

TERMS AND CONDITIONS

THIS PURCHASE ORDER ("Order") SHALL BE CONSTRUED AS AN OFFER TO PURCHASE WHICH CAN ONLY BE ACCEPTED PURSUANT TO PARAGRAPH 1 HEREOF AND IN NO EVENT IS THIS ORDER TO BE CONSIDERED AN ACCEPTANCE. ANY BIDS, QUOTES OR OTHER DOCUMENTS PREVIOUSLY DELIVERED TO LOC Industries, Inc. (HEREINAFTER "BUYER") SHALL HAVE NO EFFECT AND SHALL NOT CONSTITUTE ANY PART OF THIS CONTRACT OF PURCHASE AND SALE UNLESS OTHERWISE PROVIDED HEREIN. BY ACCEPTANCE OF THIS ORDER, SELLER AGREES TO BE BOUND BY ALL OF THE TERMS AND CONDITIONS HEREIN.

1. Acceptance of Offer. In no event may this Order be construed as an acceptance by Buyer of any offer to sell, quotation or proposal. Any reference herein to Seller's offer to sell, quotation or proposal is solely for the services contained therein to the extent that such description or specifications do not conflict with the description and specifications contained herein. This Order becomes a contract only and exclusively when this Order has been signed by both Buyer and Seller on the face hereof and such signed acknowledgment or a copy hereof is received by Buyer within the time period provided and in no event shall any separate acknowledgment and/or acceptance signed by Seller constitute acceptance hereof. Seller acknowledges and agrees that any provision printed or otherwise contained in any acknowledgment, acceptance, invoice, shipper or other document from Seller, inconsistent with or in addition to the terms and conditions herein stated, and/or any alteration to this Order, shall have no force or effect, and Seller acknowledges and agrees that any such additional or different provision in any document or any such alteration to this Order shall not constitute any part of this contract of purchase and sale, but shall be deemed rejected by Buyer without need of further notice of rejection. Acceptance or rejection by Buyer of any additional or different terms or conditions shall not constitute an acceptance of any other additional term or condition, unless expressly agreed to in writing by Buyer.
2. Terms Comprising Order. The terms and conditions contained herein shall be binding upon Seller. The contract documents collectively comprising this Order include all terms appearing on both sides hereof and all things specifically incorporated by reference or physically attached hereto. Any specifications, drawings, notes, instructions, engineering notices, or technical data referred to in this Order shall be deemed to be incorporated herein by reference as if fully set forth. If any discrepancies or questions arise, the Seller shall refer to Buyer for a decision, instructions and/or interpretation.

This Order supersedes and cancels any written or verbal agreements hereto made by the parties and constitutes the entire agreement between the parties. This Order may not be modified except in a writing signed by both parties

hereto. Failure of either party to enforce any of its rights hereunder shall not constitute a waiver of such rights or any other rights hereunder.

3. Price. Prices recorded in this Order are not subject to increase unless otherwise agreed to by the parties in writing. No additional amounts shall be chargeable to Buyer because of taxes or excises, presently or hereafter levied on Seller. If the price is not recorded on the face of this Order, the Seller's price shall not be higher than last quoted or last charged to Buyer, unless otherwise agreed in writing.

4. Retainage. Buyer reserves the right to retain ten percent (10%) of the purchase price to secure performance by Seller of all the terms and conditions contained herein. This retainage shall be paid to Seller only after Buyer has had sufficient time to assure Buyer that the above described materials are fully conforming to this contract.

5. Delivery Time. Seller acknowledges that Buyer's production schedules are based upon its agreement that materials or products will be delivered by Seller to Buyer by the date specified on the face of this Order. Therefore, time is of the essence in the performance of this Order. There shall be no delay or change in delivery time without a written amendment to this Order signed by both the Seller and Buyer. If deliveries are not made at the time agreed upon, Buyer reserves the right to cancel and/or to purchase all or a portion of the materials elsewhere. The acceptance of late or defective deliveries shall not be deemed a waiver by Buyer of its right to subsequently cancel all or a part of this Order, or to refuse to accept further deliveries and to hold the Seller liable for breach.
 - a) If a Vendor feels that they will be unable to fulfill their contractual obligations they must provide LOC Industries, Inc. with a written notification stating the reason for the delay and a realistic time frame for delivery.
 - b) By accepting the Terms and conditions of LOC Industries, Inc. the Vendor is held accountable to the National Security Industrial Base Regulations and must comply with any and all scheduling requirements associated with the Defense Priorities and Allocations Systems. A copy of the 15 CFR 700 is available from LOC Industries, Inc. upon request.

6. Inspection/Acceptance of Materials. Materials delivered (whether paid for or not) are subject to inspection, testing, and approval by Buyer before final acceptance. Signature on a shipper or similar documents acknowledging receipt does not constitute acceptance of materials. Regarding materials that are a component of or are to be incorporated into, or related to any machine, tooling, product, or other materials of Buyer, acceptance of Seller's materials does not occur until final inspection, testing and run-off of the machine. Buyer exercises the right to monitor Sellers quality of product or service, as well as performance.

7. Warranty. Seller expressly warrants that all articles, materials, goods, services and work will conform to the applicable drawings, specifications, proto-types, samples, or other descriptions in all respects, and that the materials delivered hereunder shall be fit and sufficient for the purpose intended and Seller acknowledges and agrees that it has had or will have had an opportunity to review any necessary drawings, specifications, samples or other descriptions including such information regarding the machine or end product of Buyer which will incorporate the materials. Seller further warrants that all articles, materials, goods, services and work provided will be of good quality, material and workmanship, merchantable and free from defects, and that goods or services of Seller's design will be free from defects in design. This warranty shall survive any inspection, delivery, acceptance, or payment by Buyer for the goods or services and shall run to Buyer, its successors, assigns and customers and users of Buyer's products and services. This warranty is in addition to and not in lieu of any other express warranties by Seller or warranties implied by law. Seller agrees to replace or correct defects in any goods or services not conforming to the foregoing warranty promptly, without expense to Buyer, when notified of such non-conformity by Buyer. In the event Seller fails to correct defects in or replace non-conforming goods or services promptly, Buyer, after reasonable notice to Seller, may make such corrections or replace such goods and services and charge Seller for the costs incurred by Buyer thereby, including any costs and actual attorney's fees incurred in enforcing Seller's obligations under this warranty.
8. Repairs. Seller agrees to make good, at its own expense, any patent or latent defects in its materials or defects/default in its workmanship. Seller waives any statute of limitations defense with respect to latent defects in its materials. If Buyer has received shipment of Seller's materials when the defect or default is discovered, Buyer agrees to allow Seller access to Buyer's premises during reasonable business hours in Order to cure such default or defect. Where such defect or default, or correction of same, results in additional expense to Buyer, Seller shall bear such expense.
9. Title to Drawings and Specifications. Buyer shall at all times have title to all drawings, samples and specifications furnished by Buyer to Seller and intended for use in connection with this Order; it being understood that such information is being disclosed in confidence upon the condition that it is not to be reproduced or copied or used for furnishing information or equipment to others, or for any other purpose other than the performance of Seller's obligations under this Order. Seller shall use such drawings, proto-types, samples and specifications only in connection with this Order, and shall not disclose such drawings, proto-types, samples and specifications to any person, firm, entity or corporation other than Buyer or Seller's employees, subcontractors (with written approval in advance by Buyer), or government inspectors. Upon Buyer's request at the completion of this Order (or sooner if the Order is terminated or canceled in whole or in part) Seller shall promptly return all drawings, samples and specifications to Buyer.

10. Supplementary Information. Any specifications, drawings, notes, instructions, engineering notices, or technical data referred to in this Purchase Order shall be deemed to be incorporated herein by reference as if fully set forth. In case of any discrepancies or questions, the Seller shall refer to Buyer for decision or instructions or for interpretation. If required the seller shall provide the buyer with sample units for approval to ensure product conformity.
11. Right to Inspect on Seller's Premises. Buyer or its designated representative/customer, shall have full and free access at reasonable business hours to the shops, factories or other places of business of Seller, and its assignees or subcontractors, in Order for Buyer to inform itself as to the general condition and progress of the work being completed.
12. Modifications. Buyer shall have the right to make, from time to time and without notice to any sureties or assignees, changes as to testing, specifications, designs, and delivery schedules. Immediately upon learning of any modifications, Seller shall notify Buyer of any proposed increases or decreases in costs as a result of such changes. If Buyer and Seller agree that an equitable adjustment in price or other terms is appropriate as a result of a modification, the adjustment shall be agreed upon in a written amendment to this Order. No price increase will be enforceable unless agreed to in writing by Buyer.
13. Assignment and Subcontracting.
- A. Neither this Order nor any interest herein may be assigned in whole or in part by Seller without the prior written consent of Buyer.
- B. Notwithstanding the foregoing, any amounts due or to become due hereunder may be assigned by Seller, provided that such assignment shall not be binding upon the Buyer unless and until the assignment agreement is received by Buyer.
- C. Suppliers and their appropriate sub-tier suppliers are required to meet all specifications noted on the purchase order. The use of customer designated or approved suppliers for products or services may be required. Suppliers and their appropriate sub-tier suppliers are required to prevent cross-contamination of any kind to ensure product safety and prevent foreign object debris.
14. Indemnification. Seller shall indemnify, hold harmless, and defend Buyer of, from and against any and all damages, claims, losses, expenses (including attorney's fees) and liabilities, including, but not limited to, property damage and bodily injury, including death, arising out of, related to or incident to the performance of this Order or any act or

omission of Seller, its agents, employees or subcontractors with respect to the Order, unless any liability was due to the sole negligence of Buyer.

15. Compliance with Applicable Law. Seller agrees to comply with all federal, state and local laws, Executive Orders, rules, regulations, applicable statutory and regulatory requirements, and ordinances which may be applicable to Seller's performance of its obligations under this Order including, but not limited to, the following:

A. Fair Labor Standards Act. Each of Seller's invoices covering materials covered by this Order must carry the following certificate or its equivalent in Order to be passed for payment. "Seller hereby certifies that any materials covered by this invoice were produced in compliance with all applicable requirements of the Fair Labor Standards Act, as amended, and in compliance with all applicable regulations and Orders issued thereunder";

B. Occupational Safety and Health Act. Seller warrants that the goods furnished hereunder comply with the requirements of the Occupational Safety and Health Act of 1970, as amended;

C. Equal Employment Opportunity. This Order will be subject to non-discrimination provisions of Section 202 of Executive Order No. 11246, as amended by Executive Order No. 11375 and amendments thereto and rules and regulations thereunder, except as exempted by the provisions of Section 204 of Executive Order No. 11246 or amendments thereto. This Order will also be subject to the Equal Employment Opportunity clauses of 38 USC 2012, the Vietnam Era Veterans Readjustment Assistance Act of 1974, as amended, Section 503 of the Rehabilitation Act of 1973, as amended, relative to Equal Employment Opportunity, and implementing rules and regulations of the Secretary of Labor;

D. Small Business Act. Seller warrants that it has not misrepresented its business size classification pursuant to the terms and provisions of 15 U.S.C. 631, et. seq., and

E. Anti-Kickback Enforcement Act of 1986. This Order will be subject to the definitions, terms and provisions of 41 U.S.C 51-58. Seller expressly warrants that it has in place, and follows, reasonable procedures designed to comply with the Anti-Kickback Act of 1986 in all respects.

16. Construction/Venue/Severability. Buyer and Seller agree that this Order shall be governed by and interpreted in accordance with the laws of the State of Michigan. If any provision shall be found by a court or tribunal of competent jurisdiction to be invalid or unenforceable in part or in whole for any reason whatsoever, the validity of the remaining provisions or portions thereof shall not be affected thereby, and this Order shall be enforced consistent with the terms hereof to the greatest extent allowable. One or more waivers of any default or breach committed by Seller shall not

operate as a waiver of any future or continuing default or breach. Both parties acknowledge and agree to venue for all actions within the state and federal courts located in Macomb County and Detroit, Michigan, respectively, as the exclusive venue for all actions and proceedings arising out of or related to this Order.

17. Cancellation. Buyer may terminate this Order, which will constitute a termination for cause, if any of the following occur:

- A. If the Order of Buyer's customer is canceled or modified to the extent that the goods and/or services required hereunder are no longer necessary;
- B. Seller fails to meet delivery schedules without the written agreement of Buyer;
- C. Seller disregards any laws, ordinances or rules, regulations or Orders of a public authority having jurisdiction;
- D. As demonstrated through Seller's actions or inaction, that it is unlikely that Seller will be able to comply with the terms and the conditions of this Order;
- E. If Seller is adjudged bankrupt or if it makes a general assignment for the benefit of creditors or a receiver is appointed on account of Seller's insolvency; or
- F. Seller is otherwise in breach of any provision of this Order; or
- G. Seller fails to provide to Buyer any of the necessary documentation to certify compliance with Paragraph 14 above.

18. Waiver. The failure to either party to insist on any provision of this Order shall not be construed as a waiver of that provision in any later instance.

19. Termination for Cause. A termination for cause in accordance with the above shall be effective immediately upon notice given by Buyer to Seller. Further, in the event of a termination for cause, Seller shall not be entitled to payment of any amounts whatsoever under the terms of this Order, including any amounts for actual costs and expenses incurred as of the date of cancellation, except to the extent that any goods or services provided as of the date of cancellation have been utilized and are accepted by Buyer, in which event Seller shall only be entitled to the actual costs and expenses it has incurred as of the date of cancellation (less Buyer's cost to cover and/or cost to

complete and any indemnity obligation of Seller to Buyer hereunder), and provided that Seller's actual costs do not exceed the quoted purchase price. It shall be Seller's burden to establish the amount of its actual costs and expenses incurred, and to provide supporting documentation for same, before any payments will be made by Buyer hereunder.

20. Delivery. Unless otherwise stipulated on the face of this Order, goods covered by this Order shall be shipped "F.O.B. Destination" and title to such goods shall pass to Buyer on the title passage date (earlier of the manufacturing required date or the use date). Transportation and delivery charges on goods delivered F.O.B. destination must be pre-paid. No charges for unauthorized transportation will be allowed. Any unauthorized shipment which will result in excess transportation charges must be fully pre-paid by Seller.
21. Disputes. Either party may litigate any dispute arising or under or relating to this Order before any court of competent jurisdiction consistent with Paragraph 15 hereof. Pending resolution of any such dispute by settlement or by final judgement, the parties shall proceed diligently with performance. Seller's performance shall be in accordance with Buyer's written instruction.
22. Buyer's Property. All material, including tools, furnished or specifically paid for by Buyer shall be subject to removal, upon demand by Buyer, from Seller's place of business at any time, without additional cost, shall be used only in filling Orders from Buyer, shall be kept separate from other materials or tools, and shall be clearly identified as the property of Buyer. The Seller assumes all liability for loss or damage of Buyer's property, with the exception of normal wear and tear, and agrees to supply detailed statements of inventory and stage of completion at monthly intervals or as otherwise agreed upon.
23. Waiver of Liens. Seller hereby waives and relinquishes all liens and claims, statutory or otherwise, which Seller now has or may hereafter have as a result of labor provided and/or materials furnished by Seller in performance of this Order.
24. Assignment. Seller shall not delegate, assign or subcontract any duties or assign any rights or claims under this Order, or for breach thereof, without the prior written consent of Buyer and any such attempted delegation, assignment or subcontract shall be void.
25. Set-Offs and Counterclaims. All claims for moneys due or to become due from Buyer shall be subject to deduction by Buyer for any set-off or counterclaim arising out of this or any other of Buyer's dealings with the Seller, whether such set-off or counterclaim arose before or after any amounts became due under this Order.

26. Bankruptcy. In the event of any proceedings, voluntary or involuntary, in bankruptcy or insolvency by or against the Seller, the inability of the Seller to meet its debts as they become due, or in the event of the appointment, with or without the Seller's consent, of an assignee for the benefit of creditors or of a receiver, then Buyer shall be entitled, at its sole option, to cancel any unperformed part of this Order without any liability whatsoever.
27. Patents. Seller shall defend, at Seller's expense, Buyer, its successors and assigns, and users of the products of Buyer, and indemnify and hold them harmless of, from and against any and all costs, liabilities, damages, losses, expenses (including attorney's fees) arising out of claims that the products, materials, or services furnished by the Seller under this Order infringe any United States Patent, copyright or invention rights and/or trade secrets under common law, and with respect to any and all suits, controversies, demands, costs, damages, losses and liabilities (including attorney's fees) arising out of any such claims, whether against buyer or against those selling or using the goods and services covered by this Order; provided, however, the foregoing shall not apply to any infringement resulting from the Seller's use of a patented invention required to comply with the written instructions of Buyer if such patented invention is not normally utilized by the Seller.
28. Inspection of Records. If this Order is a time and material or construction Order or provides for the payment of any amounts prior to the completion hereof, including, without limitation, progress payments, Supplier agrees that its books, records and its plant, or such parts of its plant as may be engaged in the performance of this Order, shall at all reasonable times be subject to inspection and audit by an authorized representative of Buyer notwithstanding any other provision herein to the contrary.
29. Confidential Disclosure.
- A. Information Furnished by Buyer - Supplier shall protect as Proprietary and keep confidential all Proprietary information including, but not limited to, designs, processes, drawings, specifications, reports, data, and other technical or business information and the features of all parts, equipment, tools gauges, patterns, and other items furnished or disclosed to Supplier by Buyer. Unless otherwise provided herein, or authorized by Buyer in writing, Supplier shall use such information and items and the features thereof, only in the performance of this Order; thus, Supplier, shall not sell or dispose as of scrap or otherwise any completed or partially completed or defective Proprietary goods without defacing or rendering such goods unsuitable for use. All CAD/CAM data supplied to the Supplier in electronic form is included within this provision. Upon completion or termination of this Order, Supplier shall, at the Supplier's expense, make such disposition of all such Proprietary information, items and goods as herein required or as may be subsequently directed by Buyer.

Buyer shall have the right to audit all pertinent books and records of Supplier in Order to verify compliance with this clause. In all Subcontracts for performance of work related to this Order, Supplier shall include provisions which provide to Buyer the same rights and protection as provided in this clause.

Except if Supplier possesses written authorization from Buyer, Supplier particularly agrees not to disclose Proprietary Information by furnishing information in any way to any other person, firm or corporation for any purposes, including without limitation the design or manufacture of a part or detail of a part, and particularly agrees not to itself use proprietary Information for the design or manufacture of a part or detail of a part (other than in performance under this Order).

B. Information Developed by Supplier - Information and ideas developed by Supplier, under, or in the course of performing this Order for Buyer, shall be owned by, and disclosed to Buyer when and if Buyer so indicates to Supplier, such information and ideas shall be treated as proprietary information in accordance with the provisions of Paragraph (A) hereof.

30. Attorney Fees. In the event Buyer should bring an action for enforcement of the terms and conditions of this Order, Supplier agrees that Buyer shall be entitled to an award of its reasonable attorney's fees and court costs associated with such enforcement proceedings.

31. Cumulative Remedies. The rights and remedies herein reserved to Buyer shall be cumulative and additional to any other or further rights and remedies provided in law or equity.

32. Quality Control. Seller warrants that it shall provide proof of compliance with these standards, or its efforts to comply therein, upon request of Buyer. Seller further acknowledges that it presently has the appropriate systems, processes and documents in place to ensure compliance with AS9100 requirements and Seller warrants that it shall provide proof of compliance upon request of Buyer or its customer. The supplier is to provide to LOC upon request, all relative documents necessary to identify and provide key characteristics of the product related to the relationship of all flow down sub-tier suppliers involved in the supply and/or manufacture of the product. Seller shall retain all records and documentations for a minimum of (5) years.

A. If required, the use of statistical techniques for product or process acceptance

B. Seller acknowledges that it is the seller's responsibility to ensure the product or process is performed by competent and qualified personnel. Personnel performing work shall be aware of their contribution to product or service conformity, product safety, and ethical behavior.

- C. Seller is responsible for providing buyer with all test reports, inspection reports, verification reports, and any other relevant technical data related to the product or process.
- D. Seller acknowledges that it is the seller's responsibility to ensure the authenticity of product or process provided. The use of counterfeit product, raw material, components, etc. is prohibited.
- E. Seller is responsible for using LOC customer designated or approved external providers and to flow down to external providers all requirements
- F. Seller shall notify LOC of all nonconforming processes or products to obtain approval of disposition
- G. Seller shall notify LOC of organization changes related to products or processes, changes of external or sub-tier suppliers, changes of location of manufacture

- 33. Arbitration. Any controversy or claim arising out of or relating to this Order or the breach thereof, shall be settled by binding arbitration upon Buyer's request in Southfield, Michigan, in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Judgment upon the award rendered by the arbitrators may be entered in any court of having jurisdiction thereof.
- 34. Copies. This Order may be executed in multiple copies, any of which may be considered the original contract.
- 35. Change Pertaining to Suppliers. Suppliers will notify LOC Industries, Inc. of changes in product and/or process, changes in suppliers, changes of manufacturing facility location and, where required, obtain organization approval.
- 36. ITAR/ EAR Compliance. LOC Industries, Inc. fully complies with all U.S. export control regulations, including the International Traffic in Arms Regulations (ITAR) and the Export Administration Regulations (EAR). As a Term of Sale, LOC Industries, Inc. requires its customers to use reasonable efforts to cooperate with, and assist, LOC Industries, Inc. in the correct identification and classification of items provided by the customer or manufactured to customer's requirements, designs, and/or specifications, which may be subject to U.S. export control regulations. If the customer cannot, or will not, make commonly reasonable efforts to assist LOC Industries, Inc. in the correct identification or classification of items relative to U.S. export control regulations, then the customer hereby indemnifies and holds harmless LOC Industries, Inc. from any resulting violation and/or penalties which may arise from the inaccurate classification of items and any resulting exports of such items which occurs. The term "item" (as described herein) includes products or hardware, technical data, software, or technology which is subject to any U.S. export regulation. "Item" does not just refer to the physical product itself. LOC Industries, Inc. will not export restricted items without documented proof of a license or agreement from the appropriate U.S. governmental authority, and will follow all terms, conditions, and provisions on such license or agreement as a condition of exporting and engaging in business

with its customers. LOC Industries, Inc. shall not be liable in any way to customers or third parties for delays caused by licensing issues to the extent such licensing issues arise out of customer's failure to cooperate with and assist LOC Industries, Inc. in its efforts to accurately classify items provided by the customer or manufactured to the customer's requirements, designs and/or specifications. The customer will also ensure that all company personnel who represent the customer in a visit to LOC Industries, Inc. will identify their citizenship/ nationality. In the event LOC Industries, Inc. informs customer that restricted items will be involved or customer otherwise knows that restricted items will be involved or accessible on a site visit to LOC Industries, Inc.'s facility, customer will only send personnel on such a site visit who are authorized by the U.S export regulations to receive and work with restricted items."

The item(s) provided by LOC Industries, Inc. contained herein may be subjected to the International Traffic in Arms Regulations (ITAR) or the Export Administration Regulations (EAR). If the receiver of these items desires to sell, resell, divert, export, re-export, transfer, transship, or otherwise dispose of the item(s) to or in any other country outside of the United States, either in original form or after being incorporated through an intermediate process into other items or data, the receiver must evaluate and classify the items as they apply to the appropriate U.S export control regulations, and follow all applicable requirements of these regulations, including securing authorization for export through a properly executed license or agreement from the appropriate U.S governmental agency. The above also applies to the extent the receiver otherwise make available to a foreign person (within or outside of the United States) the technical data, technology or know-how comprising, or relating to, the item(s).

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