

PURCHASING TERMS AND CONDITIONS

Technical Services, Inc. herein is referred to as TSI.

GENERAL QUALITY REQUIREMENTS APPLY TO ALL PURCHASE ORDERS

TSI/CUSTOMER/GOVERNMENT SURVEILLANCE AT SUPPLIER'S FACILITY

TSI reserves the right to assign representatives, including TSI customer or government representatives, on an itinerant or resident basis at supplier's facility or those of lower-tier suppliers for the purposes of verifying all tests and/or inspections completed as part of the terms and conditions of this purchase order(s). Supplier is required to provide TSI representatives with reasonable equipment and access to all areas essential to complete this task throughout all periods of performance under this purchase order(s). Supplier also agrees to accept this requirement without charge to TSI.

PURCHASE ORDER SUBCONTRACTING

Purchase order(s) cannot sub-contracted without the written authorization of TSI.

QUALITY SYSTEM REQUIREMENTS

ISO9001 certification is preferred as a minimum.

CALIBRATION SYSTEM REQUIREMENTS

All of the suppliers' tools and measuring equipment used for the acceptance of product must be calibrated with one of the following specifications: ANSI Z540, ISO/IEC Guide 17025 or ISO Handbook 10012. A certified calibration report must include date, signature and title of the responsible supplier representative. The supplier must identify standards used that are traceable to the National Institute of Standards and Technology (NIST). All calibration will be accomplished to manufacturers recommendation unless otherwise stated. Frequency of calibration will be 12 months or as listed on the purchase order.

PACKAGING REQUIREMENTS

Packaging and packaging material shall conform to all requirements specified in AS9146, on drawings, specifications, purchase orders and the following:

- All materials shall be wrapped, bagged and enclosed in cartons, boxes, or other containers which will provide protection from contamination and physical damage.
- All ESD sensitive parts shall be in accordance with MIL-STD-1686 or ANSI-IPC-A-610.
- All materials with external surface finishes shall be packaged individually in chemically neutral craft paper.
- Parts purchased as a set shall be packaged as a set.
- Reworked parts must be packaged separately from new parts and identified.
- Shipments that consist of multiple containers shall be identified relative to the total number of containers, e.g. 1 of 3, 2 of 3, 3 of 3, etc.
- Each individual part number must be separated, bagged or tagged and identified.
- Materials with differing lot, batch, or date code shall be packaged separately.

SOLDERABILITY

On this purchase order all electronic/mechanical components and wires soldered meet the requirements of J-STD-002 and/or the printed boards on this purchase order meet the requirements of J-STD-003.

SOLDERING WORKMANSHIP

When IPC/EIA J-STD-001 or IPC-A-610 is called out per drawing, Class 2 workmanship and process control is required. Operators working on these products shall be certified to the latest version of the applicable standard unless otherwise specified.

CONTROL OF QUALITY

Supplier is required to notify TSI if there are any changes in the Quality System that was used as the basis of approval.

WORKMANSHIP

When J-STD-001 or IPC-A-610 is called out per drawing, Supplier's operator and inspectors shall be trained to the current applicable standard and its classification.

SUPPLIER PERFORMANCE REQUIREMENTS

All suppliers will be monitored for Quality and On Time Delivery. If Quality and or On Time Delivery performance fall below TSI requirements, corrective action may be warranted.

CERTIFICATE OF CONFORMANCE

Unless otherwise noted on the Purchase order, each shipment requires a legible document package in English, which contains the following:

- Conformance statement with signature
- Name and Address of Seller
- Name and address of BTP Manufacturer (if different from Seller)
- Purchase Order Number
- TSI part number or Manufacturer's part number as listed on the purchase order.
- Drawing Revision (when applicable)
- Parts List/BoM Revision (when applicable)
- Identify lot, batch, date codes. When the certification has more than one date code identified, the quantities of each shall be noted.

NON-CONFORMING MATERIALS

TSI may refuse delivery of and reject any ordered material not meeting the specifications and/or drawings contained within or accompanying the Purchase Order. TSI reserves the right to return any non-custom-manufactured product for credit or replacement that does not meet those specifications. Supplier is required to provide corrective action response upon TSI's request.

CORRECTIVE ACTION

The supplier shall have a corrective and preventive program in place. Corrective action records and information shall be available upon request.

FIRST ARTICLE INSPECTION REPORT

First article inspection report (FAIR), shall be provided by seller as required and noted in the body of the PO.

RECORD RETENTION

Quality, purchasing and manufacturing records that were used to produce the product shall be maintained indefinitely. Written authorization from TSI is required prior to destruction.

ORDER ACCEPTANCE

Agreement by Seller to furnish the goods hereby ordered or the finishing of such goods by Seller in whole or part shall constitute acceptance by Seller of this order. Any terms and conditions proposed by Seller inconsistent with or in addition to the terms of purchase contained herein shall be void and of no effect, unless specifically agreed to by Buyer.

FOREIGN OBJECT DEBRIS (FOD) ELIMINATION PROGRAM

Seller shall maintain and implement a documented FOD elimination and detection program using AS9146 as guidance.

SHIPMENT

Unless otherwise specified on the face of the order, all goods must be delivered FOB Destination. Title and risk of loss or damage will pass to Buyer at Buyer's dock upon acceptance. Each case or parcel shall be accompanied by a packing list of contents and must show Buyer's Purchase Order number. If no packing list accompanies the shipment, Buyer's count will be conclusive on the Seller. Item(s) furnished in quantities other than that specified by the Buyer on the Order are subject to Buyer's rejection and will be returned at Seller's expense. All goods shall be shipped on carriers certified compliant with CTPAT (customs-Trade Partnership Against Terrorism).

DELIVERY DATE

Time is of the essence of this order. Seller shall notify Buyer immediately of any delay in delivery, Seller's notice shall include the reasons for the delay and the actions being taken to overcome or minimize the delay. Such notice shall include a revised delivery schedule and shall not constitute a waiver to Buyer's rights and remedies hereunder. Buyer may cancel this order for late delivery without cancellation charge.



PHONE: (360) 675-1322
FAX: (206) 624-0695
1150 NE 21st Court
PO Box 1527
Oak Harbor, Washington 98277

PRICE

The price(s) set forth on the face of each Order are firm. If no price or delivery date appears thereon, TSI will not be bound to any price or delivery date to which it has not specifically agreed in writing. Unless otherwise provided herein, such prices include all costs for packing, insuring, and transporting the goods ordered to TSI's facility. TSI shall not be liable for any taxes or governmental charges or fees with respect to any TSI Purchase Order other than those which Seller is required by law to collect from TSI. All such taxes and fees shall be stated separately on Seller's invoice. Seller agrees to extend to TSI any price reductions necessary to give TSI the benefit of the lowest and most favorable price(s) and terms offered or given by Seller to other purchasers of the same goods and services in similar quantities described in the Order.

INDEMNITY

Seller shall defend Buyer and hold Buyer harmless against all claims of infringement of the rights of others and against all claims of injury or damage arising out of any act or failure to act by Seller in connection with Buyer's purchase hereunder.

TERMS OF PAYMENT

The payment due date shall be computed from the later of the scheduled delivery date, the actual delivery date or the date of receipt of a correct invoice. Payment shall be deemed made on the date Buyer's check is mailed or payment is otherwise tendered.

CHANGES

Buyer shall have the right by written order to make changes in the good to be furnished by Seller hereunder. If such changes cause an increase or decrease in the cost of performance of this order or in the time required for its performance, an equitable adjustment shall be negotiated promptly, and the order shall be modified in writing accordingly. Any claim by the Seller for adjustment under this paragraph must be asserted in writing within thirty (30) days of the receipt of the notice of change and must include the amount claimed and support cost figures.

CANCELLATION/TERMINATION

Buyer shall have the right to cancel/terminate the Order or any part thereof at any time. Upon receipt of a notice of cancellation/termination from Buyer, Seller shall stop work and immediately take the necessary action to ensure that all work under the order shall cease and to the extent specified in the Buyer's notice of cancellation/termination, that all subcontracts and orders are forthwith cancelled/terminated immediately. Seller shall be entitled to reasonable cancellation charges unless Seller shall be in default of performance of the order. Cancellation charges shall be limited to the cost incurred in the performance of the work terminated and in the settlement of all claim arising out of such termination. The total cancellation charges shall in no event exceed the total purchase order price reduced by the purchase order price of the work not terminated. Seller will transfer to Buyer ownership of the property, the cost of which is reimbursed to the Buyer under this Section.

LIMITATION OF LIABILITY

Buyer's maximum aggregate liability for its acts or omissions hereunder shall be limited to a sum no greater than the aggregate value of the Item(s) scheduled for delivery per the Order issued. Further, in no event shall buyer be liable for punitive, indirect, special, incidental or consequential damages for its acts or omissions hereunder.

WAIVER

Buyer's failure to assert its rights under any provision of these terms shall not be deemed a waiver of such rights, nor shall any waiver be implied from the acceptance of or payment for any goods ordered hereunder. No waiver by Buyer shall be valid unless made in writing and signed by an authorized officer of the Buyer.

DISPUTE RESOLUTION

If a dispute arises out of or relates to the Order and cannot be resolved through good faith negotiations either Party may refer such claim, dispute or controversy to final, binding resolution by arbitration by the American Arbitration Association in accordance with its Commercial Arbitration Rules.

COUNTERFEIT PARTS

Seller is hereby notified that the delivery of suspect/counterfeit parts is of special concern to Buyer. If suspect/counterfeit parts are furnished under this order or are found in any of the goods delivered hereunder, buyer will impound such items. The Seller shall promptly replace such suspect/counterfeit parts with parts acceptable to the Buyer and the Seller shall be liable for all costs, including but not limited to Buyer's internal and external costs, relating to the removal and replacement of said parts. To further mitigate the possibility of the inadvertent use of counterfeit parts, the Seller shall only purchase components and parts procured directly from the Original Equipment Manufacturer (OEMs) or through the OEM's authorized distributor chain. Seller must make available to Buyer (if Buyer requests) OEM documentation that authenticates traceability

of the components to the applicable OEM. Buyer reserves all contractual rights and remedies to address grievances and detrimental impacts caused by suspect/counterfeit parts.

FORCE MAJEURE

a) Definition. Force Majeure shall mean any event or condition, not existing as of the date of the acknowledgement of the Order, not reasonably foreseeable as of such date and not reasonably within the control of either Party, which prevents in whole or in material part the performance of the Parties of its obligations hereunder or which renders the performance of such obligations difficult or costly as to make such performance commercially unreasonable. Without limiting the foregoing, the following shall constitute events or conditions of Force Majeure: acts of State or Governmental action, orders, legislation, regulations, restrictions, priorities or rationing, riots, disturbance, war (declared or undeclared), strikes, lockouts, slowdowns, prolonged shortage of energy supplies, interruption of transportation, embargo, prohibition of import, or export of goods covered by the Order, and epidemics, fire, flood, hurricane, typhoon, earthquake, lightning, and explosion. If by any of the above-mentioned causes, an allocation of supplies must be made, the Parties hereby agree that the allocation will be fairly made. It is in particular expressly agreed that any refusal or failure of any governmental authority to grant any export license legally required for the fulfillment by the Seller of its obligations hereunder shall constitute an event of Force Majeure, provided said refusal is not due to the fault of or negligence of the Seller.

b) Notice. Upon giving written notice to either Party, a Party affected by an event of Force Majeure shall be released without liability on its part from the performance of its obligations under the Order, except for the obligation to pay any amounts due and owing hereunder, but only to the extent and only for the period that its performance of such obligations is prevented by the event of Force Majeure. Such notice shall include a description of the nature of the event of Force Majeure, and its cause and consequences. The Party claiming Force Majeure shall promptly notify the other Party in writing the termination of such event.

c) Confirmation. The Party invoking Force Majeure shall provide the other Party confirmation of the existence of the circumstances constituting Force Majeure. Such evidence may consist of a statement or certificate of an appropriate governmental department or agency where available, or a statement describing in detail the facts claimed to constitute Force Majeure.

d) Suspension of Performance. During the period that the performance by one of the Parties of its obligations under the Order has been suspended by reason of an event of Force Majeure, the other Party may likewise suspend the performance of all or part of its obligation hereunder to the extent that such suspension is commercially reasonable.

e) Termination. Should the period of Force Majeure continue for more than ninety (90) consecutive days, either party may terminate the business relationship after the final payment is mailed or otherwise tendered.

CONFIDENTIALITY

The Seller undertakes that it and the Seller's, personnel, agents and subcontractors will fully respect the confidentiality of Buyer's internal business affairs. The Seller hereby undertakes to treat as confidential and proprietary to Buyer, all information obtained from Buyer or communicated to the Seller pursuant to its Purchase Order (or through discussions or negotiations prior to the Purchase Order being placed) or acquired in the performance of the Purchase Order, and will not divulge such information to any person (except to its own employees and then only to employees who need to know the same) and will use such information solely in connection with performing its obligations under the Purchase Order and not for its own benefit or for the benefit of any third party, provided that this Clause shall not extend to information: a) Which is rightfully in its possession prior to the commencement of the negotiations resulting in the Contract; or b) Which is already public knowledge or becomes so at a future date (other than as a result of breach of this Clause); or c) Which is communicated or disclosed to the Seller by a third party lawfully in possession thereof and entitled so to disclose it.

INDEMNITY FOR INFRINGEMENT

The Seller shall, at its expense, hold harmless and defend Buyer, its customers, and all persons claiming under Buyer, against any claim, demand, action or suit alleging or arising from the infringement of any patent, copyright or trademark or any misappropriation of trade secrets, and shall indemnify the aforesaid parties against damages, costs, and expenses, including all legal expenses, arising there from by reason of the manufacture, sale or the normal and intended use of the articles and services covered by the Order. Seller shall be given adequate notice of such claims and will assume full and exclusive control in the defense thereof. Buyer will provide reasonable cooperation to the Seller by supplying relevant documents and making Buyer employees available for consultation and testimony. Seller will compensate Buyer for such cooperation.

EXPORT CONTROL

Seller agrees to notify Buyer if any deliverable under this Purchase Order is restricted by export control laws and regulations. Seller agrees to comply with all applicable U.S. export control laws and regulations, specifically including, but not limited to, the requirements of the Arms Export Control Act, 22 USC 2751-2794, including the International Traffic in Arms Regulations (ITAR), 22 CFR 120-130; and the Export



PHONE: (360) 675-1322
FAX: (206) 624-0695
1150 NE 21st Court
PO Box 1527
Oak Harbor, Washington 98277

Administration Act, 50 USC app.2401-2420, including the Export Administration Regulations (EAR), 15 CFR be liable for punitive, indirect, special, incidental or consequential damages for its acts or omissions hereunder.

GOVERNMENT CLAUSES

Government clauses applicable to this contract are incorporated herein either by attachment to this document or by some other means of reference.

ANTI KICKBACK PROCEDURES

Federal Acquisition Regulation (FAR) Clause 52.203-7 is incorporated herein by reference.

ENTIRE AGREEMENT

This contract contains the entire agreement of the parties and supersedes any and all prior agreements, understandings and communications between Buyer and Seller related to the subject matter of this contract. No amendment or modification of this contract shall bind either party unless it is in writing and is signed by Buyer's Authorized Procurement Representative and an authorized representative of Seller.

GOVERNING LAW

This contract is governed by and construed in accordance with the laws of the state of Washington; no consideration shall be given to Washington's conflict of laws rules.

CHEMICAL ISSUES

Supplier shall label products which contain or are manufactured with ozone-depleting substances in the manner and to the extent required by 42 U.S.C. 7671j (b), (c), and (d) and 40 CFR Part 82, Subpart E, as follows:

Warning: Contains (or manufactured with, if applicable) * _____, a substance(s) which harm(s) public health and environment by destroying ozone in the upper atmosphere.

* Supplier shall insert the name of the substance(s)

SHELF LIFE

Seller shall provide documentation with the shipment against orders defining when useful shelf life was initiated by the manufacturer or converter, as appropriate. When useful shelf life will expire, documentation shall include batch or lot code information. Seller shall assure that a minimum of 75% useful shelf life remains at time of shipment to Buyer unless otherwise stated in the Buyer Purchase Order.

HUMAN RIGHTS

Seller commits that any material violation of law by Seller relating to basic working conditions and human rights, including laws regarding slavery and human trafficking, applicable to Seller's performance under this Contract/ Agreement may be considered a material breach of this Contract/Agreement for which TSI may elect to cancel any open orders between TSI and the Seller, for cause, in accordance with the provisions of this Contract/Agreement, or exercise any other right of TSI for an Event of Default under this Contract/Agreement.

ETHICAL BEHAVIOR

Supplier shall put in place a process to ensure communication to its employees to ensure they are aware of:

- their contribution to product or service conformity
- their contribution to product safety
- the importance of ethical behavior