

COMPOSITES UNLIMITED TERMS AND CONDITIONS OF PURCHASE

GENERAL TERMS AND CONDITIONS APPLICABLE TO ALL ORDERS

1. ACCEPTANCE: This order is for the purchase and sale of the goods and services described on the Purchase Order herein referred to as "the Article", and is Buyer's offer to Seller. It is subject to Seller's acceptance only by Seller's execution and return of the acknowledgment copy hereof without exception. No contract shall exist until Buyer's receipt of such acknowledgment copy. In the absence of Buyer's receipt of such acknowledgment, Buyer's acceptance of the Articles shall constitute a contract on the terms and conditions hereof and no others. Terms and conditions contained in any acknowledgment of this order, which are different from or in addition to the terms and conditions of the order shall not be binding on Buyer, whether or not they would materially alter this order and Buyer hereby objects thereto.

2. PACKING: The Articles shall be packed and shipped by Seller in accordance with Buyer's instructions and good commercial practice and so as to insure that no carnage shall result from weather and transportation, and the cost thereof shall be included in the price of the Articles.

3. CHARGES, TAXES AND DELIVERIES: Unless otherwise stated, all deliveries and prices are f.o.b. Buyer's facility. Seller, unless otherwise directed, is required to follow the transportation routings specified on the Purchase Order. Failure to do so may subject Seller to debit for any excess freight charges. Sales, excise or taxes imposed by governmental authority upon the sale to be paid by Buyer shall be separately stated on the invoice. Unless authorized in writing to the contrary by Buyer, Seller shall not manufacture, produce or deliver the Articles in advance of the schedule or otherwise anticipate Buyer's requirements.

4. INSPECTION: Buyer, its customer and/or any regulatory agency shall have the right to inspect all Articles, raw materials, work in progress, and all applicable records at any time during normal business hours either at the manufacturing facilities or the storage facilities of Seller. Notwithstanding any prior payment or inspection by Buyer, all Articles shall be subject to final inspection and acceptance by Buyer at Buyer's plant. Without limiting other rights Buyer may have under this Agreement or by law resulting by Seller's delivery of Defective Articles. Articles not conforming to the Purchase Order or otherwise defective may be rejected by Buyer and the unit price thereof debited against the invoice covering the shipment in which such projects were included. Articles rejected will be held at Seller's risk and subject to Seller's disposal at Seller's expense, for a reasonable time and. if not disposed of by Seller will be sold or otherwise disposed of by Buyer for Seiler's account.

5. LANGUAGE: All documentation supplied by Seller shall be in the English language.

6. SELLER'S NOTICE OF DISCREPANCIES: It shall be Seller's obligation to advise Buyer in the event Seller discovers potential or actual non-conformances to Buyer's drawings, specifications, and standards prior to delivery, and/or subsequent to delivery of product under this contract.

7. SHELF LIFE: All age-limited items must have quoted shelf life remaining when received at Buyer's facility

8. WARRANTY PRODUCT: In addition to all warranties, which may be prescribed by law or the schedule of this order, the Articles shall conform to specifications, drawings, and other description and shall be free from defects in materials and workmanship. Seller also warrants to the extent the Articles are not manufactured pursuant to detailed designs furnished by Buyer, that they would be free from defects in design. Such warranties, including warranties prescribed by law, shall run to Buyer, its successors, assigns, and customers, and to users of the Articles, for a period of thirty-six (36) months after delivery unless otherwise stated.

9. WARRANTY PRICE: Seller warrants that the prices charged Buyer, as indicated on the Purchase Order, are no higher than prices charged on orders placed by others for similar quantities on similar conditions during the sixty (60) day period prior to the execution hereof. In the event Seller breaches this warranty, the prices of the Articles shall be reduced accordingly.

10. PATENT INDEMNITY: Seller shall indemnify and hold Buyer, its successors or assigns, and its customers and users to the extent such customers and users are indemnified by the Buyer, from any claimed infringement of any United States patent, trademark or copyright with respect to the articles, except those manufactured to Buyer's detailed designs, which are rendered infringing by Buyer's requirements for design or manufacture

differing from Seller's normal practice, and Seller shall defend same at its expense, provided that Buyer promptly notifies Seller of such infringement.

11. TERMINATION:

(A) For Default:

(1) Buyer may terminate this order or any part thereof by written notice of default to Seller under any of the following circumstances:

a. If Seller refused or fails to make deliveries or perform the services within the time specified or extension thereof.

b. If Seller fails to comply with other provisions of this order or so fails to make progress as to endanger performance of this order in accordance with its terms, and does not cure any such failure within a period of ten (10) days for such longer period as Buyer may authorize by written notice after receipt of notice from Buyer specifying such failure.

c. If Seller becomes insolvent, or makes a general assignment for the benefit of creditors, or pursues any remedy under any law relating to relief for debtors, or in the event a receiver is appointed for Seller's property, and to the extent Buyer may lawfully exercise such right of termination.

(2) In addition to all remedies available to Buyer under applicable law Buyer may in the event of such termination purchase or manufacture supplies and/or require Seller to transfer title and deliver to Buyer any and all property produced or procured by Seller under this order and Seller shall be liable to Buyer for any excess cost to Buyer.

(B) Buyer may terminate this order in whole or in part, at any time for its convenience, by notice to Seller in writing. On receipt by Seller of such notice, Seller shall to the extent specified therein, stop work and the placement of subcontracts hereunder, terminate work under subcontracts outstanding hereunder, and take any necessary action to protect property in Seller's possession in which Buyer has or may acquire an interest. In such event, Buyer shall pay to Seller, without duplication the:

(1) Amounts due for Articles delivered and accepted or services completed in accordance herewith prior to the effective date of termination; plus

(2) Actual costs incurred by Seller if properly allocable or apportionable under recognized commercial accounting practices to the terminated portion of this order including valuables to subcontractors which are so allocable, and excluding any charges for interest or material or parts which may be delivered to other orders; plus

(3) A reasonable profit on work actually done by Seller prior to such termination; plus

(4) The reasonable costs of settlement; provided that the total settlement shall not exceed the order price and provided further, that it appears that the Seller would have sustained a loss on the entire order had it been completed. No profit shall be included or allowed and an appropriate adjustment shall be made reducing the amount of the settlement to reflect the indicated rate of loss. Such termination claim shall be submitted to Buyer within sixty (60) days after the effective date of the termination.

(C) Any termination by Buyer, whether for default or otherwise, shall be without prejudice to any claims for damages of other rights of Buyer against Seller.

(D) Buyer shall have the right to audit all element of any termination claim and Seller shall make available to Buyer on request all books, records, and papers relating thereto

(E) Seller shall continue performance of this order to the extent not terminated. Any provisions for delivery or acceptance of the Articles in installments shall not make reversible the obligations of Seller.

12. STOP WORK: Seller shall stop work for a period of up to ninety (90) days in accordance with the terms of a written notice received from Buyer, and shall take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the order during the period of work stoppage. Within said ninety (90) day period, Buyer shall either terminate or continue the work by written order to Seller in the event of a continuation, equitable adjustment shall be made to the price, delivery, schedule or other provision affected by the work stoppage, provided the claim for equitable adjustment is made within thirty (30) days after said continuation.

13. CHANGES:

(A) Buyer may at any time by written and/or telegraphic order to Seller signed by a representative of Buyer's Purchasing department and without notice to sureties if any, make changes in the quantities ordered or in the specifications or drawings or in the delivery schedule relating to the Articles, or may change or amend any other term of condition of this order.

(B) Seller shall proceed promptly to make such changes in accordance with the terms of such written and or telegraphic order. An equitable adjustment shall be made to any price, time of performance, or other provisions of this order required to be changed thereby and this order shall be amended in writing accordingly. Any claim for adjustment under this clause must be made in writing within thirty (30) days from the date of receipt by Seller of such change. In absence of such notification, Buyer shall not be obligated to consider Seller's claim for an equitable adjustment resulting from a change. Nothing in this clause shall excuse Seller from proceeding with the order as changed.

(C) Except as may be directed or agreed to in writing by a representative of Buyer's Purchasing department, Seller shall not make any changes in any aspect of the work to be performed under this order. including, but not limited to drawings or Specifications, quantity of Articles ordered and delivery schedules.

14. COMPLIANCE WITH LAWS:

(A) Seller shall comply with all federal, state and local laws executive regulations and orders. Seller shall certify that the Articles were produced in compliance with all applicable requirements of The Fair Labor Standards Act, including sections 6, 7 and 12 thereof, and the regulations and order of the US Dept. of Labor issued under section 14 thereof.

(B) The Equal Employment Opportunity Clause in Section 202 of Executive Order 11246 as amended the Affirmative Action Clauses in Section 402 of the Vietnam Era Veterans Readjustment Assistance Act and Section 503 of the Rehabilitation Act, and the implementing rules and regulations of the Office of Federal Contract Compliance Programs relative to equal employment opportunity are incorporated herein by specific reference.

15. INDEMNITY AND INSURANCE: Seller shall indemnify and hold Buyer and its employees harmless from any property damage, personal injuries, or death arising out of Seller's (or its subcontractors work or performance hereunder and shall procure and maintain insurance against such risks.)

16. SETOFF: Buyer may set off any amount due from Seller whether or not under this order, against any amount due Seller hereunder.

17. NON-ASSIGNMENT: Seller shall not assign this order or any interest herein, including any payment due or to become due with respect thereto, without Buyer's prior written consent.

18. SUBCONTRACTING: If any Articles are to be made to Buyer's design, all subcontracting by Seller with respect thereto shall be subject to Buyer's prior written approval.

19. REQUIREMENTS FLOW DOWN: It shall be Seller's obligation to flow to sub-tier suppliers the applicable requirements in the purchasing documents, including key characteristics where required.

20. ADVERTISING: Seller shall not advertise or publish the fact that the Buyer has placed this order without Buyer's prior written consent except as may be necessary to comply with a proper request for information from an authorized representative of the Government.

21. CONTROLLING LAW: This order and the performance of the parties hereunder shall be controlled and governed by the law of the state shown in Buyer's address on the front side hereof.

22. NOTICE OF LABOR DISPUTES: Whenever an actual or potential labor dispute is delaying or threatens to delay the timely performance of this order, Seller shall immediately give notice thereof including all relevant information with respect thereto, to Buyer. Any subcontract hereunder as to which a labor dispute may delay the timely performance of this order, shall provide that in the event its timely performance is delayed or threatened to be delayed by any actual or potential labor dispute, the subcontractor shall immediately notify Seller of all relevant information with respect to such dispute.

23. NON-WAIVER: No waiver of any provision or failure to perform any provision of this order shall be effective unless consented to by Buyer in writing nor shall any such waiver constitute a waiver of any other provision or failure to perform.

24. MANDATORY CLAUSES REQUIRED UNDER GOVERNMENTAL CONTRACTS OR SUBCONTRACTS:

If a government contract number is shown on the Purchase Order, clauses contained in the Armed Services Procurement Regulation, or other applicable federal law or regulation and which the government makes mandatory for a contractor under a government contract to include in its subcontracts hereunder, will apply to this order.

25. ENTIRE AGREEMENT AMENDMENT: Provisions contained herein constitute the entire agreement and supersede all previous communications, representations, either verbal or written between the parties hereto with respect to the subject matter hereof. This agreement may not be changed, altered, supplemented or added to at any time except by supplemental written contract.

26. ARBITRATION: Any controversy or claim arising out of or relation to this order or the performance or breach thereof shall be settled by arbitration in the County of Orange, State of California in accordance with the rules and procedure then obtaining of the American Arbitration Association, and judgment on the award rendered by the arbitrator(s) may be entered in any Court having jurisdiction thereof.

SPECIAL REFERENCE CLAUSES

A1 – Seller must meet and maintain scheduled delivery requirements.

A2 – Purchase Order is subject to a late delivery penalty of 1-5 days @ 3%, 6-10 days @ 5%, and more than 10 days @ 1% per day until receipt.

A3 – Shipments will not be accepted more than 5 days prior to due date.

A4 – Shipments will not be accepted more than 15 days prior to due date.

A5 – Shipments will not be accepted more than 30 days prior to due date.

A6 – Processing of each lot shall be limited to the lead-time necessary to meet deliveries as specified, normally a maximum of 90 days.

A7 – CUI, its customers and the FAA reserves the right of entry for certification/verification and inspection purposes.

A8 – Manufacture parts per CUI Manufacturing Outline (MO)

A9 – CUI will furnish material associated with this order.

A10 – Original drawing shall be returned with shipment

A11 – Manufacturing Outline (MO) and Inspection Report shall be returned with shipment

A12 – Material certification and/or physical properties and chemical analysis is required for vendor-supplied raw material.

A13 – Certificate of Conformance shall be provided with shipment. It shall state that material used to manufacture part conforms to specifications and reports on file at your plant.

A14 – First Article parts & Inspection Report required for CUI approval prior to delivery of remainder of order.

GOVERNMENT IMPOSED REFERENCE CLAUSES**D1 – Priority DXA 1**

This is a rated order certified for national defense use. You are required to follow all the provisions of the DPAS regulation (15 CFR 700).

D300L - ACQUISITION AND USE OF NON-DOMESTIC SPECIALTY METALS

The seller agrees not to incorporate into any articles to be delivered under this purchase order, specialty metals not melted in the United States, its possessions, Puerto Rico, or a qualifying country. Specialty metals are defined in Defense Federal Acquisition Regulation Supplement (DFARS 252.225-7014 and its Alternate 1). Qualifying countries are listed in DFARS 225,872-1 (a). (below) In addition to the DFARS provisions referenced above, all articles containing specialty metals must conform to an applicable contract requirements (e.g., specification(s), statement of work, drawings, etc.)

D2 – SELLER FURNISHED MATERIAL CERTIFICATION FOR SPECIALTY METALS ONLY

Seller shall document and maintain material certification containing the following:

1. Description of the material used in the manufacture of the end-item;
2. Material specifications;
3. Lot, heat, or batch number identification;
4. Source of procurement;
5. Origin of material;
6. Name and location of Melting facility;

7. Name and Location of mill,
8. Mill certification; and
9. All other requirements as specified in the applicable raw material specification including chemical and physical analysis. Seller shall retain certification for a period of no less than seven (7) years after final payment. *NOTE: Specialty Metals are defined in the Defense Federal Acquisition Regulation Supplement (DFARS, clause 252.225-7014, Preference For Domestic Specialty Metals, and its Alternate 1.*

D3 – 252.225-7014 Preference for Domestic Specialty Metals

As prescribed in 225.7002-3(b)(1), use the following clause: PREFERENCE FOR DOMESTIC SPECIALTY METALS (JUN 2005).

(a) *Definitions.* As used in this clause -

(1) "Qualifying country" means any country listed in subsection 225.872-1 of the Defense Federal Acquisition Regulation Supplement.

(2) "Specialty metals" means -

(i) Steel -

(A) *With* a maximum alloy content exceeding one or more of the following limits: manganese, 1.65 percent; silicon, 0.60 percent; or copper, 0.60 percent; or

(B) Containing more than 0.25 percent of any of the following elements: aluminum, chromium, cobalt, columbium, molybdenum, nickel, titanium, tungsten, or vanadium;

(ii) Metal alloys consisting of nickel, iron-nickel, and cobalt base alloys containing a total of other alloying metals (except iron) in excess of 10 percent;

(iii) Titanium and titanium alloys; or

(iv) Zirconium and zirconium base alloys.

(b) Any specialty metals incorporated in articles delivered under this contract shall be melted in the United States or its outlying areas.

(c) This clause does not apply to specialty metals -

(1) Melted in a qualifying country or incorporated in an article manufactured in a qualifying country; or

(2) Purchased by a subcontractor at any tier.

D4 - Defense Federal Acquisition Regulation Supplement, Part 252-Solicitation Provisions and Contract Clauses 1998 EDITION 252.225.18, ALTERNATE 1 (APR 2003)

As prescribed in 225.7002-3(b)(2), substitute the following paragraph (c) for paragraph (c) of the basic clause, and add the following paragraph (d) to the basic clause: (c) This clause does not apply to specialty metals melted in a qualifying country or incorporated in an article manufactured in a qualifying country. (d) The Contractor shall insert the substance of this clause, including this paragraph (d), in all subcontracts for liens containing specialty metals.

D5 - 225.872-1 Contracting With Qualifying Sources / 225.872-1 General

(a) As a result of memoranda of understanding and other international agreements, DoD has determined it inconsistent with the public interest to apply restrictions of the Buy American Act, or the Balance of Payments Program to the acquisition of qualifying country end products from the following qualifying countries: Australia, Belgium, Canada, Denmark, Egypt, Federal Republic of Germany, France, Greece, Israel, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom of Great Britain and Northern Ireland.

(b) Individual acquisitions of qualifying country end products from the following qualifying countries may, on a purchase-by-purchase basis (see 225.872-4), be exempted, from application of the Buy American Act and the Balance of Payments Program as inconsistent with the public interest
Austria, Finland

(c) The determination in paragraph (a) of this subsection does not limit the authority of the Secretary, concerned with to restrict acquisitions to domestic sources or reject an otherwise acceptable offer from a qualifying country source when considered necessary for national defense reasons.