

APPLICABLE JOB CODE CV21

November 2005

Corporate Name: Aqua Pro, Inc.
DBA: Village Marine Tec.

CONDITIONS OF PURCHASE ORDER

1. ENGLISH LANGUAGE. All communications and submittals shall be in English.
2. DEFINITIONS. The term *Purchaser* or *Owner* means Village Marine Tec. The term *Seller* or *Contractor* means the Seller identified on the first page of this Purchase Order.
3. ENTIRE AGREEMENT. This Purchase Order constitutes written confirmation of the entire agreement between the parties. The parties shall not be bound by any other statements or understandings not set forth in this Purchase Order. Award of this Purchase Order is expressly conditioned upon Seller's agreement to all Purchase Order terms and conditions.
4. ORDER OF PRECEDENCE. Any inconsistencies in this Purchase Order shall be resolved in the following order: (i) Purchase Order exclusive of appendices, drawings, specifications and other plans or documents, (ii) appendices, (iii) drawings and specifications, (iv) other plans or documents referenced in the Purchase Order. Seller shall immediately bring any inconsistencies to the attention of the Purchaser in writing.
5. SITE CONDITIONS. If Seller is required to install or supervise the installation of equipment or to perform services at Purchaser's site, Seller shall inspect the location of the work at Purchaser's site and be familiar with its condition at the time of award of this Purchase Order. In no event shall either Seller's failure to inspect the site prior to the award of this Purchase Order, or any circumstance that Seller should reasonably have discovered through such site inspection constitute a basis for any claim for increased cost or additional time for performance.
6. MERCURY EXCLUSION. All goods delivered under this Purchase Order shall not contain or have come in direct contact with mercury, mercury compounds or with any mercury containing device employing a single boundary of containment. Mercury contamination will be cause for rejection of the goods.
7. POLYCHLORINATED BIPHENYLS PROHIBITION. Seller shall not employ equipment or use material that is known or suspected of containing polychlorinated biphenyls.
8. TOXIC SUBSTANCES/HAZARDOUS MATERIAL. Purchaser will not accept, store or dispose of any toxic substances or hazardous material except as and to the extent, if at all, expressly provided for in this Purchase Order. In particular, paints or primers on products required by this Purchase Order which contain the following components shall not be shipped without prior written approval by the Purchaser: arsenic, mercury, lead, chromates, or organo-metallic material. Materials containing asbestos shall not be provided without Purchaser's prior written permission. If invoked specifications and standards permit other materials, they shall be used in lieu of asbestos.
9. TAXES. Unless otherwise expressly stated on the face of this order, the price

stated herein includes all applicable Federal, state and local taxes in effect on the date of this order but does not include any state or local sales, use or any other tax directly applicable to the completed supplies or services covered by this order from which Seller or this transaction is exempt.

10. LOSS OR DAMAGES OF GOODS. Unless otherwise specified in the Purchase Order, risk of loss or damage to the goods furnished by Seller under this Purchase Order shall remain with the Seller until delivery to the Purchaser at the address specified in this Purchase Order.

11. LIENS. All hardware, software and services furnished under this Purchase Order shall be free of all liens, claims, charges and encumbrances of any kind. Upon request, Seller shall furnish Purchaser with formal releases from Seller's subcontractors. Purchaser may discharge any lien, claim, charge or encumbrance if Seller, at Purchaser's request, fails to do so and Seller shall reimburse Purchaser for the reasonable costs thereof.

12. LATE DELIVERY. Except as otherwise provided in this Purchase Order, Seller shall, at all times, proceed diligently to properly perform this Purchase Order. Seller shall provide Purchaser prompt written notice of any events that could cause a delay in delivery under the Purchase Order. This notice shall be informational only, and shall in no way affect the rights or remedies available to Purchaser.

13. DELIVERY OF REQUIRED DRAWINGS, TEST REPORTS, SOFTWARE AND OTHER DATA. All drawings, procedures, manuals, forms, test reports, software and other Seller provided data ("Seller Data") shall comply with the requirements of this Purchase Order and shall be delivered to Purchaser on or before the time specified in this Purchase Order, or if no time is specified, 45 days after receipt of this Purchase Order. Seller shall submit Seller Data to the VMT contact person identified on the face of this Purchase Order. Purchaser may withhold payment if Seller fails to deliver any Seller Data in accordance with the requirements of this paragraph.

14. ASSIGNMENT. Neither this Purchase Order nor the benefits or obligations thereof shall be assigned by Seller except with the prior written consent of the Purchaser.

15. SUBCONTRACTING. Seller shall provide Purchaser with notice of all significant subcontracts placed by Seller under this Purchase Order (applies to Purchase Orders over \$500,000).

16. THIRD PARTY INDEMNIFICATION. Seller shall indemnify and hold harmless and, if requested, defend Purchaser, its officers, directors, and employees against any claims, losses or expenses (to include reasonable attorney's fees) for: (i) property loss or damage and personal injury or death which may be sustained by Seller or by any of its employees, agents, or subcontractors, at any tier, and (ii) all risk of loss or damage to property and personal injury, disease, or death which may be sustained by third parties or Purchaser, its agents, employees or subcontractors, as a result of Seller's performing this Purchase Order except for claims resulting from the sole negligence of Purchaser.

17. INSURANCE. Seller shall procure and maintain the following coverages: (i) full Worker's Compensation Insurance in accordance with the most current and applicable domestic or foreign worker's compensation insurance laws; (ii) Employer's Liability

Insurance coverage in a minimum amount of \$500,000 (U.S.); (iii) full Comprehensive General Liability Insurance or full Public and Products Liability Insurance or both providing for personal injury, disease, death, and property damage liability (occurrence form), premises/operations, and independent contractors contingent coverage when subcontractors are involved, in a minimum amount of \$1,000,000 (U.S.) in aggregate; (iv) Automobile Liability Insurance for personal injury, death, and property damage with combined single limits not less than \$500,000 (U.S.) for Seller's vehicles operating on Purchaser's premises. Coverages shall not exclude claims brought in the United States and provide for written notice to Purchaser 30 days prior to cancellation or material changes in coverage. Coverages shall name Purchaser as an additional insured and shall reference the Purchase Order number. If requested, Seller shall provide Purchaser with certificates showing the coverages listed in this paragraph. Worker's Compensation policies shall include a waiver of subrogation in favor of the Purchaser.

18. COMPLIANCE WITH LAWS AND WORKSITE SAFETY. In performing work under this Purchase Order, Seller shall comply with all applicable foreign or domestic laws, ordinances and regulations to include but not limited to the *Occupational Safety and Health and Toxic Substance Control Acts*. Purchaser may, without notice and an opportunity to cure: (i) terminate this Purchase Order for default if Seller fails to comply with any of the provisions of this paragraph; or (ii) expel from Purchaser's property/worksites, any employee, subcontractor or agent of Seller found violating any of the provisions of this paragraph. Access by non-U.S. citizens to Purchaser's property/worksites is prohibited unless approved in writing by Purchaser.

19. INDEPENDENT CONTRACTOR. Seller is an independent contractor. Seller shall: (i) have exclusive control and direction over its employees' performance of the work; and (ii) be responsible for all payroll functions for its employees. No persons employed by Seller or Seller's subcontractors shall be deemed an employee of Purchaser for any purpose.

20. INVOICES. Seller shall send all invoices, in duplicate, showing the Purchase Order number, Purchase Order Item Number and release number, if applicable, to Village Marine Tec. 2000 W. 135th St. Gardena, CA 90249 USA. If Purchaser does not fully pay Seller's original invoice, Seller must submit a new invoice for any remaining amounts due after Seller corrects the deficiency that caused the partial payment. Purchaser may set-off any amount(s) due from Seller to Purchaser, liquidated or unliquidated, against payments due to Seller under this or any other purchase order.

21. SHIPPING AND LABELING INSTRUCTIONS. Unless otherwise provided in the Purchase Order, Seller shall show the VMT Purchase Order and ship material to: Village Marine Tec. 2000 W. 135th St., Gardena, CA 90249 USA. Seller shall clearly mark each shipping package, container label and all shipping documents with the Purchase Order number (P. O. #XXXXXXXXXX), the item number, and the Village Marine Part number, if applicable. When furnished with the shipment, Seller shall enclose all required documents and data in the first box of the shipment and mark, *CERTIFICATES AND/OR TEST REPORTS ENCLOSED*.

22. PROHIBITION OF YELLOW WRAPPINGS OR PROTECTION DEVICES.

**SELLER SHALL NOT
USE YELLOW WRAPPING MATERIAL OR ATTACHED YELLOW
PROTECTION DEVICES
SUCH AS CAPS OR PLUGS.**

23. FREIGHT CHARGES. Unless otherwise specified in this Purchase Order, the Seller will pay freight charges, and Seller shall ship to Purchaser on a freight prepaid basis. Purchaser will not accept C.O.D. shipments unless expressly provided for in the Purchase Order.

24. HEAVY MATERIAL. Seller shall mark *DELIVER ON FLAT BED TRAILER* when shipping single articles that exceed 4000 pounds or that do not adapt to safe unloading with a standard forklift truck.

25. RESERVED FOR FUTURE USE

26. PACKING AND CRATING. Seller shall, when practicable, ship in packages or loose pieces for unloading by a standard 4000-pound forklift truck. Unless otherwise provided in the Purchase Order, Seller's price includes all charges for packing and crating.

27. VALUE DECLARATION. Seller shall not insure for excess value via any mode of transportation. For shipments at Purchaser's risk in which freight rates are based on *released value* Seller shall declare the lowest value on the bill of lading. For shipments at Purchaser's risk via domestic air freight, air freight forwarder, and Parcel Post, Seller shall insert the notation *NVD* (no value declared).

28. BRASS AND COPPER BLACK OXIDE COATED THREADED FASTENERERS. Seller shall not use brass or copper black oxide coated threaded fasteners when installing or replacing threaded fasteners in the accomplishment of any work required by this Purchase Order.

29. REPRESENTATIONS AND CERTIFICATIONS. As of the time of award of the Purchase Order, Seller represents and warrants that: (i) Seller has submitted to Purchaser annual certifications and representations that are incorporated herein by reference; (ii) Seller's certifications and representations are current, accurate and complete; (iii) in the performance of the Purchase Order, Seller shall use at least the percentage of recovered materials required by the applicable Purchase Order specifications; and (iv) neither Seller nor any of its principals is debarred, suspended, or proposed for debarment by the Federal Government; and (v) if Seller is representing itself as a small disadvantaged business, that: (a) it has been certified by the Small Business Administration (SBA) as a small disadvantaged business consistent with 13 CFR 124, Subpart B, and no material change in disadvantaged ownership, control or net worth qualification has occurred since its certification, and it is identified as a certified small disadvantaged business concern in the SBA (PRO-Net) database; or (b) it has submitted a completed application to the SBA or a Private Certifier to be certified as a small disadvantaged business in accordance with 13 CFR 124, Subpart B, and a decision on that application is pending, and no material change in disadvantaged ownership or control has occurred since its application was submitted.

30. INSPECTION AND TEST (FIXED-PRICE ORDERS). Purchaser or its customer or

both may inspect work in progress at all times and places. Seller, at its own expense, shall promptly rectify any defects discovered during any inspection or test. If inspection is on Seller's or Seller's suppliers' premises, Seller shall provide and require its suppliers to provide reasonable facilities and assistance for the safety and convenience of the inspectors in performing their duties. Neither Purchaser's in-process inspection nor Purchaser's approval of any of Seller's drawings, procedures or other submittals shall: (i) constitute acceptance of any work or (ii) relieve Seller of complying fully with all of the requirements of this Purchase Order.

31. RESERVED FOR FUTURE USE

32. WARRANTIES (FIXED-PRICE ORDERS). Seller guarantees that all goods and services provided under this Purchase Order: (i) conform to all of the requirements of this Purchase Order; (ii) are new and of good quality; (iii) are free from defects in material and workmanship; and (iv) are of adequate size and capacity to fulfill all operating conditions specified in the Purchase Order. The warranty period shall begin upon Purchaser's acceptance of the goods or services and end twelve (12) months after final acceptance by Purchaser's customer of the end product incorporating the goods or services provided by Seller under this Purchase Order. Purchaser will promptly notify Seller of possible deficiencies that arise during the warranty period. For all deficiencies that arise during the warranty period, Seller shall promptly remedy the deficiency at no cost to Purchaser. If Seller cannot remedy the deficiency within a reasonable time after having been notified of the deficiency, Purchaser may, at its option, remedy the deficiency by contract or otherwise and charge the reasonable costs to Seller. In computing the warranty period, there shall be excluded any time that a good delivered under this Purchase Order is prevented from entering service or is taken out of service on account of any warranty deficiency. These warranties shall inure to the benefit of Purchaser and Purchaser's customer.

33. RESERVED FOR FUTURE USE

34. REQUIRED SOURCES FOR CIRCUIT BREAKERS. Seller agrees that end items and components thereof delivered under this Purchase Order shall contain circuit breakers that are of domestic manufacture only. Seller agrees to retain, until the expiration of three years from the date of final payment under this Purchase Order and to make available during such period upon request of the Government, records showing compliance with this paragraph. For the purpose of this paragraph, the term "domestic manufacture" means manufacture in the United States from components, which are substantially manufactured in the United States. Manufacture of circuit breaker cradles in the United States by a foreign supplier does not constitute substantial manufacture in the United States. Seller agrees to insert this paragraph in all subcontracts issued under this Purchase Order to include this sentence.

35. GOVERNMENT-INDUSTRY DATA EXCHANGE PROGRAM. If this Purchase Order is over \$500,000, Seller shall participate in the appropriate interchange of the Government-Industry Data Exchange Program (GIDEP) in accordance with NAVSEA S0300-BU-GYD-010 dated November 1994. Data entered will be retained by the program and provided to qualified participants. Compliance with this requirement shall

not relieve Seller from complying with any other requirements of this Purchase Order. GIDEP materials, software and information are available without charge from the GIDEP Operations Center, P.O. Box 8000, Corona, California 91718. For further information, see this web site: <http://www.gidep.org>

36. MANUFACTURE OF REPAIR PARTS. If (i) the Seller is providing a ship component or equipment; and (ii) the Purchase Order specification, by reference to a Military Specification or otherwise, specifies repair parts or stock components (collectively "repair parts"), and (iii) the Seller intends manufacturing the ship component or equipment outside the United States or Canada; then Seller agrees that, in addition to any other data required by this Purchase Order, Seller shall furnish sufficient data so that the repair parts can be produced in the United States or Canada. The requirements of this paragraph shall not apply if Seller has made arrangements satisfactory to the Purchaser and approved by the Government for the manufacturing of repair parts in the United States or Canada. For the purposes of this paragraph, the term "sufficient data" means detail drawings and other technical information sufficiently extensive in detail to show design, construction, dimensions, and operation or function, manufacturing methods or processes, treatment or chemical composition of materials, plant layout, and tooling. Seller shall provide all data in English and according to the United States system of weights and measures. All drawings for components, assemblies, subassemblies and parts protected by U.S. patents shall contain a prominent notation to that effect fully identifying the patent or patents involved, and bearing the number of this contract. Unless Seller has made arrangements satisfactory to the Purchaser and approved by the Government for the manufacturing of repair parts in the United States or Canada, Seller shall grant to the United States Government for a period of seven (7) years, Government Purpose Rights as defined in the clause of this Purchase Order entitled *Rights in Technical Data – Non Commercial Items* (DFARS 252.227-7013).

37. STANDARDIZATION. Subject to meeting the requirements of the specifications, and to the extent that it is reasonably practical, feasible and cost effective, if Seller is providing goods to be used on Aircraft Carriers, the Seller shall utilize equipments and components identical to those of the CVN 68 NIMITZ Class Ships. Where such equipments or components are not reasonably available, the Seller shall select hull, mechanical, and electrical components in the following order: (i) Equipment which meets the requirements of the specifications and is identical to equipments and components of other Aircraft Carriers; (ii) equipment which meets the requirements of the specifications and which appears in NAVSEA Standard Components List for Hull, Mechanical and Electrical Equipment, NAVSEA S-0300-A-PLL-00-O (standard equipment); or (iii) equipment which meets the requirements of the specifications.

38. NOTICE OF PRIOR WAIVERS AND DEVIATIONS. In the event the Seller is providing or proposing to provide to the Purchaser an item: (i) that has previously been provided to the Navy for inclusion as Government Furnished Material (GFM) on a previous CVN-68 class aircraft carrier, or (ii) Seller is developing for the Navy under another Government program, the Seller shall immediately notify Purchaser in writing indicating any specification differences, waivers and/or deviations that were or are in

effect for the item(s).

39. RESERVED FOR FUTURE USE

40. COMPUTER SOFTWARE AND DATABASES. The Seller shall test all computer software and/or databases, as defined in the clause entitled *Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation* (DFARS 252.227-7014), for computer viruses before delivery of such software and/or databases in any medium or in any system. All software and/or databases delivered by Seller shall contain no known viruses that are detectable with the latest version of commercially available virus detection software. In addition, Seller shall test any software and/or databases received from Purchaser or Purchaser's customer for viruses prior to use in performing this Purchase Order. Seller shall provide Purchaser with immediate written notice of any viruses detected in Purchaser-provided software and/or databases. Unless otherwise agreed in writing, any license agreement covering the use of any computer software and/or databases delivered under this Purchase Order must be paid-up and perpetual, shall not contain any routine to disable the computer software and/or databases in the future, and shall permit transfer to Purchaser's customer. No copyprotection devices, codes, or systems shall be used that would prevent Purchaser or its customer from copying delivered software and/or data; however, a license agreement or other Purchase Order terms may specify a maximum number of copies that may be made. Any limited rights or other legend(s) permissibly applied under this Purchase Order shall be digitally included on the same media as the delivered software and/or databases, and also displayed in human-readable form on a visible surface of the media carrying the digital software and/or databases.

41. PROPRIETARY INFORMATION. Except to the extent that information is clearly in the public domain, all information provided by Purchaser to Seller during the performance of this Purchase Order and all improvements, modifications and derivations thereto shall be deemed to be the proprietary information of Purchaser. Seller agrees: (i) to hold Purchaser's proprietary information in confidence and to protect it from release to third parties; (ii) to disclose Purchaser's proprietary information only to Seller's employees who have a need-to-know and only after they have been made aware of the proprietary nature of the information; and (iii) to use such proprietary information solely for the purposes of performing this Purchase Order. The restriction on release to third parties contained in this paragraph will not apply to release by the Seller to subcontractors that Seller uses in performing this Purchase Order provided the Seller includes in such subcontracts a provision substantially the same as this paragraph. In the absence of an appropriate written agreement to the contrary, and notwithstanding any markings, no information furnished to Purchaser (whether documentary, oral, visual or otherwise) shall be considered confidential or proprietary or require any particular handling or precaution or have any restriction on Purchaser's right to use, modify, reproduce, perform, display, release, or disclose such information in whole or in part, in any manner, and for any purpose whatsoever, and to have or authorize others to do so.

42. PATENTS AND COPYRIGHTS. Except to the extent that FAR 52.227-1, *Authorization and Consent*, may apply to an alleged patent infringement, Seller shall

indemnify and hold harmless and, if requested, defend Purchaser, its officers, directors, and employees against any claims, losses or expenses (to include reasonable attorney's fees) for alleged infringement of patents, licenses, registered trademarks or copyright, arising out of Seller's performance, brought against Purchaser or its customers as a result of such alleged infringement.

43. REIMBURSEMENT FOR CERTAIN COSTS (COST REIMBURSEMENT/TIME-AND-MATERIAL ORDERS). If Purchaser will be reimbursing Seller for certain items (e.g. meals, transportation and lodging) on a cost-reimbursement basis, then Seller shall only be entitled to those amounts determined to be allowable by Purchaser in accordance with Subpart 31.2 of the Federal Acquisition Regulation (FAR) in effect on the date of this Purchase Order and the terms of this Purchase Order. Furthermore, Seller shall not direct charge to this Purchase Order the cost of any facility or the alteration to a facility if the alteration cost will exceed \$200,000 without Purchaser's written consent.

44. RESTRICTION ON CERTAIN PAYMENTS (ORDERS TO WHICH THE COST PRINCIPLES AT FAR PART 31 APPLY). Seller shall obtain Purchaser's written permission prior to requiring employees to perform work under this Purchase Order for which the employees will be eligible to receive overtime premium pay as defined in FAR 22.103-1. Any overtime premium pay that is paid to Seller's employees for work performed under this Purchase Order for which Seller has failed to obtain Purchaser's prior written approval shall be an unallowable cost under this Purchase Order. Employees and Subcontractors' employees performing work under this Purchase Order will complete a full shift at the worksite. Man-hour costs (whether straight-time or overtime) and transportation costs for Seller personnel or Seller's subcontractor personnel traveling to or from worksites, including travel to worksites other than the Seller's facility for performance of the work shall not be an allowable cost under this Purchase Order. The restriction on travel costs contained in the previous sentence shall apply only to payments for travel time before or after the workers' regular shifts and does not apply to legitimate travel costs incurred during normal working hours, provided that those costs are otherwise reasonable, allocable, and allowable. The restrictions on the allowability of travel costs do not apply to manufacturer's representatives when specifically required by the Purchase Order specifications.

45. RESERVED FOR FUTURE USE

46. INDEMNIFICATION - GOVERNMENT REQUIREMENTS. In addition to any other remedies provided for in this Purchase Order, Seller shall indemnify and hold harmless and, if requested, defend Purchaser, its officers, directors, and employees against any claims, losses or expenses (to include reasonable attorney's fees) for Seller's failure, in conjunction with this Purchase Order: (a) to comply with any cost principles or Cost Accounting Standards applicable to this Purchase Order or to follow Seller's disclosed accounting practices or both; (b) to furnish complete, accurate or current cost or pricing data when such data were required by law or regulation: (i) in support of any TINA certification made by Purchaser to the Government or (ii) in the negotiation of this Purchase Order or any modifications thereto; or (c) to comply with any other laws, regulations or ordinances.

47. PURCHASER OR GOVERNMENT PROPERTY. If Purchaser or Government property is furnished in conjunction with this Purchase Order, it shall be furnished "as is." Unless otherwise noted in the Purchase Order, Seller shall assume the risk of, and be responsible for, any loss, destruction of or damage to property provided to Seller by the Purchaser or the Government while such property is in Seller's possession or control. Excluding property authorized to be consumed in the performance of this Purchase Order, Seller shall return such property in as good a condition as when received except for reasonable wear and tear, or in the case of property to be overhauled or repaired, in such better condition as may be required by the terms of this Purchase Order. Seller shall control and maintain Government or Purchaser furnished property in accordance with a system that meets the requirements of FAR Subpart 45.5 and DFARS Subpart 245.5. The requirements to account for purchaser or government property shall apply to scrap, provided, however, that Purchaser may authorize or direct Seller to omit from inventory schedules any scrap consisting of faulty castings or forgings or of cutting and processing waste, such as chips, cuttings, borings, turnings, short ends, circles, trimmings, clippings, and remnants, and to dispose of such scrap in accordance with Seller's normal practice and account for it as a part of general overhead or other reimbursable costs in accordance with Seller's established accounting procedures.

48. RESERVED FOR FUTURE USE.

49. EQUITABLE ADJUSTMENTS: WAIVER AND RELEASE OF CLAIMS.

Whenever the Seller, after receipt of a change made pursuant to the clause entitled *Changes-Fixed Price* (FAR 52.243-01) or *Changes-Cost Reimbursement* (FAR 52.243-02) as applicable, or after assertion of a constructive change under the clause entitled *Notification Of Changes* (FAR 52.243-07), submits any claim for equitable adjustment under the foregoing, such claim shall include all types of adjustments in the total amounts to which the foregoing entitle the Seller, including but not limited to adjustments arising out of delays or disruptions or both caused by such change. In support of any Seller request for equitable adjustment brought under the applicable Changes clause or any other clause of this Purchase Order, the Seller shall provide Purchaser sufficient detail to reasonably support Seller's proposal for a request for equitable adjustment or which Purchaser's customer should require in evaluating such request. Further, the Seller agrees that, if required by the Purchaser, it will execute a release, in form and substance satisfactory to the Purchaser, as part of the supplemental agreement providing an equitable adjustment.

50. TRANSMISSION ABROAD OF NAVAL NUCLEAR PROPULSION

INFORMATION AND OTHER EXPORT RESTRICTIONS. In addition to the requirements of this paragraph, the Seller shall comply with all other requirements relative to Naval Nuclear Propulsion Information wherever located in this Purchase Order. Seller shall not disclose to foreign nationals equipment or technical data defined as Naval Nuclear Propulsion Information (NNPI) in NAVSEAINST C5511.32B. Without the written approval of Purchaser, Seller shall not transmit technical data and equipment (other than NNPI): (i) outside the United States; or (ii) to any foreign national, not working on this Purchase Order or any subcontract thereunder; or (iii) to any foreign

organization including foreign subsidiaries and affiliates of the Seller; or (iv) to any international organization; or (v) to any foreign government. For purposes of this paragraph the terms: (i) *United States* means the States, the District of Columbia, Puerto Rico, American Samoa, the Virgin Islands, Guam, and any areas subject to the complete sovereignty of the United States; (ii) *equipment* means all supplies of the kind specified to be delivered under this Purchase Order, all component parts thereof, and all models of such supplies and component parts except standard commercial supplies, component parts, and models thereof; (iii) *technical data* means all professional, scientific, or technical data produced in the performance of this Purchase Order, or on or for the operation maintenance, evaluation, or testing of any Purchase Order item, whether or not the data were specified to be delivered under this Purchase Order and regardless of the medium on which the data were recorded except data on standard commercial supplies that do not relate to the use, operation, maintenance, evaluation and testing of such commercial supplies and component parts specified to be delivered under this Purchase Order. Seller shall place the following statement on documents containing defense technical data that is controlled by the Arms Export Control Act: "WARNING - This document contains technical data whose export is restricted by the Arms Export Control Act (Title 22, U.S.C. Sec. 2751, et seq.) or the Export Administration Act of 1979, as amended, Title 50, U.S.C., App 2401, et seq. Violations of these export laws can result in severe criminal penalties. Disseminate in accordance with provisions of OPNAVINST 5510.161." Seller agrees to insert in all subcontracts issued under this Purchase Order, a contract provision substantially the same as this paragraph to include this sentence.

51. **ADDITIONAL SECURITY REQUIREMENTS.** In addition to complying with any other security requirements contained in this Purchase Order, Seller shall not disclose "Restricted Data" as defined in the Atomic Energy Act of 1954 as amended, relating to Navy Nuclear Propulsion Program to employees who have been granted Limited (interim) Clearances under the provisions of DoD 5220.22M, National Industrial Security Program Operating Manual (NISPOM).

52. **FOREIGN OWNERSHIP.** Seller shall provide Purchaser prompt written notice when: (i) a foreign interest acquires the power, direct or indirect, whether or not exercised, and whether or not exercisable through the ownership of Seller's securities, by contractual arrangements or other means, to direct or decide matters affecting the management or operations of Seller; or (ii) Seller relocates the place of performance outside the United States.

53. **PROVISIONS INCORPORATED BY REFERENCE.** The below listed Federal Acquisition Regulation (FAR) and the Department of Defense Federal Acquisition Regulation Supplement (DFARS) clauses are hereby incorporated by reference and made part of this Purchase Order with the same force and effect as though set forth in full text herein. Unless the text in these clauses clearly reserves rights in the Government only, the terms "*Purchase Order*" shall be substituted for "*Contract*;" "*Purchaser*" for "*Government*" or "*Contracting Officer*;" "*Seller*" for "*Contractor*;" and "*Seller's subcontractor*" for "*Subcontractor*." The full text of a clause may be accessed

electronically at these addresses: <http://www.arnet.gov/far/> or <http://farsite.hill.af.mil>.

CLAUSE NUMBER	CLAUSE NAME	CLAUSE DATE
52.203-06	Restrictions On Subcontractor Sales To The Government (<i>orders over \$100,000</i>)	(Jul 1995)
52.203-07	Anti-Kickback Procedures (<i>orders over \$100,000</i>)	(Jul 1995)
52.203-08	Cancellation, Rescission, And Recovery Of Funds For Illegal Or Improper Activity	(Jan 1997)
52.203-10	Price Or Fee Adjustment For Illegal Or Improper Activity	(Jan 1997)
52.203-12	Limitation On Payments To Influence Certain Federal Transactions (<i>orders over \$100,000</i>)	(Jun 2003)
52.204-02	Security Requirements (<i>only if DD254 is incorporated into order</i>) (Aug 1996) 52.211-05 Material Requirements (<i>For the purposes of this clause "surplus property" includes residual inventory resulting from terminated Government contracts or purchase orders awarded there under.</i>)	(Aug 2000)
52.211-15	Defense Priority And Allocation Requirement	(Sep 1990)
52.215-02	Audit And Records - Negotiation	(Jun 1999)
52.215-10	Price Reduction For Defective Cost Or Pricing Data (<i>orders over \$550,000</i>)	(Oct 1997)
52.215-12	Subcontractor Cost Or Pricing Data (<i>orders over \$550,000</i>)	(Oct 1997)
52.215-14	Integrity Of Unit Prices And Alt I (Oct 1997) (<i>orders over \$100,000</i>)	(Oct 1997)
52.215-15	Pension Adjustments And Asset Reversions	(Dec 1998)
52.215-18	Reversion Or Adjustment Of Plans For Post Retirement Benefits (PRB) Other Than Pensions	(Oct 1997)
52.215-19	Notification Of Ownership Changes	(Oct 1997)
52.215-21	Requirements For Cost Or Pricing Data Or Information Other Than Cost Or Pricing Data - Modifications & Alt II	(Oct 1997)
52.219-08	Utilization Of Small (Oct 2000) Business Concerns (<i>orders over \$500,000 with large businesses</i>)	(Jan 2002)
52.219-09	Small Business Subcontracting Plan And Alt II (Oct 2001) (<i>orders over \$500,000 with large businesses</i>)	(Jan 2002)
52.222-04	Contract Work Hours And Safety Standards Act - Overtime Compensation (<i>orders over \$100,000</i>)	(Sep 2000)
52.222-19	Child Labor - Cooperation With Authorities And Remedies (<i>except that in para. (a)(4), \$169,000 is changed to \$177,000</i>)	(Sep 2002)
52.222-20	Walsh-Healey Public Contracts Act	(Dec 1996)
52.222-21	Prohibition On Segregated Facilities	(Feb 1999)
52.222-24	Preaward On-Site Equal Opportunity Compliance Evaluation (applies to first-tier orders over \$10 million)	(Feb 1999)
52.222-26	Equal Opportunity	(Apr 2002)
52.222-35	Equal Opportunity for Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans (<i>orders over \$10,000</i>)	(Dec 2001)
52.222-36	Affirmative Action For Workers With Disabilities (<i>orders over \$2,500</i>)	(Jun 1998)
52.222-37	Employment Reports On Special Disabled Veterans, Veterans Of The Vietnam Era, and Other Eligible Veterans (<i>orders over \$10,000</i>)	(Dec 2001)
52.223-02	Clean Air And Water	(Apr 1984)
52.223-03	Hazardous Material Identification And Material Safety Data	(Jan 1997)
52.223-05	Pollution Prevention And Right-To-Know Information (<i>applies only when work will be performed on a Government installation</i>)	(Apr 1998)
52.223-07	Notice Of Radioactive Materials	(Jan 1997)
52.223-09	Certification And Estimate Of Percentage Of Recovered Material Content For EPA Designated Item	(Oct 1997)
52.223-11	Ozone-Depleting Substances	(May 2001)

52.223-13	Certification Of Toxic Chemical Release Reporting (<i>applies to competitively awarded orders over \$100,000</i>)	(Oct 2000)
52.223-14	Toxic Chemical Release Reporting (<i>except para. (e)</i>) (<i>orders over \$100,000</i>)	(Oct 1996)
52.225-13	Restrictions On Certain Foreign Purchases	(Dec 2003)
52.227-01	Authorization And Consent	(Jul 1995)
52.227-02	Notice And Assistance Regarding Patent And Copyright Infringement (<i>orders over \$100,000</i>)	(Aug 1996)
52.227-09	Refund Of Royalties (<i>applies when reported royalties exceed \$250</i>)	(Apr 1984)
52.227-10	Filing Of Patent Applications - Classified Subject Matter (<i>except that paragraph (a) is changed from 30 to 45 days</i>)	(Apr 1984)
52.227-11	Patent Rights - Retention By The Contractor (Short Form) (<i>orders for experimental, developmental, or research work with small businesses, except for work in connection with the nuclear propulsion plant, its associated components and systems which are under the cognizance of NAVSEA 08; for such orders FAR 52.227-13 applies.</i>)	(Jun 1997)
52.227-12	Patent Rights--Retention By The Contractor (Long Form) (<i>except that paragraph o. is deleted</i>) (<i>orders for experimental, developmental, or research work with large businesses, except for work in connection with the nuclear propulsion plant, its associated components and systems which are under the cognizance of NAVSEA 08; for such orders FAR 52.227-13 applies.</i>)	(Jan 1997)
52.227-13	Patent Rights--Acquisition By The Government (<i>orders for work in connection with the nuclear propulsion plant, its associated components and systems which are under the cognizance of NAVSEA 08</i>)	(Jan 1997)
52.228-03	Workers' Compensation Insurance (Defense Base Act) (<i>only for work outside the United States when the Defense Base Act applies</i>)	(Apr 1984)
52.228-05	Insurance - Work On A Government Installation	(Jan 1997)
52.234-01	Industrial Resources Developed Under Defense Production Act Title III	(Dec 1994)
52.237-02	Protection Of Government Building, Equipment And Vegetation (<i>This clause shall apply to both Purchaser's and its customer's property</i>)	(Apr 1984)
52.239-1	Privacy Or Security Safeguards	(Aug 1996)
52.242-03	Penalties For Unallowable Costs (<i>cost reimbursement orders only</i>)	(May 2001)
52.243-01	Changes - Fixed Price & Alt II (Apr 1984) (<i>except that para. (c) is changed from "30" to "15"</i>)	(Aug 1987)
52.243-06	Change Order Accounting	(Apr 1984)
52.243-07	Notification Of Changes (<i>insert "five (5)" in paragraph (b)</i>)	(Apr 1984)
52.244-06	Subcontracts For Commercial Items	(Apr 2003)
52.245-18	Special Test Equipment	(Feb 1993)
52.247-63	Preference For U.S. Flag Air Carriers	(Jun 2003)
52.247-64	Preference For Privately Owned U.S. Flag Commercial Vessels	(Jun 1997)
52.248-01	Value Engineering (<i>Deviation: Add the following: "(n) This clause does not apply to any work under this contract in connection with the nuclear propulsion plant, its associated components and systems which are under the technical cognizance of NAVSEA 08."</i>) (<i>orders over \$100,000</i>)	(Feb 2000)
52.249-02	Termination For Convenience Of The Government (Fixed-Price) (<i>except that para. "c" is changed from "120" to "60" and para. "e" is changed from one year to six months.</i>)	(Sep 1996)
252.203-7001	Prohibition On Persons Convicted Of Fraud Or Other Defense-Contract-Related Felonies (<i>except for paragraph (g)</i>) (<i>orders over \$100,000</i>)	(Mar 1999)
252.204-7000	Disclosure Of Information	(Dec 1991)
252.204-7003	Control Of Government Personnel Work Product	(Apr 1992)
252.204-7005	Oral Attestation Of Security Responsibilities	(Nov 2001)
252.209-7000	Acquisition From Subcontractors Subject To On-Site Inspection Under The Intermediate-Range Nuclear Forces (INF) Treaty (<i>orders over \$100,000</i>)	(Nov 1995)

252.215-7000	Pricing Adjustments	(Dec 1991)
252.217-7003	Changes <i>(except that paragraph (b) (1) is changed from ten to five days)</i> <i>(orders issued for the performance of repair work on non-nuclear vessels)</i>	(Dec 1991)
252.217-7005	Inspection and Manner of Doing Work	(Jan 1997)
252.219-7003	Small, Small Disadvantaged And Women-Owned Small Business Subcontracting Plan (DoD Contracts)	(Apr 1996)
252.223-7001	Hazard Warning Labels	(Dec 1991)
252.225-7001	Buy American Act And Balance Of Payments Program	(Apr 2003)
252.225-7002	Qualifying Country Sources As Subcontractors	(Apr 2003)
252.225-7004	Reporting of Contract Performance Outside the United States <i>(orders over \$500,000)</i>	(Apr 2003)
252.225-7012	Preference For Certain Domestic Commodities	(Feb 2003)
252.225-7013	Duty-Free Entry <i>(except that para. (b)(3) is deleted)</i>	(Apr 2003)
252.225-7014	Preference For Domestic Specialty Metals And Alt I	(Apr 2003) (Apr 2003)
252.225-7015	Restriction On Acquisition of Hand Or Measuring Tools	(Apr 2003)
252.225-7016	Restrictions On Acquisition Of Ball And Roller Bearings	(Apr 2003)
252.225-7022	Restriction On Acquisition Of Polyacrylonitrile (PAN) Based Carbon Fiber	(Apr 2003)
252.225-7025	Restriction On Acquisition Of Forgings	(Apr 2003)
252.225-7028	Exclusionary Policies And Practices Of Foreign Governments	(Dec 1991)
252.225-7030	Restriction On Acquisition Of Carbon, Alloy, And Armor Steel Plate	(Oct 1992)
252.225-7032	Waiver Of United Kingdom Levies <i>(orders over \$1 million)</i>	(Oct 1992)
252.225-7043	Antiterrorism Force Protection Policy For Defense Contractors Outside The United States	(Jun 1998)
252.226-7001	Utilization of Indian Organizations and Indian-Owned Economic Enterprises-DoD Contracts <i>(orders over \$100,000)</i>	(Sep 2001)
252.227-7013	Rights In Technical Data - Noncommercial Items	(Nov 1995)
252.227-7014	Rights In Noncommercial Computer Software And Noncommercial Computer Software Documentation	(Jun 1995)
252.227-7016	Rights In Bid Or Proposal Information	(Jun 1995)
252.227-7017	Identification And Assertion Of Use, Release, Or Disclosure Restrictions	(Jun 1995)
252.227-7019	Validation Of Asserted Restrictions - Computer Software	(Jun 1995)
252.227-7020	Rights In Special Works	(Jun 1995)
252.227-7025	Limitations On The Use Or Disclosure Of Government-Furnished information Marked With Restrictive Legends	(Jun 1995)
252.227-7027	Deferred Ordering Of Technical Data Or Computer Software	(Apr 1988)
252.227-7028	Technical Data Or Computer Software Previously Delivered To The Government	(Jun 1995)
252.227-7036	Declaration Of Technical Data Conformity	(Jan 1997)
252.227-7037	Validation Of Restrictive Markings On Technical Data	(Sep 1999)
252.227-7039	Patents - Reporting Of Subject Inventions <i>(applies only when FAR 52.227-11 applies)</i>	(Apr 1990)
252.231-7000	Supplemental Cost Principles	(Dec 1991)
252.235-7003	Frequency Authorization	(Dec 1991)
252.235-7010	Acknowledgment Of Support And Disclaimer <i>(applies only to orders for research & development work)</i>	(May 1995)
252.239-7000	Protection Against Compromising Emanations	(Dec 1991)
252.243-7000	Engineering Change Proposals	(Jul 1997)
252.243-7001	Pricing Of Contract Modifications	(Dec 1991)
252.243-7002	Requests For Equitable Adjustment	(Mar 1998)
252.244-7000	Subcontracts For Commercial Items And Commercial Components (DoD Contracts)	(Mar 2000)
252.245-7001	Reports Of Government Property	(May 1994)

252.246-7001	Warranty Of Data	(Dec 1991)
252.247-7023	Transportation Of Supplies By Sea (<i>paras. (f) and (g) do not apply to orders at or below \$100,000</i>)	(May 2002)
252.247-7024	Notification Of Transportation Of Supplies By Sea	(Mar 2000)
252.249-7002	Notification Of Anticipated Contract Termination Or Reduction (<i>orders over \$500,000 except that \$500,000 is changed to \$100,000 in para. (d)(1)</i>)	(Dec 1996)

54. ACCEPTANCE. Purchaser will accept services performed and goods delivered under this Purchase Order or give Seller notice of rejection, within a reasonable time after completion of all required performance and deliveries, notwithstanding any prior payments made or prior tests or inspections performed. Determination of a reasonable time shall take into consideration the nature and complexity of the services performed or goods delivered, but in no event shall such time be less than forty-five (45) days. Notice of rejection may be given in any reasonable form, including but not limited to Quality Notifications, Discrepancy Reports, Inspection Reports, Engineering review sheets, annotations on Shipping Instructions or communications via telephone, e-mail, facsimile, or other correspondence. No inspection, test, delay, failure to inspect or test, or failure to discover any defect or other nonconformance shall relieve Seller of any of its obligations under this purchase order or impair any rights or remedies of Purchaser or Purchaser's customers.

55. DEFAULT. Purchaser may terminate this Purchase Order without liability if Seller: (i) fails to diligently perform the work; or (ii) fails to meet the delivery schedule or any other requirements specified in this Purchase Order; or (iii) ceases operations. At the time of termination under this provision, Seller shall immediately: (i) refund to the Purchaser the total amount that has been paid to Seller, except for deliveries previously received by Purchaser in full compliance with all requirements of this Purchase Order; and (ii) at no cost to Purchaser, return all the materials supplied by Purchaser. The rights and remedies of the Purchaser provided for in this paragraph are in addition to any other rights and remedies provided by law.

56. EXCESS QUANTITIES. Unless otherwise specified in this Purchase Order or approved by Purchaser in writing, Seller shall not: (i) make partial shipments of individual line items; (ii) make shipments more than 90 days in advance; or (iii) ship quantities in excess of those specified in this Purchase Order. Purchaser shall have no obligation to return or pay for any quantities in excess of those specified in this Purchase Order. For all other shipments not meeting the requirements of this paragraph, Purchaser may return the shipment or store early deliveries at Seller's cost.

57. VENDOR INFORMATION REQUEST. Seller shall make no changes to the requirements of the Purchase Order without the prior written consent of the Purchaser. Seller may submit requests for changes to the specifications or plans. Changes that affect the price or delivery schedule or both shall only be made through written modification of this Purchase Order. Notwithstanding the foregoing, if complete details for the manufacture of a component are not provided by the Purchaser or its customer, Seller shall have internal corrective action authority for updating or changing piece part drawings or for resolving departures from Seller's piece part drawings or internal

procedures without VIR submittal to the Purchaser ONLY if the corrective action does not depart from or affect in any manner the following: (i) Purchase Order and Appendix requirements, including listed specification effectivity dates; (ii) material specification requirements; (iii) drawings or procedures issued by or subject to approval by the Purchaser or its customer; (iv) safety, reliability, interchangeability, form, fit, or function of the component or component parts; or (v) shock or vibration integrity of qualified designs. Any corrective action taken as a result of Seller's internal review and disposition shall meet sound engineering principles, and records of all corrective actions must be maintained and made available to Purchaser or its customer upon request.

58. **SUSPENSION OF WORK.** Purchaser, may by written notice, suspend work under this Purchase Order at any time. Upon receipt of such notice, Seller shall immediately comply with its terms and, during the work suspensions, take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the suspension notice. If the suspension of work ordered under this paragraph results in an increase in the time required for, or in the Seller's cost properly allocable to the performance of any part of this Purchase Order, the Purchaser shall make an adjustment in the delivery schedule or Purchase Order price or both. Seller shall assert its right to an adjustment no later than 20 calendar days after the work suspension is lifted.

59. **DISPUTES.** The parties will attempt to settle in good faith all disputes arising under the Purchase Order. Disputes upon which the parties cannot reach an amicable settlement will be resolved under the laws of the state of California without regard of the principles of conflict of law. Venue shall be the applicable state or federal court in Gardena, California. Pending final resolution of any decision, appeal, or judgment in such proceedings, or the settlement of any dispute arising under this Purchase Order, Seller shall proceed diligently with the performance of this Purchase Order. Seller shall bring any dispute arising under or related to this Purchase Order within two (2) years after the cause of action for such dispute accrues.

60. **BUSINESS CONDUCT.** Seller shall not offer any gratuity to Purchaser's employees, customers or their representatives in a manner inconsistent with the guidance provided in this pamphlet. Furthermore, any falsification, concealment, or alteration of any material fact, or any false, fraudulent or fictitious statement or representation in connection with the work under a purchase order within the jurisdiction of the Federal Government is not only prohibited by the Purchaser's policy, but may also be punishable under Federal Law.

61. **BANKRUPTCY.** In the event the Seller enters into proceedings relating to bankruptcy or insolvency, whether voluntary or involuntary, the Seller agrees to furnish to Purchaser, by certified mail, written notification of the bankruptcy or insolvency proceeding. This notification shall be furnished within five days of the initiation of such proceedings, and shall include the date of filing, the identity of the court in which the petition was filed, and a listing of all of Purchaser's orders against which final payment has not been made. This obligation remains in effect until final payment under this purchase order.

62. **SECTION AND PARAGRAPH HEADINGS.** The section and paragraph headings herein are for convenience only and shall not limit in any way the scope of any provision

of this Purchase Order.

63. CONTINUING TERMS AND SEVERABILITY. The Proprietary Information and indemnity clauses contained herein shall survive termination or cancellation of this Purchase Order. If any part, term or provision of this Purchase Order contravenes any law of a federal, state or local government having jurisdiction over this Purchase Order, that part, term, or provision shall be inoperative in that jurisdiction, and the validity of the remaining portions or provisions shall not be affected thereby.

64. NON-WAIVER. No waiver by Purchaser of any breach by Seller of any of its obligations shall constitute a waiver of any subsequent breach of the same or other obligations. No payment made hereunder shall be deemed an acceptance or approval of any defective or unsatisfactory material or workmanship, or a waiver of Purchaser's right to later reject the same. Purchaser's failure to insist on strict performance at any time shall not constitute a waiver by Purchaser of the requirement for strict performance by the Seller at all subsequent times. The rights and remedies provided in this agreement are in addition to others provided by law; any failure to state a right or remedy herein does not constitute a waiver of such other rights or remedies.

"All metal material shall be provided with certified material test reports.

This applies to all material that are to be welded, cast and repaired in accordance with Navy Technical Publication S9074-AR-GIB-010/278".