

PURCHASE ORDER TERMS AND CONDITIONS

Your company's acceptance of this purchase order is expressly limited and subject to the following terms and conditions:

1. Terms and Acceptance. This purchase order ("Order") shall be deemed to have been accepted by your company ("Seller") subject to the terms and conditions stated herein upon the occurrence of the earliest of: (i) Seller's written acceptance of this Order, (ii) Seller's commencement of performance hereunder, (iii) Seller's shipment of the goods ordered hereunder ("Goods"), or (iv) Seller's acceptance of any payment from Peerless Electronics Inc. ("Buyer") for Goods ordered hereunder. The offer contained in this Order is made on the terms and conditions stated herein and no others. Accordingly, Seller's acceptance of this Order is expressly limited to the terms and conditions hereof. Any terms stated by Seller in any proposal, quotation, confirmation, sales order, invoice, acceptance document, acknowledgment or other document that are inconsistent with, additional to, or different from the terms and conditions in this Order shall be of no force and effect and the terms and conditions of this Order shall govern and control. Notice of objection is hereby given to any proposed term or condition or any alteration whether perceived as major or minor in nature. No additions, subtractions, or other modification of the terms and conditions of this Order shall be binding upon Buyer unless expressly accepted in writing by Buyer.

2. Inspection. Within sixty (60) days after Seller duly tenders delivery of the Goods ordered pursuant hereto, Buyer shall have the right, but not the obligation, to inspect and perform qualification tests on the Goods before accepting them. Tests or inspections performed by Buyer will not constitute acceptance nor relieve Seller of its obligation to tender conforming goods in accordance herewith. If Buyer determines that any of the Goods fail inspection, such determination shall be conclusive and binding on the parties and the entire shipment thereof shall be deemed to constitute Non-conforming Goods (as defined in section 5(a)). Buyer, its customers, and the applicable regulatory authorities shall have the right to access and inspect all applicable areas of the facilities of Seller and its subcontractors, at any level in the supply chain, and their respective books and records related to the Goods supplied pursuant to this Order. Supplier shall maintain such records related to this Order at its facilities for a minimum of ten (10) years.

3. Delivery and Related Matters. (a) Seller shall deliver conforming Goods within the time specified for delivery on the face of this Order, but not sooner than five (5) days prior to such date, it being understood that time is of the essence. Seller may not rely on a course of performance, prior course of dealings, or trade usage to imply an agreement to extend the time of delivery specified herein. The Goods shall be deemed delivered when they arrive at the location designated by Buyer on the face hereof. Further, Seller hereby waives and negates any right it may have to cure a non-conforming tender of delivery if it would extend the delivery date beyond the date specified for delivery herein, whether or not the Seller had reasonable grounds to believe that the non-conforming tender would be acceptable with or without money damages. In the event Seller fails to deliver conforming Goods within the time specified for delivery hereunder, Buyer shall have the right, in its sole and absolute discretion, to either reject late deliveries and/or reject all Goods delivered and cancel the order for Goods contemplated hereby in the manner specified in section 8 or require Seller to ship the Goods in an expedited manner within five (5) days after Buyer gives notice of its request for such expedited delivery. The acceptance of late or defective delivery shall not be deemed a waiver by Buyer of its rights hereunder. The rights and remedies of Buyer to cancel late deliveries or demand shipment in an expedited manner shall be cumulative and not exclusive, and shall be in addition to any other rights and remedies available to Buyer hereunder or under applicable law. (b) Notwithstanding anything to the contrary contained herein, Buyer shall have the sole and absolute right to postpone and extend the time for delivery specified on the face hereof for the period specified by Buyer, but not to exceed twelve (12) months. Buyer shall exercise such right by giving written notice of its intention to do so to Seller and Buyer shall not be liable to Seller on account of exercising such right. (c) Unless otherwise specified on the face hereof, the Goods shall be delivered in a single lot. To the extent this order authorizes delivery in several lots, it is understood and acknowledged by the parties that this contract is, and it is their intention to create, a unitary contract and not an installment contract within the meaning of the New York Uniform Commercial Code ("NYUCC"). Accordingly, the parties rights and obligations hereunder shall be construed in accordance with the rules for unitary contracts with delivery in several lots (if applicable), even if it is determined that this is an installment contract. (d) Seller shall utilize the carrier and method of transportation specified on the face hereof and Seller shall make, and is hereby authorized to make, an appropriate contract for transportation of the Goods in accordance therewith. The Goods shall be shipped to the applicable plant of Buyer as specified on the face hereof. Except as otherwise provided in section 5 or the face hereof, Buyer shall pay the costs of transportation. The risk of loss shall be borne by Seller until Seller duly tenders delivery of the Goods and same are unloaded at the applicable plant of Buyer. Tender of delivery shall be governed by Section 2-504 of the NYUCC except that failure to tender delivery shall not be limited to material delay or loss but shall instead be governed by sections 3(a) and 5.

4. Packaging. Each package of Goods shall (i) be placed in containers conforming to Buyer's Specifications (as defined in section 28), or in the absence of such Specifications, in recognized commercial containers suitable for the Goods for domestic or international shipping, as the case may be, in a manner to ensure that Goods are not damaged in transit, with such containers numbered and labeled with the order number, stock number, contents, and weight; and (ii) contain an itemized packing slip. Buyer's count or weight shall be final and conclusive on shipments of Goods not accompanied by appropriate packing slip.

5. Non-conformities; Remedies; Waivers and Related Matters. (a) The occurrence of any one or more of the following events shall constitute an "Event of Default": (i) tendering delivery of any Goods which fail to conform in any respect to the Specifications (as defined in section 28) or that constitute a breach of any of the other provisions hereof ("Non-conforming Goods"); (ii) Seller's breach of or failure to perform any of its obligations hereunder; or (iii) Seller's breach of any representation or warranty made by Seller hereunder. Seller shall immediately notify Buyer in writing upon discovery by Seller of any Event of Default.

(b) Upon the occurrence of an Event of Default, Buyer shall be immediately entitled, but shall not be required, to exercise all, any one, or any number of the following rights and remedies in addition to those rights and remedies available to Buyer under applicable law: (i) with respect to late deliveries, Buyer may extend the time for delivery, in which case such Goods shall be shipped in the manner specified by Buyer, including, without limitation, shipment by air. Any additional expenses incurred for expedited shipping shall be paid by Seller; (ii) with respect to Non-conforming Goods, Buyer shall have the right to obtain replacement goods from Seller. Such Non-conforming Goods shall be replaced with goods which are in strict compliance with the provisions hereof. Under no circumstances, however, will Non-conforming Goods be repaired; (iii) reject or revoke acceptance, as the case may be, of all or any portion of the shipment of Goods containing any Non-conforming Goods; and (iv) cancel all or any portion of this Order or Other Orders (as defined in section 6(d)) pursuant to section 8(a). Buyer shall exercise any one or more of the foregoing rights and remedies by giving written notice to Seller of its intention to do so. To the extent Goods are made to Buyer's or its customer's designs or Specifications, Seller will obtain Buyer's written approval of the disposition of Non-conforming Goods prior to such disposition by Seller. Buyer shall not be liable to Seller on account of exercising any such rights or remedies. Seller hereby acknowledges and agrees that the occurrence of an Event of Default shall constitute a substantial impairment of value to Buyer of both the particular shipment in question and this entire Order, so as to entitle Buyer to exercise any one or all of the remedies specified in this Order or under applicable law and Seller hereby waives its right to cure the default in question. In the event Buyer returns Non-conforming Goods to Seller, it shall be at the Seller's sole cost and expense and Seller shall prepare and deliver to Buyer a written preliminary report containing a description of the discrepancy or the non-conformity observed by Buyer. Such report shall be accompanied by photographs, test reports, visual reports and any documents supporting the findings of the report and shall be delivered within three (3) weeks of Seller's receipt of the Non-conforming Goods from Buyer.

(c) In the event of the occurrence of an Event of Default, Seller shall be liable to Buyer for any and all general, consequential and incidental damages and expenses including, without limitation, late charges, charge backs, interest charges, penalties, and other fees which Buyer may incur, either directly or indirectly, as a result of the event giving rise to the Event of Default. (d) Seller shall maintain a documented Foreign Object Debris (FOD) prevention program, which shall include the review of design and manufacturing processes for Goods to identify and eliminate foreign object entrapment areas and paths through which foreign objects can migrate. Buyer and its customers shall have the right, but not the obligation, to perform audits of Seller's FOD prevention program to ensure FOD prevention program documentation and effectiveness. Goods ordered pursuant hereto shall be protected by Seller from contamination or damage from FOD during processing, shipping and handling prior to delivery to Buyer. By delivering Goods to Buyer, Seller shall be deemed to have certified to Buyer that such Goods are free from any FOD.

6. **Price and Payment.** (a) The price payable for the Goods shall be as specified on the face of this Order. Such price is not subject to increase and includes crating, boxing and cartage and all applicable tariffs, duties and income, sales, ad valorem and excise taxes and similar charges imposed on or with respect to the Goods, and Seller will pay same when due. Seller hereby represents and warrants to Buyer that, at the time of this Order, the prices specified herein constitute Seller's most preferred prices and such prices are not higher than the prices being quoted to other customers of Seller for goods with the same or similar functionality as the Goods ("Similar Goods") at quantities similar to or less than quantities of goods ordered by Buyer. If, at any time prior to shipment, Seller quotes prices for Similar Goods less than the prices provided herein, Seller agrees that the prices charged to Buyer for Goods will be similarly reduced and that Buyer will be invoiced at such reduced prices. (b) Payment shall be made by Buyer to Seller in the form of a company check upon the terms specified on the face hereof, but in no event will Buyer be obligated to pay for any of the Goods until after it has had an opportunity to inspect and test the Goods pursuant to the provisions of section 2. Under no circumstances will Seller ship Goods under reservation. (c) Seller shall submit, in duplicate, invoices and proof of shipment. Delays in receiving invoices, as well as errors or omissions therein, shall constitute just cause for withholding payment. In case of conflict between unit prices and total price, unit prices will control. (d) All amounts due by Buyer hereunder and under other orders submitted by Buyer to Seller or any of Seller's affiliates (collectively, "Other Orders") shall be subject to off-set by Buyer for any claim Buyer may have hereunder or under any Other Orders.

7. **Assignment.** Seller shall not assign any of its rights or delegate any of its duties hereunder without the prior written consent of Buyer, it being understood that Buyer has a substantial interest in having Seller perform its obligations hereunder. Any such assignment or delegation without Buyer's prior written consent shall be null and void, and of no effect.

8. **Termination and Cancellation.** (a) Upon the occurrence of any of the following events, Buyer shall have the sole and absolute right to cancel all or any portion of the Goods ordered under this Order or Other Orders, without any liability to Seller therefor: (i) Seller makes a general assignment for the benefit of creditors, admits in writing an inability to pay its debts as they mature, takes advantage of or files under any federal or state insolvency statute or law, including, without limitation, the United States Bankruptcy Code, consents to the institution of proceedings or the filing of any petition thereunder, any proceeding is filed or commenced against Seller under any insolvency statute or law which is not stayed and dismissed promptly, any substantial part of the properties of Seller are placed in the control of a receiver, custodian, trustee or similar official, or Seller consents to the appointment thereof; (ii) if Buyer is prohibited by any cease and desist order, injunction, or other valid order, decree, process of law, or restraint from accepting shipping, selling, exporting or distributing any Goods pursuant to the terms hereof; or (iii) the occurrence of an Event of Default. Buyer shall exercise its right to cancel by giving Seller notice of its intention to so do and Buyer's shall be liable to Seller only for conforming Goods delivered to Buyer through the effective date of termination, less appropriate offsets. (b) This Order may be terminated by Buyer at any time prior to Seller's delivery of the Goods upon Buyer's written notification to Seller of Buyer's intent to do so. In the event that Buyer exercises its right to terminate this Order for its convenience, Buyer shall be liable to Seller only for conforming Goods delivered by Seller to Buyer through the effective date of termination, less appropriate offsets by Buyer, and Buyer shall have no other liability on account of exercising its right to terminate. (c) In the event Buyer, in its sole judgment, determines that Seller is failing to make sufficient progress so as to jeopardize performance of this Order, then reasonable grounds for insecurity shall be deemed to exist and Buyer shall have the right to demand adequate assurances of due performance. (d) SELLER'S RIGHTS AND REMEDIES PROVIDED IN THIS SECTION 8 SHALL BE SELLER'S SOLE AND EXCLUSIVE RIGHTS AND REMEDIES WITH RESPECT TO CANCELLATION OF GOODS OR TERMINATION OF ORDERS BY BUYER PURSUANT TO THIS SECTION 8 AND IT IS EXPRESSLY MADE IN SUBSTITUTION OF ANY AND ALL RIGHTS AND REMEDIES OTHERWISE PROVIDED UNDER APPLICABLE LAW.

9. **Express Warranties and Representations of Seller.** Seller hereby makes the following representations and warranties in favor of Buyer and customers of Buyer: (a) at the time of delivery to Buyer and thereafter, all Goods will (i) be new, merchantable, free from defects in design, material, and workmanship; (ii) conform in all respects to applicable Specifications; and (iii) be free of all liens, encumbrances and other claims against title. Seller hereby acknowledges and agrees that the express warranties and provisions of this section 9 are part of the basis of the bargain and Buyer has relied on same in making its decision to enter into this Order. Unless a longer period is specified on the face hereof, the applicable warranty period for the express warranties specified in this section 9(a) shall be for a period of eighteen (18) months after such Goods are placed in service by Buyer's customers and, with respect to latent defects, one (1) year after Buyer's discovery thereof. At the option of Buyer, Seller shall replace all defective and suspect Goods during the applicable warranty period and, with respect to the replacement Goods, such warranties shall continue for an additional eighteen (18) month period; (b) title with respect to the Goods conveyed is good and its transfer is rightful, the Goods are now free and at the time of delivery shall be free from any security interest, lien or other encumbrance, and when delivered shall be and remain free from any claim (whether asserted or threatened or embodied in an action, past or present) by way of infringement (including, without limitation, copyright, patent, or trademark), misappropriation of a trade secret or other proprietary right, or unfair competition; (c) the Goods shall conform in all respects to (i) any description contained in Seller's brochures, pamphlets or other forms of literature, (ii) any sample, model, or drawing, and (iii) any promise or other affirmation of fact made by Seller or its agents; (d) Seller shall (and shall cause its subcontractors, if any, to) comply with all applicable international and U.S. federal, state, and local laws, rules, and regulations (including, without limitation, the Export Administration Act of 1979, as amended, the International Traffic in Arms Regulations which implement the provisions of the Arms Export Control Act of 1976, as amended ("ITAR"), the Fair Labor Standards Act of 1938, as amended, and environmental laws and regulations of the Environmental Protection Agency) and obtain all required licenses, permits and consents in connection with performing its obligations hereunder and the transactions contemplated hereby; and (e) the country of origin marking on the Goods and any country of origin declaration accompanying the Goods will reflect accurately the actual country of origin of the Goods and that the country of origin markings on the Goods certificate and any other documents supplied by the Seller will comply with the country of origin marking requirements set forth in Section 304 of the Tariff Act of 1930, as amended, and any regulations related thereto. In the event of a conflict between or among any of the foregoing representations and warranties, the representation and warranty which provides the greatest remedy to Buyer shall prevail over any inconsistent representation and warranty.

10. **Choice of Law and Forum.** The parties acknowledge and agree that: (a) this Order and the acceptance of it shall be a contract made in the United States, state of New York. All questions pertaining to the validity, construction, execution, and performance of this Order shall be construed and governed in accordance with the domestic laws of the state of New York (including, without limitation, the NYUCC), without giving effect to principles of (i) comity of nations or (ii) conflicts of law, and this Order shall not be governed by the provisions of the U.N. Convention on Contracts for the International Sale of Goods; and (b) any action commenced in connection with this Order shall be brought in a federal or state court located in the United States of America, state of New York, county of Nassau and to the extent not otherwise subject to the jurisdiction of such courts, Seller agrees to waive any objection to such jurisdiction and to subject itself to the jurisdiction of such courts.

11. **Force Majeure.** Notwithstanding anything to the contrary contained herein, Buyer shall have the right to postpone the time for delivery specified on the face hereof indefinitely on account of circumstances beyond its control which would hinder or adversely affect Buyer's intended use of Goods. The period of such postponement shall continue until such circumstances are resolved to the satisfaction of Buyer. Buyer shall exercise such right by giving written notice of its intention to do so to Seller. For purposes hereof circumstances beyond the control of Buyer shall include, without limitation, cancellation or postponement of orders by customers of Buyer, interruption of transportation, governmental regulation, labor disputes, strikes, war, fire, flood, accidents, acts of God, civil disturbance or other causes beyond the control of Buyer (whether or not such causes be of the same class or kind as those enumerated above).

12. **Intellectual Property.** (a) If the Goods specified in this Order are peculiar to a design provided by, or are derived from Specifications furnished or modified by, Buyer (whether on its own behalf or on behalf of its customer), such Goods shall not be sold or otherwise disposed of to anyone other than Buyer or its applicable customer without the prior written consent of Buyer or its applicable customer, and Seller and its directors, officers, shareholders, employees, and agents shall not remove any proprietary notice or label of Buyer or its customer. As between Buyer and Seller, Buyer shall at all times retain title to all Specifications furnished or modified by Buyer and intended for use in connection with this Order. Seller shall use such Specifications only in connection with this Order, and shall not disclose such Specifications to any third party. Upon Buyer's request or upon completion of this Order, Seller shall promptly return to Buyer all Specifications furnished or modified by Buyer. (b) Seller agrees to promptly and fully communicate and disclose to Buyer, and hereby assigns to Buyer or its designated assignees, all of Seller's

rights, title, and interest in and to each invention, development, and improvement (whether patentable or not) and all patent, copyright, and other intellectual property rights associated therewith conceived or first actually reduced to practice during the performance of this Order and for a period of three (3) years thereafter which results from, relates to or is suggested by the transactions contemplated by this Order or the Specifications furnished or modified by Buyer (collectively, the "Inventions"). Seller shall perform all acts and execute all documents, instruments, and certificates requested by Buyer from time to time for the purpose of vesting title in and to the Inventions in Buyer. (c) Seller hereby grants to Buyer a royalty-free non-exclusive and irrevocable license throughout the world to use, duplicate and disclose the following (and to authorize others to do so) in connection with the offer for sale, advertising, promotion and distribution of the Goods: (i) all data concerning the Goods (including, without limitation, all Specifications whether or not copyrighted); and (ii) all trademarks owned or licensed to Seller.

13. **Indemnity.** Seller hereby agrees to indemnify, protect and hold harmless Buyer, customers purchasing Goods from Buyer, and their respective affiliates, directors, officers, shareholders, employees, and agents of each (collectively, the "Indemnified Parties") from and against any and all liabilities, damages, losses, obligations, penalties, claims, causes of action, litigation, proceedings, demands, judgments, suits, costs, disbursements, and expenses, including, without limitation, reasonable attorneys' fees (collectively, "Damages") of whatsoever kind and nature, imposed upon, incurred by, asserted, threatened or awarded against any of the Indemnified Parties directly or indirectly arising out of, relating to, or resulting from (i) violation of any unfair competition law or infringement of any foreign or domestic, federal, state or common law trademark, copyright or patent, arising from the manufacture, sale, distribution, or use of the Goods, except where the Goods are manufactured pursuant to unmodified designs created and supplied by Buyer and are not normally manufactured by Seller; (ii) misappropriation of any trade secret or any other proprietary right of a third party; (iii) death or bodily injury or damage to property arising from the design of the Goods or negligently manufactured Goods; or (iv) Seller's breach of any representation, warranty or covenant made by Seller in sections 9 or 20. Any and all amounts due for indemnity hereunder shall be paid promptly as Damages are incurred, and in any event, within ten (10) days after written demand therefor.

14. **Modifications to Orders.** At any time prior to the tendering of delivery by Seller of Goods ordered pursuant to this Order, Buyer shall have the right to modify the Specifications, method of packaging, and the manner and place of shipment relating to such Goods. Buyer shall exercise its right to make such modifications by giving Seller notice of its intention to do so and Seller shall be obligated to effectuate such modifications. To the extent such modifications cause an increase in the cost of producing or procuring the Goods in question or the time required to do so, Seller shall notify Buyer of any claim for an increase in price or an extension to the applicable delivery date on account of any of such modification within fifteen (15) days after Seller receives the applicable modification notice from Buyer. Such increase or extension shall be subject to Buyer's written approval and shall be based solely on costs incurred by Seller without allowance for overhead or profit. Seller shall not have the right to suspend performance pending the approval of such price increase and extension of time.

15. **Limitation of Remedies.** UNDER NO CIRCUMSTANCES SHALL BUYER BE LIABLE TO SELLER FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, GENERAL, OR SPECIAL DAMAGES, EXPENSES, OR LOSSES DIRECTLY OR INDIRECTLY ARISING OUT OF BUYER'S TERMINATION OR CANCELLATION OF THIS ORDER OR ANY PORTION HEREOF OR FOR ANY BREACH OF ITS OBLIGATIONS UNDER THIS ORDER. IN THE EVENT THAT ANY OTHER TERMS AND CONDITIONS OF THIS ORDER ARE FOUND UNCONSCIONABLE OR UNENFORCEABLE FOR ANY REASON, THIS PROVISION OF WAIVER BY AGREEMENT OF CONSEQUENTIAL, INCIDENTAL, INDIRECT, GENERAL, OR SPECIAL DAMAGES SHALL NEVERTHELESS CONTINUE IN FULL FORCE AND EFFECT.

16. **Cumulative Remedies.** All of Buyer's rights and remedies hereunder shall be cumulative and not exclusive and shall be in addition to all other rights and remedies available under applicable law, (including, without limitation, the right to recover any part of the purchase price paid pursuant to this Order, specific performance, replevin, cover or hypothetical cover, incidental damages, and consequential damages, without giving effect to the limitations set forth in Section 1-106 of the NYUCC, as amended) and any exercise of a right or remedy shall not constitute an election of remedies. Failure by Buyer to exercise any right, remedy or option hereunder or under applicable law, or delay in exercising same, will not operate as a waiver, it being understood that no waiver by Buyer will be effective unless it is in writing and signed by Buyer, and then only to the extent specifically stated.

17. **Buyer's Property.** All material, tooling, designs, technical information, and other property furnished or paid for by Buyer in connection with this Order or any Other Order, and all Specifications furnished or modified by Buyer and all improvements thereto (irrespective of whether such improvements are made by or on behalf of Seller) and all related intellectual property rights shall, as between Buyer and Seller, be and remain the exclusive property of Buyer and shall be delivered to Buyer upon request or upon completion, cancellation or termination of this Order. The foregoing items shall only be used to manufacture the Goods for Buyer and they shall not be used for any other purpose or to manufacture goods for Seller or any third party. Further, Seller shall bear the risk or loss of such items and shall keep same properly stored and maintained. Such items shall not be moved from Seller's premises without the prior written approval of Buyer and same shall be conspicuously marked as property of Buyer and segregated from Seller's property.

18. **Severability.** Any term or provision hereof which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions contained herein or affecting the validity or enforceability of any of the terms or provisions hereof in any other jurisdiction. Further, to the extent that any term or provision hereof is deemed invalid, void, or otherwise unenforceable, but may be made enforceable by amendment thereto, the parties agree that such amendment may be made so that the same shall, nevertheless, be enforceable to the fullest extent permissible under the laws and public policies applied in any such jurisdiction in which enforcement is sought.

19. **Government Contracts.** (a) In the event Goods are identified on the face hereof as being subject to a U.S. government prime contract or subcontract, the applicable Federal Acquisition Regulation ("FAR") and Defense Federal Acquisition Regulation Supplement ("DFARS") clauses which appear on Buyer's FAR/DFARS addendum, available at <http://www.peerlesselectronics.com/dfars>, and any applicable foreign government and defense procurement laws, shall be incorporated herein by reference and Seller shall (and shall cause its subcontractors, if any, to) comply with (i) all FAR and DFARS clauses identified on the FAR/DFARS addendum that are mandatory as well as those indicated on the face of this Order, and (ii) any relevant foreign government and defense procurement laws to the extent required under applicable laws. (b) Seller shall abide by the requirements of 41 CFR 60-300.5(a). This regulation prohibits discrimination against qualified protected veterans, and requires affirmative action by covered prime contractors and subcontractors to employ and advance in employment qualified protected veterans. (c) Seller shall abide by the requirements of 41 CFR 60-741.5(a). This regulation prohibits discrimination against qualified individuals on the basis of disability, and requires affirmative action by covered prime contractors and subcontractors to employ and advance in employment qualified individuals with disabilities. (d) Seller shall (and shall cause its subcontractors, if any, to) comply with all applicable provisions of 41 C.F.R. 60-1.4, as amended, pertaining to equal opportunity clause in government contracts. (e) Seller certifies that it is in compliance with all applicable provisions of (i) 41 C.F.R. 60-1, as amended (including without limitation filing EEO-1 Reports as required by 41 C.F.R. 60-1.7, and neither maintains segregated facilities nor permits its employees to perform services at segregated facilities as prohibited by 41 C.F.R. 60-1.8); (ii) 41 C.F.R. 60-250, as amended; and (iii) 41 C.F.R. 741, as amended. (f) Seller shall deliver only domestic end products except to the extent that it has specified delivery of foreign end products as notified to Buyer in the "Buy American Act Certificate" as required under 41 USC 10a-10d.

20. **Counterfeit Goods.** (a) Seller warrants that the Goods delivered pursuant to this Order shall (i) be and only contain materials obtained directly from the Original Component Manufacturer or the Original Equipment Manufacturer (collectively, the Original Manufacturer or "OM") or an authorized OM reseller or distributor; (ii) not be or contain Counterfeit Goods, as defined below; and (iii) contain only authentic, unaltered OM labels and other markings. Seller shall obtain and retain all documentation required to fully trace the distribution and sale of the goods delivered hereunder back to the relevant OM, and, on request of Buyer, shall provide such authenticating documentation. "Counterfeit Goods" include, but are not limited to, goods or separately identifiable items or components of goods that: (i) are an illegal or unauthorized copy or substitute of an OM item; (ii) are not traceable to an OM sufficient to ensure authenticity in OM design and manufacture; (iii) do not contain proper external or internal materials or components required by the OM or are not constructed in accordance with OM design; (iv) have been re-worked, re-marked, re-labeled, repaired, refurbished, or otherwise modified from OM design but not disclosed as such or are represented as OM authentic or new; (v) have not passed successfully all OM required testing, verification, screening, and quality control processes; or (vi) an item with altered or disguised documentation, package labeling, or item marking intended to mislead a person into believing a non-OM item is genuine, or that an item is of better or different performance when it

is not. (b) Seller further warrants that it has and shall have an internal Counterfeit Goods control process for goods delivered hereunder to prevent the delivery of Counterfeit Goods, that conforms to the AS5553 standard and will also be in accordance with any standards or instructions set forth in any Buyer Specifications. (c) Buyer shall have the right to audit, inspect, and / or approve the processes at any time before or after delivery of the goods ordered hereunder. Buyer shall have the right to require changes to the processes to conform with Buyer's defined standards, if any. Failure of the Seller to conform its processes with Buyer's defined standards may result in the termination of this Order in accordance with the termination provisions set forth herein. (d) Seller shall immediately notify Buyer with the pertinent facts if Seller becomes aware or suspects that it has furnished Counterfeit Goods. When requested by Buyer, Seller shall provide OM documentation that authenticates traceability of the affected items to the applicable OM. (e) This clause applies in addition to any quality provision, specification, statement of work or other provision included in this Order addressing the authenticity of Goods. To the extent such provisions conflict with this section 20, this section 20 prevails. (f) In the event that Goods delivered under this Order constitute or includes Counterfeit Goods, Seller shall, at its expense promptly replace such Counterfeit Goods with genuine Goods conforming to the requirements of this Order. Notwithstanding any other provision in this Order, Seller shall be liable for all transportation costs relating to the return and replacement of Counterfeit Goods. UNLESS OTHERWISE SET FORTH ABOVE, THE REMEDIES CONTAINED IN THIS SECTION 20(f) ARE IN ADDITION TO ANY REMEDIES BUYER MAY HAVE AT LAW, EQUITY, OR UNDER OTHER PROVISIONS OF THIS ORDER. (g) Seller shall include the substance of this section 20 in any agreement between Seller and its lower tier sellers.

21. **International Traffic in Arms Regulations** (22 C.F.R Parts 120-130) ("ITAR") and Export Administration Regulations (17 C.F.R Parts 730-774) ("EAR").(a) If Seller is a manufacturer or exporter of Defense Articles (as defined under the ITAR) or engages in any Brokering Activities (as defined under the ITAR), Seller represents that it is registered with the U.S. Department of State and will maintain said registration in order to be eligible to engage in the manufacture or export of Defense Articles or Brokering Activities, as applicable and required by the ITAR. Further, Seller is hereby notified that Buyer may, for the purposes of this Order, disclose Technical Data (as defined under the ITAR) to Seller. If any Technical Data is provided by Buyer to Seller, Seller agrees that it will not permit access thereto by any Foreign Persons (as defined under the ITAR), whether located in the U.S. or not, without U.S. government authorization.(b) If any item specified in this Order is a Defense Article or is otherwise subject to control under U.S. export laws or regulations (including, without limitation, the ITAR or the EAR), Seller hereby agrees to provide Buyer's purchasing representative specified on this Order with written notice of such fact immediately upon receipt of, and prior to processing, this Order. In the event Buyer receives such written notice or the items specified on the Order are otherwise subject to control under U.S. export laws and regulations, Buyer shall have the right to cancel this Order without any liability by providing written notice of cancellation to Seller, and Seller will immediately refund any payments made by Buyer under this Order. Further, any Technical Data (as defined under the ITAR) disclosed by Seller to Buyer shall be marked "ITAR-Controlled" by Seller and delivered to Buyer via email only to ITAR@peerlesselectronics.com.(c) Seller shall defend, indemnify and hold Buyer harmless from and against any and all Damages (as defined in section 13 above) of whatsoever kind and nature, imposed upon, incurred by, asserted, threatened or awarded against Buyer, directly or indirectly arising out of, relating to, or resulting from, a violation of this section 31 by Seller, or any act or omission of Seller which is not in compliance with the ITAR. Any and all amounts due for indemnity shall be paid as Damages are incurred, and in any event, within ten (10) days after written demand therefor.

22. **Conflict Minerals.** Buyer requires and Seller hereby represents and warrant that to the extent the Goods contain "conflict minerals" (as defined in P.L. 111-203, §1502), such conflict minerals (i) do not originate from the DRC or an adjoining country, and (ii) are sourced from smelters or refiners validated as compliant to Conflict Free Sourcing (CFS) protocol using the CFS Compliant Smelter and Refiner Lists. In the event that Seller has knowledge or reason to believe the Goods do not satisfy either of the foregoing requirements, then Seller shall promptly give Buyer written notice thereof within three (3) business days of the date of this Order. Upon Buyer's receipt of any such written notice from Seller, Buyer shall have the right to cancel this Order without any obligation or liability of any kind whatsoever. Failure to so notify Buyer will be deemed to constitute Seller's confirmation and certification that to the extent the Goods contain conflict minerals, such conflict minerals (i) do not originate from the DRC or an adjoining country, and (ii) are sourced only from smelters or refiners validated as compliant to Conflict Free Sourcing (CFS) protocol using the CFS Compliant Smelter and Refiner Lists. To the extent the Goods supplied hereunder are Affected Products (as defined below), Buyer requires and Seller hereby agrees to review and certify to the conflict minerals supplier certification posted on Buyer's website available at <http://www.peerlesselectronics.com/conflict-minerals-policy-statement> (the "Supplier Certification"). The Supplier Certification contains pre-printed responses and smelter declarations. The Supplier Certification shall be deemed certified by Seller and received by Buyer unless Seller notifies Buyer to the contrary by (i) downloading the Supplier Certification from Buyer's website, (ii) correcting or supplementing the Supplier Certification, as needed, in accordance with its instructions, and (iii) sending the corrected or supplemented Supplier Certification to quality-compliance@peerlesselectronics.com, all within the ten (10) days immediately following the date of this Order (the "Supplier Objection Period"). In the absence of such notification from Seller, such Supplier Certification shall be effective upon the expiration of the Supplier Objection Period and shall continue to be valid until such time as Buyer receives a notification from Seller objecting to the Supplier Certification in accordance with the instructions set forth therein (the "Certification Period"). The Supplier Certification will apply to all Affected Products sold by Seller to Buyer on or after January 1, 2013. Any such notification from Seller shall not in any way impact the validity of the Supplier Certification during the Certification Period. All of Buyer's purchase orders for Affected Products accepted by Seller during the Certification Period will be deemed a continuing confirmation of the Supplier Certification by Seller. For the purposes hereof, the term "Affected Products" means Goods sold by Seller which are specially manufactured by Seller specifically for Buyer pursuant to specifications provided by Buyer or its customers (specifically excluding products that are known to be mere reconfigurations of commercial-off-the-shelf products of Seller).

23. **Restricted Substances.** (a) Seller represents and warrants that the Goods and their manufacture shall comply with all applicable regulations, laws and directives restricting the use of substances and/or requiring the disclosure of hazardous substances, including, but not limited to: (i) the European Directive 2011/65/EU (RoHS Directive); (ii) California Proposition 65, the Water and Toxic Enforcement Act of 1986; (iii) the Montreal Protocol on Substances that Deplete the Ozone Layer; (iv) the Japan Law Concerning the Evaluation of Chemical Substances and Regulation of their Manufacture ; (v) the Germany Chemicals Prohibition Ordinance; (vi) the Germany Hazardous Substances Ordinance; and (vii) and the China Ministry of Information Industry Order No. 39, Management Methods for Controlling Pollution by Electronic Information Products, and its associated standards. To the extent any Goods do not comply with the applicable regulations, laws and directives, Seller shall notify Buyer in writing prior to acceptance of this Order by Seller. (b) Prior to acceptance of this Order, Seller shall identify and provide notice of same to Buyer of all Goods containing Substances of Very High Concern ("SVHC") as defined in the Regulation EC/1907/2006 of the European Parliament and of the Council of December 18, 2006 concerning Registration, Evaluation, Authorization and Restriction of Chemicals (collectively with any amendments, "REACH"). Seller shall promptly notify Buyer whenever Goods contain a substance that is added to the REACH Candidate List for Authorization. Seller shall provide Buyer with the name of the substance as well as with sufficient information to allow Buyer to safely use the Goods and fulfill Buyer's own obligations under REACH. Seller represents and warrants that the Goods, their supply, use, including their incorporation into other products, and their import into the European Union, complies with all applicable REACH requirements, including, but not limited to, registration of substances, and notification and authorization of SVHC.

24. **WEEE Directive.** As a condition of this order, Seller accepts all "producer" responsibilities for the Goods, as "producer" is defined by EU Directive 2002/96/EC on Waste Electrical and Electronic Equipment, as amended (WEEE Directive). All Goods must be appropriately marked and comply with the WEEE Directive as at the date of delivery. All Goods delivered to Buyer shall be in compliance with the WEEE Directive. To the extent that any Goods are "electrical and electronic equipment" covered by the WEEE Directive, Seller agrees, at no additional cost to Buyer, to assume responsibility for taking back those Goods in the future upon the request of Buyer and treating or otherwise managing them in accordance with the requirements of the WEEE Directive and applicable national implementing legislation.

25. **Rated Orders.** To the extent that this Order is identified on the face hereof as a rated order under the Defense Priorities and Allocations System, this Order is certified for national defense use, and you are required to follow all the provisions of the Defense Priorities and Allocations System regulation (15 CFR part 700).

26. **Notices.** All notices made hereunder shall be made in writing, and shall be deemed adequately delivered if delivered by registered mail, return receipt requested, postage prepaid or by overnight delivery service that regularly maintains records of its pick-ups and deliveries, to the parties at their respective addresses set forth on

the face hereof or to any other address designated by a party hereto by written notice of such address change. Mailed notices shall be deemed given when mailed and notices sent by courier shall be deemed given when delivered to the courier service. Both mailed and courier service notices shall be deemed received three (3) days after mailing such notice or delivering it to the courier service, as the case may be.

27. **Integration.** This Order is intended by the parties to be a final, complete and exclusive statement of their agreement with respect to the subject matter hereof. All prior and contemporaneous oral or written agreements, statements, understandings and communications are hereby excluded and are superseded. Any quotation, including, without limitation, the quotation reference number provided or issued by Seller will be used solely for purposes of administration and financial controls. It is expressly agreed that no course of performance, course of dealing or usage of trade shall be admissible to contradict, supplement or explain the terms of this Order. Furthermore, it is expressly agreed that a party's acceptance of or an acquiescence to a course of performance under this Order shall not be admissible to modify, waive, supplement or explain the terms hereof, even if that party is aware of the course of performance and has an opportunity to object to it.

28. **Specifications; Changes.** Seller shall comply with all the terms and conditions of Buyer's Specifications and agrees not to make any changes or modifications to the Specifications, manufacturing processes, manufacturing locations, materials, or suppliers related to the Goods, without first obtaining the prior written approval of Buyer. For purposes hereof, the term "Specifications" means all specifications, drawings, technical information or other data, writings, recordings, pictorial reproductions, computer programs and other graphic representations and works of a similar nature identified on the face hereof and provided by Buyer to Seller or supplied by Seller and accepted by Buyer in writing, together with all changes and modifications thereto. Such Specifications are hereby incorporated into this Order by reference. In the event Seller wishes to make a change in the Specifications for particular Goods and such change will impact the form, fit or function of such Goods, Seller shall provide Buyer with at least six (6) months prior written notice of the change (the "Change Period"). During the Change Period, Buyer shall have the opportunity to either qualify the changed Goods or delete it from the Order. Buyer shall not be obligated to purchase changed Goods unless it expressly assents to the change. If Buyer elects to qualify the changed Goods, such changed Goods shall replace the original Goods affected by such change.

29. **Flowdown Provisions.** Seller shall flow down to its suppliers and lower-tier subcontractors all applicable requirements under this Order and applicable law, including without limitation the applicable obligations under Sections 2, 5, 20(b), 28 and 29.

30. **Survival.** This section 30 and the following sections 1, 5, 6(a), 6(d), 8, 9, 10, 12, 13, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 26 and 27 shall survive the consummation, termination and cancellation of this Order.

SUPPLIER QUALITY REQUIREMENTS (PEI-SQR REV 2. 5/2018)

1. Purchase order is issued and governed under the provisions of the ISO and/or AS9100 Quality Standard addressing the specific Quality Requirements of the Aerospace Industry.

2. Purchasing information issue by Peerless Electronics Inc ("Peerless") under the provisions of the ISO9001/AS9100 Quality Standard additional includes where appropriate: (a) Supplier must have implemented Quality Management System and approve its suppliers for goods and services provided for functions that affect product or service quality. (b) Supplier must notify Peerless of nonconforming product. (c) Supplier must notify Peerless of changes in product and/or process definition and, where required, obtain organizational approval. (d) Right of access by Peerless to all facilities involved in this order and to all application records. (e) Supplier to flow-down to sub-tier supplier the applicable requirements in the purchasing documentation, including key characteristics where required. (f) When applicable, for design, text, examination, inspection, and related instructions for acceptance by Peerless. (g) Test specimens, when applicable (e.g., production method, number, storage conditions) for design approval, inspections, investigation, or anything. (h) Supplying objective evidence of the quality of the product from our suppliers (e.g., accompanying documentation, certificates of conformity, test reports, statistical records, and process control). (i) Right of inspection and audit at our supplier premises and review of the required documentation and inspection of supplier products upon receipt. (k) Peerless reserves the right to utilize test reports to verify purchased product, the data in those reports shall be deemed acceptable per application specifications. Peerless also holds the right to periodically validate test reports for raw materials. (l) When specified by contract, Peerless maintains the right for the Peerless customer or the customer's representative to verify at the supplier's premises and /or at Peerless premises that subcontracted products confirm to specified requirements. It is noted that verification by the Peerless customer will not be used by Peerless as evidence of effective control of quality by the supplier and does not absolve Peerless of the responsibility to provide acceptable product, nor shall it preclude rejection by the Peerless customer. (m) Any purchase orders issued to a supplier by peerless will be kept on file for a period of 10 years by the supplier. This includes (but is not limited to) packing list, certificate of conformance, test reports, shop travels, and any and all quality records associated with the Peerless purchase order. (n) Supplier must have a counterfeit parts avoidance, detection, disposition, and mitigation procedure. This procedure should be based on Aerospace standard AS5553. If requested by Peerless supplier will be required to provide Peerless with objective evidence of the suppliers counterfeit avoidance program. (o) Ensure that employees are made aware of their contribution to: Product and Service Conformity, Product Safety, and the Importance of Ethical Behavior. (p) Supplier must advise Peerless of any export-controlled products (e.g., ITAR/EAR600) during the quoting process and before processing of purchase order.