

## PHYSICAL OPTICS CORPORATION FIRM FIXED PRICE TERMS AND CONDITIONS

This document, together with any attachments appended hereto constitutes the sole Terms and Conditions for the Purchase Order/Subcontract between the parties, and acceptance is strictly limited to the terms and conditions contained herein. Additional or differing terms, conditions or limitations of liability proposed by Seller, whether in a credit terms, quote, acceptance or delivery document shall have no effect unless accepted in writing by Physical Optics Corporation. In particular, any limitation of liability or disclaimer of warranty is expressly rejected. Agreement by Seller to furnish the goods or services to these terms and conditions, or Seller's commencement of such performance or acceptance of payment shall constitute acceptance by Seller of these Terms and Conditions.

1. **Definitions:** Words, as employed in this Agreement, shall have their normally accepted meanings. The following terms shall have the described meaning:
  - (a) "Buyer" shall mean Physical Optics Corporation in this Purchase Order /Subcontract.
  - (b) "Purchase Order/Subcontract" shall mean the Purchase Order/Subcontract, or Contract, these General Terms and Conditions, and any special conditions appended hereto or documents incorporated herein.
  - (c) "Goods" shall mean those Goods identified in this Purchase Order/Subcontract, which may be changed, from time to time by mutual written agreement between the parties.
  - (d) "Services" shall mean those Services identified in this Purchase Order/ Subcontract, which may be changed, from time to time by mutual written agreement of the parties.
  - (e) "Seller" shall mean the party identified as the Seller in this Purchase Order/ Subcontract.
2. **Price:** (a) The prices established by this Purchase Order/Subcontract are **firm fixed prices** unless otherwise stated in the Purchase Order/Subcontract. Seller warrants that any unit prices charged herein do not exceed the unit prices charged by Seller to other customers in substantially similar transactions. (b) In the event Seller is liable to Buyer for any amount, Buyer may, at its election, set-off against any amount payable to Seller under this Purchase Order/Subcontract.
3. **Schedule and Delivery; Notice of Delay:** Seller shall strictly adhere to all Purchase Order/Subcontract schedules. Time is and shall remain of the essence in the performance of this Purchase Order/Subcontract. Seller shall notify Buyer in writing immediately of any actual or potential delay to the performance of this Purchase Order/Subcontract. Such notice shall include a revised schedule and shall not constitute a waiver to Buyer's rights and remedies hereunder.
4. **New Materials; Packaging and Shipping:** (a) All goods to be delivered hereunder shall consist of new materials. (b) Seller shall prepare and package the goods to prevent damage or deterioration and shall use best commercial practice for packing and packaging of items to be delivered under this Purchase Order/ Subcontract, unless otherwise specified in the Purchase Order/Subcontract. (c) Unless otherwise stated in the Purchase Order/Subcontract, F.O.B. point shall be Destination (Incoterms 2010 DDP).
5. **Inspection and Acceptance:** (a) Buyer's final acceptance of Goods or Services is subject to Buyer's inspection within thirty (30) days after receipt at Buyer's facility or such other place as may be designated by Buyer, notwithstanding any payment or prior test or inspection. (b) Seller and its suppliers shall establish and maintain a quality control and inspection program as specified in the Purchase Order/Subcontract. Subject to applicable national security regulations, Buyer and Buyer's representatives shall have the right of access, on a non-interference basis, to any area of Seller's or Seller's Supply Chain sub-tier premises where any part of the work is being performed. Seller shall flow this requirement down to its sub tier Supply Chain suppliers as a condition of this Purchase Order/Subcontract. Seller shall, without additional costs to Buyer, provide all reasonable in-plant accommodations, facilities, and assistance for the safety and convenience of the Buyer and the Buyer's representatives in the performance of their duties. (c) Seller shall keep and maintain inspection, test and related records, which shall be available to Buyer or Buyer's representative. Seller shall allow copies to be made and furnish all information required by the Buyer or Buyer's representative.
6. **Rejection:** If Seller delivers non-conforming Goods or Services, Buyer may, at its option and Seller's expense: (i) return the Goods for refund or credit; (ii) require Seller to promptly correct or replace the Goods or Services; (iii) correct the nonconformance; or (iv) obtain conforming Goods or Services from another source. Buyer shall specify the reason for any return or rejection of nonconforming Goods or Services and/or shall describe the action taken. Seller shall be liable for any increase in reasonable costs, including procurement costs attributable to Buyer's rejection of the non-conforming Goods or Services.
7. **Invoices:** (a) Invoices may be mailed or emailed when goods are shipped, but the time for payment shall not commence until Buyer's actual or scheduled receipt,

August 1, 2014

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whichever is later, of items at their destination or upon satisfactory completion of services. (b) Buyer shall promptly pay Seller the amount due within 30 days, except if identified elsewhere in the Purchase Order/Subcontract, unless the invoiced amount is in dispute or good have been formally rejected. Buyer may withhold payment for shortages and/or non-conforming Goods or Services. Buyer may entertain discounts on goods for expedited payments.

- 8. Changes:** (a) By written order, Buyer may from time to time direct changes for: (i) technical requirements; (ii) shipment or packing methods; (iii) place of delivery, inspection or acceptance; (iv) reasonable adjustments in quantities, delivery schedules or both; (v) amount of Buyer-furnished property; and (vi) place of performance. (b) If any such change causes an increase or decrease in the price or in the time required for its performance, Seller shall promptly notify Buyer thereof and assert its claim for equitable adjustment within thirty (30) days after the change is ordered, and an equitable adjustment shall be made. However, nothing in this provision shall excuse Seller from proceeding immediately with the directed change(s) upon request. Changes shall not be binding upon Buyer except when specifically confirmed in a written Change Order.
- 9. Force Majeure:** The following events, and only the following events, shall constitute force majeure under this Purchase Order/Subcontract: (a) acts of God or of a public enemy; (b) acts of Government; (c) fires; (d) floods; (e) epidemics; (f) quarantine restrictions; (g) strikes; (h) freight embargoes; and, (i) unusually severe weather. In each case, the failure to perform must be entirely beyond the control and without the fault or negligence of the Seller. Each party shall give the other immediate notice of any event that such party claims is a Force Majeure Condition that would prevent the party from performing its obligations hereunder, and of the cessation of the condition. A party's notice under this Section shall include the party's good faith estimate of the likely duration of the Force Majeure Condition.
- 10. Termination for Convenience:** (a) Buyer may, by notice in writing, direct Seller to terminate work under this Purchase Order/Subcontract in whole or in part, at any time, and such termination shall not constitute default. In such event, Buyer shall have all rights and obligations accruing to it either at law or in equity, including Buyer's rights to title and possession of the goods and materials paid for. Buyer may take immediate possession of all work so performed upon notice of termination. (b) Seller shall immediately stop work and limit costs incurred on the terminated work. (c) If such termination is for the convenience of the Buyer, Buyer, after deducting any amount(s) previously paid, shall reimburse Seller for the

actual, reasonable, substantiated and allowable costs with the total amount to be paid by the Buyer being determined by negotiation. If the parties are unable to agree upon the final price within one hundred 120 days from the date of termination notice Buyer shall issue its determination of a total amount to be paid.

- 11. Termination for Default:** (a) Buyer may, by written Notice of Default to Seller, terminate this Purchase Order/Subcontract in whole or in part if the Seller fails to: (i) deliver the goods or to perform the services within the time specified in this Purchase Order/Subcontract or any extension; (ii) make progress, so as to endanger performance of this Purchase Order/ Subcontract; or, (iii) perform any of the other provisions of this Purchase Order/ Subcontract. (b) Buyer may require Seller to transfer title and deliver to Buyer, in the manner and to the extent directed by Buyer, any partially completed goods and raw material, software, Gerber files parts, tools, dies, jigs, fixtures, plans, drawings, services, information and contract rights (Materials) as Seller has produced or acquired for the performance of this Purchase Order/Subcontract, including the assignment to Buyer of Seller's Purchase Order/Subcontracts. Seller further agrees to protect and preserve property in the possession of Seller in which Buyer has an interest. Payment for completed goods delivered to and accepted by Buyer shall be at the Purchase Order/Subcontract price. Payment for unfinished Goods or Services, which have been delivered to and accepted by Buyer and for the protection and preservation of property, shall be at a price determined in the same manner as provided in the Termination for Convenience provision hereof except that Seller shall not be entitled to profit. Buyer may withhold from Seller monies otherwise due Seller for completed goods and/or Materials in such amounts as Buyer determines necessary to protect Buyer against loss due to outstanding liens or claims against said goods and Materials. (c) Seller shall promptly notify Buyer if Seller is the subject of any petition in bankruptcy. In the event of Seller's bankruptcy, Buyer may require Seller to post such financial assurance, as Buyer, in its sole discretion, deems necessary. Failure to post such financial assurance upon ten (10) days written notice shall constitute a default under this Purchase Order/Subcontract. The rights and remedies of Buyer in this clause are in addition to any other rights and remedies provided by law or under this Purchase Order/Subcontract.
- 12. Compliance with Law:** (a) Seller shall comply with all applicable provisions of Federal, state, and local laws; ordinances and all lawful orders; rules, regulations, including but not limited to FAA, DOT and other transportation regulations and Hazard Communication Standards promulgated pursuant to the Occupational

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Health and Safety Act. (b) Seller shall control the dissemination of and access to technical data, information and other items received under this Purchase Order/Subcontract in accordance with U.S. export control laws and regulations (EAR and ITAR). (c) Seller shall comply with the requirements of the Foreign Corrupt Practices Act, as amended, (FCPA) (15 U.S.C. §§78dd-1, *et. seq.*), regardless of whether Seller is within the jurisdiction of the United States; and (ii) neither directly nor indirectly, pay, offer, give, or promise to pay or give, any portion of monies or anything of value received from Buyer to a non-U.S. public official or any person in violation of the FCPA and/or in violation of any applicable country laws relating to anti-corruption or anti-bribery. (d) Seller will not be required to implement the Capability Maturity Model Integrated (CMMI) process improvement unless specifically stated in the Statement of Work (SOW).

**13. Ethical Standards of Conduct:** Seller shall neither receive nor give any gifts or gratuities in connection with this Purchase Order/ Subcontract. Seller's employees are required to conduct company business with integrity and maintain a high standard of conduct in all business-related activities. Seller shall not participate in any unethical conduct during performance of this Purchase Order/ Subcontract. Seller shall not engage in any personal, business, or investment activity that may be defined as a conflict of interest, whether real or perceived.

**14. Intellectual Property:** (a) Any work, writing, idea, discovery, improvement, invention (whether patentable or not), trade secret or intellectual property of any kind first made or conceived by Seller in the performance of this Contract or which is derived from the use of information supplied by Buyer shall be the exclusive property of the Buyer. Seller shall disclose promptly all such works, writings, ideas, discoveries, improvements, inventions, trade secrets or intellectual property to Buyer, and shall execute all necessary documents to perfect Buyer's title thereto and to obtain and maintain effective protection thereof. Any work produced under this Contract is to be deemed a work-for-hire to the extent permitted by law, and, to the extent not so permitted, shall be assigned to, and shall be, the exclusive property of, the Buyer.

(b) Seller hereby grants to Buyer, and to Buyer's Purchase Order/Subcontractors and customers, in connection with the use, offer for sale, or sale of products provided to or work being performed for Buyer, an irrevocable, non-exclusive, paid-up worldwide license under any and all intellectual property (whether domestic or foreign), including patents, copyrights, industrial designs and/or mask works owned or controlled by Seller at any time or licensed to Seller, provided such a sublicense does not conflict with any provisions of the license to the Seller.

(c) Seller hereby grants to Buyer, and to Buyer's Purchase Order/Subcontractors and customers, a perpetual, non-exclusive, paid-up worldwide license to reproduce, distribute copies of, perform publicly, display publicly, or make derivative works from any software included in or provided with Goods or Services under this Contract (Software Documentation) as reasonably required by Buyer in connection with Buyer's testing or use of the good or service.

**15. Intellectual Property Warranty:** Seller warrants that the sale, offering for sale, use, or incorporation into manufactured goods and Materials (including software) of all machines, parts, components, services, devices, material, and rights furnished or licensed hereunder which are not of Buyer's design, composition, or manufacture does not and will not infringe any valid patent, copyright, trade mark, or other proprietary or intellectual property rights.

**16. Goods Warranty:** Unless stated otherwise in the documents accompanying these terms and conditions, Seller shall warrant all goods against defects in workmanship, materials, design, negligence and performance for a period of one year following delivery. If this Purchase Order/Subcontract is for delivery of goods, Seller shall observe, comply with and afford Buyer all applicable Commercial Code warranties contained in the California Consolidated Laws, and Seller hereby acknowledges that Buyer does not waive or accept any disclaimer of any such warranties.

**17. Services Warranty:** Unless stated otherwise in the documents accompanying these terms and conditions, Seller shall warrant all services against defects in performance for a period of one year following delivery. If this Purchase Order/Subcontract includes the provision of Services, Seller warrants that it has and will maintain sufficient trained personnel to promptly and efficiently execute the Services contemplated under this Purchase Order/ Subcontract. Seller further warrants that the services shall be performed to at least the standard of performance reasonably expected of similar service providers.

**18. Extension to Buyer's Customers:** All warranties furnished pursuant to this Purchase Order/Subcontract extend not only to Buyer but also to Buyer's customers.

**19. Indemnification:** (a) Seller shall indemnify, hold harmless, and at Buyer's request, defend Buyer, its officers, directors, customers, agents and employees, against all claims, liabilities, damages, losses and expenses, including attorneys' fees and cost of suit arising out of or in any way connected with the Goods or Services provided under this Agreement, including,

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without limitation: (i) the breach of any warranty contained herein; (ii) any claim based on the death or bodily injury to any person, destruction or damage to property, or contamination of the environment and any associated cleanup costs; (iii) Seller failing to satisfy the Internal Revenue Service's guidelines for an independent contractor (iv) any claim based on the negligence, omissions or willful misconduct of Seller or any of Seller's agents, Purchase Order/Subcontractors, employees or anyone acting on behalf of Seller, and, (v) any claim by a third party against Buyer alleging that the Goods or Services (including but not limited to software), the results of such Services, or any other products or processes provided under this Agreement, infringe a patent, copyright, trademark, trade secret or other proprietary right of a third party, whether such are provided alone or in combination with other products, software or processes. Seller shall not settle any such suit or claim without Buyer's prior written approval. Seller agrees to pay or reimburse all costs that may be incurred by Buyer in enforcing this indemnity, including attorneys' fees.

(b) Should Buyer's use, or use by its distributors, Purchase Order/Subcontractors or customers, of any Goods or Services purchased from Seller be enjoined, be threatened by injunction, or be the subject of any legal proceeding, Seller shall, at its sole cost and expense, either: (i) substitute fully equivalent non-infringing Goods or Services; (ii) modify the Goods or Services so that they no longer infringe but remain fully equivalent in form, fit and functionality; (iii) obtain for Buyer, its distributors, Purchase Order/ Subcontractors or customers the right to continue using the Goods or Services; or, (iv) if none of the foregoing is possible, refund all amounts paid for the infringing Goods or Services.

(c) Seller shall without limitation as to time, defend, indemnify and hold Buyer harmless from all liens which may be asserted against property covered hereunder, including without limitation mechanic's liens or claims arising under Worker's Compensation or Occupational Disease laws and from all claims for injury to persons or property arising out of or related to such property unless the same are caused solely and directly by Buyer's negligence.

**20. Insurance:** If this Purchase Order/Subcontract is for the performance of services on Buyer's premises, or, Seller utilizes their own vehicles to deliver goods to Buyer's facility, Seller shall maintain the following insurance in at least the minimum amounts stated:

(a) General Liability, Property Damage, Employer's Liability-\$1 million

(b) Workers Compensation Insurance -Statutory

(c) Motor Vehicle Liability - \$1 million

Seller shall arrange a waiver of subrogation and shall name Buyer as an additional insured under each of the above policies and shall provide to Buyer, within fifteen (15) days of Buyer issuance of this Purchase Order/Subcontract, a Certificate of Insurance evidencing compliance with this section.

**21. Release Of Information:** Seller shall not publish any information developed under this Purchase Order/Subcontract, nor disclose, confirm, or deny any details about the existence or subject matter of this Purchase Order/Subcontract, or use Buyer's name in connection with Seller's sales promotion or publicity without prior written approval of the Buyer.

**22. Disputes:** The provisions of this Purchase Order/Subcontract shall be interpreted in accordance with the laws of the Commercial Code without resort to said state's Conflict of Law rule, and in accordance with its fair meaning and not strictly against either party. Pending final resolution of a dispute hereunder, Seller shall proceed diligently with the performance of this Purchase Order/Subcontract and in accordance with all the Terms and Conditions contained herein and with the Buyer's direction thereof. Buyer and Seller shall each bear its own costs of processing any dispute hereunder. In no event shall the Seller acquire any direct claim or direct course of action against the United State Government. Any dispute that is filed shall first be discussed by Senior Management of both Buyer and Seller. If within thirty (3) days the Parties are unable to agree on a settlement of the dispute an action may be filed within a Court of Competent Jurisdiction in California.

**23. Assignments and Purchase Order/Subcontracting:** (a) Neither this Purchase Order/Subcontract nor any interest herein nor claim hereunder may be transferred, novated, assigned or delegated by Seller; nor may all or substantially all of this Purchase Order/Subcontract be further sold or subcontracted out by Seller without the prior written consent of Buyer. Lack of consent shall not be deemed as, or relieve Seller of, its obligations to comply fully with the requirements hereof.

(b) Notwithstanding the above, Seller may not, without Buyer's consent, assign moneys due or to become due hereunder provided Buyer continues to have the right to exercise any and all of its rights hereunder, settle any and all claims arising out of, and enter into amendments to the Purchase Order/Subcontract without notice to or consent of the assignee. Buyer shall be given prompt notice of any assignment. Amounts so assigned shall continue to be subject to any of Buyer's rights to set-off or recoupment under this Purchase Order/ Subcontract or at law.

(c) Buyer may assign this Purchase Order/Subcontract to any successor in interest.

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- 24. Government Contracts:** For each lower tier Purchase Order/Subcontract awarded in support of and charged to a U.S. Government Contract, the Seller shall provide the appropriate flow-down clauses to include:  
(i) the appendices to the Purchase Order/ Subcontract will include a list or lists of clauses set forth in the Federal Acquisition Regulation (FAR) or the Defense Federal Acquisition Regulation Supplement (DFARS) or any other Federally published Supplement; and (ii) such appended FAR, DFARS, or other clauses are incorporated by reference as if set forth at length herein. The effective dates of the aforementioned clauses in this Article are in effect as of the date of the said Purchase Order/Subcontract.
- 25. Order of Precedence:** In the event of a conflict between these Terms and Conditions and other portions of the Purchase Order/Subcontract, the order of precedence shall be: (a) any typed provisions on the face of Buyer's Purchase Order/Subcontract specifically modifying the terms of this Purchase Order/Subcontract; (b) these Terms and Conditions; and, (c) any other provisions set forth in the Buyer's Purchase Order/Subcontracts including any terms and conditions stated or referenced therein.
- 26. Independent Contractor Status:** Seller is, and shall remain, an independent contractor during the performance of this Purchase Order/Subcontract.
- 27. Communication with Buyer's Customer:** Buyer shall be solely responsible for any and all communication with Buyer's customer regarding this or any related Purchase Order/Subcontract.
- 28. Survival:** All of the provisions of this Purchase Order/Subcontract shall survive the termination (whether for convenience or default), suspension or completion of this Purchase Order/Subcontract unless they are clearly intended to apply only during the term of this Purchase Order/Subcontract.
- 29. Audit Rights:** Buyer reserves the right to audit Sellers records to assure compliance with the terms of this Purchase Order/Subcontract Seller shall make available all data reasonably requested by Buyer.