



## Standard Terms and Conditions of Sale

- 1) **Sale Agreement.** These terms and conditions shall apply to all sales by Nortech Systems, Inc. ("Nortech Systems") of products (the "Products") by any buyer ("Buyer"), and shall be the sole and complete contract between Buyer and Nortech Systems regarding the sale of the Products by Nortech Systems to Buyer, unless Nortech Systems has expressly agreed otherwise in writing.
- 2) **Rejection of Other Terms.** Nortech Systems specifically rejects those provisions of any previous order, offer, or other communication from Buyer which are additional to or different from the terms hereof. Neither Nortech Systems' delivery of the Products nor any other action at any time on the part of Nortech Systems shall constitute acceptance of such additional or different terms. Buyer shall be bound by all of the terms of this Agreement, which shall prevail over any terms and conditions proposed by Buyer, when Buyer accepts these Terms and Conditions by any statement, act or course of conduct which constitutes acceptance under applicable law, including failure to object in writing hereto within a reasonable time or acceptance of delivery of the Products. By acceptance hereof, Buyer expressly agrees that no collateral contracts, terms, conditions, warranties or undertakings exist between Buyer and Nortech Systems.
- 3) **Acceptance by Nortech Systems.** In order to be valid, any purchase order submitted by Buyer for Nortech Systems products must be approved in writing by Nortech Systems.
- 4) **Products.** The products subject hereto shall be those products identified by Buyer in its written request for quotations or purchase orders (the "Products").
- 5) **Purchase Price.** The price for the Products shall be the price set forth in Nortech Systems' written quotation delivered to Buyer and such prices shall be in effect only for the time period or for the quantity of Products set forth in Nortech Systems' quotation. If no time period or purchase quantity is set forth in such quotation, the quoted prices shall only be in effect for thirty (30) days and any Products ordered by Buyer will be delivered within twelve (12) months from the date of order.
  - a. **Raw Material Supply.** All prices, including prices for Products subject to a purchase order submitted by Buyer and accepted by Nortech Systems but not yet delivered, shall be subject to change if any raw material costs relating to the manufacture of the Products increases due to any event beyond the reasonable control of Nortech Systems, including, without limitation, any industry wide shortages of any raw ingredient or material.
  - b. **Raw Material Prices.** Prices are quoted using today's copper rates, petroleum rates, and raw material prices. Per the change in copper rates, petroleum rates, and raw material prices, prices may be adjusted, up or down, and locked in at the time the order is placed.
  - c. **Expedites or Changes.** Prices are based upon the build volumes provided. Price and/or lead time may be re-quoted if purchase order release quantities or schedule differ from the quoted quantities. In the event Buyer requests a change in either quantities ordered or shipment schedule, Nortech Systems may change the prices applicable to the Product as a result of such a change.
  - d. **Errors.** Clerical errors may be corrected by Nortech Systems.
- 6) **Order Changes, Cancellations and Excess Materials Charges.** The Nortech Systems quotation is provided in accordance with the specifications provided with the quotation. All exceptions to the specifications apply and are noted in the notes section of the quotation. Prices are based on quantities quoted and cancellation or reschedule of orders may result in material price increases or cancellation charges to Buyer.
  - a. **Expedited Material.** Nortech Systems may be required to pay premium prices on material quoted to meet Buyer's scheduling requirements. Any changes to material pricing to meet Buyer's schedule requirements will be passed on to Buyer.
  - b. **Excess Material.** Some materials are purchased on reels or minimum lot sizes and as a result there may be excess unused material at the end of an order. Buyer will have the option of using excess material on a follow on order immediately following the original order or to be billed for all excess material at the end of the original order. In any event, if excess material exists at the end of the original order and cannot be utilized on future orders, Buyer will be billed for all

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excess materials. Excess material will vary by quantity ordered. An estimate of excess material will be provided to Buyer upon request or at time of order based on order quantity. Nortech Systems will make every attempt to minimize excess materials and charges to Buyer.

- c. NCNR Material. All non-cancelable non-returnable (NCNR) components are considered customer responsibility and will be shipped and billed to customer per prior agreement. Any changes to Product that includes NCNR materials, the Buyer is fully responsible for the cost of those items.
- d. Order Change or Cancellation. A Product order cannot be canceled or modified within ninety (90) days of any scheduled shipment date, or after the Products become work-in-process, whichever occurs first, except at Buyer's expense for all costs incurred by Nortech Systems due to such cancellation or modification, including, without limitation, payment for all inventory of, and all NCNR raw materials ordered specifically for the manufacture of the Products.
  - i. In the event that, after Nortech Systems has quoted any price to Buyer for the Product, Buyer makes any change in the quantities, drawings or specifications applicable to the Product, Buyer shall pay all reasonable costs incurred by Nortech Systems in complying with such changes and all increases in the price applicable to the Product on account thereof.
  - ii. Orders may be canceled only upon written notice to the Nortech Systems and payment to the Nortech Systems of reasonable and proper cancellation charges, which include but are not limited to labor, materials and the cost to accumulate cancellation charges.
- e. Order Push-Out. If Buyer requests any extension of a scheduled shipment date beyond thirty (30) days of the original scheduled shipment date, Buyer shall pay Nortech Systems two thirds (66.67%) of the purchase price of the Products subject to such extended shipment date to cover Nortech Systems' costs relating to the extension of the shipment date.

7) Buyer Designated Components, Buyer Owned Tooling or Equipment

- a. Designated Components or Customer Furnished Materials (CFM). If Buyer requires that Nortech Systems purchase or use certain component(s) from a designated supplier or supplied CFM, Nortech Systems will use its commercially reasonable efforts to manage such relationship. However, Nortech Systems shall not be responsible or liable to Buyer for, any breach of these Terms and Conditions due to any action or inaction by the designated supplier, including, without limitation, late delivery of components and any quality issues with the components.
- b. Tooling. Liability for tools is the full responsibility of Buyer. Payment for tools is due upon submission of an invoice to Buyer by Nortech Systems. All tooling, inspection equipment, etc. designed and fabricated in-house or procured from a third party by the Nortech Systems to satisfy contractual and/or production/inspection needs, regardless of the Buyer having been invoiced and having made payment for said tooling, and not claimed by the Buyer for a period of thirty (30) days from the date of a request for disposition being submitted to the Buyer from the Nortech Systems shall be deemed the property of Nortech Systems and may be disposed of or retained by Nortech Systems.
- c. Supplied Tooling or Equipment. Buyer owned tooling, inspection equipment, etc. supplied directly to the Nortech Systems by the Buyer for contractual and/or production/inspection needs, is at the risk of the Buyer. All associated costs for shipping, handling, set-up, use of, or insurance of is at the Buyer responsibility. Supplied Tooling or Equipment shall be returned to the Buyer F.O.B. Nortech Facility, by Nortech Systems at the completion of the contract.

8) Shipment, Delivery and Terms of Acceptance

- a. Packaging. No additional charge is made for standard commercial packaging, unless otherwise stated in the quotation notes. Standard commercial packaging is defined as connectors having protective caps and placed in a cardboard box with padding materials, marked by label, bar code or handwritten. Any additional packaging requirements will be quoted as a lot charge. All products to be tested and packaged per industry standards unless otherwise specified.
- b. Shipment. All shipments shall be delivered by Nortech Systems FOB Nortech Systems' facility. The carrier shall be deemed to be Buyer's agent, and Buyer shall make all claims with respect to damage in transit against the responsible carrier. Nortech Systems shall have no responsibility for insuring shipments unless requested by Buyer at Buyers expense.

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- c. Title to Products, Risk of Loss. Title to and all risk of loss concerning the Products shall pass to Buyer upon delivery to a common carrier, or to any private carrier designated by Buyer, for shipment to Buyer. Buyer's rejection of any Products shall not shift such risk until the Products are returned to Nortech Systems.
- d. Delivery Delay for Cause. Shipping dates are approximate and not guaranteed. Nortech Systems shall not be liable for any delays in delivery or any failure due to causes beyond Nortech Systems' control, including but not limited to Acts of God, war, riots, embargo, domestic or foreign government regulations, fires, floods, strikes, lockouts, or other labor difficulties, machinery breakdowns, shortages of or availability to obtain materials, transportation, fuel, energy or raw materials, and no claim for loss or damage will be allowed to the Buyer in consequence thereof.
- e. Inspection and Acceptance. Buyer shall inspect all shipments upon arrival and shall notify Nortech Systems in writing of any shortages or other failures to conform to this Agreement which are reasonably discoverable upon arrival. Failure to notify Nortech Systems of any nonconforming shipment, including but not limited to notification with respect to shortages, incorrect parts or other inconsistencies between the shipment and the enclosed packing list or invoice within thirty (30) days following receipt of shipment shall be deemed an unqualified acceptance of such shipment. Nortech Systems shall be afforded a reasonable opportunity to inspect the Product upon receipt of a complaint from Buyer.
- f. Return of Products. Buyer may not return any Products without specific written authorization from an authorized representative of Nortech Systems. In the case of a return made at the convenience of Buyer, Buyer shall pay all freight costs incurred in returning the Product to Nortech System's facility and a handling charge equal to fifteen percent (15%) of the invoice price of the returned Product. Only Products that are standard Products of Nortech Systems will be returnable and all returned Product must be received by Nortech Systems in saleable condition. All risk of loss and damage during shipment for any Product being returned shall be that of Buyer. In no event shall Products be authorized for return if they have been in Buyer's possession for more than thirty (30) days (except for returns of defective Product that are covered by the stated warranty).

**9) Product Warranty**

- a. Limitation of Warranty. Nortech Systems agrees, represents, and warrants that the Product delivered hereunder, shall be free from defects in material and workmanship for one (1) year from ship date. Such warranty shall not apply to Product purchased by the Nortech Systems unless they are manufactured pursuant to Nortech Systems' design, but shall apply to the workmanship incorporated in the installation of such items in the final product.
- b. Workmanship. Unless otherwise agreed to by contract, workmanship shall be accepted in accordance with and meet requirements of IPC/WHMA-A-620, Class 2, IPC-A-610, Class 2 and IPC J-STD-001, Class 2. Nortech Systems makes no other guarantees or warranties, expressed or implied, of any nature whatsoever as to the Product including, without limitation, warranties as to merchantability, fit for a particular purpose or non-infringement of patent or the like unless agreed upon in writing.
- c. Additional Warranty. Should Nortech Systems provide Buyer with any other specific written representation or warranty that is executed by an authorized employee of Nortech Systems, including, without limitation, any representation regarding the composition of a Product or the manufacturing methods used in manufacturing the Product or the use of hazardous chemicals, such warranty shall be limited to the specific terms contained therein and shall be subject to the limitation of remedies contained in Section 8 below.

**10) Credit and Terms of Payment.** Unless otherwise expressly agreed in writing by Nortech Systems, payment in full is due thirty (30) days from invoice date. Nortech Systems may alter or revoke credit terms at any time without notice. Each shipment shall be considered a separate and independent transaction for which payment is due.

- a. Buyer's Financial Condition: Insecurity. Buyer will furnish acceptable credit standing information and references within thirty (30) days of Nortech Systems' request. If, in Nortech Systems' sole judgment, Buyer's financial condition or any other circumstance causes Nortech Systems to be insecure with respect to Buyer's performance of any obligation under this Agreement, Nortech Systems may accelerate and demand immediate payment of any amounts owed Nortech Systems, cancel this Agreement or suspend performance. UCC paper work and filings are required in the cases where credit verification cannot be verified.
- b. Sales and Similar Taxes: Shipping Costs: Insurance. Quoted prices for the Products do not include sales, use, excise or similar taxes or any shipping, delivery or insurance costs. All charges relating to the shipment, delivery or insuring of the Products during shipment shall be added to the invoice for the Products and shall be paid by Buyer. The amount of any

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present or future sales, revenue, excise or other tax application to the purchase of the Products or the manufacture or sales thereof, shall be added to the purchase price and shall be paid by Buyer, or in lieu thereof, Buyer shall provide Nortech Systems with a tax exemption certificate acceptable to the appropriate taxing authorities.

- c. Late Payment Fee. Any amounts not paid when due will be subject to a late payment fee computed daily at a rate equal to the lesser of one and one-half percent (1.5%) per month or the highest rate permissible under applicable usury law. Buyer shall also be liable to Nortech Systems for all costs incurred by Nortech Systems in its collection of any amounts owing by Buyer which are not paid when due, including collection agency fees and expenses and reasonable attorneys' fees and expenses, regardless whether actual suit is brought against Buyer. In addition, Nortech Systems may elect to withhold further shipments of Products or ship on a C.O.D. / C.I.A. basis until the account is current.
- d. Payment of Undisputed Invoices. Invoices rendered by Nortech Systems covering Products not in dispute shall be paid by the Buyer regardless of disputes relating to other invoices, and Buyer waives the right to assert offsets or counter-claims with respect to such invoices.
- e. Security for Payment of Purchase Price
  - i. Buyer hereby grants to Nortech Systems a security interest in the Products and proceeds thereof to secure payment of the purchase price of the Products and all of Buyer's related and incidental obligations to Nortech Systems. Upon Nortech Systems' request, Buyer shall execute suitable financing statements for filing. Nortech Systems may file this Agreement as a financing statement.
  - ii. Security to Product. Nortech Systems retains a security interest in any and all Product until such Product is paid for in full. In the event of default in the payment of the purchase price, Buyer agrees to permit the repossession of the Product by Nortech Systems and to pay all cost of such action, including actual attorneys' fees. Further, in the event of Buyer's default or if in the judgment of Nortech Systems there has been a material adverse change in Buyer's financial condition, any and all amounts owing to Nortech Systems shall become immediately due and payable.

11) Default; Non-Waiver. In the event Buyer (i) defaults in payment of any sum due Nortech Systems or (ii) files for relief under the Bankruptcy Act; or (iii) has an involuntary petition filed against Buyer which is not dismissed within thirty (30) days, or (iv) is adjudicated bankrupt; or (v) makes an assignment for the benefit of creditors; Nortech Systems may, in addition to any and all other remedies provided by law, (a) suspend in transit any shipment of product (whether or not pursuant to this Agreement); (b) decline to make further shipments; (c) postpone any further performance under this Agreement or any other agreement with Buyer until such default is corrected; (d) immediately cancel this Agreement; (e) declare all amounts owed by Buyer under this or any other agreement to be due and payable immediately; and/or (f) exercise all rights of a secured party. If Nortech Systems elects to repossess any Product, Buyer shall permit Nortech Systems, with or without legal process, to enter all premises where the Products are located to remove or take possession of the same. Ten (10) days advance notice of any intended disposition of repossessed Products shall be deemed reasonable.

12) Limitation of Remedies. Nortech Systems shall have the right, at its option, either to replace or repair defective Product or to credit the Buyer the purchase price applicable thereto. The foregoing remedies of replacement, repair or credit shall be Buyer's sole and extensive remedies for any breach of this agreement by Nortech Systems and, in the event, Nortech Systems fails to make an effective choice as to remedy, Buyer's sole and exclusive remedy shall be to return any Product purchased to this agreement and obtain refund of the purchase price of said Product. All such returns shall be by surface transportation and at Nortech Systems's expense. In no event shall Nortech Systems be liable to Buyer for any incidental or consequential damages arising from any breach of this agreement or from any delay or default in delivering Product sold hereunder, regardless of cause, or from the failure of such Product to correspond in any manner to any description thereof or specification applicable thereto. Nortech Systems' liability is limited to the invoice price of the alleged defective Product. In no event shall Nortech Systems be liable pursuant to or upon the resale of any Product specified herein. The burden is upon the Buyer to establish that any rejection or revocation of acceptance of any Product is not wrongful.

13) General Provisions

- a. Applicable Law. The validity, performance and construction of this Agreement shall be governed by the laws of the State of Minnesota, without application of its conflict of law provisions.
- b. Assignment. Buyer may not assign this agreement without Nortech Systems prior written consent. Nortech Systems may assign all or any part of its rights and/or obligations under this Agreement to any Nortech Systems subsidiary or any unrelated subcontractor without Buyer's consent.

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- c. Modification and Waiver. No purported amendment, modification or waiver of any provision hereof shall be binding unless set forth in writing signed by an officer of Nortech Systems and an officer of Buyer. Any waiver shall be limited to the circumstance or event specifically referenced in the written waiver document and shall not be deemed a waiver of any other term of this Agreement or of the same circumstance or event upon any recurrence thereof. The failure of Nortech Systems or Buyer to enforce any provision of this Agreement at any time shall not be construed to be a waiver of such provision nor of the right of Nortech Systems or Buyer thereafter to enforce such provision.
  - d. Severability. If any provision hereof is held to be unenforceable by final order of any court of competent jurisdiction, such provision shall be severed herefrom and shall not affect the interpretation or enforceability of the remaining provisions hereof.
- 14) Indemnification. As between Buyer and Nortech Systems, Buyer agrees that it shall be exclusively responsible for any damage to property or death or injury to persons that are caused in whole or in part by any device, machine or other article into which the Product are incorporated as a component by the Buyer or by anyone purchasing the Product from the Buyer. Buyer shall defend, indemnify and hold harmless Nortech Systems and its officers, directors, employees, stockholders and agents from and against any liability for such damage, death or injury, regardless of whose negligence is alleged to have caused the same and regardless of whether Nortech Systems might be held strictly liable for the same. Nortech Systems assumes no liability for and Buyer agrees to defend, indemnify and hold Nortech Systems harmless from and against any claims of patent infringement or the like resulting from Nortech Systems' compliance with Buyer's specifications.