

**TELEDYNE ENERGY SYSTEMS, INC.
GENERAL TERMS AND CONDITIONS OF PURCHASE**

- 1. SELLER ACCEPTANCE** - Acknowledgement of Purchase Order by signing **Form ES-49**, shipment of any portion of the goods being purchased, or performance of any part of this Purchase Order constitutes acceptance by Seller of all terms and conditions hereof, including all documents incorporated herein by reference, without exception. This document shall constitute the entire agreement between the parties and supercedes all prior agreements relating to the subject matter hereof. Buyer will accept no other form of acknowledgement by Seller. Buyer hereby specifically objects to and rejects any additional or different terms or conditions set forth in any communication from Seller.
- 2. CHANGES** - Buyer may by written notice make changes to this Purchase Order, including additions or deletions to the original quantities ordered or in the designs, specifications, or delivery schedule(s). If any such change affects the amount due or the time of performance hereunder, Seller shall notify Buyer within five (5) working days and not proceed with the changed work until the Buyer confirms in writing that the change is to be implemented. Seller shall then submit a proposal to the Buyer within ten (10) days detailing the impact of the change.
- 3. EXPEDITING** - The goods and services purchased hereunder shall be subject to expediting by Buyer or its representative. Buyer's personnel shall be allowed reasonable access to Seller's plant for the purpose of expediting and and/or inspection.
- 4. BUYER'S LIABILITY** - Buyer liability to Seller is limited to and shall not exceed, for any reason, the value of the Purchase Order. Releases against Blanket Purchase Orders represent the aggregate of goods or services and/or dollar amount authorized for delivery to date. Buyer liability regarding Blanket Purchase Orders shall not exceed either of (1) total cumulative quantity of the goods released or (2) the total Purchase Order values. Deliveries by Seller that exceed either (1) or (2) above shall be at Sellers risk and Buyer is not obligated to accept such deliveries. Freight and insurance costs associated with the return of such deliveries shall be the Sellers responsibility.
- 5. TITLE AND RISK** - Title and risk of loss to the goods shall pass to the Buyer upon delivery to the Buyer's designated delivery destination.
- 6. WARRANTY** - Seller represents and guarantees that the goods and services furnished hereunder shall be merchantable and fit for the particular purpose intended. Such goods shall be of the kind and quantity described herein, in strict compliance with the specifications, and free from defects in design, materials and workmanship. If with one (1) year (or longer if specified in the Purchase Order) from placing the goods or the product of the services provided hereunder into operation, the goods or products of such services is or becomes defective, Seller shall correct such defect or nonconformity at Sellers sole expense. The corrective work shall be done diligently and expeditiously and consistent with the Buyer's needs and in a manner concurred to by the Buyer. Seller guarantees any adjustment, repair or replacement to the same extent the original goods or services were warranted for a period of one (1) year after such corrective work.
- 7. INSPECTION** - Buyer shall have the right to inspect and test the goods or services at any time prior to shipment at Sellers plant or Sellers subcontractor's plant. Buyer will generally provide Seller with seventy-two (72) hours advance notification prior to planned inspection or tests, however, Buyer may inspect the goods at all reasonable times with prior notice.
- 8. BUYER ACCEPTANCE** - Final acceptance of goods or services purchased hereunder is subject to final inspection by Buyer, to be made within a reasonable time after arrival at the specified destination. The making of payment for the goods or services shall in no way impair the Buyer's right to reject or revoke its acceptance of nonconforming goods or services or avail itself of any other remedies to which Buyer is entitled.
- 9. SUBCONTRACTS** - Seller shall not subcontract with any other party without Buyer's prior written permission for the whole or any major component of the goods or services ordered hereunder.
- 10. ASSIGNMENT** - Seller shall not assign any of this Purchase Order or its rights, privileges and obligations to any third party without the prior written consent of the Buyer.
- 11. GOVERNING LAW** - The rights and obligations of the parties hereto shall be governed by the laws of the State of Maryland, U.S.A.
- 12. COMPLIANCE WITH LAW** - Seller shall, at all times, observe Federal, State and local laws or ordinances that in any manner affect the work specified hereunder. This Purchase Order incorporates, by reference, applicable clauses relating to equal opportunity employment, employment of the handicapped, employment of veterans, or utilization of minority owned businesses that are required by governmental laws, orders or regulations. Seller shall pass down, as applicable, all compliance requirements for all such laws, orders or regulations to their agents, subcontractors and employees. Seller shall indemnify and hold Buyer harmless, without limitation, for all claims, damages, and expenses arising from or based on the violation of any such laws, orders or regulations by Seller or its agents, subcontractors or employees.
- 13. WAIVERS** - No provisions hereof may be waived or modified, and no counteroffer hereto shall be deemed accepted, unless made in writing and accepted by a duly authorized representative of the Buyer. A waiver of any default of the Sellers obligations under this Purchase Order or failure of the Buyer to insist on strict performance of the Sellers obligations of the terms and conditions of this Purchase Order shall not be deemed as a waiver of any subsequent defaults or performance.
- 14. RIGHTS IN DATA** - Buyer does not grant the Seller any rights to use the designs, drawings or other technical information belonging to or supplied by the Buyer in the manufacture or design of articles for anyone but the Buyer.
- 15. INFRINGEMENT** - Seller shall at its sole expense, hold harmless and defend Buyer against any claim, suit, or proceeding brought against Buyer which is based upon a claim, whether rightful or otherwise, that the goods or services, or any part thereof, furnished hereunder constitute an infringement of any patent, trademark or copyright. Seller shall pay all damages and expenses, without limitation, resulting from any such claim. In a case where the goods or services furnished hereunder are held to provide evidence of infringement, and the use of the goods or services, in whole or in part, is enjoined, the Seller, at its own expense, agrees to replace the same with non-infringing goods or services.

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16. BUYERS PROPERTY - Seller shall, and require all of its subcontractors to, keep all materials, tools, fixtures and equipment in the possession of the Seller, and in which Buyer has an interest, or its subcontractors, insured against the risk of loss or damage for their actual value. Such insurance shall be maintained, at Seller's expense, during the time they remain in Seller's possession

17. INSURANCE - Seller shall procure and maintain insurance with companies and in amounts acceptable to Buyer as follows

- Workman's Compensation
- Public Liability
- Property Damage
- Other insurance as may be warranted by the work being performed by the Seller

Seller shall provide Buyer with written proof of insurance upon Buyer's request.

18. ORDER OF PRECEDENCE - Conflicts, if any, among the provisions hereof, or attached hereto, shall be resolved and prevail in the following order of precedence. (1) Typed provisions on the face of the Purchase Order; (2) Purchase Order attachments; (3) Printed Terms and Conditions; (4) Specifications.

19. WORK AT BUYER'S FACILITY - When Seller's employees, agents or subcontractors are on Buyer's premises, for any reason, the presence of Seller shall be as an independent contractor. Seller shall indemnify and hold Buyer harmless against all loss, damage, or expense by reason of injury to person(s) or damage to property (including employees and Buyer property) arising out of the use of or activities on any of Buyer's premises. Buyer shall screen all individuals performing work at or having access to Buyer's facility against the Governments Denied Party's List. Seller shall provide names of individuals to Buyer prior to facility visits. Seller's personnel that appear on such lists, shall not be granted TESI facility access. Work under this purchase order in Buyer's facility may require that Seller's employees be U.S. citizens. Before assigning foreign nationals to work assignments at Buyer's facility, Seller shall acquire written prior approval of Buyer.

20. TERMINATION FOR CONVENIENCE - At any time, Buyer may, by written notice, terminate this Purchase Order for convenience as to all or any portion of the goods then not shipped or services not performed. Seller is entitled to an equitable adjustment, as negotiated between the parties, as to any work or materials then in progress, provided that such adjustment shall not include any cost with respect to any goods, which are Seller's standard stock.

21. TERMINATION FOR DEFAULT - At any time, Buyer may, by written notice of default, terminate this Purchase Order, in whole or in part, if Seller fails to: a) deliver the goods or perform the services within the time specified in the Purchase Order or any extension thereof; b) make adequate progress to deliver the goods or provide the service within the time specified in the Purchase Order or any extension thereof (unless force majeure conditions exist as specified in Clause 23) or c) perform any of the other provisions or requirements of the Purchase Order. Buyer may terminate this Purchase Order for default if Seller fails to cure such deficiency within ten (10) working days after Seller's receipt of a formal notice served by Buyer specifying the deficiency. Upon termination of this Purchase Order for the reason of default, in whole or in part, Buyer may acquire, in a manner that the Buyer deems appropriate, the goods or services similar to those terminated. In this case, Seller shall be liable for any excess costs incurred by Buyer for the re-procurement of such terminated goods or services. However, Seller

shall continue the work on the portion of the Purchase Order not terminated. If the Purchase Order is terminated for default, Buyer may require Seller to transfer title and deliver to the Buyer all completed goods as well as partially completed goods including materials, parts, tools, dies, jigs, fixtures, plans, drawings, other information and contract rights (collectively referred to as "the materials") that the Seller has specifically produced or acquired for the terminated portion of the Purchase Order. The Buyer shall pay for the completed goods or services delivered and accepted by the Buyer. The Buyer and Seller shall agree on an amount to be paid for the materials delivered and accepted by Buyer. Buyer may withhold payment in an amount that the Buyer deems adequate to protect Buyer against loss resulting from liens and claims that may arise from lien holders. If, after termination for default, it is determined that the Seller was not in default, or that the default was excusable, the rights and obligations of the parties will be as though the Purchase Order was terminated for convenience.

22. ANTI-KICKBACK - TESI policy prohibits the payment of money, fee commission, credit, gifts, gratuity, tickets, things of value or any other compensation of any kind which is provided, directly or indirectly, to employees or agents for the purpose of improperly obtaining or rewarding favorable treatment relating to awarding contracts or subcontracts to prime contracts. Any suspected violation(s) of this policy should be reported immediately to the TESI Ethics Officer.

23. FORCE MAJEURE - TIME IS OF THE ESSENCE for this Purchase Order. Neither party shall be liable for delays due to causes not reasonably foreseeable which are beyond reasonable control, such as acts of God, acts of civil or military authorities, fires, strikes, floods, epidemics, war or riots. In the occasion of any such delay caused by such an event of force majeure, the date of the performance shall be extended for a period of time equal to the time actually lost by reason of such delay, without cost to either party. Whenever Seller has knowledge that any actual or potential force majeure or labor dispute is delaying or threatens to delay the timely performance of this Purchase Order, Seller shall give immediate notice to the Buyer thereof.

24. DISPUTES - Any dispute that arises or is related to this Purchase Order that cannot be settled by mutual agreement of the parties, may be decided by a court of competent jurisdiction. Pending final resolution of any dispute, Seller shall proceed with the performance of this Purchase Order according to Buyer's instruction as long as Buyer continues to pay amounts not in dispute.

25. INVOICE AND PAYMENT - As compensation for services to be performed by Seller, Buyer shall pay as set forth in this Purchase Order. Buyer shall have no liability for any other expenses incurred by Seller. Payment due date, including any discount periods shall be computed from the date of the later of the scheduled delivery date, the actual delivery date or the date of receipt of a correct invoice. Payment shall be deemed to have been paid on the date the Buyer's check is mailed or payment is otherwise tendered. Seller shall promptly repay to Buyer any amounts paid in excess of amounts due Seller.

26. If the face of this Purchase Order bears reference to a U. S. Government Contract Number, the following Clauses that are incorporated by reference in ES-111 SUPPLEMENT shall apply and are supplemental to the



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foregoing and to the extent of any inconsistency with the foregoing, shall rule.

SEE ES-111 SUPPLEMENT (APRIL 2003) - TERMS AND CONDITIONS APPLICABLE TO PURCHASE ORDERS FOR GOODS OR SERVICES DESTINED FOR USE BY THE UNITED STATES GOVERNMENT.

- 27. ENTIRE PURCHASE ORDER** - This Purchase Order contains the entire agreement between the parties and supersedes any prior agreements, understandings and communications between Buyer and Seller related to the subject matter of this Purchase Order.

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ES-111 SUPPLEMENT (U.S. GOVERNMENT)

TERMS AND CONDITIONS APPLICABLE TO PURCHASE ORDERS FOR GOODS OR SERVICES DESTINED FOR USE BY THE UNITED STATES GOVERNMENT - If the face of Purchase Order bears reference to a U. S. Government Contract Number, the following Clauses shall be supplemental to the foregoing and to the extent of any inconsistency with the foregoing, shall rule.

A. TERMINATION

Teledyne shall have the right at any time and for any reason to terminate this Purchase Order in its entirety or in part in accordance with the provisions of Federal Acquisition Regulations 52.249-1 "Termination for Convenience of the Government (Fixed Price) (Short Form)," 52.249-2 "Termination for Convenience of the Government (Fixed Price)," 52.249-4, "Termination for Convenience of the Government (Services) (Short Form) ", or 52.249-6, "Termination (Cost Reimbursement)." as applicable (excluding any references to the Disputes Clause). These clauses are specifically incorporated herein by reference.

In addition to the rights conferred in subparagraph (1), Teledyne may terminate this Purchase Order for default if Seller fails to make any delivery in accordance with the schedule set forth herein or for failure to comply with any of the other requirements or terms and conditions of this Purchase Order or for failure to make progress under this Purchase Order so as to endanger performance of this Purchase Order, and does not cure such failure within a period of ten (10) days after notice from Teledyne. In the event of termination for Seller's default, Teledyne may procure commodities or services similar to those terminated, and Seller shall be liable for excess procurement costs. Further, Seller shall be liable to Teledyne for any other remedies prescribed by law or equity.

B. FEDERAL ACQUISITION REGULATIONS (FAR)

1. Procurement of "Commercial Items" in support of Government contract. (ANY VALUE)

b. Applicable FAR Clauses

- (1) 52.222-26 Equal Opportunity (Executive Order 11246)
- (2) a. Definition – A commercial item is customarily used for nongovernmental purposes that are made available to the general public.
 - 52.222-35 Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era (38 U.S. Code 4212(a))
- (3) 52.222-36 Affirmative Action for Handicapped Workers (29 U.S. Code 793)

2. Procurement of other than "Commercial Items" (ANY VALUE)

This Purchase Order, if for other than "commercial items," is subject to the following FAR clauses, all of which are hereby incorporated by reference:

- 52.202-1 Definitions
- 52.204-2 Security Requirements
- 52.209-6 Protecting the Government's Interest When Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment
- 52.216-7 Allowable Cost and Payment (applies only to cost-reimbursement-type contracts)
- 52.222-20 Walsh Healy Public Contracts Act

- 52.222-26 Equal Opportunity
- 52.222-35 Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era
- 52.222-36 Affirmative Action for Handicapped Workers
- 52.222-37 Employment Reports on Disabled Veterans and Veterans of the Vietnam Era
- 52.223-3 (with Alternate I) Hazardous Material Identification and Material Safety Data
- 52.223-6 Drug-Free Workplace
- 52-223-11 Ozone Depleting Substances
- 52-225-9 Buy American Act-Trade Agreements--Balance of Payments Program
- 52.225-11 Restrictions on Certain Foreign Purchases
- 52.225-18 European Union Sanction for End Product
- 52.225-21 Buy American Act—North American Free Trade Agreement Implementation Act—Balance of Payments Program
- 52.227-14 Rights in Data - General
- 52.242-15 Stop-Work Order
- 52.245-2 Government Property (Fixed Price Contracts)
- 52.245-4 Government-Furnished Property (Short Form)
- 52.245-5 Government Property (Cost Reimbursement, Time and Material, or Labor Hour Contract)
- 52.246-1 through -9 Contractor Inspection Requirement, Provisions and Clauses
- 52.247-64 Preference for Privately Owned U.S. Flag Commercial Vessels
- 52.249-2 Termination for Convenience of the Government (Fixed

3. FAR Clauses required on orders exceeding "simplified acquisition Price) threshold" (\$100,000) (FAR 2-201)

- 52.203-3 Gratuities
- 52.203-5 Covenant Against Contingent Fees
- 52.203-6 Restrictions on Subcontractor Sales to the Government
- 52.203-7 Anti-Kickback Procedures
- 52-203-8 Cancellation, Rescission, and Recovery of Funds for Illegal or Improper Activity
- 52.203-10 Price or Fee Adjustment for Illegal or Improper Activity
- Revised February 2003
- Sheet 4 of 5 • 52.203-11 Certification and Disclosure Regarding Payments to Influence Certain Federal Transactions
- 52.203-12 Limitation on Payments to Influence Certain Federal Transactions
- 52.215-2 Audit and Records—Negotiation
- 52.215-14 Integrity of Unit Prices
- 52.219-8 Utilization of Small, Small Disadvantaged, and Women-Owned Small Business Concerns
- 52.222-4 Contract Work Hours and Safety Standards Act—Overtime Compensation
- 52.223-2 Clean Air and Water
- 52.227-1 Authorization and Consent
- 52.227-2 Notice and Assistance Regarding Patent and Copyright Infringement
- 52.229-3 Federal, State, and Local Taxes
- 52-232-17 Interest
- 52.233-3 Protest After Award
- 52.244-5 Competition in Subcontracting
- 52.247-64 Preference for Privately Owned U.S. Flag Commercial Vessels

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ES-111 SUPPLEMENT (U.S. GOVERNMENT)**

4. FAR Clauses required when subcontractor cost or pricing data is required (\$550K and Over)

- 52.214-26 Audit and Records - Sealed Bidding
 - 52.214-27 Price Reduction for Defective Cost or Pricing Data - Modifications - Sealed Bidding
 - 52.214-28 Price Reduction for Defective Cost or Pricing Data - Modifications - Sealed Bidding
 - 52.215-10 Price Reduction for Defective Cost or Pricing Data
 - 52.215-11 Price Reduction for Defective Cost or Pricing Data - Modifications
 - 52.215-12 Subcontractor Cost or Pricing Data
 - 52.215-13 Subcontractor Cost or Pricing Data - Modifications
 - 52.215-15 Termination of Defined Benefit Pension Plans
 - 52.215-18 Reversion or Adjustment of Plans for Post-retirement Benefits (PRB) Other than Pensions
 - 52.215-20 Requirements for Cost or Pricing Data or Information Other than Cost or Pricing SR
 - 52.215-21 Requirements for Cost or Pricing Data or Information Other than Cost or Pricing Data -- Modifications
 - 52.219-9 Small, Small Disadvantaged and Women-Owned Small Business Subcontracting Plan
 - 52.230-2 Cost Accounting Standards (applicable to Large Business only)
 - 52-230-3 Disclosure and Consistency of Cost Accounting Practices
 - 52.230-6 Administration of Cost Accounting Standards
 - 52.242-1 Notice of Intent to Disallow Costs (applicable only for cost reimbursement, fixed price incentive or price redetermination orders)
 - 52.242-3 Penalties for Unallowable Costs (applicable only for cost reimbursement, fixed price incentive or price redetermination orders)
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