

1.0 Contract

- 1.1 Terms and Conditions:** The terms and conditions set forth below together with those appearing on the face of specific Silicon Forest Electronics' Purchase Orders, any attachments hereto and any document or other writing which is incorporated herein by reference (collectively the "Order") constitute the complete and exclusive agreement between Silicon Forest Electronics (SFE) and the seller.

2.0 Acceptance and Modification.

- 2.1 Our Purchase Orders:** can be accepted only upon the provisions herein. SFE objects to any additional or different terms or conditions, whether or not this material is contained in any acknowledgement or confirmation of the Order. Seller may accept the Order by acknowledging or confirming it, commencing performance or other means manifesting assent to be bound. No modification to this Order shall be binding on either party unless in writing and signed by an authorized representative of each party.
- 2.2 Communication:** With the exception of invoices and statements of account, which are directed to Accounts Payable; all communication and acknowledgments from seller concerning this Purchase Order must be directed to SFE buyer referenced on the Purchase Order.

3.0 Substitutions and Alternates.

- 3.1** SFE allows Seller to make substitution or supply alternate material or service only by written order and/or changes to the purchase orders.

4.0 Prices and Payment.

- 4.1 Price:** Seller shall sell to SFE Goods and/or Services shown on the face of the Order at or below the prices specified. Except as otherwise provided for in the Order, such prices are exclusive of applicable freight charges and duties. Seller warrants that such prices are not in excess of the lowest prices charged by Seller to other similarly situated customers for similar quantities of Goods and/or Services.
- 4.2 Non-Collusive Bidding:** Seller certifies that the Purchase Price has been determined independently without collusion with SFE employees or any other supplier.
- 4.3 Payment:** Payment for Goods and/or Services by SFE shall be due based on the terms established between Seller and SFE, unless other payment terms are negotiated. SFE may deduct from Seller's invoices any monies owed to SFE by Seller.
- 4.4 Not Acceptance:** Payment by SFE will not constitute acceptance of Goods and/or Services, not impair SFE's right to inspect goods and/or Services or invoke any of its remedies.

5.0 Shipment and Delivery.

- 5.1 Prospective Failure:** Seller shall give SFE notice of any prospective failure to ship Goods or provide Services on the delivery date specified by SFE (the "Delivery Date").
- 5.2 Untimely Shipment:** If, due to Seller's failure to timely ship Goods, the specified method of transportation would not permit Seller to meet the Delivery Date, the Goods affected shall be shipped by air transportation or another expedient means acceptable to SFE. Seller shall pay for any resulting increase in the cost of freight incurred over that which would have been incurred had Seller shipped Goods in a timely fashion by the method of transportation specified by SFE.
- 5.3 Early Delivery:** If Goods are delivered more than three (3) working days prior to the Delivery Date, SFE may either return Goods or delay processing the corresponding invoice until the Delivery Date.
- 5.4 Over Shipment:** If Seller makes any shipment that is in excess of the quantity specified in the Order, SFE may return excess Goods.
- 5.5 Cost and Expenses:** Seller shall be responsible for all costs and expenses, including transportation charges, associated with return of over shipments and early shipments by SFE to Seller.

- 5.6 Protection of Goods:** Seller shall preserve, package, handle and pack Goods so as to protect Goods from loss or damage, in conformance with good commercial practice. Regardless of when title and/or risk of loss passes from Seller to SFE, Seller shall be responsible for any loss or damage due to its failure to properly preserve, package, handle or pack Goods. SFE shall not be required to assert any claims for loss or damage against the carrier involved.
- 5.6.1 If the Goods are ESD sensitive, Seller shall maintain, package and ship material in accordance with the most current revision of ANSI/ESD S20.20.
- 5.6.2 If the Goods are MSD devices, Seller shall maintain, package and ship material in accordance with IPC/JEDEC J-STD-033.
- 5.7 Packing List:** Each delivery of Goods to SFE shall include a packing list that contains at least: (i) the order number; (ii) the SFE part number; (iii) the quantity shipped; (iv) the date of shipment, (v) lot and date codes; (vi) serial numbers when applicable; (vii) cure date and/or shelf life and (viii) static sensitive warning. The information on the packing list must agree with the information on the commercial invoice.
- 5.7.1 Where there is an agreement between the Seller and SFE for the Seller to furnish bar-code labels on the product, the information on the label must agree with the information on the packing list or must contain other agreed upon information.
- 5.8 Certificate of Conformance:** Each delivery of Goods to SFE shall include a Certificate of Conformance.
- 5.8.1 **Certificate of Component Traceability:** Required for all parts supplied by Independent Distributor if unavailable AS6081 test report required.
- 5.9 Time Sensitive Material Requirements:**
- 5.9.1 Received Solder is to have at least 30 days usage remaining upon receipt, if not SFE has to ability to return this product for a full refund.
- 5.9.2 Other Received time-sensitive materials must have at least 90 days of usage remaining upon receipt, if not SFE has to ability to return this product for a full refund.
- 6.0 Changes**
- 6.1 Changes and Cancellation:** SFE may, without charge, change or cancel any portion of the Order including, without limitation, quantity required, provided SFE gives Seller notice: (i) for customized Goods or Services (i.e., supplied exclusively in accordance with SFE supplied or SFE's customer supplied designs or specifications) either thirty (30) calendar days prior to the Delivery Date or at least prior to Seller starting production of customized Goods or Services, whichever is closest to the Delivery Date and (ii) for standard Goods or Services at least 10 calendar days prior to the Delivery Date unless otherwise agreed to by SFE and the Seller.
- 6.1.1 In the case of a signed "Non-Cancelable Non-Returnable (NCNR)" parts agreement; Seller will make every effort to accommodate changes in quantity, delivery or cancellation when possible.
- 6.2 Actual Costs:** Other than as provided in Section 4.3, if SFE changes or cancels any portion of the Order after the time periods specified in Section 4.1, SFE shall be responsible for actual costs incurred by Seller as a direct result of such change or cancellation which are not recoverable by either (i) the shipment of Goods or provision of Services affected to other parties within a reasonable time or (ii) the exercise by Seller, in a commercially reasonable manner, of other mitigation measures.
- 6.3 Change of Designs or Specifications:** SFE or SFE's customer may, effective upon notice to Seller, change SFE's or SFE's customer's design any time prior to shipment of corresponding Goods or receipt of corresponding Services. If any such change directly affects the prices or delivery schedules of Goods or Services, an equitable adjustment shall be made, provided that Seller makes and SFE accepts a written claim for an adjustment prior to shipment of Goods or provision of Services. If the parties are unable to agree upon the amount of the adjustment, SFE may, without any liability to Seller, terminate the Order as to all Goods and/or Services affected.
- 6.4 No Product, Process, Material, Location or Design Changes:** Seller shall not make any process, material or design changes affecting the Goods or outsource/transfer the work/order to another supplier, without the prior approval from SFE.
- 7.0 Quality and Warranty**
- 7.1 Quality Control:** Seller shall maintain an objective quality program for all Goods and/or Services that conforms to the requirements of ISO-9001, AS9100 or ISO-13485 or equivalent.

- 7.2 **Drawing & Specification Compliance:** Specifications listed on the purchase order shall be the latest revision level in effect on the date the purchase order, unless otherwise specified by the purchase order. Supplier is responsible to ensure they are working to the latest specification listed on the purchase order. If supplier is aware of a more current revision, inform SFE.
- 7.3 **Inspection/Test Data:** Attributes or variable inspection or test data demonstrating conformance to requirements as defined on the purchase order. Inspection and/or test data shall be completed per specification or drawing listed on the purchase order.
- 7.4 **Records & / or Reports:** Supplier shall maintain records and reports of inspection, measurements etc. and have available for review upon request from SFE for a minimum of 10 years for non-medical applications unless otherwise specified and indefinitely for medical applications.
- 7.5 **Calibration System Requirement:** Custom supplier shall establish and maintain a system of adequate calibration of production, inspection and test equipment in accordance with ISO-10012-1 or ANSI Z540. Records of calibration shall be made available to SFE upon request.
- 7.6 **Electronic Components:** All parts shall be capable of passing the solderability test in accordance with applicable test methods of MIL-STD-883, MIL-STD-750, MIL-STD-202 or J-STD-002 on delivery.
- 7.7 **Product Handling, Storage and Packaging:** shall comply with industry standards appropriate to the type of product purchased (military or commercial).
- 7.8 **FOD Compliance:** The supplier shall ensure that Foreign Object Debris and Foreign Object Damage (FOD) are eliminated from all part surfaces, cavities and channels both accessible and in-accessible, prior to shipment. Supplier shall maintain a FOD Prevention program in accordance with National Aerospace Standard NAS-412 and flow down this requirement to sub-tiers and subsequent sub-tier suppliers.
- 7.9 **Flow Down:** Supplier is required to flow down to sub-tier supplier the applicable requirements in the purchasing documents, including key characteristics.
- 7.10 **Validation of Special Processes:** Special processes are defined as chemical, metallurgical and other process which the quality and integrity of the product cannot be adequately demonstrated by other than destructive tests. The special process validation shall be accomplished and submitted to SFE prior to use in the production of items to be delivered under this purchase order.
- 7.11 **NADCAP:** Supplier and subcontractors shall be able to meet NADCAP requirements as they are flowed to them on the specifications, drawings or purchase order.
- 7.12 **Warranties:** Seller warrants that all Goods and/or Services: (i) shall conform strictly to the design criteria, specifications, descriptions, drawings, samples and other requirements referred to in the Order or provided by Seller; (ii) shall be free from defects in design, material and workmanship; (iii) shall be free of all liens, encumbrances and other claims against title (iv) do not infringe any patent, trademark, copyright or other intellectual property right of a third party; (v) Goods are new and do not contain any used or reconditioned parts or materials unless authorized in writing by SFE; and (vi) all Services will be performed in a professional manner consistent with the prevailing standards of care and skill.
- 7.13 **Survival of Warranties:** All warranties specified in Section 7.2 shall: (i) survive any inspection, delivery, acceptance or payment by SFE (ii) be in effect for the longer of Seller's normal warranty period or the one (1) year period following the date of acceptance of the Goods and/or Services by SFE and (iii) run to SFE and its successors, assigns and customers.
- 7.14 **Seller Agrees:** That SFE and any representative designated by SFE, for itself and on behalf of SFE shall have the benefit of all manufacture's warranties, express or implied, issued on or applicable to the goods. Seller authorizes SFE and/or its representative to obtain the customary services furnished in connection with such warranties and guaranties. Seller hereby assigns such warranties to SFE.
- 7.15 **SFE, SFE's Customer, and/or Regulatory Agencies' Right to Inspect and Access:** SFE, its customer, and/or regulatory agencies have the right to inspect and access, at Seller's plant or at Seller's vendors' or subcontractors' plant, the Goods and controlled Quality Records associated with the manufacturing processes. The inspection and access may be made at any time and for any reasonable reason related to the Order. Seller will inform its vendors and subcontractors of SFE's, SFE's customers, and/or regulatory agencies' right to inspect and access and, if necessary, use all reasonable effort to secure such right for SFE, its customer and/or regulatory agencies.
- 7.16 **Final Approval:** SFE reserves the right of final approval of all Goods and Services.

8.0 Non-Conforming Goods and/or Services.

- 8.1 Non-Conformance:** Supplier is to notify SFE of nonconforming material as soon as possible, not to exceed 2 days from discovery. Notification shall include SFE item part numbers, shipped (or to be shipped) quantity and date(s) and nonconformance details. SFE reserves the right to inspect such goods at either the supplier's facility or at SFE before accepting the goods. If the parts can't be reworked to original conformance requirements and require repair, SFE approval must be obtained prior to repair.
- 8.2 Non-Conformity:** If any Goods or Services are defective or otherwise not in conformity with the requirements of an Order, SFE may at its election: (i) return the Non-Conforming goods for repair or replacement at the Seller's expense; (ii) repair the non-conforming product and charge back to the Seller all reasonable repair costs incurred by SFE; or (iii) have the Seller re-perform the service to the level of conformity.
- 8.3 Time for Compliance:** If SFE selects an alternative described in Section 8.2 (ii) or (iii), Seller shall return the repaired Non-Complying Goods or replacement no later than three (3) working days after receipt of the Non-Complying Goods from SFE. Seller shall re-perform the Services within three (3) working days after notice from SFE that Services are defective or not in conformity with the requirements of the Order.
- 8.4 Return Charges:** All Non-Complying goods returned by SFE to Seller and all replacement or repaired Goods shipped by Seller to SFE to replace Non-Complying Goods, will be at Seller's risk and expense, including transportation charges (round trip charges for replacement or repaired goods).
- 8.5 Failure to Provide Complying Goods:** If Seller fails to return repaired or replaced Goods to SFE within five (5) working days of receipt of Non-Complying Goods, SFE may reject the Non-Complying Goods with a full refund of all costs paid by SFE.
- 8.6 Failure to Provide Complying NCNR Goods:** If Seller fails to return repaired or replaced NCNR Goods to SFE within five (5) working days of receipt of Non-Complying NCNR Goods, SFE may reject the Non-Complying NCNR Goods (i) with a full refund of all costs paid by SFE and (ii) Seller agrees to allow SFE to cancel the material remaining on the NCNR agreement if SFE elects to do so.
- 8.7 Failure to Re-Perform Service:** If Seller fails to re-perform the Services within five (5) working days after notice from SFE, SFE may procure, upon such terms and in such manner as SFE deems appropriate, Services in substitution for the Non-Complying Services. Seller shall reimburse SFE upon demand for all additional costs incurred by SFE in purchasing any such substitute Services.

9.0 License

- 9.1 License Grant:** If Goods include software, firmware or documentation, Seller grants to SFE a non-exclusive royalty-free, worldwide license to use, reproduce, display and distribute such Goods unless Seller prohibits such use and notifies SFE of such prohibition in writing.

10.0 Default

- 10.1 Default by Seller:** If Seller fails to perform or breaches any provision of the Order, SFE may terminate the whole or any part of the Order, unless Seller cures the breach within three (3) days after receipt of SFE's notice of breach.
- 10.2 Definition of Breach:** For purposes of Section 10.1, the term "breach" shall include, without limitation, any: (i) proceeding, whether voluntary or involuntary, in bankruptcy or insolvency by or against Seller; (ii) appointment, with or without Seller's consent, of a receiver or an assignee for the benefit of creditors; (iii) failure to provide SFE with reasonable assurances of performance on SFE's request; or (iv) other failure to comply with the Order.
- 10.3 Termination:** In the event that SFE terminates the Order in whole or in part as provided in Section 10.1, SFE may procure, upon such terms and in such manner as SFE deems appropriate, Goods or Services similar to the Goods or Services as to which the Order is terminated. Seller shall reimburse SFE upon demand for all additional costs incurred by SFE in purchasing such similar Goods or Services.
- 10.4 Rights and Remedies:** The rights and remedies granted to SFE pursuant to the Order are in addition to, and shall not limit or affect, any other rights or remedies available at law or in equity.

11.0 Regulatory Requirements

- 11.1 Certification:** Upon SFE's request, Seller shall provide SFE with an appropriate certification stating the country of origin for Goods sufficient to satisfy the requirements of (i) the customs authorities of the country of receipt and (ii) any applicable export licensing regulations, including those of the United States.
- 11.2 ITAR:** The Seller shall control the disclosure of and access to; all technical data, information, hardware and other items received under this Purchase Order in accordance with U.S. export control laws and regulations including, but not limited to, the International Traffic in Arms Regulations (ITAR, 22 CFR 120-130) and the Export Administration Regulations (EAR, 15 CFR Parts 730-774). The Seller shall indemnify the Buyer for all liabilities, penalties, losses, damages, costs and/or expenses that may be imposed on, or incurred by, the Buyer in connection with any violations of these export control laws and regulations by the Seller.
- 11.3 Other Requirements:** Seller shall comply with all other government agency requirements, including Food and Drug Administration (FDA) and Federal Communications Commission (FCC) in the case of a U.S. import. Failure to comply with import requirements will result in the transfer of financial and legal obligations to the Seller.

12.0 Miscellaneous

- 12.1 No Assignment:** Seller shall not delegate or assign its rights or obligations without SFE's prior written consent. Any attempted delegation or assignment by Seller without such consent shall be void.
- 12.2 Waiver of Terms and Conditions:** The waiver of any term or condition of the Order must be in writing. No such waiver shall be construed as a waiver of any other term or condition except as provided in writing, not as a waiver of any subsequent breach of the same term or condition.
- 12.3 Publicity:** Seller shall not make or authorize any news release, advertisement or other disclosure to any third party which shall deny or confirm the existence of the Order or reveal the terms of the Order without prior written consent of SFE.
- 12.4 Choice of Law:** The Order shall be interpreted and governed by the domestic laws of the state of Washington. Seller hereby consents to the jurisdiction and venue of the courts located in Washington.
- 12.5 Limitation of Liability:** In no event will either party be liable to the other for indirect, special, incidental or consequential damages based on contract, tort or other legal theory. Notwithstanding the foregoing, Seller will be responsible for any damages of any kind arising out of a breach of Section 10.
- 12.6 Executive Order (EO) 13224:** Supplier will adhere to the directions provided in Executive Order (EO) 13224, "Executive order on terrorist financing blocking property and prohibiting transactions with persons who commit, threaten to commit or support terrorism". Effective on 9/24/2001 and any subsequent changes made to it. Supplier further agrees to include this requirement in lower-tier purchase order or subcontracts hereunder.
- 12.7 Force Majeure.** Neither party shall be liable for a delay in performance of its obligations and responsibilities under this Order due to causes beyond its control, without its fault or negligence, such as but not limited to war, embargo, national emergency, insurrection or riot, acts of the public enemy, fire, flood or other natural disaster, provided that said party has taken reasonable measures to notify the other promptly in writing, of delay (but in any event, within 72 hours of the force majeure event). Time is of the essence of this Agreement, and should Seller fail to comply with SFE's delivery schedule or otherwise fail to comply with its obligations hereunder, SFE may terminate this Order without liability. Failure of subcontractors or inability to obtain materials shall not be considered as a force majeure delay.
- 12.8 Indemnity:** Seller shall, at Seller's sole cost and expense, release, defend indemnify and hold directors, officers, agents, employees, and shareholders harmless from and against all claims, demands, disputes, complaints, causes of action, suits, losses and damages (including attorneys' fees) of any kind to the extent they in any way relate to or arise, in whole or in part, due to; (i) subcontractors, or agents or the employees of any thereof, in the performance of this Order or any breach or default hereunder, (ii) a claim that the goods or services Seller provides are dangerously defective or (iii) a claim that Seller's products or services, or any part thereof, infringes a patent, copyright, trademark, trade secret or other intellectual or proprietary right of a third party.

12.9 Suppliers Personnel: Suppliers are to make personnel aware of; (i) their contribution to product or service conformity, (ii) their contribution to product safety and (iii) the importance of ethical behavior.

13.0 Counterfeit Parts Contract requirements for Independent Distributors

13.1 Authenticity: Seller shall establish and implement activities necessary to assure the authenticity of purchased product according to AS5553.

13.2 Supply Chain Traceability: Seller will provide a Certificate of Conformance and Traceability (CoCT) for each shipment, showing full traceability for the parts being purchased back to the manufacturer of electronic parts. This traceability method shall clearly identify the name and location of all of the supply chain intermediaries from the manufacturer to the direct source of the product for the seller and shall include the manufacturer's batch identification for the items. The Seller further warrants that this document is accurate. If a CoCT is not available, the seller will provide appropriate testing to authenticate the parts shipped and include this testing report along with a Certificate of Conformance as noted in section 5.8.

13.3 Product Impoundment and Financial Responsibility: If counterfeit parts are furnished under this purchase agreement, such items shall be impounded. The Seller shall promptly replace such items with items acceptable to SFE and the seller may be liable for all costs relating to impoundment, removal and replacement. SFE may turn such items over to US Government authorities for investigation and reserve the right to withhold payment for the items pending the results of the investigation.

13.4 Federal Penalties Associated with Fraud: Any knowing and willful act to falsify, conceal or alter a material fact, or any false, fraudulent or fictitious statement or representation in connection with the performance of work may be punishable in accordance with applicable Federal statutes.

13.5 Lower Tier Suppliers: Seller shall include all provisions of this Counterfeit clause to all lower tier contracts. Any inability or unwillingness of a lower tier supplier to comply with this provision should be documented in writing and submitted to SFE.

14.0 Conflict Minerals Policy: On August 22, 2012, the Securities and Exchange Commission adopted Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Conflict Minerals Law"). The Conflict Minerals Law requires all publicly traded companies to report annually to the SEC whether they use Conflict Minerals including gold, wolframite, cassiterite, columbite-tantalite and their derivative metals, which include tin, tungsten, tantalum and any other compounds designated by the U.S. Secretary of State.

14.1 Suppliers Policies and Procedures: Suppliers are expected to have policies and procedures in place to ensure that products and parts supplied to SFE are Conflict-free.

14.2 Due Diligence Information: Suppliers are expected to provide all necessary due diligence information to confirm that all material supplied to SFE are conflict-free, are expected to pass this requirement onto their supply chain and supply SFE with such documented proof upon request.