

AR SYSTEMS, INC.
TERMS, CONDITIONS AND QUALITY CONTROL REQUIREMENTS FOR SUPPLIERS

The following terms, conditions and quality requirements, if referenced on the face of this Purchase Order, are a part of this Purchase Order between AR Systems Inc. and the vendor named on the Purchase Order (Contractor).

1. GENERAL.

- (a) Terms and Conditions. This Purchase Order is placed subject only to the Terms and Conditions included in this order. Any of the Contractor's Terms and Conditions which are in addition to or are inconsistent with these Terms and Conditions will not be binding unless agreed to in writing by AR Systems.
- (b) Packing and Shipping. All articles are to be suitably prepared and packed for shipment so as to assure safe delivery. Each container must have a packing list attached to the outside, showing The Purchase Order number and listing the contents of the container by Purchase Order item number. No charges will be allowed for packing unless stated in the order. The method of shipment shall be as specified on the Purchase Order.
- (c) Delivery. Unless otherwise specified, delivery must be made on or before the required delivery date shown on the Purchase Order. All certifications, test data, or other documentation related to an ordered item shall be delivered with the item.
- (d) Inspection. All items will be subject to final inspection and acceptance by AR Systems after delivery. Payment shall not constitute final acceptance. AR Systems may reject and return any article which contains defective material or workmanship or otherwise does not conform to this purchase order or to the applicable drawings, specifications or samples. AR Systems may, at its discretion, employ either 100% inspection or a sampling plan. Rejected articles or lots shall be returned at the Contractor's risk and expense.
- (e) Defense Priority. If a priority appears on the face of this Purchase Order, this is a rated order certified for national defense use and the Contractor is required to follow all the provisions of the Defense Priorities and Allocations Systems regulation (15 CFR 700).
- (f) Invoice and Payment. Individual invoices must be issued for each shipment applying against this order. If applicable, freight and other charges must be shown separately. Delay in receiving an invoice, invoices for material shipped ahead of schedule or invoices rendered with errors and omissions will be considered just cause to delay payment.
- (g) Shelf Life. Supplies which have a shelf life will not be accepted if, at the time of receipt, more than 20 percent of the shelf life has expired.
- (h) Subcontracts. The Contractor agrees that it will not enter into a subcontract for the procurement of items covered by this contract, in completed or substantially completed form without first obtaining the approval of AR Systems as to source. In addition to and without limitation of the foregoing, the Contractor shall not, without AR Systems prior approval, place subcontracts that differ in kind or amount from the subcontracting specified in this contract.
- (i) Termination Due to the Contractor's Actions. AR Systems reserves the right to terminate this order, or any part hereof, and to cancel all or any part of the undelivered portion of this order if the Contractor does not make deliveries as provided in this contract, or, if the Contractor breaches any terms hereof, including the warranties. AR Systems shall also have the right to terminate this order or any part thereof, and cancel all or any part of the undelivered portion in the event of the happening of any of the following: Insolvency of the Contractor, filing of a voluntary petition in bankruptcy, filing of an involuntary petition to have the Contractor declared bankrupt (provided it is not vacated within thirty days from the date of such filing), of the execution by the Contractor of any assignment for the benefit of creditors. AR Systems shall have no obligations to the Contractor with respect to the cancelled portion of this order and AR Systems' liability shall be limited to payment for the delivered portion of this order at the rate specified on the face hereof (reflecting quantity prices as though this Purchase Order had been fully completed). If, as a result of default of performance by the Contractor, this Purchase Order is terminated in whole or in part, and it is necessary to procure any of the specified products or services elsewhere, then the Contractor will be liable for any re-procurement charges which exceed the amount which would have been due the Contractor if he had satisfactorily completed this Purchase Order. These remedies shall be cumulative and in addition to any other available remedies.
- (j) Termination for the Convenience of AR Systems. AR Systems may, for its convenience, terminate work under this Purchase Order, in whole or in part, at any time by giving notice to the Contractor in writing. The Contractor will thereupon immediately stop work on this Purchase Order or the terminated portion thereof and notify any subcontractors to do likewise. Upon submission of a termination claim (which shall be subject to AR Systems' inspection and audit), the Contractor shall be entitled to reimbursement for its actual costs incurred up to and including the date of termination, such costs to be determined in accordance with generally recognized accounting principles. The Contractor shall also be entitled to a reasonable profit on the work done prior to such termination, at a rate not exceeding the rate used in establishing the original purchase price. The total of such claim will not exceed the pro rata portion of this Purchase Order which is cancelled.
- (k) Compliance with Applicable Laws. The Contractor certifies that all of the products and services to be furnished under this Purchase Order will be manufactured or supplied by the Contractor in accordance with all currently applicable provisions of the Walsh-Healey Act, Fair Labor Standards, Equal Employment Opportunity Act, and Executive Orders.
- (l) Proprietary Information. The Contractor agrees that all information contained in drawings, artwork, specifications, etc., which are provided by AR Systems to the Contractor under this Purchase Order, is propriety to AR Systems and is submitted with the understanding that such shall not be utilized or disclosed in whole or in part by the Contractor, except for fulfillment of this Purchase Order, without the written permission of AR Systems.

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- (m) Changes. AR Systems may at any time, by written Change Order, make changes in the articles or services to be furnished under this hereunder or their quantities or delivery dates. If the cost of, or time required for, furnishing the articles or services ordered hereby is increased or decreased as a result of such Change Order, an equitable adjustment in the price and/or delivery schedule will be made. If a price or delivery adjustment is not included, no increase in price or delay in delivery will be allowed unless the Contractor notifies AR Systems in writing, within 30 days from the date of the Change Order, of its claim for such an increase in price or delay in delivery.
 - (n) Warranties. The Contractor warrants that all articles furnished under this order will be free from defects in material and workmanship, and will conform to applicable specifications, drawings, samples or other descriptions, and that articles of the Contractor's design will also be free from defects in design. The Contractor further expressly warrants that all services performed under this order will be free from defects in workmanship. These warranties shall remain in effect a least as long as the longest warranty life normally offered by the Contractor. All warranties shall be construed as conditions as well as warranties and shall not be deemed to be exclusive. The benefits of this warranty shall accrue to AR Systems' customers and assigns to the same extent they shall accrue to AR Systems. Articles ordered to Government specifications shall comply with specifications in effect on the date of this Purchase Order unless otherwise stated. In the event of a breach of warranty, AR Systems shall be entitled to avail itself cumulatively of all available remedies. The Contractor shall make timely responses to AR Systems' notification of breach of warranty and shall respond understanding (and the Contractor agrees) that time will be of the Essence in all instances.
 - (o) Counterfeit Material. Delivery of material against this purchase order implies that the Contractor has taken reasonable measures to prevent counterfeit material from entering the supply chain and that the specific material provided is not counterfeit. Electronic parts shall be traceable to original manufacturer.
 - (p) Anti-Trafficking in Persons. The Contractor is prohibited from engaging in activities that support or promote trafficking in persons as defined in FAR 52.222-50.
 - (q) The Contractor shall provide Basic Safeguarding of Covered Contractor Information Systems in accordance with FAR 52.204-21.
2. **STATEMENT OF COMPLIANCE**. Each shipment made against this purchase order must contain a Certificate of Compliance, stating that all applicable drawings, specifications, and Purchase Order requirements have been met. The Certificate must be signed by an authorized representative of the Contractor. All data supporting the Certificate of Compliance must be kept on file for a period of not less than three years. The Contractor shall be subject to review by AR Systems for the purpose of determining compliance with all Purchase Order requirements.
3. **MILITARY STANDARD MIL-STD-45662**. The Contractor must maintain a documented calibration system for his equipment and standards which meets the requirements of MIL-STD-45662. The Contractor's calibration system shall be subject to review by the Government and/or AR Systems for the purpose of determining compliance with this Standard.
4. **ELECTROSTATIC DISCHARGE (ESD) CONTROL PROGRAM**. The Contractor shall have an ESD control program in effect to protect semiconductors during manufacturing, inspection, test, packaging, shipping, rework and failure analysis. The ESD control program shall conform to MIL-STD-1686 and MIL-HDBK-263. The Contractor's ESD program shall be subject to review by the Government and/or AR Systems for the purpose of determining compliance with this Standard.
5. **SCHEDULED DELIVERIES**. The supplies shall be delivered strictly in accordance with the required delivery dates (or other schedules) shown on the face of this Purchase order. Invoices for material delivered ahead of schedule will not be paid until their normal maturity after the date specified for delivery. AR Systems reserves the right to return, shipping charges collect, all supplies delivered ahead of schedule.
6. **GOVERNMENT SOURCE INSPECTION**. Government source inspection is required prior to shipment from your plant. Upon receipt of this order, promptly notify the Government Representative who normally services your facility, or the Regional DCAS office, so that appropriate planning for Government inspection can be initiated in a timely fashion.
- On receipt of this order, promptly furnish a copy to the Government Representative who normally services your plant or, if none, to the nearest Army, Navy, Air Force, or Defense Supply Agency inspection office. In the event the representative or office cannot be located, our purchasing agent should be notified immediately.
7. **AR SYSTEMS SOURCE INSPECTION**. AR Systems source inspection/test is required prior to shipment from your facility. Notify AR Systems five (5) working days in advance of the date when material is ready for our inspection/test. If the material is not ready for AR Systems review when called for, the Contractor may be liable for all expenses by AR Systems surveillance personnel as determined by the responsible buyer. Inspection/Test at your facility does not guarantee final acceptance at AR Systems unless otherwise specified on the purchase order.
8. **MILITARY SPECIFICATION MIL-Q-9858A**. Military Specification MIL-Q-9858A, "Quality Program Requirements" applies to this Purchase Order and the Contractor must comply with the latest revision in effect on the date of this order. The Contractor shall have written policy/procedures to implement this specification. The Contractor's Quality System shall be subject to review by AR Systems for the purpose of determining compliance with the specification.
9. **MILITARY SPECIFICATION MIL-I-45208A**. Military Specification MIL-I-45208A, "Inspection System Requirements" applies to this Purchase Order and the Contractor must comply with the latest revision in effect on the date of this order. The Contractor shall have written policy/procedures to implement this specification. The Contractor's Inspection System shall be subject to review by AR Systems for the purpose of determining compliance with the specification.

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10. INSPECTION.

- (a) Definition. "Supplies", as used in this clause, includes but is not limited to raw materials, components, intermediate assemblies, end products, and lots of supplies.
- (b) The Contractor shall provide and maintain an inspection system acceptable to the Government and/or AR Systems covering supplies under this contract and shall tender for acceptance only supplies that have been inspected in accordance with the inspection system and have been found by the Contractor to be in conformity with contract requirements. As part of this system, the Contractor shall prepare records evidencing all inspections made under the system and the outcome. These records shall be kept complete and made available to the Government and/or AR Systems during contract performance and for as long afterwards as the contract requires. The Government and/or AR Systems may perform reviews and evaluations as reasonably necessary to ascertain compliance with this paragraph. These reviews and evaluations shall be conducted in a manner that will not unduly delay the contract work. The right of review, whether exercised or not, does not relieve the Contractor of the obligations under this contract.
- (c) AR Systems has the right to inspect and test all supplies called for by the contract, to the extent practicable, at all places and times, including the period of manufacture, and in any event before acceptance. AR Systems shall perform inspections and tests in a manner that will not unduly delay the work. The Government and AR Systems assume no contractual obligation to perform any inspection and test for the benefit of the Contractor unless specifically set forth elsewhere in this contract.
- (d) If the Government and/or AR Systems performs inspection or test on the premises of the Contractor or a subcontractor, The Contractor shall furnish, and shall require subcontractors to furnish, without additional charge, all reasonable facilities and assistance for the safe and convenient performance of these duties. Except as otherwise provided in the contract, AR Systems shall bear the expense of inspections or tests made at other than the Contractor's or subcontractor's premises; provided, that in case of rejection, AR Systems shall not be liable for any reduction in value of inspection or test samples.
- (e) When supplies are not ready at the time specified by the Contractor for inspection or test, AR Systems may charge to the Contractor the additional cost of inspection or test whether incurred by the Government or by AR Systems, or when prior rejection makes reinspection or retest necessary.
- (f) AR Systems has the right either to reject or to require correction of nonconforming supplies. Supplies are nonconforming when they are defective in material or workmanship or are otherwise not in conformity with contract requirements. AR Systems may reject nonconforming supplies with or without disposition instructions.
- (g) The Contractor shall remove supplies rejected or required to be corrected. However, AR Systems may require or permit correction in place, promptly after notice, by and at the expense of the Contractor. The Contractor shall not tender for acceptance corrected or rejected supplies without disclosing the rejection or requirement for correction, and, when required, shall disclose the corrective action taken.
- (h) If the Contractor fails to promptly remove, replace, or correct rejected supplies that are required to be removed or to be replaced or corrected, AR Systems may either (i) by contract or otherwise, remove, replace, or correct the supplies and charge the cost to the Contractor or (ii) terminate the contract for default. Unless the Contractor corrects or replaces the supplies within the delivery schedule, AR Systems may require their delivery and make an equitable price reduction.
- (i) If this contract provides for the performance of Government and/or AR Systems quality assurance at source, and if requested by AR Systems, the Contractor shall furnish advance notification of the time (i) when Contractor inspection of tests will be performed in accordance with the terms and conditions of the contract and (ii) when the supplies will be ready for Government and/or AR Systems inspections. AR Systems' request shall specify the period and method of the advance notification and the Government and/or AR Systems representative to whom it shall be furnished.
- (j) AR Systems shall accept or reject supplies as promptly as practicable after delivery, unless otherwise provided in the contract. AR Systems' failure to inspect and accept or reject the supplies shall not relieve the Contractor from responsibility nor impose liability on AR Systems for nonconforming supplies.
- (k) Inspections or tests by the Government or by AR Systems do not relieve the Contractor from responsibility for defects or other failures to meet contract requirements discovered before acceptance. Except as provided in the contract, acceptance shall be conclusive, except for latent defects, fraud, or such gross mistakes amounting to fraud.
- (l) If acceptance is not conclusive for any of the reasons in paragraph (f) hereof, AR Systems, in addition to any other rights and remedies provided by law, or other provisions of this contract, shall have the right to require the Contractor (i) at no increase in contract price, to correct or replace the defective or nonconforming supplies at the original point of delivery or at the Contractor's plant at AR System's election, and in accordance with a reasonable delivery schedule as may be agreed upon between the Contractor and AR Systems; provided, that AR Systems may require a reduction in contract price if the Contractor fails to meet such delivery schedule, or (ii) within a reasonable time after receipt by the Contractor of notice of defects or nonconformance, to repay such portions of the contract as equitable under the circumstances if AR Systems elects not to require correction or replacement. When supplies are returned to the Contractor, the Contractor shall bear the transportation cost from the original point of delivery to the Contractor's plant and return to the original point when that point is not the Contractor's plant. If the Contractor fails to perform or act as required in (i) and (ii) above and does not cure such failure within a period of 10 days (or such longer period as AR Systems may authorize in writing) after receipt of notice from AR Systems specifying such failure, AR Systems shall have the right to contract or otherwise to replace or correct such supplies and charge to the Contractor the cost occasioned by AR Systems.

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11. **FIRST ARTICLE INSPECTION.** Inspection and acceptance of a first article manufactured against this purchase order is required prior to the start of the production lot. The first article must conform to all requirements of the Purchase Order and item specifications and drawings. The first article shall be submitted to AR Systems for inspection and approval. At the option of AR Systems, the first article may be inspected at the Suppliers facility or as otherwise directed by AR Systems.
12. **SPECIAL REQUIREMENTS FOR PRINTED WIRING BOARDS.**
- (a) **Certification Requirements.** The circuit boards supplied under this purchase order must be manufactured in strict accordance to the latest revision of MIL-P-55110 or MIL-P-50884 as applicable. Upon request, the manufacturer shall provide documented evidence of approval to the current revision of MIL-P-55110 or MIL-P-50884, from the Defense Supply Center Columbus, for the type of Printed Wiring Board(s) being provided. Certification approval must have occurred within 12 months of the delivery date of the Printed Wiring Board(s) covered by this Purchase Order.
 - (b) **Marking Requirements.** Each board, whether delivered cut out or in panel form, must be marked with the manufacturer's FSCM code, the date of manufacture and one or more alphanumeric characters identifying the panel. This information shall also be marked on the corresponding test coupons of each panel. The marking shall be produced by the same process used in producing the conductor pattern and/or a nonconductive, permanent, black epoxy ink applied by the silkscreen or rubber stamp method. Hand lettering or ink marking pens are not acceptable unless approved in writing by AR Systems. Marking shall not be within 0.010" of the edge of any pad or feedthrough and shall be oriented either vertically or horizontally. Marking shall be 0.062" high maximum.
 - (c) **Test Coupons.** The coupons used for the group A inspections shall be marked with the manufacturer's FSCM, date code and panel identification as per paragraph (b) above, except that any type of permanent ink or paint may be used to produce the marking and the orientation is at the option of the manufacturer.
 - (d) **Deliverables.** In addition to the finished Printed Wiring Boards, the following items must be included with each shipment: the coupons, including the Group A inspection cross sections, the master artwork if provided by AR Systems, the MIL-P-55110 or MIL-P-50884 certification requirements of paragraph (a) above, the quantitative test data from the group A inspections and a signed certification of conformance stating that all the requirements of MIL-P-55110 or MIL-P-50884 and this Purchase Order have been met.
13. **SPECIAL REQUIREMENTS FOR CALIBRATION SERVICES**
- (a) **Military Standard MIL-STD-45662.** The Contractor must maintain a documented calibration system for his equipment and standards which meets the requirements of MIL-STD-45662. The Contractor's calibration system shall be subject to review by the Government and/or AR Systems for the purpose of determining compliance with this Standard.
 - (b) **Calibration Data.** All measurements, both before and after adjustments or repairs shall be recorded. It is required that the accuracy of the instrument be recorded before any adjustments or repairs are made. The data sheet must identify the standards and procedure used to calibrate the instrument.
 - (c) **Calibration Environment.** Unless otherwise specified, all calibrations shall be performed at a temperature of 25 +/-5 degrees Centigrade and a relative humidity of between 20% and 80%. The environmental conditions shall be recorded with the calibration data.
 - (d) **Adjustments.** The instrument shall be adjusted so that it performs as accurately as possible at the above temperature. This means that even if the initial measurement is within the performance specification of the instrument, it shall be adjusted until its reading is as close to the standard as possible.
14. **TEST AND INSPECTION DATA.** The Contractor shall perform tests and/or inspections per the drawing, specifications and/or approved acceptance test procedures as specified on the purchase order. Actual readings are to be supplied for all quantitative measurements. Notations that readings are within specification limits or that tests have been performed satisfactorily will only be acceptable for tests performed using automatic test equipment lacking quantitative read out capabilities or when go/no-go gauges are used.
15. **MIL-STD-883C COMPLIANCE.** The referenced items must conform to the requirements of MIL-STD-883C, paragraph 1.2.1. Certification to this requirement must be included with each shipment.