

Supplier Terms and Conditions

1.0 DEFINITIONS

The term "Buyer" means EM Research, Inc., the company, and or it's authorized Buyer of supplies. The term "Seller" is the supplier or vendor of supplies provided. Reference to a "party" or "parties" means a party or the parties to this Order except where used as "third party" or "third parties." The term "Supplies" as used herein means any and all work, materials, components, assemblies, intermediate assemblies, parts and end products, manuals, instructions, materials, information and technical data or service to be performed and /or supplied by the Seller under this Order. The term "FAR" as used here in means the Federal Acquisitions Regulation in effect on the date of this Order.

2.0 ACCEPTANCE

This Order becomes a binding contract subject to the terms and conditions hereof, when accepted by an acknowledgement and /or commencement of performance thereon. Commencement of performance is an acceptance of these terms and conditions regardless of the fact that an acknowledgement form with different terms and conditions is submitted. No change, modification or revision of this Order shall be valid unless in writing and signed by Buyer's Purchasing Agent or Buyer. In case of any conflicts between the terms on the face of this Order and terms and conditions set forth below, the terms on the face of this Order shall control.

3.0 PRICES

If a specific price for the goods has been quoted to Buyer by a representative or agent of Seller or if a price previously established by Seller has been set forth for the goods on the face of this Order, such price shall be the price of the goods and the full extent of Buyer's liability for the goods, unless a different price is agreed to in writing by Buyer. Seller warrants that the prices for the goods are not less favorable than those currently extended to any other customer for the same or like articles in equal or less quantities. In the event Seller establishes or offers a lower price for the sale of such articles in such quantities, either generally or for any one sale to any other customer, from the date of acceptance of this Order to the date the goods are invoiced to Buyer, Seller agrees to reduce the prices hereof correspondingly. Seller represents that the prices specified in this Order do not exceed Seller's current selling prices for the same or substantially similar items, whether to the Government or to any other Purchaser, taking into account the quantity under consideration.

4.0 PROHIBITION OF GRATUITIES

This Order serves as notice to Seller that Buyer's personnel owe complete loyalty to Buyer and are forbidden to accept money or things of value from any supplier of goods, materials or services to Buyer, regardless whether such acceptance would constitute an act prohibited by Anti-Kickback laws and regulations. Seller for itself and its principal owners, shareholders and officers warrants and represents that no employee of Buyer has any financial interest in Seller except such as has been disclosed in writing to Buyer. Further, Seller has not and shall not give anything of value to any employee of Buyer, except promotional or commemorative items having a value of less than \$25, and food and refreshments served during business meetings.

Breach of the foregoing warranty and covenant shall entitle Buyer, in addition to any other rights and remedies, immediately to terminate for default any and all orders to Seller existing at the time that Buyer learns of any such breach, and regardless of when such breach occurred.

5.0 EXTRA CHARGES

No additional charges of any kind, including charges for boxing, packing, or cartage, taxes, import or export duties, excises, or other extras, will be allowed unless specifically agreed to in writing in advance by Buyer.

6.0 INVOICES AND PAYMENT

Upon Buyer's receipt of a proper invoice, Seller will be paid in accordance with the price and terms stated in a Purchase Order for Supplies delivered and accepted, or services rendered and accepted, less deductions if any as provided by the order. Cash discounts are determined by receipt date of Supplies or services, or of a proper invoice, whichever is later. Payment is subject to setoff of any claim of Buyer against Seller, arising from this or any other transaction. Such Purchase Order shall be governed by the terms and conditions of this Order.

7.0 TAXES

Seller's prices shall exclude any Federal, State, or local sales use or excise taxes levied upon, or measured by the sale, the sales price or use of the goods. All such taxes, lawfully applicable, shall be listed separately on Seller's invoice. (If such applicable taxes are not separately listed, Seller assumes responsibility for the payment of them, and shall indemnify and hold Buyer harmless from any and all liability in connection with such taxes.) Tax exemption certificate or other evidence of exemption, furnished by Buyer, shall be accepted by Seller in lieu of such taxes.

8.0 PACKING

No charges shall be made for transportation, handling, boxing or packing or for materials used in connection therewith unless stated in this Order. Supplies shall be packed to best protect Supplies, to secure lowest transportation costs and to comply with carrier regulations. All shipments must be packed and labeled in a manner that will provide efficient handling and prevent damage to the Supplies in shipment and in storage, including, without limitation, protection against ESD, electrostatic discharge, atmospheric deterioration, and fungus growth. Damages to any Supplies resulting from improper packing shall be charged to Seller.

9.0 EXCUSABLE DELAYS

Neither shall be liable in damages for delay in delivery due to any causes beyond its control or without its fault or negligence, including without limitation, acts of God or of the public enemy, acts of the government, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather. If the failure to perform is caused by the default of a subcontractor, and if such default arises out of causes beyond the control of both the Seller and its subcontractor, and without the fault or negligence of either of them, the Seller shall not be liable for any excess cost for failure to perform unless the Supplies and services to be furnished by the subcontractor were

obtainable from other sources in sufficient time to permit the Seller to meet the required delivery schedule. Seller shall notify Buyer in writing within 10 days of such causes once Seller first learns of same.

10.0 TERMINATION

Buyer reserves the right to cancel this Order or any part thereof if Seller breaches any of the provisions of this Order, or if Seller becomes insolvent or the subject of any proceedings under any law relating to bankruptcy or the relief of debtors, or if Seller defaults with respect to any Seller's obligations hereunder.

In the event of such cancellation, Buyer may procure similar Supplies and Seller shall be liable to Buyer for any excess costs on account thereof, except where the termination is a result of an excusable delay as defined in the preceding paragraph. Buyer's remedies provided in this paragraph shall be in addition to any other remedies provided in law or equity.

Without affecting its right to cancel this Order to default, Buyer may terminate this Order or any part thereof in accordance with the provisions of the "Termination Clause" contained in the FAR 52.249-2 which clause is incorporated herein by reference.

11.0 DELIVERIES

Delivery, according to schedule, is a condition precedent of this Order. No deviation from delivery schedules in this Order shall be allowed without the written authorization of Buyer. Buyer must be notified of any delay.

12.0 DANGEROUS GOODS

Hazardous, dangerous, explosive, inflammable, or toxic goods will be safely and properly marked and packaged by Seller, and Seller assumes all liability direct or indirect resulting from its failure to do so. An MSDS, Material Safety Data Sheet, must accompany each shipment.

13.0 WARRANTIES

Seller expressly warrants that the Supplies furnished hereunder will be merchantable, free from defects in material and workmanship, suitable and usable without restriction for the use intended and will conform to applicable specifications, drawings, samples, and description, and if of design other than Buyer's, will be free from design defects.

These warranties shall remain in effect for eighteen (18) months after the date on which the Supplies are delivered by Buyer to its customers or two (2) years from the date the Supplies are accepted by the Buyer, whichever occurs first. This warranty period is extended for an additional period equal to the time elapsed from the date that Seller has been notified to repair or replace defective Supplies until delivery is made to Buyer of corrected Supplies or replacements.

Seller agrees, at its expense, to repair or replace any Supplies having any defect or defects in a manner satisfactory to Buyer or its customers.

All warranties herein shall run to Buyer and its customers and shall be construed as conditions as well as warranties and shall not be deemed to exclude other rights or warranties which Buyer may have or obtain.

14.0 MAINTENANCE OF RECORDS

Seller shall maintain complete and accurate records in accordance with generally accepted accounting principles and good commercial practices to substantiate Seller's charges hereunder. Seller shall retain such records for three (3) years from final payment of this contract, unless another period is specified by FAR Part 4.7. Buyer shall have access to such records.

15.0 CHANGES

Seller shall make no changes in the Supplies ordered, including without limitation, the specifications, drawings, packing or shipment thereof, except as authorized in writing by Buyer's Purchasing Agent or Buyer.

Buyer may at any time, by written order and without notice to sureties, make changes in the (1) drawings, designs or specifications, (2) methods of packing or shipment, (3) quantity of items ordered, (4) time of delivery, and/or (5) place of delivery. In such event, an equitable adjustment by the Seller for such adjustment must be made within 15 days from the date of receipt of the change order.

16.0 DESIGNS, DATA, TOOLS, ETC.

Title to all material and information, including without limitation, tools, patterns, equipment, designs, drawings, engineering data or other technical or proprietary information, furnished by Seller for Buyer or by Buyer for Seller, if furnished by Seller especially for this Order and included in the price of and relating to the performance of the Order, shall remain for Buyer or its customer, as the case may be. All such items shall be confidential, all such items shall be reported in writing to Buyer upon completion of this Order, maintained in good condition, and shall be subject at all times to disposition as Buyer may direct.

None of such items shall be used in the production, manufacture or design for the account of others or of any Supplies other than those called by this Order, except with the written consent of Buyer, nor shall Supplies furnished by Seller through the use of any such items be furnished or quoted to any other person or concern, without the written consent of the Buyer, provided, however, that upon prior written notice to Buyer and to the extent such use will not interfere with the Seller's performance of this or other orders from Buyer in effect at the time Seller enters into a direct contract with U.S. Government. Buyer does not warrant the accuracy of tools and fixtures which may be furnished and Seller must report any inaccuracies before commencing production. Seller agrees to indemnify Buyer against any loss, cost, damage or liability by reason of Seller's violation of this section.

17.0 PATENT RIGHTS

If any experimental, developmental or research work is called for or required under this Order, Seller agrees to disclose and on request to assign to Buyer each invention conceived or first reduced to practice in the performance of this Order. (Not applicable if this Order is placed under a Government contract).

18.0 INFRINGEMENT

Buyer disclaims any responsibility for infringement of any patent, copyright, trade secret, trademark, and service mark ("Intellectual Property") by Seller in the production and/or performance of this Order. Seller agrees to indemnify Buyer and its customers and users of its products against liability, including costs and expenses, on account of any infringement or

alleged infringement of any Intellectual Property, in the manufacture, use sale or disposition of any Supplies called for hereunder. Buyer will notify Seller of any claim or suit instituted against it and the full extent of its ability to do so shall permit Seller to defend same or make settlement in respect thereof.

19.0 CONFIDENTIAL INFORMATION

Buyer confidential information shall be identified as, but not limited to, the terms of this Order, and product development plans, marketing plans, vendor list, trade secrets, drawings, schematics, technical specifications, manufacturing techniques, financial information, and customer list of Buyer. The Seller hereby agrees to maintain such information in trust and confidence, and not to disclose such information to third parties unless authorized in writing by Buyer, or to use such information for any purpose other than performing Seller's obligations under this Order. The Seller represents that its employees are contractually obligated not to disclose Buyer's confidential information obtained by them in the course of their employment and agree that only those employees having a need to know for the purpose of this Order shall have access to Buyer confidential information. Buyer shall at all times be the sole and exclusive owner of its confidential information. A signed Non-Disclosure Agreement, NDA, ADMN-0400001 is required before an RFQ, request for quote, is submitted by Buyer to Seller.

20.0 RISK OF LOSS

Seller assumes (1) all risks of loss or damages to all Supplies, work in process, materials and other things until the delivery thereof as herein provided; (2) all risk of loss or damage to any Supplies or part thereof rejected by Buyer or as to which Buyer has revoked its acceptance, from the time of such rejection or revocation; and (3) all risks of loss or damage to any property received by Seller from, or held by Seller or its suppliers for the account of or for Buyer or its customer, as the case may be.

21.0 FACILITIES

Except as otherwise provided in this Order, Seller represents that it now has or can readily procure, without assistance of Buyer or the Government, all facilities necessary for the performance of this Order.

22.0 SUBCONTRACTING

Seller shall not procure or contract for the procurement of any items covered by this Order in completed, or substantially completed form without prior written approval of the Buyer and if applicable, the Government contracting officer.

23.0 ADVERTISING

Seller shall not, without Buyer's prior written consent, in any manner, advertise or publish anything concerning this Order or the purchase by Buyer of the Supplies therein. (As to Supplies of Seller's standard manufacture, this paragraph shall not apply to publicity or advertising concerning the Supplies only).

24.0 NOTICE OF LABOR DISPUTE

Whenever any actual or potential labor dispute is delaying, or threatens to delay the timely performance of this Order, Seller shall immediately give notice thereof, including all relevant information with respect thereto, to Buyer and, if this Order is placed under a Government contract, to the nearest representative of the cognizant Department of the Government. Seller shall insert this clause or its substance in any subcontracts hereunder.

25.0 ADDITIONAL CLAUSES APPLICABLE IF THIS FIXED PRICE ORDER IS PLACED UNDER A GOVERNMENT CONTRACT

Each of the herein below named clauses, as set forth in the Federal Acquisition Regulations is in Buyer's prime or subcontract, the clauses so incorporated herein apply to Seller as though Seller was prime contractor, and in such manner as will enable Buyer to meet its obligations, arising out of the Department of Defense, NASA, or other Government agency prime or Subcontract. (If this Order is placed under a NASA or other Government agency contract, all references to the Government shall include NASA or such other Government agency and NASA or the applicable Government agency regulations will apply).

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| 15.804.4 | Certificate of Current Cost or Pricing Data |
| 52.204-2 | Security Requirements |
| 52.208-1 | Required Sources for Jewel Bearings and Related Items |
| 52.208-7000 | Required Sources for Miniature and Instrument Ball Bearings |
| 52.208-7001 | Required Sources for Precision Components and Mechanical Time Devices |
| 52.210-5 | New Material |
| 52.212-8 | Priorities, Allocations and Allotments |
| 52.215-1 | Examination of Records by Controller General |
| 52.215-2 | Audit - Negotiations |
| 52.215-23 | Price Reduction for Defective Cost or Pricing Data - Modifications |
| 52.215-25 | Subcontractor Cost or Pricing Data - Modifications |
| 52.219-8 | Utilization of Small Bus. Concerns And Small Disadvantaged Bus. Concerns |
| 52.219-9 | Small Business and Small Disadvantaged Business Subcontracting Plan |
| 52.219-13 | Utilization of Woman-Owned Small Business |
| 52.220-3 | Utilization of Labor Surplus Area Concerns |
| 52.220-4 | Labor Surplus Area Subcontracting Program |
| 52.222-1 | Notice to the Government of Labor Disputes |
| 52.222-4 | Contract Work Hours and Safety Standards Act - Overtime Compensation - General |
| 52.222-20 | Walsh-Healey Public Contracts Act |
| 52.222-26 | Equal Opportunity |
| 52.222-35 | Affirmative Action for Special Disabled and Vietnam Era Veterans |
| 52.222-36 | Affirmative Action for Handicapped Workers |
| 52.223-2 | Clean Air and Water |
| 52.225-3 | Buy American Act - Supplies |
| 52.225-10 | Duty - Free Entry |
| 52.225-11 | Certain Communist Areas |
| 52.225-7011 | Preference for Domestic Specialty Metals |
| 52.227-7031 | Data Requirements |

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| 52.230-3 | Cost Accounting Standards |
| 52.230-4 | Administration of Cost Accounting Standards |
| 52.230-5 | Disclosure and Consistency of Cost Accounting Practices |
| 52.246-2 | Inspection of Supplies - Fixed Price |
| 52.246-23 | Limitation of Liability |
| 52.249-2 | Termination for Convenience of the Government (Fixed Price) |
| 52.249-8 | Default (Fixed Price Supply and Service) |

26.0 ITAR COMPLIANCE

Seller shall comply with all U.S. export control laws and regulations, including the International Traffic in Arms Regulations (ITAR), 22 CFR Parts 120 through 130, and the Export Administration Regulations (EAR), 15 CFR Parts 730 through 799, in the performance of this contract. Unless otherwise granted an exemption, Seller shall be responsible for obtaining the appropriate licenses or other approvals, if required, for exports of hardware, technical data, and software, or for the provision of technical assistance.

Seller shall be responsible for obtaining export licenses, if required, before utilizing foreign persons in the performance of this contract, including instances where the work is to be performed on-site at any Government installation, where the foreign person will have access to export-controlled technical data or software.

Seller shall be responsible for all regulatory record keeping requirements associated with the use of licenses and license exemptions/exceptions.

Lower Tier Subcontracts. Seller shall flow-down ITAR compliance provisions to suppliers and subcontractors in all purchase orders and subcontracts.

27.0 DISPUTES

DISPUTES: Either party may litigate any dispute arising under or relating to this Order before a Nevada court of competent jurisdiction located in Washoe County, Nevada. Pending resolution of any such dispute by settlement or by final judgment, the parties shall proceed diligently with performance under the terms of this Order. Seller's performance shall be in accordance with Buyer's written instructions.

These Terms and Conditions shall be governed in all respects by the substantive laws of the State of Nevada, and where applicable, the laws of the United States. Each of the parties hereby submits to the jurisdiction of the courts of the State of Nevada and of the United States in the District of Nevada. In the event any dispute arises between the parties, the parties agree that the given dispute shall exclusively be resolved in a court of competent jurisdiction located in Washoe County, Nevada. The parties agree that this is a mandatory forum selection clause.

28.0 ASSIGNMENT AND DELEGATION

No assignment of this Order, in whole or part, or of any moneys due or to become due hereunder may be made by Seller without in each case, the prior written consent of Buyer. Furthermore, Seller shall not delegate any of its duties under this Order to any third party without the prior written consent of Buyer.

29.0 COMPLIANCE WITH LAWS

Seller shall comply with all applicable Federal, State and local laws and executive orders and regulations issued pursuant thereto and in the performance of this Order. This Order shall be construed in accordance with the laws of the state of Nevada.

30.0 NON DISCRIMINATION IN EMPLOYMENT

In accordance with the Executive Order 11246, Seller agrees not to discriminate against any employee or applicant for employment because of race, creed, color or national origin. All other applicable provisions of the Rules and Regulations of the Office of Federal Contract Compliance are herein incorporated by reference. Seller shall hire only United States citizens and/or individuals who are authorized to work in the United States.

31.0 EFFECT OF INVALIDITY OR WAIVER

The invalidity, in whole or in part, of any conditions of this Order shall not affect the validity of other conditions, nor shall the waiver of a breach of any provision of this Order constitute a waiver of any subsequent breach of that provision or the breach of any other provision.

32.0 INDEMNITY AND INSURANCE

Seller (including contractors and all subcontractors if any) shall indemnify and hold harmless Buyer, its shareholders, directors, officers, employees, agents, contractors, and attorneys ("Buyer Indemnified Parties") against any and all liabilities, claims, demands, and/or damages arising directly or indirectly from any breach of any section of this Order and/or in connection with work performed or materials delivered hereunder. Seller shall further indemnify and hold the Buyer Indemnified Parties harmless from any and all loss and damages and shall defend the Buyer Indemnified Parties against any and all claims (including, but not limited to, injuries to persons or damage to property) arising from the failure of Seller (including contracts and all subcontracts, if any), or the Buyer Indemnified Parties to conform to the statutes, ordinances, regulations, or requirements of any governmental authority, concerning or in any way relating to (either directly or indirectly) any work done, materials delivered hereunder, or the operations and techniques employed in connection therewith, and arising from anything done by the negligence of the Seller (including contractors and all subcontractors, if any), or the Buyer Indemnified Parties while engaged in the performance of any act directly or indirectly related to work done or materials delivered or while in and about the premises of the Buyer or arising from liens or claims for services rendered or labor or materials furnished.

The Seller (including contracts and all subcontractors, if any), shall maintain the following insurance with an insurance company or companies authorized to do business under the law the State in which the work is to be done or materials furnished.

Workmen's Compensation Insurance covering its obligations under the applicable law or laws, Comprehensive General Liability Insurance (including Contractual Liability for the obligations assumed hereunder) with bodily injury limits of \$100,000 per person and \$300,000 per accident and a property damage limit of \$100,000 per accident.

Upon request, Certificates of said insurance shall be filed with Buyer and shall provide for 10 days prior to written notice of

cancellation of or material change in said insurance. The liability insurance limits shall in no way be construed as a limit on the Buyer's right indemnity hereunder.

33.0 TIME IS OF THE ESSENCE

Time shall be of the essence in the performance of the provisions of this Order.

34.0 RESERVATION OF RIGHTS

Any rights not expressly granted herein are reserved.

35.0 REVIEW OF ORDER

The parties agree that they have had an opportunity to have this Order reviewed by counsel. The parties agree that this Order has been mutually prepared. Since the Order was mutually prepared, the terms of this Order shall not be construed or interpreted against any one party hereto.

36.0 SECTION HEADINGS

The Section headings appearing in this Order have been inserted for the purpose of convenience and ready reference. They do not purport to, and shall not be deemed to, define, limit or extend the scope or intent of the Sections to which they pertain.

37.0 ENTIRE AGREEMENT

This Order reflects the entire agreement of the parties regarding the subject matter hereof, and expressly supersedes all prior and contemporaneous agreements between the parties, whether written or oral.

38.0 AMENDMENT OR MODIFICATION

This Order may not be amended or modified in any respect except by a written instrument signed by all of the parties.

39.0 ATTORNEYS' FEES AND COSTS

In the event any dispute or litigation arises between the parties, the prevailing party shall be entitled to reasonable attorney's fees and costs.

40.0 NOTICES

All notices and other communications required or permitted under this Order shall be validly given, made, or served if in writing and delivered personally, sent by registered mail, receipted commercial courier, or by electronic receipt (acknowledged in like manner by the intended recipient) facsimile transmission to the parties at the following address:

EM Research, Inc.
P.O. Box 10430
Reno, Nevada 89510-0430
Facsimile: (775) 345-1030
sales@emresearch.com

With a Copy to:

Matthew D. Francis, Esq.
Watson Rounds
5371 Kietzke Lane
Reno, Nevada 89511
Facsimile: (775) 333-8171
mfrancis@watsonrounds.com

41.0 INVALID PROVISION/SEVERABILITY

If any provision of this Order is held to be invalid or unenforceable, the other provisions shall not be affected to the greatest extent possible consistent with the parties' intent. Any invalid, void or unenforceable provision shall be modified as may be necessary to make it valid, effective and enforceable to the greatest extent possible consistent with the parties' intent.

42.0 INDEPENDENT AGENTS

The parties are independent contractors and nothing contained in this Order shall be construed to constitute the parties as partners, joint venturers, co-owners, principals and agents, or otherwise as participants in a joint or common undertaking.