

AIRCO Industries, Inc. dba Photo Etch

SUPPLIER TERMS AND CONDITIONS

5600 Blue Mound Road, Fort Worth, TX 76131 Tel 817-332-3806 Fax 817-877-4148

1. ACCEPTANCE AND TERMS

SELLER'S acknowledgement, acceptance of payment, or commencement of performance shall constitute SELLER's unqualified acceptance of this Purchase Order ("Order"). This Order is subject solely to these terms and conditions. Unless expressly accepted in writing by BUYER, additional or differing terms or conditions proposed by SELLER or included in SELLER's acknowledgement have no effect.

2. ORDER OF PRECEDENCE

Any inconsistencies or conflict in this Order shall be resolved in accordance with the following descending order of precedence: (i) Face of the Order; (ii) Documents incorporated by reference on the face of the Order; (iii) these Standard Terms and Conditions, and any supplemental terms and conditions referenced herein; and (iv) Statement of Work.

3. PRICES AND TAXES

Prices in this order are not subject to increase. If SELLER's quoted prices for the Goods or Services ("Goods") covered by this order are reduced for any reason at the time of shipment, SELLER agrees that the price to BUYER will be reduced accordingly. SELLER certifies upon acceptance of this Order that the price to be charged for Goods does not exceed the lowest price charged to any other customer for the same or comparable Goods. Unless otherwise specified, the prices include all applicable federal, state and local taxes, duties, tariffs, and similar fees imposed by any government, all of which shall be listed separately on the invoice.

4. INVOICES, RIGHT OF SET-OFF & PAYMENT

Payment of invoice shall not constitute acceptance of Goods and will be subject to adjustments for errors, shortages, and defects in the Goods or other failure of SELLER to meet the requirements of this Order. BUYER shall be entitled to set-off any amount owed by SELLER to BUYER, or to any of BUYER's affiliated companies, against any amount payable under this Order.

5. PACKAGING, SHIPMENT & RISK OF LOSS

Unless otherwise specified, when the price of this purchase order is based on weight of the ordered goods, such price shall cover only the net weight of the material ordered, and no changes will be allowed for packing, handling, transportation, storage and other packing requirements. Unless otherwise specified, SELLER will package and pack all Goods in a manner, which is: (i) in accordance with good commercial practice, (ii) acceptable to common carriers for shipment at the lowest rate for the particular Goods, (iii) in accordance with I.C.C. regulations, and (iv) adequate to insure safe arrival of the Goods at the named destination. SELLER will mark all containers with necessary lifting, handling, and shipping information including purchase order numbers, SELLER's part number, BUYER's part number and serial number, number of cartons and any special markings required by BUYER. An itemized packing list must accompany each shipment and shall include the following information: purchaser identification (including identified individual, if any); complete "ship to" address (including building number), purchase order number, quantity; description of Goods; indication of partial/complete shipment; dimensions of the shipping containers; net and gross weight. Unless otherwise specifically provided on the face of this order, F.O.B point is destination and SELLER shall, at its own expense, deliver all goods to BUYER at BUYER's place of business. SELLER shall bear all risk of loss, deterioration, or damage until the goods are delivered as herein required. Seller will also bear the risk of loss with respect to any products rejected by BUYER, except that BUYER will be responsible for any damage to rejected or unaccepted product occasioned by the willful misconduct of its employees acting in the scope of employment.

6. INSPECTION AND NON CONFORMING SHIPMENTS

Notwithstanding any prior inspection or payments, all Goods will be subject to final inspection, testing and approval at BUYER's facility within a reasonable time after delivery. In the event BUYER, in its sole discretion, determines any item to be defective in material or workmanship, or is allegedly violating any statute, ordinance, administrative order, rule or regulation, or is otherwise not in conformance with the requirements of this order, BUYER will have the right, at its option, to: reject shipment, require its correction, or accept it with an adjustment in price. Any items that have been rejected or require correction must be replaced or corrected by and at the expense of SELLER promptly after notice. If, after being requested by BUYER, SELLER fails to promptly replace or correct any defective item, BUYER may in its sole discretion: (i) replace or correct such item and charge to SELLER the cost occasioned thereby, (ii) without further notice, cancel this purchase order for default in accordance with paragraph 10 below, or (iii) require an appropriate reduction in price to account for the defective items. At BUYER's option, over shipments and rejected items will be returned to the SELLER at SELLER's risk, freight collect. For Goods delivered in advance of the scheduled delivery date BUYER may, in its sole discretion: (i) return such Goods to SELLER freight collect, or (ii) accept such Goods with payment based on scheduled delivery date and not the date of receipt by BUYER.

7. WARRANTY

- a. SELLER warrants to BUYER that all goods delivered: (i) will be free from defects in workmanship, material and manufacture, (ii) will comply with the requirements of this Order, including any drawings or specifications incorporated herein or samples furnished by SELLER, and (iii) where design is SELLER's responsibility, will be free from defects in design. SELLER further warrants that all Goods purchased hereunder will be of merchantable quality and will be fit for the purpose intended by BUYER. The foregoing warranties constitute conditions to this Order. They are in addition to all other warranties, whether expressed or implied, and will survive any delivery inspection, acceptance or payment by BUYER. All warranties run to the benefit of BUYER and its customer.
- b. BUYER's approval of SELLER's material or designs will not relieve SELLER of any warranties.
- c. If any goods delivered do not meet the warranties specified herein or otherwise applicable, BUYER may, of its option: (i) require SELLER to correct any defective or nonconforming Goods by repair or replacement at no cost to BUYER, (ii) return such defective or nonconforming Goods to SELLER at SELLER's expense and recover from SELLER the order price thereof, or (iii) correct, or have corrected, the defective or nonconforming Goods and charge SELLER with the cost of such correction.
- d. SELLER shall reimburse BUYER for all consequential damages and expenses associated with correcting the defect, failure, authenticity and conformance of the Goods and any other consequential costs associated with correcting the defect, failure, authenticity and conformance at either BUYER's location or at BUYER's Customer location(s).

8. CHANGE ORDERS

- a. BUYER may at any time make changes in any one or more of the following: (i) Applicable drawings, designs or specifications, (ii) method of shipment or packing; and/or (iii) place of delivery.
- b. If the change causes an increase in the cost or the time required by SELLER in performance of this Order and SELLER so notifies BUYER in writing, then, if BUYER wishes such change, an agreed upon adjustment will be made in the order price or delivery schedule or both, and this Order will be modified accordingly in writing.

9. TERMINATION FOR DEFAULT

- a. It is understood and agreed that **TIME IS OF THE ESSENCE** for this

Order because the Goods or services ordered herein are needed for products of BUYER that have a very short, carefully timed market life. Failure of SELLER to deliver on the due date would cause BUYER's product to be unmarketable. BUYER, may, by written notice cancel this Order in whole or in part if, in BUYER's good faith option, SELLER has: (i) failed to make delivery or to perform the services within the time specified herein, or any extension thereof by written change order or amendment or (ii) failed to replace or correct defective Goods in accordance with the provisions of paragraph 6 and 7 above, or (iii) failed to make progress under this Order as to endanger performance in accordance with its terms.

b. If this Order is cancelled for SELLER's default, BUYER may procure, as BUYER may deem appropriate, Goods or services similar or substantially similar to those cancelled. SELLER will be liable to BUYER for any excess costs occasioned thereby.

c. If all or a portion of this Order is cancelled by SELLER's default, BUYER may require SELLER to transfer title and to deliver to BUYER in the manner and to the extent directed by BUYER: (i) all completed Goods not yet delivered and (ii) any partially completed Goods and materials that SELLER has produced or acquired for the performance of the terminated portion. SELLER will upon direction of BUYER, protect and preserve such Goods and materials. Payment for Goods and materials delivered to and accepted by BUYER under this paragraph will be in an amount (not to exceed the contract price) agreed upon by SELLER and BUYER, however, SELLER's obligation to carry out BUYER's direction as to delivery, protection and preservation of the Goods and materials will not be contingent upon prior agreement as to such amount.

10. RESCHEDULING

Notwithstanding anything to the contrary herein, BUYER may, at any time, reschedule delivery of all or any part of any purchase order to a date up to ninety (90) days after the scheduled delivery date at no additional charge, and the new delivery date specified by BUYER shall become the scheduled delivery date.

11. TERMINATION FOR CONVENIENCE

a. At any time prior to delivery, BUYER may terminate work under this purchase order, in whole or in part, by written notice to SELLER.

b. Upon such termination, SELLER will stop all work under this Order, place no further orders for materials to complete the work, stop all shipments of materials ordered and attempt to return all materials which have been delivered. SELLER shall use its best efforts to mitigate damages by attempting to locate alternate customers for any Goods completed or materials purchased to fulfill any cancelled purchase orders.

c. With respect to any Goods or materials not sold, BUYER and SELLER shall negotiate reasonable termination charges based on actual costs supported by documentation. For the purpose of this purchase order, all reasonable costs are defined as the cost of unique materials that (i) have been procured specifically for Goods built for BUYER based on BUYER's actual purchase order accepted by SELLER and (ii) cannot be incorporated into SELLER's standard Goods or otherwise utilized. Within (1) one month after such termination, Seller may submit to BUYER, its written claim for termination charges, in such form and with such certifications prescribed by BUYER. Failure to submit within (1) one month will constitute a waiver of all claims and a release of all BUYER's liability arising out of the termination.

12. WAIVER

The failure of BUYER to enforce at any time the provisions of this Order to exercise any election or option provided herein, or to require at any time the performance by SELLER of any provisions herein will not in any way be construed to be a waiver of such provisions.

13. REMEDIES

The remedies stated herein are in addition to all other remedies at law or in equity.

14. INDEMNIFICATION

a. Seller agrees to indemnify BUYER, its agents, customer, successors and assigns against any and all loss, damage and liability (including costs

and expenses) for actual or alleged infringement of any patent, copyright or trademark arising out of the use of sale of the Goods by BUYER, its agents or its customers – provided however, that BUYER must notify SELLER of any suit, claim or demand involving such infringement, and permit SELLER to defend against or settle the same. If any injunction is issued as a result of any such infringement, SELLER agrees, at BUYER's option, to (i) refund to BUYER the amounts paid to SELLER of the Goods covered by the injunction, or (ii) furnish BUYER with acceptable and non-infringing Goods.

b. SELLER agrees to indemnify BUYER against any and all liability expense resulting in any alleged defects in the Goods supplied, whether latent or patent, including allegedly improper construction and design, or from the failure of the Goods to comply with specifications.

c. SELLER warrants there are no liabilities for royalties, mechanics liens or other encumbrances on the Goods supplied and agrees to indemnify BUYER against any such liabilities.

d. The above indemnifications are in addition to all other rights of indemnification of BUYER.

15. NON-DISCLOSURE OF CONFIDENTIAL MATTER

SELLER will not quote for sale to others, without BUYER's written authorization, any Goods purchased under BUYER's specifications or drawings. All specifications, drawings, samples and other data furnished by BUYER will be treated by SELLER as confidential information, and will remain BUYER's property and will be returned to BUYER upon request.

16. ASSIGNMENTS

No right or obligation under this Order (including the right to receive moneys due) may be assigned by the SELLER without prior written consent by BUYER, and any purported assignment without such consent will be void. BUYER may assign this purchase order at any time if such assignment is considered necessary by BUYER in connection with a sale of BUYER's assets or a transfer of its obligation.

17. NOTICE OF DELAYS

Whenever any event delays or threatens to delay the timely performance of this Order, Seller will immediately notify BUYER of such event and furnish all relevant details. Receipt by BUYER of such notice will not constitute a waiver of the due dates hereunder.

18. PATENTS

SELLER, as part consideration for this Order and without further cost to BUYER, hereby grants to BUYER (and to the extent requested by BUYER, to the government) an irrevocable, non-exclusive royalty fee license to use, sell, manufacture and cause to be manufactured, Goods embodying any inventions or discoveries made, conceived or actually reduced to practice in connection with the performance of this Order.

19. GOVERNMENT CONTRACT

If this Order is issued for any purpose that is either directly or indirectly connected with the performance of a U.S. Government prime contract or subcontract, the terms that the Federal Acquisition Regulations or other appropriate regulations require to be inserted in contracts or subcontracts will be deemed to apply to this Order.

20. EXECUTIVE ORDERS

EO 13224 EXECUTIVE ORDER ON TERRORIST FINANCING - SELLER shall adhere to the directions provided in this Executive Order blocking property and prohibiting transactions with persons who commit, threaten to commit, or support terrorism, effective 09/24/2001 and any subsequent changes made to it. View EO at <http://www.treasury.gov/>.

21. DEFENSE PRIORITIES AND ALLOCATIONS SYSTEM (DPAS)

DPAS rated order quantities (DX, DO) are certified for National Defense use and U.S. companies are required to follow all of the provisions of the Defense Priorities and Allocations System Regulation (15 CFR 700), only as it pertains to rated quantities as noted on the face of this Order.

22. VEVRAA AND REHABILITATION ACT, SECTION 503

This contractor and subcontractor shall abide by the requirements of 41 CFR §§ 60-1.4(a), 60-300.5(a) and 60-741.5(a). These regulations prohibit discrimination against qualified individuals based on their status as protected veterans or individuals with disabilities, and prohibit discrimination against all individuals based on their race, color, religion, sex, or national origin. Moreover, these regulations require that covered prime contractors and subcontractors take affirmative action to employ and advance in employment individuals without regard to race, color, religion, sex, national origin, protected veteran status or disability.

23. SEVERABILITY

If any provision of this Order or its application to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this instrument and the application of such provision to such person or circumstance other than to the extent invalid or unenforceable, shall not be effected and the remainder of this agreement shall be valid and shall be enforced to the fullest extent permitted by law.

24. APPLICABLE LAW

This Order will be governed by the law of the State of Texas without regard to its conflicts of law provisions. Any legal action or proceeding with respect to this Order will be brought in a federal or state court of competent subject matter jurisdiction sitting in Fort Worth, Texas and each of the parties hereto, expressly and irrevocably consents and submits to the exclusive personal jurisdiction of any such courts in any such action or proceeding and waives any claim or defense in any such action or proceeding based on any alleged lack of personal jurisdiction, improper venue, *forum non convenient* or any similar basis.

25. OBSOLESCENCE

Obsolescence is defined as occurring when an indentured electronic component is no longer in production by the original manufacturer.

Diminishing Manufacturing Sources (DMS) is defined as an item out of production other than an indentured electronic component and is outside this flow down. If an obsolescence issue occurs, the Seller shall notify the Buyer of this condition upon identification. Seller assumes responsibility for identification, notification, and resolution of obsolescence issues to Buyer.

- a. The Seller shall immediately define the shortage by providing the buyer with the indentured electronic component manufacturer part number (OEM), affected end item part number, affected end item nomenclature, and components per end item; and,
- b. The Seller shall provide satisfactory evidence that a prudent effort was made to identify and implement an alternate part (i.e. parts that are technically and physically compatible with hardware design.). If alternate part was implemented, the Seller shall provide the alternate manufacturer part number (OEM); and,
- c. If an alternate part was not identified and implemented, the Seller shall determine whether there is an opportunity for a last time buy. The Seller shall provide the last time buy date and notification, attrition rate of indentured electronic component, replacements to date of indentured electronic component, and SPEC mean time between failures of indentured electronic component to Buyer. Responsibility of last time buys (for which Seller does not have an accepted Purchase Order) shall be addressed on a case by case basis. Seller shall procure last time buy inventory to support any accepted Purchase Orders and reserve for Photo Etch.