

3101 Pollok Dr. Conroe, Texas 77303 USA 1-800-344-5399 Fax 1-936-788-5720

STANDARD TERMS AND CONDITIONS OF PURCHASE OF GOODS

1. Definitions:

"Release" means the purchase order, purchase release or other form of order to purchase Goods issued by Buyer to Seller, which may incorporate the terms of a Master Terms Agreement or other master purchase agreement.

"Buyer" means the UTC Participating Site (YZ Systems, Inc.) purchasing the Goods under this Release

"Seller" means the entity selling the Goods under this Release.

"UTC" means United Technologies Corporation.

"Goods" means the particular products being purchased under this Release.

"Item" means any unit of the Goods ordered by Buyer.

"Days" means calendar days unless otherwise noted.

2. Acceptance of Releases:

- 2.1 Any of the following acts of Seller shall constitute acceptance of Buyer's Release and all of its terms and conditions without modification: Seller's delivery of any of the Goods; Seller's commencement of performance under this Release; or Seller's acknowledgement of Buyer's Release.
- 2.2 Any terms different from or additional to the terms of Buyer's Release which may be contained in Seller's acknowledgement or Seller's other documents are expressly rejected by Buyer unless accepted in writing by Buyer. Buyer's Release is expressly conditional upon acceptance of Buyer's terms and conditions unless Buyer otherwise agrees in writing.
- 2.3 If any item or provision of this contract or the application thereof shall to any extent be invalid or unenforceable, the remainder of this contract or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby and each term and provision of this contract shall be valid and be enforceable to the fullest extent permitted by law.

3. Delivery, Transit, Quantity:

- 3.1. **Delivery:** Seller shall furnish the Items called for by this Release in accordance with shipping instructions and delivery schedules stated in Buyer's Release or under shipping instructions and delivery schedules separately provided to Seller. Buyer may from time-to-time adjust its delivery schedules, and unless otherwise agreed in writing, such changes in schedule shall not affect the prices of the Goods ordered. Unless otherwise agreed in writing, deliveries shall be F.O.B. shipping point and Buyer may defer payment for, or return at Seller's expense, any Items delivered in advance of the scheduled delivery date or in excess of the quantity specified for such Items. Time is of the essence for the performance of this Release. Acceptance by Buyer of late delivery or performance by Seller of either the whole or part of the release shall not constitute a waiver of any claim for damages which Buyer may have arising from and out of such late delivery or performance.
- 3.2. **Notice of Delay:** Whenever an actual or potential reason for delay (including but not limited to labor disputes), delays or threatens to delay the timely performance of this Release, Seller agrees to immediately notify Buyer in writing of all relevant information and, subject to any force majeure provisions incorporated in the Release, to make and pay for all necessary changes to fulfill its obligations under this Release and mitigate the potential impact of any such delay. Failure to give such notice shall render Seller liable for all damages to Buyer and its customer occasioned by delay of delivery of goods covered by this release. Buyer has the right to cancel any

Items affected by the delay in performance. Strikes, fires accidents or other causes beyond the reasonable control of Buyer which affect Buyer's ability to receive and use the goods released hereunder shall constitute valid grounds for suspension of shipment or performance under this release upon notification to Seller, any such suspension shall be without penalty or cost to Buyer.

- 3.3. **Insurance and Risk of Loss:** Where Seller is responsible for delivering Goods to a specific location, Seller shall be responsible for any damage to or loss of Goods in transit to the location. Where Seller agrees to deliver the Goods to a location at Buyer's risk and Seller arranges the transport of the Goods, unless otherwise agreed in writing, Seller shall insure the Goods for no more than standard amount supplied by freight carrier.
- 3.4. **Packing:** Seller shall not charge separately for packaging, packing or boxing, unless Buyer has agreed to such charges in writing. Seller shall not combine in the same container, material that is to be delivered to different receiving locations. Items shall be properly packed to eliminate damage and secure lowest transportation cost at no additional charge.
- 3.5. **Marking:** Unless otherwise agreed in writing, exterior containers shall be marked with the following: (1) Address of Buyer and Seller; (2) Release number; (3) Part number; (4) Special markings called for on the Release; (5) Quantity; and (6) (where applicable) Vendor Code or other vendor identification number.
- 3.6. **Bills of Lading:** Bills of Lading shall reference Release number and Buyer's receiving address and purchase point of contact. When Buyer will be the importer of record, Seller will follow the instructions of Buyer's import administrator regarding completion of documentation used in the importation process and proper declaration of value, bill of lading must be properly described for lowest transportation charges, lowest valuation must be declared. The original copy of the bill of lading with freight invoice shall be supplied with the Seller's invoice to buyer.
- 3.7. **Packing Slip:** Unless otherwise agreed between Buyer and Seller, Seller shall include an Itemized packing slip with all shipments which will adequately identify the Goods shipped, including part number and the applicable Release number.
- 3.8. **Test Reports:** Any Seller test reports, material certifications or other test results related to the Goods shall be provided to Buyer as set forth in the terms of the Release, or if not specified in the Release terms, upon Buyer's request.
- 3.9. **Hazardous Materials:** If the products or materials to be shipped under this Release have been classed as hazardous materials by the U.S. Government or any state or local government, Seller warrants that the product shall be packaged, marked, labeled and transported in full compliance with all applicable laws. Seller shall hold harmless and indemnify Buyer for Seller's failure to comply with the requirements of this provision.

4. Invoices and Taxes:

- 4.1. **Invoices:** Unless otherwise agreed in writing, all invoices must contain at a minimum the following information: Release number, Item number, description of Items, sizes, quantities, unit prices, FOB point, identification and address of Seller, identification of Buyer and delivery location, any separate charges, total payments due and any discount terms. Payment of invoice shall not constitute acceptance of Items ordered and shall be subject to appropriate adjustment for failure of Seller to meet the requirements of this Release. Buyer may set off any amount owed by Seller or any of its affiliated companies to Buyer or any of its affiliated companies against any amount owed by Buyer under this Release. Seller shall submit invoices to the accounts payable location identified by Buyer.
- 4.2. **Lowest Prices:** Seller warrants that the prices charged for the Items covered by this Release are as low as or lower than the lowest prices charged by the Seller to any other customers for similar Items in the same or similar quantities and under similar circumstances.
- 4.3. **Cash Discount:** The cash discount period, if any, shall be computed as commencing with receipt by Buyer of invoice or of merchandise, whichever is later.
- 4.4. **Taxes:** Unless the terms of the Release state otherwise, all taxes, duties and other costs are included in the unit prices of the Goods.

5. **Changes:** Buyer (through its authorized purchasing personnel only) shall have the right at any time prior to the delivery date of the Goods to make changes including, but not limited to, (i) drawings, designs, specifications if the Goods are manufactured to Buyer's drawings, designs and/or specifications; or (ii) in packaging, quantity, time or place of delivery, and method of transportation. If any such changes cause an increase or decrease in the cost or the time required for the performance or otherwise affect any other provision of this Release, an equitable adjustment shall be made and this Release shall be modified in writing accordingly; provided, no equitable adjustment in price will be applicable to changes in delivery schedule where deliveries continue to be scheduled in either the same calendar year or, if not in the same calendar year, within four (4) months of the existing delivery schedule. Seller's claims for an equitable adjustment under this Article shall be deemed waived unless asserted in writing (including the amount of the claim) and delivered to Buyer within thirty (30) days, or other period agreed in writing by Buyer, from the date Seller receives the change. Seller shall provide supporting documentation justifying its claims, and if requested, shall promptly provide additional clarification or support for such claims as reasonably requested by Buyer.
6. **Inspection, Rejection:** All Items being manufactured to Buyer's specifications and/or drawings covered by this Release may be inspected and tested by Buyer or its designee, at all reasonable times and places, including during manufacture. Seller shall provide, without additional charge, all reasonable facilities and assistance for such inspections and tests.
- 6.1. All inspection records relating to Items covered by this Release and being manufactured to Buyer's specifications and/or drawings, which include but are not limited to, inspection reports, certification of process, certification of material, test reports, qualification data, purchase order records, and design data, shall be maintained by Seller on its premises for the life of the goods, but in no event less than (5) five years and make available for inspection by Buyer at all reasonable times and places. Upon Buyer's request Seller shall furnish Buyer with copies thereof.
- 6.2. If any Items covered by this Release are defective or otherwise not in conformity with the requirements of this Release, Buyer may, (i) rescind this Release as to such Items, and rescind the entire agreement if such defect or non-conformity materially affects Buyer; (ii) accept such Items at an equitable reduction in price; or (iii) reject such Items and require the delivery of replacements. Deliveries of replacements must be authorized by Buyer and shall be accompanied by a written notice specifying that such Items are replacements. If Seller fails to deliver required replacements promptly, Buyer may (i) replace, obtain or correct such Items and charge Seller the cost occasioned Buyer thereby, or (ii) terminate this Release for cause.
- 6.3. Rejected defective Items or rejected items not in accordance with applicable specifications which are not corrected by Buyer will be held for Seller's instruction and at Seller's risk and expense and unless written disposition instructions are received from Seller within twenty (20) days such goods may be returned to Seller at Seller's cost.
7. **Indemnification:** Seller shall indemnify, protect, defend and save Buyer harmless from all suits, claims, loss, damages, injuries, costs or expenses (including attorneys fees) ("Costs or Expenses") arising out of, or caused by, Seller's performance hereof or any defects in the Items delivered hereunder whether such Costs or Expenses were incurred by way of litigation, settlement, ADR, or prelitigation proceedings.
8. **Warranty:** Seller expressly covenants and warrants that all Goods covered by this Release shall have their title rightfully transferred to Buyer in accordance with terms of release, free from any security interest, lien or other encumbrance, conform to the specifications, drawings, samples or other description upon which this Release is based, shall be fit and sufficient for the purpose intended, merchantable, of good material and workmanship and free from defects (including but not limited to design defects) latent or patent, and conforming to any applicable safety standards and codes of the U.S. government and other governmental entities having authority with respect to the Goods, and that Goods of Seller's design will be free from defects in design. Inspection, test, acceptance or use of the Goods furnished hereunder shall not affect the Seller's obligation under this warranty, and such warranties shall survive inspection, test, acceptance and use. This warranty shall run to Buyer, its successors, assigns, and customers, and the users of its products. Seller agrees to replace or correct defects of any Goods not conforming to the foregoing warranty promptly, without expense to Buyer, when notified of such nonconformity by Buyer and to pay to Buyer any damages caused by such nonconformity.
9. **Infringement Protection, Patents and Copyrights:** By accepting this release, Seller guarantees that the goods hereby ordered and the sale or use thereof will not infringe any United States or foreign Letters Patent. Seller shall defend, at its own expense, any suit or claim that may be instituted against Buyer or any customer of Buyer for actual or alleged infringement of patents, copyrights or other intellectual property matters relating to Items furnished pursuant to this Release, except for any such infringement necessarily resulting from compliance with detailed designs provided by Buyer, and Seller shall indemnify, protect, hold Buyer, its successors, assigns, users of such goods and its customers

harmless in connection with all suits, claims, liability, loss, damages, costs or expenses arising out of such alleged infringements. Buyer and/or Buyer's customer or the user may be represented by and actively participate through its own counsel in any such suit or proceedings, if it so desires.

- 9.1. Where payment is made for experimental, developmental, or research work to be performed or actually performed under this order, Seller agrees to promptly disclose to Buyer and on request to assign to Buyer without additional compensation full and complete title to each improvement and invention conceived or reduced to practice thereunder, free and clear of any encumbrances or restrictions, and for this purpose Seller will produce the execution of all documents necessary to vest full title to such improvements and inventions in Buyer and, where buyer decides to file foreign or domestic patent applications on such inventions, Seller will produce the execution of all oaths, declarations and other documents necessary or required to file such patent applications and vest full title to Buyer.
- 9.2. Buyer shall have the right at no additional charge to use and/or reproduce for its use Seller's literature provided to Buyer and related to the Goods, such as operating and maintenance manuals, technical publications, prints, drawings, training manuals and other similar supporting documentation and sales literature. During the period of performance of this Release, Seller shall supply Buyer with any updated information relative to such literature and documentation

10. **Proprietary Information:** All written information obtained by Seller from Buyer in connection with this Release, which is marked with a restrictive legend or notice or is otherwise identified by Buyer as its proprietary information, is received in confidence and shall remain the property of Buyer, and shall be used and disclosed by Seller only to the extent necessary for the performance of this Release. Seller shall keep confidential the features of any equipment, including but not limited to, material, samples, tools, dies, jigs, gauges, fixtures, patterns, molds, testing apparatuses, or machinery furnished by Buyer.

11. **Publicity:** Seller shall not make or authorize any news release, advertisement, or other disclosure which shall deny or confirm the existence of this Release or which shall make use of Buyer's name without the prior written consent of Buyer.

12. **Buyer Furnished Material:** Should Buyer furnish to Seller any material (including, but not limited to, raw materials, samples, tools, dies, jigs, gauges, fixtures, patterns, molds, testing apparatuses, machinery, equipment and the like), such material shall remain the property of Buyer, subject to repossession, or possession, by Buyer any time. Such material/equipment furnished by Buyer shall be used only in the production of goods covered by this release and other releases from Buyer. In no event shall Seller use data; designs of information supplied by or on behalf of Buyer for manufacture of Buyer's product or cause others to do so without the express written consent of Buyer. Such material shall be plainly identified as property of Buyer, safely stored and not used except to fill Buyer's orders. Seller shall be liable for risk of loss of such material while in Seller's possession. Such material, while in Seller's possession, shall be maintained in good condition at Seller's expense and shall be kept insured at Seller's expense in an amount equal to the replacement cost with loss payable to Buyer. When Buyer furnishes any raw material for the manufacture of Goods, Seller shall not substitute raw material from any other source nor shall Seller alter the physical or chemical properties of the Buyer furnished raw material except with Buyer's written approval. Buyer will specify acceptable scrap allowances, if any, and any amount in excess of this will be paid by Seller at Buyer's cost. Upon completion or termination of this release Seller shall return all such items and copies thereof made by Seller to Buyer or make such other disposition thereof as may be directed or approved by Buyer. Any material furnished by Buyer on other than a charge basis in connection with this release shall be deemed to be held by Seller on consignment.

13. **Assignment.** No right or interest in this Release shall be assigned by Seller without the written permission of the Buyer. Any attempted assignment or delegation shall be wholly void and totally ineffective for all purposes. Any person or entity to which this Release is assigned pursuant to the provisions of Bankruptcy Code shall be deemed without further act or deed to have assumed all of the obligations arising under this Release on and after the date of such assignment. Notwithstanding any other provision in this clause, Buyer may assign this Release without Seller's written permission to its parent, to a wholly owned subsidiary, or to any entity that purchases all or substantially all of Buyer's assets.

14. **Termination:**

- 14.1.1. **For Convenience:** Buyer may terminate, for its convenience, all or any part of this Release at any time by written notice to Seller, in which case Buyer will pay reasonable cancellation charges in accordance with industry practice and the terms of this clause. Such notice shall state the extent and effective date of such termination and upon receipt thereof, Seller will, as and to the extent directed by Buyer, stop work under this release and the placement of further releases or sub-contracts hereunder and take necessary action to protect property in

Sellers possession in which Buyer has or may acquire an interest. Seller shall submit any claim for cancellation charges within sixty (60) days following the termination and provide reasonably complete documentation supporting such claim. Seller shall promptly submit any additional information reasonably requested by Buyer related to Seller's termination claim. In no event shall cancellation charges exceed the total Release price (as reduced by any payments previously made to Seller), nor shall such charges include profit on terminated Items. With written consent of Buyer, Seller shall make good faith, diligent efforts to apply terminated raw materials, work-in-process, or completed Goods that Buyer does not wish to receive to other customers of Seller. As directed by Buyer, Seller will transfer title to and make delivery of any such articles, material or work.

- 14.1.2. **For Cause:** If (i) Seller fails to make any delivery or otherwise fails to comply with this Release and does not remedy such failure within a reasonable time after receipt of written notice thereof, (ii) Seller fails to make progress to such an extent that performance of this Release is endangered and does not remedy such failure within a reasonable time after receipt of written notice thereof, (iii) any proceeding is filed by or against Seller in bankruptcy or insolvency, or for appointment for the benefit of creditors, or financial condition is unsatisfactory to Buyer (iv) Seller commits any other breach of this Release and does not remedy such breach within thirty (30) days or other period agreed in writing by Buyer after receipt of written notice thereof, Buyer may (in addition to any other right or remedy provided by this Release or by law) terminate all or any part of this Release by written notice to Seller without any liability and may purchase substitute Items elsewhere. Such notice shall state the extent and effective date of such termination and upon receipt thereof, Seller will, as and to the extent directed by Buyer, stop work under this release and the placement of further releases or sub-contracts hereunder and take necessary action to protect property in Sellers possession in which Buyer has or may acquire an interest. Seller shall be liable to Buyer for any costs and damages occasioned Buyer thereby.
15. **Laws:** Seller represents and warrants to Buyer that in performance of this Release it will fully comply with all applicable national, state, and local laws, ordinances, rules, and regulations which apply to Seller's furnishing of the Goods to Buyer, including as applicable, those relating to pollution control, waste disposal, hazardous substances, and protection of the environment; and Supplier shall hold Buyer harmless from and against any and all liability due to the Supplier's failure to so comply. In addition to, and not in lieu of the above, Seller represents and warrants that at the time the Goods were accepted by Buyer and to the extent applicable to Seller's furnishing the Goods, the Goods meet or exceed the applicable standards imposed by the Consumer Products Safety Act, the Goods meet or exceed the safety and health standards established and promulgated under the Federal Occupational Safety and Health Act (Public Law 91-596) and its regulations in effect as of date of the awarding of this Release, and that Seller has fully complied with the Equal Pay Act and applicable provisions of the Fair Labor Standards Act of 1938 as amended.
16. **Waiver:** The failure of Buyer to insist upon the performance of any provision of this Release shall not be construed as waiving any such provision or any other provision.
17. **Compliance with laws:** Seller warrants that all goods supplied hereunder will have been produced or provided in compliance with, and seller agrees to be bound by, all applicable federal, state and local laws, orders, rules, regulations, guidelines, standards, limitations, controls, prohibitions or other requirements which are contained in, issued under, or otherwise adopted pursuant to such laws. In addition, that seller has complied with applicable federal and state laws, rules and regulations, included, but not limited to e.o. 11246, section 202, 11625, 11701, and 11758 pertaining to fair employment practices or which prohibit discrimination because of age, color, sex, physical or mental handicap, race, nationality, religion or creed, or other similar federal or state laws or regulations.
18. **Gratuities:** Seller has not and will not offer or give to any employee, agent or representative of Buyer any gratuity with a view toward securing any business from Buyer by influencing such person with respect to the terms, conditions, or performance of any contract with or from Buyer. Any breach of this warranty shall be a material breach of each and every contract between Buyer and Seller.
19. **Remedies Cumulative:** Buyer's remedies shall be cumulative and remedies herein specified do not exclude any remedies allowed by law. Waiver of any breach shall not constitute waiver of any other breach of the same or any other provision. Acceptance of any Items or payment therefor shall not waive any breach. Any right, cause of action or remedy under terms and conditions hereof, including warranty and patent indemnity assumed by or imposed upon Seller, shall extend without exception to any company; (i) affiliated with Buyer; or (ii) upon whose behalf this order is issued by Buyer, and shall extend to the customers of Buyer.
20. **Insurance:** In the event this Release requires Seller to perform work upon the premises of Buyer or Buyer's customer, Seller represents that it has and will maintain the following types and amounts of insurance coverage:

20.1.1. Workers' Compensation Statutory

20.1.2. Employers' Liability \$500,000

20.1.3. Comprehensive General Liability (including blanket contractual liability): Bodily Injury \$1,000,000 each person, \$1,000,000 each occurrence, \$1,000,000 aggregate, Property Damage \$500,000 each occurrence, Broad Form Property Damage, Personal Injury \$500,000.

20.1.4. Comprehensive Automobile Liability: Bodily Injury \$1,000,000 each person \$1,000,000 each occurrence, Property Damage \$ 500,000 each occurrence, Seller will furnish a certificate of insurance reflecting such coverage to Buyer upon request.

20.1.5. While on the premises of Buyer, Seller and its agents, employees and subcontractors shall comply with all statutory and governmental safety and health regulations as well as with the safety, health and plant regulations of the Buyer.

21. Governing Laws: THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED ACCORDING TO THE LAWS OF THE STATE OF COLORADO, EXCLUDING ITS "CHOICE OF LAW" OR "CONFLICT OF LAW" RULES.

22. Jurisdiction and Venue: Any action or claim by Supplier with respect to this Release shall be brought in the appropriate court in the State of Texas, if Buyer so elects. Accordingly, Supplier shall give written notice to Buyer of any such intended action or claim, including the intended venue thereof, and shall not commence such action or claim outside of such jurisdiction if Buyer, within thirty (30) days from receipt thereof, makes its election as aforesaid. It Buyer and Supplier mutually agree to participate in alternative dispute resolution; Supplier agrees that all alternative dispute resolution proceedings shall take place in Texas.

23. Exclusion of U.N. Convention on International Sales: Unless otherwise agreed to by Seller and Buyer in writing, there is excluded from this Release (including any amendments or changes thereto) the application of the United Nations Convention on Contracts for the International Sales of Goods.

24. Toxic, Hazardous or Carcinogenic Substances: Seller warrants that each chemical substance delivered under this Release is not on the Inventory List (see 40 C.F.R. § 710) published by the Environmental Protection Agency pursuant to the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.) at the time of such delivery. If Seller provides a product under this Release, which contains a toxic or hazardous substance as, identified under Occupational Safety and Health Standards, 29 C.F.R. § 1910.20 or 29 C.F.R. § 1910.1000 et. seq. (Subpart Z), or a carcinogenic substance, Seller shall provide Buyer with a Material Safety Data Sheet (meeting the requirements of 29 C.F.R. § 1910.1200(g) and the latest revision of Federal Standard No 313), and any other information required by any applicable law with the initial shipment of the product and when a change in formulation occurs. Seller shall label each container or such products in a clearly legible and conspicuous form, stating that a toxic or hazardous substance is contained therein, and providing Buyer with a copy of any restrictions on handling or use.

25. Clean Air Act: Seller agrees that the Goods delivered hereunder shall be accurately labeled in accordance with the requirements of the Clean Air Act and the regulations promulgated thereunder, including but not limited to requirements contained in 40 C.F.R. §§ 82.114 and 82.116. At Buyer's request, Seller shall certify in a form satisfactory to Buyer whether the Goods were manufactured with a controlled substance, as defined in 40 C.F.R. § 82.104.

26. Affirmative Action

26.1 Following Federal Rules and Regulations, as amended, are incorporated in this Release by reference, unless exempt thereunder:

26.1.1 Equal Employment Opportunity Executive Release 11246, paragraphs (1)-(7) of Section 60-1.4 (a) of the Rules and Regulations of the Department of Labor, Office of Federal Contract Compliance, Equal Employment Opportunity (41CFR Ch. 60).

26.1.2 Employment of Veterans (41 CFR Part 50-250.3)
Employment of the Handicapped (41 CFR Section 60-741.4)