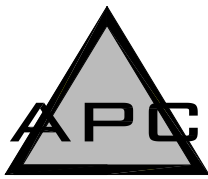


A. STANDARD TERMS AND CONDITIONS OF ORDER

1. *We reserve the right to review the processes and records associated with this order at all suppliers' facilities with appropriate notification. This right extends to our customers, applicable regulatory agencies, and any sub-tier suppliers used in the fulfillment of this order.*
2. *If any of these orders are outsourced to your suppliers, all applicable requirements and specifications must be communicated (including all applicable key characteristics) to each sub-tier supplier used.*
3. *Delivery times are defined on each PO. If the supplier is unable to meet defined deadlines, we must be notified immediately for risk assessment.*
4. *We reserve the right to cancel a PO without penalty if supplier is unable to meet defined requirements.*
5. *Acceptance of a PO is a binding contract and any breach of said contracts are legally binding in the State of Texas with all applicable laws and governing.*
6. *Supplier agrees to maintaining certain Quality Functions used as part of the initial evaluation of approval. Any significant changes to the Quality Program as originally provided (including registration changes), must be communicated to company quality immediately for risk assessment.*
7. *We monitor and measure all on time delivery and quality performance of every supplier to ensure continued approval. Failure to meet desired performance levels can result in a Corrective Action being submitted, re-evaluation, or removal from approved status.*
8. *Supplier adheres to the requirements of all counterfeit prevention protocols to ensure only authentic and approved parts are provided. Please see AS5553, AS6174, and AS6081 for guidance.*
9. *Supplier agrees to all applicable regulations (ITAR, DFAR, etc.), if stated applicable on the PO.*
10. *Any breach of ITAR requirements (if applicable) must be reported within 24 hours of breach with all corrective actions implemented.*
11. *Any breach of DFAR requirements (if applicable) must be reported within 24 hours of breach with all corrective actions implemented.*
12. *Any breach of Non-Disclosure Agreements must be reported within 24 hours of breach with all corrective actions implemented.*
13. *Any breach of Confidentiality Agreements must be reported within 24 hours of breach with all corrective actions implemented.*
14. *Seller shall defend, indemnify and hold harmless Buyer, its subsidiaries, affiliates, successors or assigns and its respective directors, officers, shareholders and employees and Buyer's customers (collectively, "**Indemnitees**") against any and all loss, injury, death, damage, liability, claim, deficiency, action, judgment, interest, award, penalty, fine, cost or expense, including reasonable attorney and professional fees and costs, and the cost of enforcing any right to indemnification hereunder and the cost of pursuing any insurance providers (collectively, "**Losses**") arising out of or occurring in connection with the products purchased from Seller or Seller's negligence, willful misconduct or breach of the Terms. Seller shall not enter into any settlement without Buyer's or Indemnitee's prior written consent.*
15. *Suppliers agree to ensure personnel are aware of safe work practices and ethical behavior.*
16. *Supplier agrees to receive returned products/services for review and disposition if found nonconforming to stated requirements. Pending returns will result in a HOLD on payment of invoices until resolution is determined and processed.*



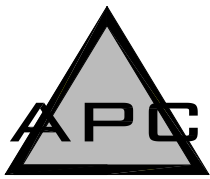
17. *If Seller delivers more than 2% or less than 1% of the quantity of Goods ordered, Buyer may reject all or any excess Goods. Any such rejected Goods shall be returned to Seller at Seller's risk and expense. If Buyer does not reject the Goods and instead accepts the delivery of Goods at the increased or reduced quantity, the Price for the Goods shall be adjusted on a pro-rata basis.*
18. *Title passes to Buyer upon delivery of the Goods to the Delivery Location. The seller bears all risk of loss or damage to the Goods until delivery of the Goods to the Delivery Location.*
19. *Seller agrees to ensure that any specifications, drawings, etc. referenced within the purchasing documents, whether commercial, government, or customer specifications, they comply with the current revision in affect at the time of purchase order issuance, unless otherwise specified.*
20. *If this purchase order shows on its face that it is placed under a U.S. Government contract or subcontract or if Buyer otherwise notifies Supplier that this purchase order is placed under a U.S. Government contract or a subcontract, certain clauses of the Federal Acquisition Regulation (FAR) (48 CFR Chapter 2) and the Department of Defense FAR Supplement (DFARS) apply. These clauses are incorporated herein by reference, and they are contained in Buyer's current form B054-1, entitled "Form B054-1 Terms, Conditions and Quality Clauses - Government Supplement" which is also incorporated by reference. Supplier's use of subcontractors, whether selected, directed or approved by Supplier, Automatic Products Corporation or Automatic Products Corporation's customer, to fulfill this purchase order shall not excuse Supplier of its obligations or requirements to Parker under this purchase order.*

B. PART / COMPONENT PROVIDERS

1. *Supplier agrees to provide parts defined within the associated PO to the revision level noted. If no revision level is noted, the latest revision level is requested.*
2. *Supplier agrees to provide conformance records of parts provided to ensure items meet specification and performance requirements. A Certificate of Conformance is acceptable.*

C. MANUFACTURERS

1. *Suppliers must maintain process and conformance records regarding the product or service provided regarding this order for a minimum of 15 years.*
2. *Certificates of Conformance are required for each line item listed on the PO as directed.*
3. *When Full Inspection and Test Reports are required, it will be noted on the PO.*
4. *All special processes required by this PO must be performed by qualified personnel and the processes be periodically validated to ensure output meets requirements. Process validation records will be made available to us on request.*
5. *Any differences between what is listed above and what is provided by the supplier must be clearly identified, communicated, and approved prior to shipping. Supplier is not allowed to modify drawings, specifications, or product characteristics without written consent of our engineering and quality departments.*
6. *When utilizing sampling inspection as a means of verification, the method must be in accordance to a statistically valid standard (i.e. ANSI Z1.4 or equivalent).*



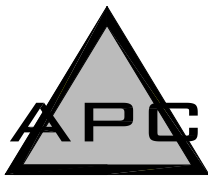
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7. *Detection of a nonconforming product regarding any order (currently in work or previously shipped) must be promptly communicated to our quality department for evaluation.*

D. SERVICES AND SPECIAL PROCESS PROVIDERS

1. *If providing calibration services, all certificates must identify standards used and must be traceable to NIST (National Institute of Standards Technology). Calibration certificates must note received and as left conditions.*
2. *Providers of welding services must maintain qualified and certified personnel and make the records of qualification available upon request.*
3. *All special process providers must perform tasks according to applicable and stated specifications (ASME, Mil Specs, etc.). Conformance records provided must indicate specifications in which processes were performed.*
4. *Service Providers performing tasks that do not directly impact product quality are required to provide evidence of competence to complete specific actions. This can also be covered under Supplier Approvals.*

E. Quality Clauses

- Q01** *Seller's Obligations regarding Nonconforming Goods. Seller shall notify Buyer immediately of any nonconforming goods discovered by any type of inspection conducted by Seller. Seller must obtain Buyer's written approval prior to disposition of any nonconforming goods.*
- Q02** *Waiver. No waiver by any party of any of the provisions of the Order shall be effective unless explicitly set forth in writing and signed by the party so waiving. Except as otherwise set forth in the Order, no failure to exercise, or delay in exercising, any rights, remedy, power, or privilege arising from the Order shall operate or be construed as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.*
- Q03** *Notification of Changes. Seller shall provide Buyer notification of changes in any previously approved products, designs, processes, suppliers and/or facilities and shall obtain organizational approval and flow down to the supply chain the applicable requirements including customer requirements.*
- Q04** *Inspection and Rejection of Nonconforming Goods. Buyer has the right to inspect the Goods on or after the Delivery Date. The buyer, at its sole option, may inspect all or a sample of the Goods, and may reject all or any portion of the Goods if it determines the Goods are nonconforming or defective. If Buyer rejects any portion of the Goods, Buyer has the right, effective upon written notice to Seller, to: (a) rescind the Order in its entirety; (b) accept the Goods at a reasonably reduced price; or (c) reject the Goods and require replacement of the rejected Goods. If Buyer requires replacement of the Goods, Seller shall, at its expense, within 14 days replace the nonconforming Goods and pay for all related expenses, including, but not limited to, transportation charges for the return of the defective goods*



*and the delivery of replacement Goods. If Seller fails to timely deliver replacement Goods, Buyer may replace them with goods from a third party and charge Seller the cost thereof and terminate this Order for cause pursuant to **Sections 3 and 4**. Any inspection or other action by the Buyer under this Section shall not reduce or otherwise affect Seller's obligations under the Order, and Buyer shall have the right to conduct further inspections after Seller has carried out its remedial actions.*

Q05 Warranties. *Seller warrants to Buyer that for a period of 6 months from the Delivery Date, all Goods will: (a) be free from any defects in workmanship, material and design; (b) conform to applicable specifications, drawings, designs, samples and other requirements specified by Buyer; (c) be fit for their intended purpose and operate as intended; (d) be merchantable; (e) be free and clear of all liens, security interests or other encumbrances; and (f) not infringe or misappropriate any third party's patent or other intellectual property rights. These warranties survive any delivery, inspection, acceptance, or payment of or for the Goods by Buyer. These warranties are cumulative and in addition to any other warranty provided by law or equity. Any applicable statute of limitations runs from the date of Buyer's discovery of the noncompliance of the Goods with the foregoing warranties. If Buyer gives Seller notice of noncompliance with this Section, Seller shall, at its own cost and expense, within 14 days replace or repair the defective or nonconforming Goods and pay for all related expenses, including, but not limited to, transportation charges for the return of the defective or nonconforming goods to Seller and the delivery of repaired or replacement Goods to Buyer.*