiring Boards:** Supplier shall perform 100% electrical test per the latest revision of IPC-9252 as referenced in IPC-6012 for rigid boards and IPC-6013 for flexible circuits respectively.

39. **Lot Control:** Lot identification number shall be supplied with material. Inspection records / data traceable to the lot identification shall be maintained for a period of seven (7) years unless otherwise contractually denoted on the purchase order. All records are subject to examination and availability upon request.

40. **Contract Manufacturer - PC Board Population Class 2:** Contract Manufacturer shall build the product noted on the PO to J-STD-001 Class 2 requirements and inspect to IPC-A-610 Class 2 requirements. Only new and authentic materials are to be used in the production of the PC Boards and the components used must have a Certificate of Conformance on file. Aegis reserves the right to request copies or view the CoC's at the manufacturers site. CoC shall be supplied at the time of delivery of PC Boards.

41. **Contract Manufacturer - PC Board Population Class 3:** Contract Manufacturer shall build the product noted on the PO to J-STD-001 Class 3 requirements and inspect to IPC-A-610 Class 3 requirements. Only new and authentic materials are to be used in the production of the PC Boards and the components used must have a Certificate of Conformance and Traceability [CoCT] on file showing acquisition supply chain traceability from manufacturer to Aegis Power Systems, Inc. Aegis reserves the right to request copies or view the CoCT's at the manufacturers site. CoC shall be supplied at the time of delivery of PC Boards.

42. **Supplier Changes** - Suppliers must notify Aegis Purchasing of changes to their processes, location, or other actions that may affect the quality of items they produce.