

Schaefer Systems International, Inc.
General Terms & Conditions for Purchase

1. ACCEPTANCE AND MODIFICATION OF AGREEMENT.

Any of the following acts by Supplier shall constitute acceptance of SSI SCHAEFER's Purchase Order and all of its terms and conditions: signing and returning a copy of this Order; delivery of any of the goods ("Goods") identified in this Order; informing SSI SCHAEFER in any manner of commencement of performance; performance of all or any portion of the services ("Services") subject to this Order; work on the Goods subject to this Order or shipment of such Goods, whichever occurs first; or returning Supplier's own form of acknowledgment. Any acceptance of this Order is limited to acceptance of these Standard Terms & Conditions of Purchase and any express terms contained on the face and back of the associated SSI SCHAEFER Purchase Order or Order Confirmation. ANY PROPOSAL FOR ADDITIONAL OR DIFFERENT TERMS OR ANY ATTEMPT BY SUPPLIER TO VARY IN ANY DEGREE ANY OF THE TERMS OF THIS ORDER IN SUPPLIER'S ACCEPTANCE IS HEREBY OBJECTED TO AND REJECTED. Such Supplier proposal shall not operate as a rejection of this Order unless such variances are in the terms of the description, quantity, price or delivery schedule of the services or Goods, but shall be deemed a material alteration thereof, and this Order shall be deemed accepted by Supplier without said additional or different terms. If this Order shall be deemed an acceptance of a prior offer by Supplier, such acceptance is limited to these Standard Terms & Conditions of Purchase and any express terms contained on the face and back of the associated SSI SCHAEFER Purchase Order or Order Confirmation.

No modification of this Order or waiver of, or addition to, any of this Order's terms and conditions shall be binding upon SSI SCHAEFER, unless made in writing and signed by SSI SCHAEFER's authorized representative.

2. PRICE, TAXES, CASH DISCOUNTS, PAYMENT AND EXPENSE REIMBURSEMENT.

Unless otherwise provided on the face of this Order, the prices appearing herein include all packaging, crating and all applicable federal, state, and local taxes. Cash discount periods will be computed from the later of (i) the date of delivery and acceptance of the items ordered or (ii) the date of receipt of correct and proper invoices prepared in accordance with the terms of this Order. Unless otherwise agreed or otherwise stated on the face of this Order, net invoices (subject to applicable withholding taxes imposed by authorized government authorities, if any) shall be paid within 30 days after the date of invoice or 30 days after the date of performance of the Services or delivery of the Goods, as the case may be, whichever is later. Payment of invoice shall not constitute acceptance of the items ordered, and shall be subject to appropriate adjustment for failure of Supplier to meet the requirements of this Order. Unless otherwise agreed to in writing by SSI SCHAEFER, all payments to Supplier shall be paid via an electronic banking arrangement. In no event will SSI SCHAEFER reimburse any expenses that are not lawful and in compliance with all applicable regulations.

3. MATERIAL, EQUIPMENT, TOOLING, SERVICE AND FACILITIES.

Unless otherwise stated in this Order, Supplier shall supply at its own expense all material, equipment, tools, service, tooling, drawings, specifications and facilities required to perform this Order. Title to all property

furnished to Supplier by SSI SCHAEFER or specifically paid for by SSI SCHAEFER shall be and remain in SSI SCHAEFER with the right of possession in SSI SCHAEFER, and Supplier will use such items only in the performance of work for SSI SCHAEFER. All such items while in Supplier's custody or control will be held at Supplier's risk, will be kept insured by Supplier at Supplier's expense will be subject to removal at SSI SCHAEFER's written request, in which event, Supplier, at its expense, will deliver them to SSI SCHAEFER in the same condition as originally received by Supplier, reasonable wear and tear excepted. Supplier will promptly notify SSI SCHAEFER of the location of such items if located in any place other than Supplier's plant. Supplier, at its expense, will maintain all such items in good condition and repair or replace them to the extent necessary for performance of this Order. SSI SCHAEFER does not warrant the accuracy of items it furnishes. Supplier will pay personal property taxes, if any, on items in its possession.

4. DRAWINGS AND DATA.

All drawings, data, designs, engineering instructions, models, specifications or other technical information, written, oral or otherwise, supplied by or on behalf of SSI SCHAEFER in connection with performance of this Order (hereinafter "SSI Information") shall be and remain the property of SSI SCHAEFER. Supplier shall not use or disclose such SSI Information except in the performance of Orders for SSI SCHAEFER, and upon SSI SCHAEFER's request such SSI Information and all copies thereof shall immediately be returned to SSI SCHAEFER. Where such SSI Information is furnished to Supplier's vendors for procurement of supplies by Supplier for use in the performance of SSI SCHAEFER's orders, Supplier shall insert the substance of this provision in any purchase order or subcontract.

5. CHANGES.

SSI SCHAEFER may at any time by a written order, make changes in any one or more of the following: (i) drawings, designs or specifications where the items to be furnished are to be specifically manufactured for SSI SCHAEFER, (ii) method of shipment or packing, and (iii) place or time of inspection, delivery or acceptance. If any such change causes an increase or decrease in the cost of or time required for the performance of this Order, an equitable adjustment shall be made in the price or delivery schedule or both as approved in writing by SSI SCHAEFER's authorized representative. No claim by Supplier for adjustment hereunder shall be allowed unless in writing (setting forth the proposed adjustment amount) and received by SSI SCHAEFER within twenty (20) days from the date notice of any such change is received by Supplier. During the performance of this Order, Supplier shall not make any changes in the design of items to be furnished by Supplier hereunder without advance notification to, and written approval of, SSI SCHAEFER.

6. DELIVERIES, SHIPMENTS AND PACKING SLIPS.

Time is of the essence in making deliveries under this Order and in Supplier's performance of Services. Deliveries are to be made both in quantities and at times specified herein or in such quantities and at such times as are specified in SSI SCHAEFER's written instructions. Unless otherwise specified on the Purchase Order, no variation in the quantity is authorized for shipment. Any quantity overage may, at SSI SCHAEFER'S

option, be accepted by SSI SCHAEFER at no additional charge for such overage or returned to Supplier at Supplier's expense.

All items shall be suitably prepared for shipment and packaged in a manner to ensure arrival in an undamaged condition. Supplier shall be responsible for costs or damages incurred by SSI SCHAEFER directly or indirectly, as a result of improper packaging. Each shipment and delivery shall be accompanied by an itemized packing slip bearing the SSI SCHAEFER's Purchase Order number and the exterior of each shipping container or package will be clearly marked with SSI SCHAEFER's Purchase Order number.

If Supplier's deliveries fail to meet schedule, SSI SCHAEFER, without limiting its other rights or remedies, may either direct expedited routing and charge all excess costs incurred thereby to Supplier or terminate all or part of this Order in accordance with the Termination provision hereof. Any additional handling charges and other expenses (whether related or not) resulting from Supplier's failure to comply with SSI SCHAEFER's shipping instructions will be charged to the Supplier and payable on demand. SSI SCHAEFER is not obligated to accept partial deliveries or excess deliveries. Acceptance by SSI SCHAEFER of all or part of the items shall not constitute a waiver by SSI SCHAEFER of its claims arising from delays in delivery.

7. INSPECTION AND QUALITY CONTROL.

All Goods, materials and workmanship utilized in the performance of this Order will be subject to inspection and testing by SSI SCHAEFER and its customers at all times and places. If any such inspection or test is made on Supplier's premises, Supplier will provide, without additional charge, reasonable facilities and assistance for safe and convenient inspections and tests. Inspection and approval at Supplier's plant does not preclude rejection of any defects subsequently discovered. If SSI SCHAEFER reasonably determines that any items covered by this Order are defective or otherwise not in conformity with the requirements of this Order, SSI SCHAEFER, by written notice to Supplier, may (a) rescind this Order as to such items, (b) accept such items at an agreed reduction in price, (c) retain and correct the defects or non-conforming aspects of such items or (d) reject such items and require the delivery of replacements. Supplier shall pay SSI SCHAEFER for expenses incurred in correcting defective or non-conforming items. Rejected items will be returned to Supplier at Supplier's request and risk of loss, and Supplier shall pay SSI SCHAEFER for all packing, handling, sorting and transportation expenses incurred in connection with the rejected items. If Supplier fails to deliver required replacements in accordance with the delivery date specified by SSI SCHAEFER, SSI SCHAEFER may replace or correct such items and charge Supplier with the expense thereof or terminate this Order. No inspection, tests, acceptance of, or payment for the Services or Goods shall relieve Supplier from liability for (i) defects or other failure to meet the requirements of this Order, (ii) latent defects, (iii) fraud, (iv) negligence, or (v) failure by Supplier to meet its warranty obligations hereunder.

8. WARRANTY.

Supplier warrants to SSI SCHAEFER, its successors, assigns and customers, that all items furnished pursuant to this Order (including labor for all services, all replacement items and all replacement or corrected components which Supplier furnishes pursuant to this warranty) will be new and of first class quality and free

from defects in materials and workmanship for a period that is the greater of the following: (a) twelve (12) months from the date of delivery to SSI SCHAEFER, (b) the period specified on this Order, or (c) Supplier's standard warranty period; will conform to applicable drawings, specifications, samples and other descriptions furnished or specified by SSI SCHAEFER; and to the extent such items are not of a detailed design furnished by SSI SCHAEFER, will be merchantable, suitable for the intended purposes and free from all other defects, including defects in design. In the event Supplier is required to replace or correct any component of any item pursuant to a breach of the foregoing warranty, the running of the warranty period for the term of which the defective component is a part shall be suspended from the date Supplier receives notice of the breach of warranty until the date the component is replaced or corrected. For any item provided hereunder that is not manufactured by Supplier, Supplier represents and warrants that such item carries a manufacturer's warranty and such warranty shall pass through to SSI SCHAEFER. SSI SCHAEFER's approval of Supplier's samples or articles shall not be construed as a waiver by SSI SCHAEFER of any requirement of the drawings, specifications and/or other referenced descriptions applicable hereto or of any express or implied warranty.

Supplier further warrants that the items furnished pursuant to this Order will not contain, and the Supplier shall not introduce through data transmission via modem or any other medium, or in the performance of any service hereunder, any harmful code.

9. DEFECTIVE OR NONCONFORMING ITEMS/BREACH OF WARRANTY.

In the event of Supplier's delivery of defective or nonconforming items (including work related to services) or Supplier's breach of warranty, SSI SCHAEFER may at its election and in addition to any other rights or remedies it may have at law or equity or under this Order, recover from Supplier any costs of removing such items from property, equipment or products in which such items have been incorporated and any additional costs of reinstallation, re-inspection and retesting and (i) return the items at Supplier's risk and expense and recover from Supplier the price paid therefor and, if elected by SSI SCHAEFER, purchase or manufacture similar items and recover from Supplier the costs and expenses thereof, (ii) accept or retain the items and equitably reduce their price, or (iii) require Supplier, at Supplier's expense promptly to replace or correct the items. If Supplier fails promptly to replace or correct such items as directed by SSI SCHAEFER, SSI SCHAEFER may repair them or have them repaired at Supplier's expense or purchase or manufacture similar items and recover from Supplier the costs and expenses thereof.

10. TERMINATION, STOP ORDERS.

Termination for Convenience. SSI SCHAEFER may at any time for its sole convenience terminate this Order in whole or in part or stop and suspend all or any part of the work under this Order for a period of ninety (90) days by written notice stating the extent and effective date of such termination or stop work order. Upon receipt thereof, Supplier shall to the extent directed by SSI SCHAEFER (i) stop work and deliveries under this Order and place no further orders relating hereto (ii) terminate work or deliveries under outstanding orders, which relate to work terminated by such notice and (iii) protect property in Supplier's possession in which SSI SCHAEFER has or may acquire an interest. To the extent a stop work order (as distinguished from an order to terminate) is

canceled or expires, Supplier shall resume work. Supplier shall submit to SSI SCHAEFER its written claim for direct termination costs, if any, as soon as possible but not later than thirty (30) days from the effective date of termination. Supplier hereby gives SSI SCHAEFER the right to audit and inspect its books, records and other documents relating to its termination claim. If the parties cannot agree within a reasonable time upon the amount of fair compensation for such termination, SSI SCHAEFER's liability to Supplier will be limited to making prompt payment of the following amounts only, without duplication (A) the contract price not previously paid for items delivered or performed and accepted by SSI SCHAEFER in accordance with the provisions of this Order prior to the effective date of termination and (B) the actual direct costs incurred by Supplier and properly allocable to this Order under the preceding sentence, less any credit for delivery cost savings. Supplier shall, if directed by SSI SCHAEFER, transfer title to and make delivery of any items, work in process or other physical inventory not so retained or sold.

Termination for Default. SSI SCHAEFER shall have the right to terminate this Order in whole or in part for default (i) if Supplier fails to comply with any of the requirements of this Order, including without limitation late deliveries, defective or nonconforming goods or failure to make satisfactory progress in timely completion of the work or (ii) if Supplier becomes insolvent or suspends any of its operations or if any petition is filed or proceeding commenced by or against Supplier under any state or federal law relating to bankruptcy, arrangement, reorganization, receivership or assignment for the benefit of creditors. To the extent permitted by applicable law, any such termination will be without liability of SSI SCHAEFER for any or all property produced or procured by Supplier for performance of the work terminated. Supplier will be liable for damages caused by or resulting from its default, including but not limited to excess costs of completing the contract. If, after a default termination, it is determined that Supplier was not in default, the termination shall be considered as a termination for convenience.

11. EXCUSABLE DELAYS.

Neither party shall be in default for any delay or failure to perform hereunder due to causes beyond its control and without its fault or negligence, including without limitation delays due to acts of God or of the public enemy, any act of government, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, unusually severe weather; provided that any party affected by such delay shall give prompt written notice to the other party. Any delay or failure to perform caused by default of a vendor of the Supplier at any lower tier, must be beyond the control of both Supplier and such vendor and without the fault or negligence of either and the items to be furnished must not be obtainable from other sources in sufficient time to permit Supplier to meet the delivery schedule.

12. INTELLECTUAL PROPERTY.

Except as otherwise agreed in writing, all tangible or intangible property created or generated in the course of Supplier's performance under this Order, including without limitation printed materials, artwork, designs, concepts, plates, audiovisual materials, software, negatives, drawings, mechanicals and photographs, are the property of SSI SCHAEFER and must be identified as such. All results of work performed or items created or

supplied hereunder by or at the direction of Supplier, constitute “works made for hire” specially commissioned by SSI SCHAEFER within the meaning of the U.S. Copyright Act or shall vest all right, title and interest for same in SSI SCHAEFER under U.S patent law. Supplier acknowledges that SSI SCHAEFER is to be considered the author and/or owner of such works, and Supplier hereby irrevocably grants to SSI SCHAEFER, its successors and assigns, all rights, title and interest in such works worldwide.

13. INTELLECTUAL PROPERTY INFRINGEMENT.

Supplier shall hold SSI SCHAEFER, SSI SCHAEFER's affiliated corporations and their respective successors, assigns and customers, and users of products sold by SSI SCHAEFER containing the Services or Goods, harmless from loss and liability of any nature of kind, including court costs and reasonable attorney's fees, arising out of or relating to the infringement or alleged infringement of any patent, trademark, copyright, industrial design or process of manufacture on account of the manufacture, sale or use of any Services or Goods furnished under this Order, except in the case where strict compliance by Supplier with specifications prescribed by and originating with SSI SCHAEFER constitutes the sole basis of the infringement or alleged infringement.

14. INDEMNIFICATION AND INSURANCE.

To the fullest extent permitted by law, Supplier shall indemnify and hold harmless SSI SCHAEFER, its employees, agents and invitees from and against all liability, demands, claims, loss, cost, damage and expenses (including reasonable attorneys' fees) for property damage, death or personal injury arising out of, or as a result of, the performance of this Order, breach of warranty or the acts or omissions of, Supplier or its employees, agents or vendors.

Supplier shall maintain and carry adequate General Liability Insurance including, but not limited to, public liability, property damage liability, product liability, completed operations and contractual liability coverages, worker's compensation and employer's liability insurance covering all employees engaged in the performance of this Order, in amounts satisfactory to and with companies approved by SSI SCHAEFER covering the Services or Goods subject to this Order. Supplier shall procure and maintain, at Supplier's sole expense, insurance with reputable and financially responsible insurance companies having an A.M. Best Company Rating of A- or better. Supplier shall furnish certificates of insurance indicating the foregoing coverage prior to commencing work under this Order. The receipt or review of such certificates or other proof of insurance coverage, if any, by SSI SCHAEFER shall not relieve Supplier from its insurance obligations hereunder or reduce or modify such insurance requirements. Such policies shall provide for cancellation only subsequent to 30 days prior written notice to SSI SCHAEFER.

15. COMPLIANCE WITH LAWS.

Supplier warrants that all goods provided hereunder have been produced and all services performed are in compliance with applicable federal, state and local laws, ordinances, codes, rules, regulations or standards that are applicable to this Order, including without limitation, applicable trade control laws, the Fair Labor

Standards Act, and those laws and regulations pertaining to the manufacture, labeling, invoicing and sale of such goods or services, environmental protection, immigration, employment and occupational safety and health. Each invoice rendered to SSI SCHAEFER under this Order shall constitute written assurance by Supplier of the fact that Supplier has fully complied with the applicable laws, ordinances, rules and regulations. Supplier shall package and label the Goods and their containers, in particular those which constitute a health, poison, fire, explosion or other safety hazard, in accordance with all applicable federal, state, foreign or international and local packaging and labeling laws, ordinances, rules and regulations in effect in the place to which the Goods are shipped or as otherwise specified by SSI SCHAEFER.

Supplier shall at all times comply with applicable provisions relating to government contractors and subcontractors, which provisions, and any contract clauses required thereunder, are incorporated in this Order by reference as if set forth in full, including 41 CFR 60-1, et seq., with the nondiscrimination, reporting, record keeping and affirmative action program requirements set forth therein; incorporation of the Equal Opportunity Clause of Executive Order 11246 pursuant to 41 CFR 60-1.4; the provisions of 41 CFR 60-300.5 relating to disabled veterans and other protected veterans; and the provisions of 41 CFR 60-741.5 relating to workers with disabilities. Where legally required, Supplier shall include these clauses in its purchase orders supporting this Order, and shall at SSI SCHAEFER's request certify to all of the foregoing.

16. ASSIGNMENT AND SUBCONTRACTING.

Any assignment of this Order or the work to be performed, in whole or in part, or of any other interest hereunder, without SSI SCHAEFER's written consent shall be void. Irrespective of SSI SCHAEFER's approval, Supplier remains fully responsible for the proper selection and supervision of its assignees and subcontractors. Without prejudice to SSI SCHAEFER's discretion to grant such approval or not, SSI SCHAEFER will in no case grant such approval unless the third party enters into an agreement with Supplier whereby such third party agrees to be bound by, and comply with, provisions at least equivalent to those required by this Order.

17. RIGHTS AND REMEDIES OF SSI SCHAEFER.

The remedies herein reserved shall be cumulative and not alternative and may be exercised separately or together, in any order or combination, and in addition to any other remedies provided for or allowed by law, at equity or otherwise. The failure or delay by SSI SCHAEFER to exercise any rights or remedies hereunder shall not operate as a waiver thereof, or preclude the exercise of any other rights or remedies.

18. DISPUTES; GOVERNING LAW

This Purchase Order shall be interpreted and enforced in accordance with the laws of the State of North Carolina, without regard to its conflict of laws principles. The application of the United Nations Convention on Contracts for the International Sale of Goods is excluded. Supplier hereby consents to jurisdiction in any state court located in Mecklenburg County, North Carolina, or any federal court sitting in the Western District of North Carolina. Any action resulting from any breach on the part of SSI SCHAEFER must be commenced within one year after the cause of action has accrued. SUPPLIER HEREBY WAIVES ANY DEFENSE BASED ON LACK OF

JURISDICTION, IMPROPER VENUE OR FORUM NONCONVENIENS. SUPPLIER WAIVES ALL RIGHTS TO A JURY TRIAL IN ANY ACTION OR PROCEEDING RELATED IN ANY WAY TO THESE TERMS.

19. CONFIDENTIALITY.

Except as otherwise specifically agreed, all Confidential Information disclosed by SSI SCHAEFER to the Supplier shall be SSI SCHAEFER's property and shall be held in confidence by Supplier and used solely for the performance of this Order. As used herein, "Confidential Information" means all information of SSI SCHAEFER, in whatever form transmitted, relating to business plans, operations, training, systems and products, whether currently manufactured or in development which is identified as being confidential or proprietary in nature or is confidential or proprietary by its nature or would give or increase the advantage of SSI SCHAEFER's competitors over SSI SCHAEFER or diminish SSI SCHAEFER's advantage over its competitors. Supplier shall take all reasonable precautions (a) to disclose such information within Suppliers organization only to those employees and agents who have a need to know in order to fulfill Supplier's obligations hereunder and who have agreed to keep the Information confidential, and (b) to prevent any such Information from being divulged to third persons not employed by Supplier, including having recipients acknowledge the confidential status of such information and agreeing to similar restrictions. This obligation shall survive termination of this Order and will continue for three (3) years thereafter, or for as long as the information remains a trade secret, whichever is longer.

20. SEVERABILITY.

If any provision of this Order is found to be illegal otherwise unenforceable by any court or other judicial or administrative body, such provision shall be limited to the extent necessary so that it will not render this Order unlawful or otherwise unenforceable and the remaining provisions of this Order shall remain in full force and effect.

21. WAIVER OF CONSEQUENTIAL DAMAGES.

Anything herein notwithstanding, in no event shall SSI SCHAEFER be liable to the Supplier for special, indirect, incidental or consequential damages, including commercial loss, loss of use, or lost profits, even if SSI SCHAEFER has been advised of the possibility of such damages.