



Innovative Electronics Corporation

2101 W Pike Street, Houston, PA 15342

PURCHASE ORDER — TERMS AND CONDITIONS

1. Acceptance: Purchase Order Constitutes Entire Agreement.

This order constitutes Innovative Electronics Inc. (hereinafter "Purchaser") offer and may be accepted by the vendor named on the reverse side hereof (hereinafter "Seller" or "Contractor" where applicable) only in accordance with the terms hereof. By acceptance of this order, Seller agrees to be bound by and to comply with all the terms and conditions of this order, including supplements thereto, and all specifications and other documents referred to in this order. However, performance of the work called for by this order in the absence of Seller's written acknowledgment thereof shall be deemed acceptance of this order.

This order does not constitute an acceptance by Purchaser of any offer to sell, any quotation, or any proposal. Reference in this order to any such offer to sell, quotation, or proposal shall in no way constitute a modification of any of the terms and conditions of this order to any degree whatsoever. An attempted acknowledgment of this order containing terms and conditions inconsistent with or in addition to the terms and conditions of this order constitutes a counter-offer by Seller to Purchaser, whether or not such terms "materially alter" this order, and is not binding upon purchaser, unless specifically accepted by Purchaser in writing, and Purchaser hereby objects thereto.

2.Changes.

Purchaser may at any time, by written order, make changes within the general scope of this order. Any claim by Seller for adjustment must be asserted within 30 days from the date of receipt by Seller of the notification of change. Nothing in this paragraph shall excuse Seller from proceeding with this order as changed. Property made obsolete or excess as a result of a change pursuant to this order shall be disposed of, as directed by Seller, if the cost of such property is included in Seller's claim.

3.Delivery.

Time of delivery and of other aspects of performance hereunder is of the essence. Acceptance by Purchaser of a late delivery of either the whole or part of the order shall not constitute a waiver of its claim for any damages resulting from the late delivery. Among other things, if Seller's deliveries are so far behind schedule that Purchaser finds it necessary to call upon Seller for premium transportation, Seller shall be liable for the difference between specified and premium transportation. Seller, among other things, shall perform overtime work and establish extra shifts without additional cost to Purchaser, if necessary to maintain delivery dates.

4.Use of Specifications.

Any specifications, drawings, technical information or data furnished to the Seller hereunder by Purchaser shall remain Purchaser's property and seller are not allowed to make any changes to documents or purchase order requirement subject to prior confirmation from purchaser. Also, shall be kept confidential and shall be returned at Purchaser's request. Any documents containing any of the foregoing shall be used only in filling this order and may not be used for any other purpose by Seller except upon such terms as may be agreed upon in writing in advance, by Purchaser and Seller.

5.Inspection.

(a) All goods (which term throughout this order includes without limitation raw materials, components, intermediate assemblies and end products) shall be subject to inspection and test by the Purchaser and its customer (which term throughout this clause shall include without limitation the Government, including surveillance and/or regulatory agencies) to the extent practicable at all times and places including the period of manufacture and in any event prior to final acceptance by the Purchaser and its customer.

(b) If any inspection or test is made on the premises of Seller or its supplier, Seller, without additional charge, shall provide all reasonable facilities and assistance for the safety and convenience of the inspectors in the performance of their duties. All inspections and tests on the premises of Seller or its supplier shall be performed in such a manner as not to unduly delay the work.

(c) Final acceptance or rejection of the goods shall be made as promptly as practical after delivery, except as otherwise provided in this order, but failure to inspect and accept or reject goods or failure to detect defects by inspection, shall neither relieve Seller from responsibility for such goods as are not in accordance with the order requirements nor impose liabilities on Purchaser therefor.

(d) Seller shall provide and maintain an inspection and process control system acceptable to Purchaser and its customer covering the goods hereunder. Records of all inspection work by Seller shall be kept complete and available



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to Purchaser and its customer during the performance of this order and for such longer periods as may be specified in this order.

6. Warranty.

Seller warrants that all products or services furnished pursuant to this order will be free from defects in material or workmanship and will be in conformity with the requirements of this order, including drawings and specifications, if any, or reasonably fit for the purpose disclosed in this order or in such drawings and specifications and Seller further warrants that such goods or services will be merchantable and fit for the purpose for which they are sold and where design is Seller's responsibility, will be free from defects in design. Purchaser's approval of Seller's design or material shall not be construed to relieve Seller of the warranties set forth herein. Without limitation of any rights which Purchaser may have at law by reason of any breach of warranty, goods which are not as warranted may at any time within twelve (12) months after delivery be returned at Seller's expense. Purchaser at its option may require Seller either to replace such goods at no increase in price (Seller must pay all repacking, transportation and handling charges both ways) or to refund the purchase price and any charges in connection therewith.

7. Purchaser's Property.

Unless otherwise agreed in writing, all tools, dies, equipment or material of every description furnished to Seller by Purchaser or specifically paid for by Purchaser, and any replacement thereof, or any materials affixed or attached thereto, shall be and remain the personal property of Purchaser. Seller shall not use such property except in filling Purchaser's orders and shall not be used or furnished by Seller to any other person, firm or corporation, except the Purchaser. Such property while in Seller's custody or control, shall be held at Seller's sole risk and shall be subject to removal at any time upon demand by Purchaser. In the event of removal, Seller shall prepare such property for shipment and shall redeliver to Purchaser in the same condition as originally received by Seller, reasonable wear and tear excepted.

8. Fair Labor Standards.

In accepting this order, Seller shall be deemed to represent that the goods to be furnished thereunder were or will be produced in compliance with the requirements of the Fair Labor Standards Act of 1938, as amended, and shall so certify on all invoices submitted in connection with this order.

9. Discrimination in Employment.

In accepting this order, Seller shall be deemed to represent that Seller will not discriminate against any employee or applicant for employment because of race, color, religion, sex, age or national origin; that seller will take affirmative action to insure that applicants are employed and that employees are treated during employment without regard to their race, color, religion, sex, age or national origin, such action to include but not limited to the following: employment, upgrading, demotion or transfer-recruitment or recruitment advertising - - layoff or termination - - rates of pay or other forms of compensation - - and selection of training including apprenticeship. Seller shall also be deemed to represent that Seller will comply with other requirements of Executive Order 11246 and Executive Order 11375.

10. Walsh-Healy Act.

All representations and stipulations required by the Walsh-Healy Act, 41 U.S.C. 35-46, and regulations thereunder, are hereby incorporated by reference, such representations and stipulations being subject to all applicable rules and interpretations of the U.S. Secretary of Labor now or hereafter in effect.

11. Pricing.

Price certification. Seller certifies that the prices set forth in this order do not exceed those charged other buyers of the same commodity in reasonably comparable quantities and delivery requirements in recent sales to such other buyers, including without limitation, competitors of the Purchaser. In the event of breach of the foregoing representation, Seller shall reimburse Buyer for excess costs attributable to the breach including interest thereon at the prime rate of interest charged by the Chase Manhattan Bank.

12. Taxes.

Except may be otherwise provided in this order, the price includes all applicable Federal, State or local taxes except those for which exemption may be claimed.



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13. Patents, Trademarks, Trade names and Copyrights.

Seller agrees to indemnify and save harmless the Purchaser, its officers, agents, successors, assigns and customers against all damages, claims, demands, attorney's fees and costs of any kind for actual or alleged infringement of any trade name, trademark, copyright or patent (unless the goods ordered are of Purchaser's design) arising in connection with the possession, sale or use of any material or services ordered.

14. Indemnity and Insurance.

Seller, successors, assigns and legal representatives, shall indemnify and save harmless Purchaser, its subsidiaries and affiliated companies, their successors, assigns, customers and users of their products, the Prime Contractor and the Government, if applicable, against all damages, claims, suits, demands or losses of any kind arising out of or alleged to have risen out of or in connection with Seller's performance or lack of performance of this contract. Seller shall carry and maintain liability insurance which includes but is not limited to general liability, public liability, product liability, property damage liability and contractual liability in amounts set forth in this order, and if no amounts are so set forth, then in amounts acceptable to Purchaser, but not less than minimum statutory requirements, if any. Seller will, if requested by Purchaser, furnish certificates of insurance indicating the foregoing coverages.

15. Termination at Purchaser's Option.

Purchaser may terminate this order in whole or in part by written or telegraphic notice of termination, whereupon Seller will terminate pursuant to the notice the work started under the order. Seller will promptly advise Purchaser of the quantities of applicable work and material on hand or purchased for this order prior to termination and of the most favorable disposition that Seller can make thereof. Seller will comply with Purchaser's instructions regarding disposition of such work and material. Within 30 days after receipt of such notice of termination, Seller will submit all its claims pursuant thereto. Purchaser will have the right to check such claims at any reasonable time by inspecting and auditing the records, facilities, work or materials of Seller relating to this order. Purchaser will pay Seller the Purchase Order price of finished work and the cost to Seller (excluding profit or losses) of work in process and raw material, based on any audit Purchaser may conduct and generally accepted accounting principles; less, however, (1) the reasonable value or cost (whichever is higher) of any items used or sold by Seller without Purchaser's consent; and (2) the value of any defective, damaged or destroyed work or material. Purchaser will make no payments for finished work, work in process or raw material fabricated or procured by Seller in excess of Purchaser's written releases. Payment made under this clause will constitute Purchaser's only liability in the event this order is terminated as provided herein. Seller's acceptance of such payment will constitute an acknowledgment that Purchaser has fully discharged such liability. The provisions of this clause will not apply to any termination by Purchaser for default by Seller or for any other case allowed by law or under this order.

16. Termination for Default.

Purchaser may cancel all or any part of the undelivered portion of this order if seller does not make deliveries as specified, or if Seller breaches any of the terms hereof including the warranties of Seller. Seller, among other things, shall perform overtime work and establish extra shifts without additional cost to Purchaser, if necessary, to maintain delivery dates. Should delivery not be effected as requested, Purchaser reserves the right to purchase elsewhere and charge Seller with any loss thereby incurred or to cancel the order, among other things. In addition, Purchaser may forthwith cancel this order if any of the following events occur: insolvency of Seller, filing of a voluntary or involuntary petition in bankruptcy by or against Seller, appointment of a Receiver or Trustee for seller, or execution by Seller of an assignment for the benefit of creditors. The exercise by Purchaser of the right of cancellation hereunder shall not impose any liability upon Purchaser nor have the effect of waiving damages to which Purchaser might otherwise be entitled.

17. Set-Off.

Purchaser shall be entitled at all times to set off any amount owing at any time from Seller to Purchaser or any of its affiliated companies against any amount payable at any time by Purchaser in connection with this order.

18. Compliance with Laws.

Seller shall comply with all applicable State, Federal and local laws, rules and regulations.

19. Products, Methods and Manufacturing Processes.



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Any knowledge or information which the Seller shall have disclosed or may hereafter disclose to the Purchaser incident to the placing and filling of this order, shall not, unless otherwise specifically agreed upon in writing by the Purchaser, be deemed to be confidential or proprietary information and accordingly shall be acquired free from any restrictions.

20.Records.

When specifications or drawings of Purchaser or its customer require the maintenance of records of materials, parts, assemblies and/or manufacture, Seller agrees to maintain records of the same drawing number, serial number, if any, and testing of such materials, parts, assemblies and/or manufacture and will maintain such records for ten years from the date of completion of this order.

21.Waivers.

Any waiver of strict compliance with the terms of this order shall not be a waiver of Purchaser's right to insist upon strict compliance with the terms of the order thereafter.

22.Performance by Seller.

This order is issued to seller in reliance upon Seller's personal performance of the duties imposed and Seller agrees not to assign this order or to delegate the performance of its duties without the consent in writing of Purchaser. Any such assignment or delegations attempted without the previous written consent of Purchaser shall effect, at the option of Purchaser, a cancellation of all Purchaser's obligations hereunder.

23.Governing Law.

This order, and the rights and obligations of the parties thereto, shall be determined in accordance with the laws of the Commonwealth of Pennsylvania.

24.Integration.

This order (including any specifications or other documents referred to herein) constitutes the entire contract and understanding between Purchaser and Seller concerning the subject matter hereof and any representation, promise, course of dealing or trade usage not contained herein will not be binding on either party.

25. Government Contracts.

If this order involves U.S. Government work and Purchaser notifies Seller of that fact, Purchaser shall have the right, upon notice to the seller, to modify any of the terms and conditions of this order in order to comply with applicable law and regulations, including Arms Service Procurement Regulations.