

GENERAL PROVISIONS FOR SUBCONTRACTS AND PURCHASE ORDERS

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This Purchase Order (the "Order") is placed subject only to the terms and conditions that are included in the Order and any supplement and any specifications or other documents referred to in the Order and does not constitute the acceptance of any offer to sell, whether made in the form of a proposal or otherwise. The terms of any proposal referred to in this Order are included and are made a part of the Order only to the extent of specifying the price, the nature and description of the Supplies ordered, the terms as to payment and time of delivery and then only to the extent that such terms are consistent with the terms and conditions of this Order. Any acknowledgment that contains terms in addition to, or inconsistent with, the terms and conditions of this Order, or a rejection of any term or condition of this Order, shall be deemed to be a counter-offer to Buyer and shall not be binding upon Buyer unless acceptance thereof is made in writing by Buyer; however, performance by Seller, in the absence of written acceptance of such counter-offer by Buyer, shall constitute Seller's acceptance of this Order and all its terms and conditions. See also the defined terms in Section 15 below.

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| <p>1) ADVERTISING. Seller shall not without first obtaining the written consent of Sparton's Chief Financial Officer or his designee in any manner advertise or publish the fact that Seller has furnished or contracted to furnish to Buyer the Supplies.</p> <p>2) APPLICABLE LAWS. By accepting this Order, Seller represents and warrants that the Supplies furnished under this Order have been, or will be, manufactured and sold, and that Seller and its business is otherwise, in compliance with all relevant Federal, state, and local laws and regulations. This Order and the performance of the parties hereunder shall be construed in accordance with and governed by laws of the State of Illinois. Sparton and Seller irrevocably submit to the jurisdiction of the Courts of the State of Illinois and the United States District Court for the Northern District of Illinois in any action or proceeding arising out of or relating to the Order, and waive the defense of</p> | <p>an inconvenient forum to the maintenance of such action or proceeding.</p> <p>3) ASSIGNMENT. Any assignment of Seller's rights or delegation of Seller's duties shall be void, unless Sparton gives prior written consent. Seller may assign rights to be paid amounts due, or to become due, to a financing institution if Sparton is promptly furnished a signed copy of such assignment reasonably in advance of the due date for payment of any such amounts. Amounts assigned shall be subject to setoff or recoupment for any present or future claims of Sparton against Seller. Sparton shall have the right to make settlements and/or adjustments in price without notice to any assignee.</p> <p>4) CERTIFICATE OF COMPLIANCE. A signed Certification of Compliance, if specifically requested by the</p> |
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Buyer, shall accompany each lot shipment to Sparton. Certifications of Compliance must be furnished with each shipment regardless of board specifications for each date-coded lot of boards. The signed certificate should show: Part and/or drawing number; description; revision level; date code; Order and/or contract number; and quantity. Seller shall maintain lot traceability for all Supplies on each Order and contract. Packing slips shall reference traceability number or batch number.

- 5) **CERTIFICATE OF ANALYSIS.** Sellers and all suppliers shall maintain a copy of the Certificate of Analysis to certify the characteristics of the raw material used to manufacture the Supplies. Sellers and all suppliers shall periodically validate raw material test reports from their raw material suppliers. Such records shall be made available by Seller to Buyer upon reasonable request.
- 6) **CHANGES.** Changes require prior written approval from Sparton, including changes to quality system, product design, product, inspection, testing or other processes or production equipment. If the Seller's part number is used as the specification, then all changes to the product, including changes in the revision level or the Seller's part number shall be approved in writing by the Buyer prior to shipment. Buyer may at any time, by a written notice to Seller, and without notice to sureties, if any, make changes, within the general scope of this Order, in any one or more of the following:
 - a) Drawings, designs, or specifications, where the Supplies to be furnished are to be specially manufactured for Buyer in accordance therewith;
 - b) Method of shipment or packing; and
 - c) Place of delivery.

If any such change causes an increase or a decrease in the cost of, or the time required, for the performance of any part of the work under this Order, whether changed or not changed by any such notice, an equitable adjustment shall be made in the Order price or the delivery schedule, or both as determined by Buyer, and this Order shall be modified in writing accordingly. Any claim by Seller for adjustment hereunder must be asserted within 30 days from the date of receipt by Seller of the notification of change; provided, however, that Buyer, if it decides that the facts justify such action, may receive and act upon any such claim asserted at any time before final payment under this Order. Where the cost of property made obsolete or excess as a result of a change is included in Seller's claim for adjustment, Buyer shall have the right to prescribe the manner of disposition of such property. If Seller's part number is used as the specification, then all changes to Supplies, including changes in the revision level or Seller's part number shall be approved in writing by Buyer before shipment.
- 7) **COMPETITION IN SUBCONTRACTING.** Seller shall select subcontracts (including suppliers) on a competitive price basis to the maximum practical extent, consistent with the objectives and requirements of the Order.
- 8) **CONFIDENTIAL INFORMATION.** Seller will not supply or disclose any information regarding this Order, Supplies, equipment or material of the model or kind referred to in any of the specifications, plans, or papers accompanying the Order or incorporate in other articles special features of design or construction peculiar to the articles specified in the Order, without specific authority of the government (with notice to Sparton) and/or Sparton's Chief Financial Officer or his designee in each case. If the Order indicates that it pertains to matters of a secret, confidential, or restricted

nature, Seller shall not disclose information relating to the Order except to those persons, groups of persons, or classes of persons designated by a duly authorized representative of the Government and Sparton's Chief Financial Officer.

- 9) **CONFLICTING DOCUMENTATION.** Any conflicts in documentation, purchase orders, and/or drawings must be presented to Sparton before manufacturing and be resolved and approved, in writing, by the Buyer.
- 10) **CONTINGENCIES.** Buyer reserves the right at its option either to suspend shipment of materials covered by this Order or to cancel this Order in whole or in part, at any time where such suspension or cancellation is caused by or reasonably results from Government orders or other requirements, embargoes, acts of the civil or military authorities, acts of the public enemy, inability to secure transportation facilities, strikes, differences with workmen, accidents at Buyer's works, or other contingencies whether similar or dissimilar to the foregoing enumeration, beyond Buyer's control.
- 11) **CONTRACT DIRECTION**
 - a) Only the Buyer has authority to make changes in or amendments to this Order. Changes and amendments must be in writing.
 - b) Sparton engineering and technical personnel may from time to time render assistance or give technical advice or discuss or effect an exchange of information with Seller's personnel concerning the work hereunder. No such action shall be deemed to be a change under the "Changes" clause of this Order and shall not be the basis for equitable adjustment.
 - c) Except as otherwise provided herein, all notices to be furnished by the Seller shall be sent to the Buyer at the address printed on the face of the Order.
- 12) **COVENANT AGAINST CONTINGENT FEES.** Seller warrants that no person or selling agency has been employed or retained to solicit or secure this Order upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, other than a customary sales representative. For breach or violation of this warranty, Buyer shall have the right to annul this Order without liability or in its discretion to deduct from the Order price or consideration, or otherwise recover the full amount of such commission, percentage, brokerage, or contingent fee.
- 13) **C-TPAT.** Buyer supports the U. S. Custom and Border Protection (CBP) Customs-Trade Partnership Against Terrorism (C-TPAT) program. The C-TPAT program is a joint effort between CBP and the trade community to reduce the threat of terrorism by means of protecting the integrity of cargo imported into the United States. Seller acknowledges and agrees support of C-TPAT is critical to the realization of Buyer's objectives and to the cooperative endeavor between U.S importers and CBP. Buyer requires foreign suppliers of imported goods to scrutinize and, where necessary, develop sufficient security measures within their own supply chain. To the extent that Seller is a foreign supplier of imported goods, it agrees to scrutinize, based on risk, appropriate security measures to be implemented and maintained throughout the supply chain, including out-sources or contracted elements of the supply chain, such as transportation, conveyance, warehouse, broker, consolidator or other elements. Seller agrees to work with these business partners to ensure that pertinent security measures are in place and adhered to and, where necessary, develop sufficient

security measures with its own supply chain. More information about C-TPAT can be found at www.cbp.gov. If Seller will be importer of record for any items required to fulfill this Order, Seller shall be a certified member of the C-TPAT initiative. If Seller fails to maintain its C-TPAT certified member status, any delays or failure to perform based on Seller's inability to obtain imported goods due to U.S. Customs requirements shall not be considered an excusable default under Section 14(c).

14) DEFAULT.

- a) Buyer may, subject to the provisions of paragraph c) below, by written notice of default to Seller, terminate the whole or any part of this Order in any one of the following circumstances:
 - (i) If Seller fails to make delivery of the supplies or to perform the services within the time specified herein or any extension thereof; or
 - (ii) If Seller fails to perform any of the other provisions of this Order, or so fails to make progress as to endanger performance of this Order in accordance with its terms, and in either of these two circumstances does not cure such failure within a period of 10 days (or such longer period as Buyer may authorize in writing) after receipt from Buyer specifying such failure.
- b) In the event Buyer terminates this Order in whole or in part as provided in Section 14(c), Buyer may procure, upon such terms and in such manner as Buyer may deem appropriate, goods, supplies or services similar to those so terminated, and Seller shall be liable to Buyer for any costs to Buyer for such similar goods, supplies or services; provided, that Seller shall continue the performance of this Order to the extent not terminated under the provisions of this clause
- c) Except with respect to defaults of subcontractors, Seller shall not be liable for excess costs to Buyer for goods, materials or services if the failure to perform the Order arises out of causes beyond the control and without the fault or negligence of Seller. Such causes include acts of God or of the public enemy, acts of the Government in either its sovereign or contractual capacity, fires, floods, epidemics, quarantine restrictions, strikes, and freight embargoes, but in every case the failure to perform must be beyond the control and without the fault or negligence of Seller. If the failure to perform is caused by the default of a subcontractor, and if such default arises from causes beyond the control of both Seller and the subcontractor or Seller, and without the fault or negligence of either of them, Seller shall not be liable for any excess costs to Buyer for goods, services or supplies for failure to perform, unless the goods, supplies or services to be furnished by the subcontractor were obtainable from other sources in sufficient time to permit Seller to meet the required delivery schedule.
- d) If this Order is terminated (in whole or in part) as provided in paragraph a) of this clause, Buyer, in addition to any other rights provided in this clause, may require Seller to transfer title and deliver to Buyer, in the manner and to the extent directed by Buyer, (i) any completed supplies, goods or materials, and (ii) such partially completed supplies and materials, parts, tools, dies, jigs, fixtures, plans, drawings, information, and contract rights (hereinafter called "manufacturing

materials") as Seller has specifically produced or specifically acquired for the performance of such part of this Order as has been terminated; and Seller shall, upon direction of Buyer, protect and preserve property in the possession of Seller in which Buyer has an interest. Payment for manufacturing materials delivered to and accepted by the Buyer shall be at the contract price. Payment for manufacturing materials delivered to and accepted by Buyer and for the protection and preservation of property shall be in an amount agreed upon by Seller and Buyer; failure to agree to such amount shall be a dispute concerning a question of fact. Buyer may withhold from amounts otherwise due Seller for such manufacturing materials such sum as Buyer determines to be necessary to protect Buyer against loss because of outstanding liens or claims of or from lien holders.

- e) If, after notice of termination of this Order under the provisions of Section 14(a), it is determined for any reason that Seller was not in default under the provisions of Section 14(a), or that the default was excusable under the provisions of Section 14(c), the rights and obligations of the parties shall, if the Order contains a clause providing for termination for convenience of Buyer, be the same as if the notice of termination had been issued pursuant to such clause. If, after notice of termination of this Order under the provisions of Section 14(a), it is determined for any reason that Seller was not in default under the provisions of this clause, and if the Order does not contain a clause providing for termination for convenience of Buyer, the contract shall be equitably adjusted to provide for such termination and the contract modified accordingly,
- f) The rights and remedies of Buyer provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Order.
- g) As used in paragraph (c) of this clause, the terms "subcontractor" and "subcontractors" mean subcontractor(s) at any tier.

15) DEFINITIONS. For purposes of this Order, and unless otherwise indicated, the following terms have the meanings as set forth below:

- a) Buyer - Authorized Procurement Representative of Sparton Corporation or any of its Wholly-Owned Subsidiaries, on Sparton's behalf. For clarity, any reference to Buyer shall be deemed a reference to Sparton
- b) Government - The United States of America.
- c) Seller - The legal entity who executes this subcontract agreement.
- d) Sparton - Sparton Corporation or any of its wholly-owned subsidiaries.
- e) Supplies or supplies – Means, without limitation, and as applicable, services, raw materials, components, parts, intermediate assemblies, and products supplied hereunder.

16) DELIVERY. Each package must be numbered and labeled with Buyer's Order number, stock number, contents, and weight. An itemized packing slip must be placed in each

package. Each delivery must be accompanied by a packing slip specifying the exact quantity and the description of the delivery. Each packing slip shall bear Buyer's Order number. If indicated on the Order that Supplies are F.O.B. delivery, all delivery costs shall be paid in advance by Seller. If indicated on the Order that Supplies are F.O.B. shipping point, costs shall be as agreed with Buyer and in the Order and shall be separately listed on the applicable invoice. Buyer's count or weight shall be final and conclusive on shipments not accompanied by packing lists. Seller shall report immediately any delay in shipment and any actual or potential labor dispute that is delaying or threatens to delay shipment. Material must be delivered within the time stated in this Order, time being of the essence thereof. Buyer also reserves the right to refuse, or to return at Seller's risk and expense, shipments made in advance of the schedule of deliveries appearing on the face of the Order or as later mutually agreed upon.

- 17) **DRAWINGS.** Buyer retains all rights in designs, drawings, specifications, and other data or papers furnished by Seller in connection with this Order. To the extent directed by Buyer, upon completion of the work Seller shall promptly return to Buyer all designs, drawings, specifications, and other data or papers furnished by Buyer, together with all copies or reprints, and Seller shall thereafter make no further use either directly or indirectly of any thereof, of any information derived therefrom, without Buyer's prior written consent. When applicable, Seller will manufacture per customer part-drawing number and revision letter. Placement of this Order obligates Seller to comply with the requirements of process specifications when called out in drawing notes or otherwise.
- 18) **ELECTRONIC CONTRACTING.** The parties agree that if this Order is transmitted electronically neither party shall contest the validity of this Order, or any acknowledgement thereof, on the basis that this Order or acknowledgement contains an electronic signature.
- 19) **EMPLOYMENT MATTERS.** Seller shall comply with all laws, rules and regulations regarding employment or engagement of employees and/or contractors, as applicable. Further, Seller shall not engage any illegal immigrants or aliens.
- 20) **EXPORT CONTROL.** Export of information contained herein, which includes release to foreign nationals within the United States, without first obtaining approval or license from the Department of State for items controlled by the International Traffic in Arms Regulations (ITARs), or the Department of Commerce for items controlled by the Export Administration Regulations (EAR), is strictly prohibited. Seller shall immediately notify the Buyer if Seller is listed in any Denied Parties List, similar lists, or if Seller's export privileges are otherwise denied, suspended, or revoked in whole or in part, by any Government entity or agency.
- 21) **GRATUITIES/KICKBACKS.** Seller shall abide by the terms of the Foreign Corporate Practices Act, as applicable. No gratuities (in the form of entertainment, gifts, or otherwise) or kickbacks shall be offered or given by Seller, to any employee of Sparton for the purpose of obtaining or rewarding favorable treatment as a supplier.
- 22) **INDEPENDENT CONTRACTOR RELATIONSHIP.** Seller is an independent contractor in all of its operations and activities hereunder. The employees or contractors used by Seller to perform under this Order shall be Seller's employees exclusively without any relation whatsoever to Sparton.
- 23) **INDEMNIFICATION.** Seller shall indemnify and hold Sparton, its directors, officers, employees and agents harmless from any losses, claims, liabilities, damages (including special, consequential, exemplary and punitive), costs, charges and expenses, including reasonable attorneys' fees, incurred by Sparton or asserted against Sparton or related in any way or arising in any way from (a) breach of Seller's representations and warranties or covenants, (b) performance under this Order, (c) violation of any law, ordinance, rule or regulation or Government order, (d) recalls, replacements or refunds due to failure to conform. Seller's indemnification obligations apply to all claims, whether arising in tort, negligence, contract, warranty, strict liability or otherwise. The obligations of Seller hereunder survive the cancellation or termination of this Order.
- 24) **INFORMATION OF SPARTON.** Information provided by Sparton to Seller remains the property of Sparton. Seller agrees to comply with all proprietary information markings and restrictive legends applied by Sparton or its customer to anything provided hereunder to Seller. Seller agrees not to use any Sparton or customer to provided information for any purpose except to perform this Order and agrees not to disclose such information to third parties without the prior written consent of Sparton.
- 25) **INFORMATION OF SELLER.** Seller shall not provide any proprietary information to Sparton without prior execution of a proprietary information agreement by the parties.
- 26) **INSPECTION AND ACCEPTANCE**
- a) All supplies shall be subject to inspection and test by Sparton to the extent practicable at all times and places, including the period of manufacture, and in any event before acceptance, without additional charge.
 - b) Seller shall notify Buyer of nonconforming Supplies and make arrangements for approval of nonconforming material prior to shipment Seller shall provide right of access by Sparton, its customer, and regulatory authorities to all facilities involved in the Order and to all applicable records. Seller shall flow down to sub-tier suppliers such requirements.
 - c) In case any Supplies or lots are defective in material or workmanship or otherwise not in conformity with the requirements of this Order, Buyer shall have the right either to reject them (with or without instructions as to their disposition) or to require their correction or replacement. Supplies or lots that have been rejected or required to be corrected or replaced shall be removed, or, if permitted or required by Buyer, corrected in place by and at the expense of Seller promptly after notice, and shall not thereafter be tendered for acceptance unless the former rejection or requirement of correction or replacement is disclosed. If Seller fails promptly to remove such Supplies or lots that are required to be removed, or promptly to replace or correct such Supplies or lots, Buyer may either (i) by contract or otherwise replace or correct such supplies and charge to Seller the total cost, or (ii) terminate this Order for default. Unless Seller corrects or replaces such Supplies within the specified time, or, if there is no specified time, within a reasonable time, Buyer may require the delivery of such Supplies at a reduction in price that is equitable under the total cost incurred by Buyer by the circumstances caused by Seller's actions. Failure to agree to such reduction of price shall be a

dispute concerning a question of fact. By accepting this Order, Seller agrees to respond in a timely manner to any and all request for corrective action resulting from rejection of Seller's material. The response must show the specific actions taken by the Seller to prevent recurrence of the problem.

- d) If Sparton is on the premises of Seller or a subcontractor makes any inspection or test, Seller without additional charge shall provide all reasonable facilities and assistance for the safety and convenience of Sparton's inspectors. If such inspection or test is made at a point other than the premises of Seller or a subcontractor, it shall be at the expense of Sparton except as otherwise provided in this Order; provided that in case of rejection Buyer shall not be liable for any reduction in value of samples used in connection with such inspection or test. All inspections and tests by Buyer shall be performed in such a manner as not to delay the work unduly. Buyer reserves the right to charge to Seller any additional cost of any inspection and test when Supplies are not ready at the time such inspection and test is requested or when re-inspection or re- test is necessitated by prior rejection. Acceptance or rejection of the Supplies shall be made as promptly as practicable after delivery, except as otherwise provided in this Order; but failure to inspect and accept or reject Supplies shall neither relieve Seller from responsibility for such Supplies as are not in accordance with the Order requirements nor impose liability on Sparton therefor.
- e) The inspection and test by Buyer of any Supplies or lots thereof does not relieve Seller from any responsibility regarding defects or other failures to meet the Order requirements that may be discovered before acceptance.
- f) Seller shall provide and maintain an inspection system acceptable to Buyer covering the supplies hereunder. Record of all inspection work by the Seller shall be kept complete and available to Buyer during the performance of this Order or per the applicable Sparton Procurement Standard referenced below, whichever is greater and for such longer period as may be specified elsewhere in this Order.

27) INSURANCE.

- a) Seller, at its expense, shall obtain and maintain insurance coverage as required by law or requested by Sparton with such insurance carriers and in such amounts as are reasonably acceptable to Sparton. Upon the request of Sparton, Seller shall furnish certificates of insurance setting forth the applicable coverage. All such policies shall provide that the coverage thereunder shall not be terminated without at least 30 days prior written notice to Sparton.
- b) Seller also shall require all subcontractors who will perform work on a Government installation to procure and maintain the insurance required by Sparton during the entire period of performance. Seller shall furnish (or assure that there has been furnished) to Buyer a current Certificate of Insurance meeting the requirements of a) above for each such first-tier subcontractor, at least five (5) days before entry of each such subcontractor's personnel on the Government installation.

28) LIENS. Seller agrees to deliver to Buyer the Supplies free and clear of all liens, claims, and encumbrances.

29) NEW MATERIALS. The Supplies shall consist of new materials, not used, or reconditioned, remanufactured, or of such age as to impair its usefulness or safety.

30) NOTICE OF LABOR DISPUTES. Whenever Seller has knowledge that any actual or potential labor dispute is delaying or threatens to delay the timely performance of this Order, Seller shall give notice immediately thereof, including all relevant information with respect thereto, to Buyer. Seller agrees to insert the substance of this clause, in any subcontract hereunder as to which a labor dispute may delay the timely performance of this Order; except that each such subcontract shall provide that in the event its timely performance is delayed or threatened by delay by any actual or potential labor dispute, the subcontractor shall immediately notify his next higher tier subcontractor, or Buyer, as the case may be, of all relevant information with respect to such dispute.

31) OFFICIALS NOT TO BENEFIT. No members of or delegates to Congress, or Resident Commissioner, shall be admitted to any share or part of this Order or to any benefit that may arise therefrom.

32) PRICE. The price specified in the Order shall include all costs, charges and expenses for packing, boxing, loading, taxes (including sales, use, excise or other duties or taxes payable in any country where production or delivery occurs), duties and all other charges of any kind which either party is required to pay with respect to the manufacture, sale, and delivery to the "F.O.B. point" or other delivery point specified in the Order. Seller shall be responsible for any costs, charges, taxes or expenses not included in the price specified in the Order. Seller warrants that the prices on this Order will not be in excess of the permissible prices established pursuant to law and pertinent Government regulations and in effect on the date hereof or on the dates of delivery; and if hereafter it is found that said prices have been exceeded, Seller agrees to reduce the prices charged and to refund the excess payments made, retroactively, to conform to the applicable law and regulations.

33) SELLER'S PROCESSES. Any unpatented knowledge or information concerning Seller's products, methods, or manufacturing processes that Seller may disclose to Sparton incident to the manufacture of the material or work covered by this Order shall, unless otherwise specifically agreed in writing, be deemed to have been disclosed as a part of the consideration for this Order, and Seller agrees not to assert any claim (other than a claim for patent infringement) against Buyer by reason of Buyer's use or alleged use thereof.

34) QUALITY CONTROL SYSTEM. Seller shall provide and maintain quality control in compliance with the requirements identified in the following applicable Sparton Procurement Standards:

- a) PE-5590-AER: Aerospace Products
- b) PE-5590-MED: Medical products
- c) PE-5590-GOV/IND: Government I Industrial Products

35) PACKING AND SHIPPING INSTRUCTIONS.

- a) Packaging shall be Standard Commercial unless otherwise noted. Seller warrants that all shipments under this Order are made in compliance with all

applicable Federal and State hazardous materials tariffs/regulations. A packing slip must accompany each shipment. Buyer's count will be accepted as final and conclusive. Seller shall mark containers or packages with necessary lifting, loading, and shipping information, including the Buyer's Order number, item number, dates of shipment, and the names and addresses of consignor and consignee. If Seller's supplier makes a shipment, Seller's name must be shown on the packing list in addition to Buyer's Order number, bulk number, part number or code number, and delivery point number, if applicable. Bill of lading and advice of shipment must be sent as soon as material is forwarded, giving the correct Order number, part or requisition numbers, description of material, and full forwarding information. Supplies arriving without proper notice will be held up until the desired information is received and all demurrage will be charged to Seller's account. All Supplies must be forwarded in accordance with routing specified in this Order or additional instructions issued by Buyer. F.O.B. origin shipments will not be insured. Seller will declare value only on shipment to released ratings and then only at a maximum value applicable to the lowest published rating.

- b) Unless otherwise specified, delivery shall be FOB Origin.

36) SPECIFICATIONS. Any manufacturing or other specifications referred to in this Order are hereby made a part hereof as if fully set forth herein.

- a) All Supplies furnished must conform to Buyer's specifications where indicated.
- b) If blueprint is specified on the Order, do not proceed without it.
- c) Supplies made in accordance with Buyer's specifications and drawings shall not be furnished or quoted to any other person or concern; provided, however, Seller may produce items for direct sale to the Government where the Government has the right to use the equipment, tools, gauges, designs, drawings, engineering data, or other technical or proprietary information furnished by Sparton, which are required to produce the item. All specifications, drawings, tools, jigs, dies, fixtures, materials, and other items furnished by Sparton shall be delivered to Buyer immediately upon request. None of the work contemplated as being performed by Seller under this Order shall be subcontracted without the prior written consent of Buyer.

37) TERMS AND INVOICES. Invoices shall (a) be rendered in duplicate; (b) cover not more than one Order; (c) be rendered with Order number noted thereon; (d) be sent to the address thereon. Invoices, shipping notices, and bills of lading are to be mailed within twenty-four (24) hours after shipment. It is understood that any cash discount period shall be computed from date of receipt by Buyer of acceptable invoice or material, whichever is later. On all prepaid shipments chargeable to Buyer, Seller shall attach the transportation receipt to invoice. On invoices returned for correction, any cash discount period will date from the receipt of the corrected invoice.

38) TITLE AND RISK OF LOSS.

- a) Unless this Order specifically provides for earlier passage of title, title to Supplies covered by this Order shall pass to Buyer upon formal acceptance, regardless of when or where Buyer takes physical possession.
- b) Unless this Order specifically provides otherwise, risk of loss or damage to Supplies covered by this Order shall remain with the Seller until and shall pass to Buyer upon:
 - (i) Delivery of the Supplies to a carrier, if transportation is F.O.B. origin;
 - (ii) Acceptance by Buyer or delivery of possession of the Supplies to Buyer at the destination specified in this Order, whichever is later, if transportation is F.O.B. destination.
 - (iii) Notwithstanding i) above, the risk of loss of or damage to Supplies that so fail to conform to the Order shall remain with Seller until cure or acceptance, at which time i) above shall apply.

39) TERMINATION - GENERAL. Sparton may terminate the performance of work under this Order, in whole or from time to time in part, whenever it shall determine that such termination is in the best interests of Buyer. Any such termination shall be effected by delivery to Seller of a notice of termination specifying the extent to which performance of work under this Order is terminated and the date upon which such termination becomes effective. If such notice does not indicate the termination is pursuant to Section herein entitled "Termination for Convenience," or the section herein entitled, "Default," Buyer shall have the right to so indicate with a reasonable time thereafter not to exceed thirty (30) days.

40) TERMINATION FOR CONVENIENCE.

- a) After receipt of a notice of termination and except as otherwise directed by Buyer, Seller shall:
 - (i) Stop work under the Order on the date and to the extent specified in the notice of termination;
 - (ii) Place no further orders or subcontracts for materials, services, or facilities, except as may be necessary for completion of such portions of the work under the Order as may not be terminated;
 - (iii) Terminate all Orders and subcontracts to the extent that they relate to the performance of any work terminated by the notice of termination;
 - (iv) Assign to Buyer, in the manner and to the extent directed by Buyer, all of the right, title, and interest of Seller under the orders or subcontracts so terminated;
 - (v) Settle all outstanding liabilities and all claims arising from such termination of orders and subcontracts subject to the approval or ratification of Sparton to the extent it may require, which approval or ratification shall be final for all purposes of this clause;
 - (vi) Transfer title and deliver in the manner, to the extent, and at the times directed by Buyer of:
 - (1) the fabricated or un-fabricated parts, work in process, completed work, supplies, and other material produced as a part of, of acquired in connection with the performance of, the



- work terminated by the notice of termination, and
- (2) the completed or partially completed plans, drawings, information, and other property that if the Order had been completed, would be furnished to Buyer.
- (vii) Use best efforts to sell in the manner, to the extent, at the time, and at the price directed or authorized by Buyer, any property of the types referred to in (vi) above; provided, however, that Seller:
- (1) shall not be required to extend credit to any purchaser, and
 - (2) may acquire any property under the conditions prescribed by and at a price or prices approved by Buyer; and provided further that the proceeds of any such transfer or disposition shall be applied in reduction of any payments to be made by Buyer to Seller under this Order or shall otherwise be credited to the price or cost of the work covered by this Order or paid in such other manner as Buyer may direct;
- (viii) Complete performance of such part of the work as shall not have been terminated by the notice of termination; and
- (ix) Take such action as may be necessary or as Buyer may direct for protection and preservation of the property related to this Order that is in the possession of Seller or subcontractors.
- b) After receipt of a notice of termination, Seller shall submit to Buyer any termination claim, in the form and with the certification prescribed by Buyer. Such claim shall be submitted promptly, but not later than three (3) months from the effective date of termination, unless one or more extensions in writing is granted by Buyer, upon request of Seller made in writing within such three month period or authorized extensions thereof. However, if Buyer determines that the facts justify such action, Buyer may receive and act upon any such termination claim at any time after such three-month period or any extension thereof. Upon failure of Seller to submit its termination claim within the time allowed, Buyer may determine, on the basis of information available to Buyer, the amount, if any, due to Seller in respect to the termination and such determination shall be final. After Buyer has made a determination under this paragraph, Sparton shall pay Seller the amount so determined.
- c) Subject to the provisions of paragraph (a), Seller and Buyer may agree that the whole or any part of the amount or amounts to be paid to Seller by reason of the total or partial termination of work pursuant to this clause, and Buyer shall pay the agreed amount or amounts; provided, that such agreed amount or amounts, exclusive of settlement costs, shall not exceed the total contract price as reduced by the amount of payments otherwise made and as further reduced by the contract price of work not terminated. Nothing in paragraph (Sd) below prescribing the amount to be paid to Seller in the event of the failure of Seller and Buyer to agree upon the whole amount to be paid to Seller by reason of the termination of work pursuant to this clause shall be deemed to limit, restrict, or otherwise determine or affect the amount or amounts that may be agreed upon to be paid to Seller pursuant to this paragraph (c).
- d) In the event of the failure of Seller and Buyer to agree as provided in paragraph (c) upon the amount to be paid to Seller by reason of the termination of work pursuant to this clause, Buyer shall pay to Seller the amounts determined by Buyer as follows, but without duplication of any amounts:
- (i) For completed Supplies accepted by Buyer and not paid for, a sum equivalent to the aggregate price for such Supplies computed in accordance with the price or prices specified in the Order, appropriately adjusted for any saving of freight or other charges.
 - (ii) The total of:
 - (1) The cost of such work, including initial costs and preparatory expenses allocable thereto, exclusive of any costs attributable to supplies paid or to be paid for under (d)(i) above; and
 - (2) The cost of settling and paying claims arising from the termination of work under subcontracts or Orders as provided in paragraph (a)(v) above, exclusive of the amounts paid or payable on account of Supplies furnished by the subcontractor before the effective date of the Notice of Termination of work under this Order, which amount shall be included in the cost on account of which payment is made; and
 - (3) The total sum to be paid to Seller under (d)(i) and (d)(ii) above shall not exceed the total contract price reduced by the amount of payments otherwise made and as further reduced by the contract price of work not terminated. Except for normal spoilage and except to the extent that Buyer shall have otherwise expressly assumed the risk of loss. There shall be excluded from the amounts payable to Seller the failure value as determined by Buyer of property that is destroyed, lost, stolen, or damaged so as to become undeliverable.
- The obligation of Buyer to make any payments under this clause shall be subject to deductions with respect to (i) all unliquidated advance other payments on account therefore made to Seller applicable to the terminated portion of this Order, (ii) and claim that Buyer may have against Seller, in connection with this Order, and (iii) the agreed price for, or the proceeds of sale of, any materials, supplies, or other things retained by Seller, or sold, and not otherwise recovered by or credited to Buyer.
- Buyer may make partial payments and payments on account against costs incurred by Seller in respect to the terminated portion of the Order whenever in the opinion of Buyer the aggregate of such payments shall be within the amount to which Seller will be

entitled hereunder. If the total of such payments is in excess of the amount finally agreed upon or determined to be due under this clause, such excess shall be payable by Seller to Buyer upon demand, together with interest computed at the rate of a 6% per annum for the period from the date incurred.

- 41) TOOLING AND FIXTURES.** All Sparton purchased tooling, (hard, soft, and/or electronic) and test fixtures are the property of Sparton. Tooling and fixtures should not be used for any purpose other than the manufacture of Supplies. Sparton purchased tooling and fixtures may not be destroyed or transferred without the written permission of Sparton. All such articles are to be maintained in good working condition and fully covered, with insurance, without expense to Sparton. Seller will deliver to Sparton, at Seller's expense, upon request such articles in good working condition. Such articles are to be used for the exclusive production of Sparton.
- 42) TRADE REQUIREMENTS.** This Order is subject to compliance with all applicable export, import, customs and trade-related laws and regulations and Seller understands that it is responsible for implementing procedures to ensure its material compliance with all such guidelines. Seller acknowledges that it is knowledgeable about all such laws and agrees to comply with the same as applicable. Seller is responsible for determining the appropriate country of origin ("CO") for the Supplies and for marking Supplies in English in accordance with applicable U.S. Customs Regulations. Further, Seller will cooperate fully with Buyer in supplying data to facilitate Buyer's origin reporting requirements and qualification for preferential origin programs such as NAFTA, IFTA, FMF, EXIM and the like.

The following trade data elements must be able to be printed out or be capable of being transferred electronically on each commercial invoice prior to shipment: Country of Origin; Import Country HTS Classification; ECCN; License; Destination Control Statement; Buyer Part Number; Appropriate INCOTERM.

Further, Seller must maintain, and reproduce upon demand, all documentation relating to the international transport of goods for a period of not less than one year from the date of each shipment. All such record keeping will comport with the legal requirements of the Government and other nations.

Seller will provide written notice to Buyer in the event of an action by the Government or other government customs/export authorities that relates specifically to goods or services provided to Buyer by Seller.

- 43) ROHS AND/OR PB-FREE (LEAD FREE).** Seller is committed to support those customers requiring RoHS and/or Pb-free (Lead free) compliant components. Seller shall use unique part numbers for Lead Free/RoHS on components and a Lead Free/RoHS indicator on applicable packaging.
- 44) WARRANTIES; REIMBURSEMENT.** Seller warrants that at the time of delivery the Supplies will be free from any defects in material or workmanship and will conform to the requirements of this Order. Buyer shall give notice to Seller of any such defect or nonconformance within fourteen (14) months of the delivery of the defective or nonconforming Supplies. If required by Buyer within a reasonable time after such notice, Seller shall with all possible speed correct or replace the defective or nonconforming Supplies or part. When such correction or replacement requires transportation

of the Supplies or part thereof, all shipping costs shall be borne by Seller. The warranty shall then continue as to corrected or replaced Supplies or, if only parts are corrected or replaced, to such corrected or replacing parts, until fourteen (14) months after the date of redelivery. If Buyer does not require correction or replacement of defective or nonconforming supplies, Seller, if required by Buyer within a reasonable time after the notice of defect or nonconformance, shall repay such portion of the subcontract price of the Supplies as is equitable in the circumstances. If correction or replacement is required, Supply shall also repay costs of removal of the supplies from any component, assembly or system into which the supplies may have been incorporated, and reinstallation of non-defective supplies, and cost of return of the supplies.

Seller shall also reimburse Buyer for any incidental and consequential damages caused by such nonconforming supplies including, but not limited to costs, expenses and losses incurred by Buyer: (a) in inspecting, sorting, repairing or replacing such goods; (b) resulting from any production interruptions; (c) conducting any recall campaigns or other corrective actions and (d) claims for personal injury or property damage. This clause shall not limit any rights of Buyer otherwise. Acceptance or payment by Buyer does not relieve Seller of liability for warranties, latent defects, fraud or such gross error or defects as amount to fraud. Buyer shall have the right to reject any goods found not to be in compliance with these warranty provisions, the specifications, or other requirements of this Order.

- 45) WORK ON SPARTON PREMISES.** If Seller's work under this Order involves operations by Seller on Sparton's premises, Seller shall take all necessary precautions or such additional precautions as Sparton may prescribe to prevent the occurrence of any damage to person or property during the progress of such work and shall indemnify Sparton against all loss that may result in any way from an act or omission on the part of Seller, its agents, employees, or subcontractors, except to the extent that such damage is due solely and directly to the negligence of Sparton, and Seller shall maintain such liability, property damage, and employee's liability and compensation insurance as will protect Sparton from said risks and from any claims, including under any workman's compensation or occupational laws, rules or regulations.
- 46) SETOFF.** In addition to rights of setoff and recoupment provided by law, any amounts due to Seller, its subsidiaries or affiliates, shall be considered net of indebtedness or obligations of Seller, its subsidiaries or affiliates, to Sparton (and its subsidiaries and affiliates) and Sparton may setoff or recoup from any amounts due or to become due from Seller, its subsidiaries or affiliates, to Sparton or its subsidiaries and affiliates, however and whenever arising.
- 47) PROPRIETARY INFORMATION; INFRINGEMENT.** All works of original authorship created by Seller in connection with this order are "works made for hire." All Supplies which are created in the course of this Order and all intellectual property rights in such goods are owned by Sparton. Seller grants Sparton an irrevocable, nonexclusive, royalty-free, worldwide license to any technical information, know how, copyrights and patents owned and controlled by Seller necessary for Sparton to have made or make, or use or sell any such goods.
- 48) CONSEQUENTIAL DAMAGES.** In addition to any other rights and remedies of Sparton, Seller shall be liable for any direct, indirect, special, consequential, incidental or

liquidated damages sustained by Sparton or any third party (including a customer of Sparton) that arise out of this Order which includes the manufacture, sale, delivery, and use of the Supplies, whether such liability is based upon warranty, contract, negligence or otherwise. Such liability shall survive delivery and acceptance of the Supplies.

- 49) MATERIAL SAFETY DATA SHEET.** Seller shall provide Sparton with a Material Safety Data Sheet and any other reasonably requested information, including without limitation, lists of materials and quantities of materials, for any Supplies provided under this purchase order which may release, or otherwise result in exposure to a hazardous chemical or materials under normal conditions of use. Seller shall supply advanced notice to Sparton, including appropriate shipping labels, if any shipment of Supplies contains potentially hazardous or restricted materials.
- 50) ENTIRE AGREEMENT.** This Order, together with all attachments referred to herein constitutes the entire

agreement between Sparton and Seller with respect to the subject matter hereof. This Order may only be amended by an amendment authorized by Sparton. The United Nations Convention on the International Sale of Goods is expressly excluded.

- 51) INSPECTION.** Sparton may inspect and audit Seller's books, records, operations and facilities, and systems, to insure Seller's compliance with the terms of the Order. Seller shall maintain all records necessary to support amounts charged to Sparton hereunder. No inspection or failure to inspect by Sparton shall alter Seller's obligations hereunder.
- 52) CONFLICT MINERALS.** Seller shall comply with all policies and reporting requirements of Sparton regarding conflict mineral tracking, reporting, disclosure and other due diligence and related matters.