

GENERAL PROVISIONS FOR SUBCONTRACTS AND PURCHASE ORDERS

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This 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 goods or services Ordered, the terms as to payment and time of delivery and then only to the extent that such terms are consistent with the term 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.

- 1) **ADVERTISING.** Seller shall not without first obtaining the written consent of Sparton's Chief Financial Officer in any manner advertise or publish the fact that Seller has furnished or contracted to furnish to Buyer the articles herein mentioned.
- 2) **APPLICABLE LAW.** By accepting this Order, Seller represents and warrants that the materials furnished under this Order may have been, or will be, manufactured and sold 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 Michigan. Seller agrees to hold Buyer harmless from, and to indemnify Buyer for, any losses, expenses, costs, or damages resulting from Seller's breach of this warranty.
- 3) **ASSIGNMENT.** Any assignment of Seller's Contract 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.
- 4) **CERTIFICATE OF COMPLIANCE.** A signed Certification of Compliance, if specifically requested by the 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; Purchase Order and/or Contract number; and quantity. Changes of any of the following require prior written approval from the Buyer: Quality System, Product Design, Inspection Process, 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. Seller shall maintain lot traceability for all product supplied on each Purchase Order and Contract. Packing slips shall reference traceability number or batch number.
- 5) **CERTIFICATE OF ANALYSIS.** All suppliers shall maintain a copy of the Certificate of Analysis to certify the characteristics of the raw material used to manufacture the product. All suppliers shall periodically validate raw material test reports from their raw material suppliers. Such records shall be made available by Supplier to Buyer upon reasonable request.
- 6) **CHANGES.** 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, 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.
- 7) **COMPETITION IN SUBCONTRACTING.** Seller shall select subcontracts (including suppliers) on a competitive basis to the maximum

- practical extent consistent with the objectives and requirements of the contract.
- 8) **COMPLIANCE WITH LAWS.** By accepting this Order, Seller represents and warrants that the materials furnished under this Order may have been, or will be, manufactured and sold 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 Michigan. Seller agrees to hold Buyer harmless from, and to indemnify Buyer for, any losses, expenses, costs, or damages resulting from Seller's breach of this warranty.
- 9) **CONFIDENTIAL INFORMATION.** Seller will not supply or disclose any information regarding 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 and/or Sparton's Chief Financial Officer 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.
- 10) **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.
- 11) **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 United States 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.
- 12) **CONTRACT DIRECTION**
- a) Only the Buyer has authority to make changes in or amendments to this Contract. 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 Contract 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.
- 13) **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, except bona fide established commercial or selling agencies maintained by Seller for the purpose of securing business. 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.
- 14) **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. As a Seller to Buyer, your 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. The 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 paragraph 15)c).
- 15) **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 contract 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) Seller fails to perform any of the other provisions of this contract, or so fails to make progress as to endanger performance of this contract 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 contract in whole or in part as provided in paragraph 15)a) of this clause, Buyer may procure, upon such terms and in such manner as Buyer may deem appropriate, supplies or services similar to those so terminated, and Seller shall be liable to Buyer for any excess costs for such similar supplies or services; provided, that Seller shall continue the performance of this contract 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 any excess costs if the failure to perform the contract arises out of causes beyond the control and without the fault or negligence of Seller. Such causes may include, but are not restricted to, 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, freight embargoes, and unusually severe weather; 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, and without the fault or negligence of either of them, Seller shall not be liable for any excess costs for failure to perform, unless the 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 contract is terminated 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, 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 contract 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 completed supplies 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 completed supplies or manufacturing materials such sum as Buyer determines to be necessary to protect Buyer against loss because of outstanding liens or claims of form lien holders.
- e) If, after notice of termination of this contract under the provisions of this clause, it is determined for any reason that Seller was not in default under the provisions of this clause, or that the default was excusable under the provisions of this clause, the rights and obligations of the parties shall, if the contract 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 contract under the provisions of this clause, it is determined for any reason that Seller was not in default under the provisions of this clause, and if this contract does not contain a clause providing for

- termination for convenience of Buyer, the contract shall be equitable adjusted to compensate for such termination and the contract modified accordingly; failure to agree to any such adjustment shall be a dispute concerning a question of fact.
- 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 contract.
- g) As used in paragraph c) of this clause, the terms "subcontractor" and "subcontractors" mean subcontractor(s) at any tier.
- 16) **DEFINITIONS.** For purposes of this Order, and unless otherwise indicated, the following terms have the meanings as set forth below:
- a) Buyer – Authorized Procurement Representation of Sparton Corporation or any of its Wholly-Owned Subsidiaries
- 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
- 17) **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 purchase Order number. When goods are sold delivered, ship prepaid; when goods are sold F.O.B. shipping point, transportation charges shall be prepaid and billed as a separate item on invoice. Buyer's count or weight shall be final and conclusive on shipments not accompanied by packing lists. 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 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.
- 18) **DEVIATIONS.** Any deviations from provided documentation/files must be approved by the Buyer and must be noted on the purchase Order. Deviations without revision changes or purchase Order narrative is not permitted.
- 19) **DRAWINGS.** Buyer retains all rights in designs, drawings, specifications, and other data or papers furnished 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 then in Seller's possession or control, and Seller shall thereafter make no further use either directly or indirectly of any thereof, or any information derived therefrom, without Buyer's prior written consent. When applicable, supplier will manufacture per customer part-drawing number and revision letter. Placement of this Purchase Order obligates your company to comply with the requirements of process specifications when called out in drawing notes.
- 20) **ELECTRONIC CONTRACTING.** The parties agree that if this Contract is transmitted electronically neither party shall contest the validity of this Contract, or any Acknowledgement thereof, on the basis that this Contract or Acknowledgement contains an electronic signature.
- 21) **EMPLOYMENT OF ALIENS.** Seller represents that Seller has complied with and will comply with Public Law No. 446-69th Congress, Section 10 and Public Law No. 671-76th Congress Section 11 and any amendment thereto relating to the employment of aliens.
- 22) **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), may constitute a violation of law.
- For violation of export laws, the contractor, its employees, officials or agents are subject to imprisonment and/or imposition of criminal fines; suspension, or debarment.
- Seller shall immediately notify the Buyer if Seller is listed in any Denied Parties List or if Seller's export privileges are otherwise denied, suspended, or revoked in whole or in part, by any U.S. Government entity or agency.
- 23) **GRATUITIES/KICKBACKS.** 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.
- 24) **INDEPENDENT CONTRACTOR RELATIONSHIP**
- Seller is an independent contractor in all its operations and activities hereunder. The employees used by Seller to perform Work under this Order shall be Seller's employees exclusively without any relation whatsoever to Sparton.
- Seller shall be responsible for all losses, costs, claims, causes of action, damages, liabilities, and expenses, including attorneys' fees, all expenses of litigation and/or settlement, and court costs, arising from any act or omission of Seller, its officers, employees, agents, suppliers, or subcontractors at any tier, in the performance of any of its obligations under this Order.
- 25) **INFORMATION OF SPARTON.** Information provided by Sparton to Seller remains the property of Sparton. Seller agrees to comply with the terms of any Proprietary Information Agreement with Sparton and to comply with all proprietary information markings and restrictive legends applied by Sparton to anything provided hereunder to Seller. Seller agrees not to use any Sparton provided information for any purpose except to perform this Contract and agrees not to disclose such information to third parties without the prior written consent of Sparton.
- 26) **INFORMATION OF SELLER.** Seller shall not provide any proprietary information to Sparton without prior execution of a proprietary information agreement by the parties.
- 27) **INSPECTION AND ACCEPTANCE**
- a) All supplies (which term throughout this Article includes, without limitation, raw materials, components, intermediate assemblies, and end products) shall be subject to inspection and test by Buyer to the extent practicable at all times and places, including the period of manufacture, and in any event before acceptance, without additional charge.
- b) The Seller shall notify organization of nonconforming product and make arrangements for organization approval of supplier nonconforming material prior to shipment. The supplier shall notify the organization of changes in product and/or process definition and, where required, obtain organization approval. The supplier shall provide right of access by the organization, their customer, and regulatory authorities to all facilities involved in the Order and to all applicable records. The supplier shall flow down to sub-tier suppliers the applicable requirements in the purchasing documents, including key characteristics where required.
- c) In case any supplies or lots of supplies 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 of supplies 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 of supplies that are required to be removed, or promptly to replace or correct such supplies or lots of supplies, Buyer may either (i) by contract or otherwise replace or correct such supplies and charge to Seller the total cost occasioned Buyer thereby, or (ii) terminate this Order for default as provided in the Article of this Order entitled "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 the Seller's actions. Failure to agree to such reduction of price shall be a dispute concerning a question of fact. By accepting this Order, the vendor agrees to respond in a timely manner to any and all request for corrective action resulting from rejection of vendor's material. This response must show the specific actions taken by the vendor to prevent recurrence of the problem.
- d) If Buyer 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 Buyer's inspectors in the performance of their duties. If Buyer's inspection or test is made at a point other than the premises of Seller or

- a subcontractor, it shall be at the expense of Buyer 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 Buyer's inspection and test when supplies are not ready at the time such inspection and test is requested by Seller 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 Buyer therefore.
- 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. Except as otherwise provided in this Order, acceptance shall be conclusive except as regards latent defects, fraud, or such gross mistakes as amount to fraud.
- 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 in paragraph 35), whichever is greater and for such longer period as may be specified elsewhere in this Order.
- 28) **INSURANCE.**
- a) Seller shall, at his own expense, procure and maintain during the entire performance period of this contract insurance of at least the kinds and minimum amounts set forth in the Schedule.
- b) At all times during performance, Seller shall maintain with Buyer a current Certificate of Insurance showing at least the insurance required by the Schedule, and providing for thirty (30) days written notice to Buyer by the insurance company before cancellation or material change in policy coverage.
- c) Seller also shall require all first-tier subcontractors who will perform work on a Government installation to procure and maintain the insurance required by the Schedule during the entire period of their performance. Seller shall furnish (or assure that there has been furnished) to Buyer a current Certificate of Insurance meeting the requirements of b) above for each such first-tier subcontractor, at least five (5) days before entry of each such subcontractor's personnel on the Government installation.
- 29) **LIENS.** Seller agrees to deliver to Buyer the articles covered by this Order free and clear of all liens, claims, and encumbrances.
- 30) **NEW MATERIALS.** The Work to be delivered hereunder shall consist of new materials, not used, or reconditioned, remanufactured, or of such age as to impair its usefulness or safety.
- 31) **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 contract, 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 contract; 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.
- 32) **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; but this provision shall not be construed to extend to this Order if made with a corporation for its general benefit.
- 33) **PRICE.** This Order must not be filled at a higher price than shown hereon and than last quoted or charged by Seller unless price is stated on face of this Order. No charges will be allowed for packing, crating, freight, express, or cartage unless agreed to and specified to this Order. Seller warrants that the prices to be charged in accordance with the terms of this Order will not be in excess of the permissible maximum 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 maximum 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.
- 34) **PRODUCTS, METHODS, AND MANUFACTURING PROCESSES.** Any unpatented knowledge or information concerning Seller's products, methods, or manufacturing processes that Seller may disclose to Buyer 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.
- 35) **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 / Industrial Products
- 36) **RELEASE OF INFORMATION.** Except as required by law, no public release of any information, or confirmation or denial of same, with respect to this Contract or the subject matter hereof, will be made by Seller without the prior written approval of Sparton.
- 37) **SELLER CHANGES.** Changes of any of the following require prior written approval from the Buyer: Quality System, Product Design, Inspection Process, 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. Seller shall maintain lot traceability for all product supplied on each Purchase Order and Contract. Packing slips shall reference traceability number or batch number.
- 38) **PACKING AND SHIPPING INSTRUCTIONS.**
- a) Packaging shall be Standard Commercial unless otherwise noted. Shipper warrants that all shipments made to Sparton are made in strict compliance with all applicable Federal and State hazardous materials tariffs/regulations. A packing slip must accompany each shipment. The packing slip shall reference the traceability number or batch number. The 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 or consignee and consignee. If the Seller's supplier makes a shipment, the 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. Material 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 material must be forwarded in accordance with routing specified in this Order or additional instructions issued by Buyer. Seller's prices and charges shall not exceed the maximum permitted by applicable Government regulations, and Seller will refund the excess to 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.
- c) Shipper warrants that all shipments made to Sparton are made in strict compliance with all applicable Federal and State hazardous materials tariffs/regulations.
- 39) **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 materials furnished must conform to Buyer's specifications where indicated.
- b) If blueprint is specified, do not proceed without it.

- c) Seller expressly warrants all articles and materials covered by this Order to be of quality, quantity, size, description, and dimension specified and free from defects, including latent defects.
- d) Such warranty shall survive delivery and include workmanship of the materials, and shall not be deemed waived either by reason of Buyer's acceptance of said materials or articles or of payment for them. Seller agrees to save Buyer harmless from any loss, damage, or expense whatsoever that Buyer may suffer from breach of warranty.
- e) Goods 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 United States Government where the United States Government has the right to use the equipment, tools, gauges, designs, drawings, engineering data, or other technical or proprietary information furnished by Buyer, which are required to produce the item. All specifications, drawings, tools, jigs, dies, fixtures, materials, and other items furnished by Buyer immediately upon request. Seller shall indemnify and save Buyer harmless from all claims that may be asserted against said property, including without limitation, mechanic's liens or claims arising under Workmen's Compensation or occupational disease laws. None of the work contemplated as being performed by Seller under this Order shall be subcontracted without the prior written consent of Buyer.
- 40) **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 the cash discount period shall be computed from date of receipt by Buyer and acceptable invoice or material, whichever is later. On all prepaid shipments chargeable to Buyer, attach transportation receipt to invoice. On invoices returned for correction, the cash discount period will date from the receipt of the corrected invoice. Any indebtedness of Seller to Buyer may, at the Buyer's option, be set off and credited against Buyer's indebtedness to Seller.
- 41) **TITLE AND RISK OF LOSS.**
- a) Unless this contract specifically provides for earlier passage of title, title to supplies covered by this contract shall pass to Buyer upon formal acceptance, regardless of when or where Buyer takes physical possession.
- b) Unless this contract specifically provides otherwise, risk of loss or damage to supplies covered by this contract shall remain with the Seller until and shall pass to Buyer upon:
- Delivery of the supplies to a carrier, if transportation is F.O.B. origin;
 - Acceptance by Buyer or delivery of possession of the supplies to Buyer at the destination specified in this contract, whichever is later, if transportation is F.O.B. destination.
 - Notwithstanding i) above, the risk of loss of or damage to supplies that so fail to conform to the contract as to give a right of rejection shall remain with Seller until cure or acceptance, at which time i) above shall apply.
- c) Notwithstanding b) above, Seller shall not be liable for loss of or damage to supplies caused by the negligence of officers, agents, or employees of Buyer acting within the scope of their employment.
- 42) **TERMINATION – GENERAL.** Buyer in accordance with this Article in whole may terminate the performance of work under this Order, or from time to time in part, whenever Buyer shall determine that such termination is in the best interests of the 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 Section herein entitled, "Default,") Buyer shall have the right to so indicate with a reasonable time thereafter not to exceed thirty (30) days.
- 43) **TERMINATION FOR CONVENIENCE.**
- a) After receipt of a Notice of Termination and except as otherwise directed by Buyer, Seller shall:
- Stop Work under the contract on the date and to the extent specified in the Notice of Termination;
 - 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 Contract as may not be terminated.
 - Terminate all Orders and subcontracts to the extent that they relate to the performance of any work terminated by the Notice of Termination;
 - 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;
 - Settle all outstanding liabilities and all claims arising from such termination of Orders and subcontracts subject to the approval of ratification of Buyer to the extent he may require, which approval or ratification shall be final for all purposes of this clause;
 - Transfer title and deliver in the manner, to the extent, and at the times directed by Buyer
 - 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
 - the completed or partially completed plans, drawings, information, and other property that if the contract had been completed, would be furnished to Buyer.
 - Use his 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
 - shall not be required to extend credit to any purchaser, and
 - 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 contract or shall otherwise be credited to the price or cost of the work covered by this contract or paid in such other manner as Buyer may direct;
 - Complete performance of such part of the work as shall not have been terminated by the Notice of Termination; and
 - Take such action as may be necessary or as Buyer may direct for protection and preservation of the property related to this contract that is in the possession of Seller and in which Buyer may acquire interest.
- b) After receipt of a Notice of Termination, Seller shall submit to Buyer his 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, he 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 his termination claim within the time allowed, Buyer may determine, on the basis of information available to him, 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, he shall pay Seller the amount so determined.
- c) Subject to the provisions of paragraph a), Seller and Buyer may agree upon 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, which amount or amounts may include a reasonable allowance for profit on work done, 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 d) 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 whole 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 agreed upon in accordance with paragraph c):

i) For completed supplies accepted by Buyer (or sold or acquired as provided in paragraph a)vi) above and not therefore paid for, forthwith a sum equivalent to the aggregate price for such supplies computed in accordance with the price or prices specified in the contract, 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)ii) 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 or materials delivered or services furnished by the subcontractor before the effective date of the Notice of Termination of work under this contract, which amount shall be included in the cost on account of which payment is made under d)ii)(1) above; and
- (3) The sum, as profit on d)ii)(1) above, determined by Buyer pursuant to 8-303 of the Defense Acquisition Regulation in effect as of the date of execution of this contract, to be fair and reasonable; provided, however, that if it appears that the Seller would have sustained a loss if the entire contract had been completed, no profit shall be included or allowed under this subdivision d)ii)(3) and an appropriate adjustment shall be made reducing the amount of the settlement to reflect the indicated rate of loss; and
- (4) The reasonable cost of settlement, including accounting, legal, clerical, and other expenses reasonably necessary for the preparation of settlement claim and support data with respect to the terminated portion of the contract and for the termination and settlement of subcontracts thereunder, together with reasonable storage, transportation, and other costs incurred in connection with the protection or disposition of the property allocable to this contract.

The total sum to be paid to Seller under d)ii) and d)iii) 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 under d)ii) and d)iii) and d)iii)(1) above the fair value as determined by Buyer of property that is destroyed, lost, stolen, or damaged so as to become undeliverable to Buyer or to a purchaser pursuant to paragraph a)vii).

- (a) The obligation of Buyer to make any payments under this clause shall be subject to deductions with respect to (i) all unliquidated advance or other payments on account theretofore made to Seller applicable to the terminated portion of this contract, (ii) and claim that Buyer may have against Seller, in connection with this contract, 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.
- (b) If the termination hereunder be partial, before the settlement of the terminated portion of this contract, Seller may file with Buyer a request in writing that an

equitable adjustment be made in the price or prices specified in the contract for the work in connection with the continued portion not terminated by the Notice of Termination, and the appropriate equitable adjustment shall be made in such price or prices.

- (c) Buyer may, at his option, from time to time under such terms and conditions as he may prescribe, make partial payments and payments on account against costs incurred by Seller in respect to the terminated portion of the contract 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 percent per annum for the period from the date such excess payment is received by Seller to the date on which such excess payment attributable to a reduction in Seller's claim by reason of retention or other disposition of termination inventory until ten days after the date of such retention or disposition, or such later date as determined by Buyer by reason of the circumstances.

44) **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 product for Sparton unless written permission is granted. Sparton purchased tooling and fixtures may not be destroyed or transferred without the written permission of Sparton.

45) **TRACEABILITY.** Seller shall maintain lot traceability for all product supplied on each Purchase Order and Contract. Packing slips shall reference traceability number or batch number.

46) **TRADE REQUIREMENTS.** This Order is subject to compliance with U.S. and other national 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. The Seller acknowledges that it is knowledgeable about all such law agree to comply with the same as applicable.

Seller is responsible for determining the appropriate country of origin ("CO") for the product(s) it manufactures or assembles for Buyer and for marking these products in English accordance with the requirements in accordance with U.S. Customs Regulations, 19 CFR Part 177. 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 of Product: 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 Buyer goods for a period of not less than one year from the date of each shipment. All such record keeping system will comport with the legal requirements of the U.S. and other nations including, but not limited to, requirements set out in Parts 762 and 772, U.S. Department of Commerce, Export Administration Regulations and the U.S. Customs Record-Keeping Regulations, 19 C.F.R. 163.

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

47) **RoHS AND/OR Pb-FREE (LEAD FREE).** Buyer is committed to support those customers requiring RoHS and/or Pb-free (Lead free) compliant components. The term Pb-free (Lead-free) is defined in JESD97 and applies to components in which the Lead (Pb) level in any of the raw materials and the end product is less than or equal to 0.1% by weight and also meets any Pb-free requirements/definitions adopted by the RoHS Directive 2002/95/EC. The RoHS term is an acronym for European Directive, *Restriction of the Use of Certain Hazardous Substances in Electrical and*

Electronic Equipment. This also means a component with Pb-free termination finish compatible with Pb-free soldering processes. Seller shall use unique part numbers for Lead Free/RoHS on components and a Lead Free/RoHS indicator on the packaging.

- 48) **WARRANTIES.** Seller warrants that at the time of delivery thereof the supplies provided for under this subcontract will be free from any defects in material or workmanship and will conform to the requirements of this subcontract. The Buyer shall give notice to the 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 thereof. When such correction or replacement requires transportation of the supplies or part thereof, shipping costs from the delivery point to Seller's plant and return, shall be borne by Seller. The warranty shall then continue as to corrected or replaced supplies or, if only parts of such supplies 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 under the clause of this subcontract entitled "Inspection." Acceptance by Buyer does not relieve Seller of liability for 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.
- 49) **WORK ON BUYER PREMISES.** If Seller's work under this Order involves operations by Seller on Buyer's premises, Seller shall take all necessary precautions or such additional precautions as Buyer any prescribe to prevent the occurrence of any damage to person or property during the progress of such work and shall indemnify Buyer against all loss that may result in any way from an act or omission on the part of the Seller, its agents, employees, or subcontractors, except to the extent that such damage is due solely and directly to the negligence of Buyer, and Seller shall maintain such public liability, property damage, and employee's liability and compensation insurance as will protect Buyer from said risks and from any claim under any applicable workman's compensation and occupational disease acts.