

MASTER ORDERING AGREEMENT

Introduction

A. Alyn Industries, Inc., d/b/a Electronic Source Company (“Manufacturer”), is an electronics manufacturing services provider, in the business of furnishing personnel, material, equipment, and facilities to manufacture products for original equipment manufacturers (“OEM”) or other third parties in accordance with detailed specifications provided by such OEMs or third parties.

B. Buyer, as an OEM or the sort of third party referenced above, desires to engage Manufacturer to manufacture certain of Buyer’s products in accordance with the terms and conditions of this Master Services Agreement (“Agreement”), and Manufacturer desires to accept such engagement.

NOW, THEREFORE, in consideration of the mutual agreements hereinafter set forth, it is hereby agreed between the parties hereto as follows:

1. DEFINITIONS.

- (a) Defect. “Defect” means any defect in a Product that results from Manufacturer’s failure to comply with the applicable IPC Workmanship Standard.
- (b) Effective Date. “Effective Date” of this Agreement shall be the date upon which Manufacturer accepts the first Order.
- (c) Forecast. “Forecast” means the estimate set forth in the applicable Product Schedule of Buyer’s anticipated Orders of the Product during the Forecast Period.
- (d) Forecast Period. “Forecast Period” means the period set forth in the applicable Product Schedule covered by the Forecast for the Product during which the applicable Purchase Price is effective.
- (e) Inventory. “Inventory” means the materials and components required to manufacture the Products.
- (f) IPC Workmanship Standard. “IPC Workmanship Standard” means the Workmanship Standard promulgated by IPC specified in the applicable Product Schedule.
- (g) Long Lead Inventory. “Long Lead Inventory” means Inventory that has a long lead time from a supplier and must be purchased in advance of receipt of an Order in order for Manufacturer to be able to meet the delivery schedule for Products as set forth in the applicable Product Schedule.
- (h) Minimum Buy Inventory. “Minimum Buy Inventory” means Inventory that may only be purchased in minimum lot sizes.
- (i) Minimum Order Size. “Minimum Order Size” means the minimum dollar or quantity amount that Buyer must order per Product on each individual Order as specified in the applicable Product Schedule.
- (j) NCNR Inventory. “NCNR Inventory” means all Inventory that is on order and not cancelable, or in Manufacturer’s possession and not returnable to the vendor/supplier or usable within a reasonable time (not to exceed 3 months from purchase) for other accepted Orders.
- (k) Order. “Order” means an order meeting the requirements of this Agreement submitted by Buyer for acceptance by Manufacturer.
- (l) Product Schedule. “Product Schedule” means a schedule, as amended from time to time by mutual agreement of the parties.
- (m) Products. “Products” mean the products Manufacturer will manufacturer for Buyer pursuant to this Agreement as set forth in applicable Product Schedules.
- (n) Purchase Price. “Purchase Price” means the unit price for a Product as set forth in the applicable Product Schedule.
- (o) Safety Stock Inventory. “Safety Stock Inventory” means Inventory that, unless purchased in advance of Orders, may not be available in sufficient quantities to manufacture Products as set forth in the applicable Product Schedule.
- (p) Specifications. “Specifications” means the bill of materials, schematics, assembly drawings, designs, test specifications, current revision number, approved vendor list and other manufacturing information for each Product as set forth in the applicable Product Schedule(s), if any, and/or the applicable Order(s).

2. STATEMENT OF WORK.

Buyer hereby engages Manufacturer, and Manufacturer hereby accepts Buyer's engagement, to furnish the necessary personnel, material, equipment, and facilities to manufacture Products in accordance with the applicable Specifications set forth in Orders issued by Buyer and accepted by Manufacturer under the terms of this Agreement. Manufacturer's services shall be performed in accordance with the applicable IPC Workmanship Standard for each Product manufactured.

3. TERM AND TERMINATION.

(a) Term. This Agreement is effective on the Effective Date and shall remain in effect for a period of one year. Thereafter, this Agreement shall automatically renew on each anniversary date for successive one year periods, until either party terminates or cancels the Agreement as provided for below ...

(b) Termination/Cancellation. Either party may terminate this Agreement for any reason, at its convenience, upon ninety days prior written notice. Additionally, either party may cancel this Agreement and/or any Order thirty days after written notification to the other party of material breach of this Agreement if such breach is not cured within such 30-day period.

(c) Effect of Expiration or Termination on Accepted Orders. The expiration or termination of this Agreement shall not affect any obligations that exist as of the date of termination, including without limitation accepted Orders.

(d) Termination/Cancellation Charges. Upon termination or cancellation by either party of this Agreement (in whole or in part) and/or any Order, for any reason, Manufacturer shall invoice Buyer no later than thirty days from the effective date of termination, and Buyer shall pay Manufacturer within the payment term specified herein for the following termination/cancellation charges: (1) contract price for all finished goods existing at the time of termination; (2) Manufacturer's cost (including labor, materials, any applicable VAT and a reasonable mark-up of ten percent (10%) of the value of the work in process) for all work in process; (3) Manufacturer's Delivered Cost for all Inventory, including Long Lead Inventory ordered to meet Buyer's Orders and/or Forecasts; and/or (4) any vendor cancellation and restocking charges, including Manufacturer's cost for NCNR Inventory on open orders with suppliers where the Inventory has not yet been shipped to Manufacturer. Upon payment in full of the charges set forth in this section, neither party shall incur any additional liability by reason of the termination/cancellation of this Agreement, and each Party shall have been deemed to release the other from any claims of any nature (including damages sustained on account of loss of prospective profits, or on investments, contracts, leases or other commitments) resulting from or arising out of such termination/cancellation.

4. ORDERING

a) Orders. Performance under this Agreement shall be initiated by Orders issued by Buyer and accepted by Manufacturer. Buyer is under no obligation to purchase, and Manufacturer is under no obligation to manufacture, Products unless and until Buyer issues an Order and Manufacturer accepts Buyer's Order. Buyer's Orders shall set forth for each ordered Product: (i) quantity, which shall be not less than the applicable Minimum Order Size, (ii) applicable Purchase Price and total price, (iii) delivery and shipping instructions, and (iv) requested delivery schedule, which shall comply with the delivery schedule limitations set forth in the applicable Product Schedule. If Manufacturer's Long Lead Time Inventory is not compatible with Buyer's requested delivery schedule, the parties may agree that Manufacturer may begin work in advance of having a definitive delivery schedule and that the parties will, within ten (10) days, finalize the delivery schedule based upon the information on the Long Lead Time Inventory. All Orders shall be subject to and governed by the terms and conditions of this Agreement and the applicable Product Schedules, which shall not be changed or supplemented by an accepted Order. Buyer specifically

acknowledges that pre-printed terms and conditions on its Order form, if any, shall not apply to the Order.

(b) Acceptance. Manufacturer shall use reasonable commercial efforts to accept all Buyer Orders. No Order shall be deemed accepted unless and until Manufacturer provides Buyer written notice accepting the Order.

(c) Modification, Cancellation, or Deferment. Except as otherwise provided herein, accepted Orders may be modified or cancelled, and scheduled shipments may be deferred, only (i) upon Buyer's prior written notice and Manufacturer's written acknowledgment, and (ii) upon terms satisfactory to Manufacturer and that compensate Manufacturer for all costs incurred by reason of such modification, cancellation, or deferment, which shall take into account, among other things, the cost of NCNR Inventory, vendor cancellation charges (including restocking fees), and nonrecurring engineering or production costs and the impact on the Purchase Prices of Products not cancelled.

5. FORECASTS.

(a) Manufacturer's Reliance on Forecasts. Buyer understands and acknowledges that Manufacturer calculated the Purchase Price for each Product assuming Buyer would order at least the estimated quantity set forth in the applicable Forecast for that Product during the Forecast Period, and that Manufacturer also will use the Forecast, among other things, to determine the amount of Inventory to purchase. Buyer agrees to notify Manufacturer promptly in writing if and when Buyer determines that it will not order at least the estimated quantity set forth in the applicable Forecast for a Product during the applicable Forecast Period. Upon receipt of such notice, Manufacturer shall be entitled to request an equitable adjustment in the Purchase Price and additional compensation in accordance with Section 5(b).

(b) Failure to Order Forecasted Quantities. If, during the applicable Forecast Period, Buyer fails to purchase at least the estimated quantity set forth in the applicable Forecast for a Product, (i) the Purchase Price for that Product shall be equitably adjusted (prospectively and retroactively) to reflect the impact of Buyer's failure to purchase the estimated quantity, and (ii) Manufacturer shall be compensated for otherwise unrecoverable costs reasonably incurred by Manufacturer in reliance on the Forecast or as a result of Buyer's failure to purchase the estimated quantity, including but not limited to, the cost of NCNR Inventory or other unused Inventory specifically ordered for Buyer in Manufacturer's possession (plus Manufacturer's standard material handling fee), vendor cancellation charges (including restocking fees), and nonrecurring engineering or production costs. Manufacturer agrees to use reasonable commercial efforts to return unused Inventory and to cancel pending orders with suppliers. The parties agree to negotiate such request in good faith.

(c) Inventory Purchased in Advance of Forecast. Buyer acknowledges that Manufacturer may order Inventory in advance of the Forecast under certain circumstances. Such Inventory may include Long Lead Time, Minimum Buy, NCNR, and Safety Stock Inventory. Buyer agrees that if any such Inventory purchased in advance of the Forecast is not used for Buyer's Orders and cannot be returned or used on other orders within three (3) months, then Buyer shall purchase any such Inventory at Manufacturer's cost. In addition, Manufacturer shall be compensated for otherwise unrecoverable costs reasonably incurred by Manufacturer, including but not limited to, vendor cancellation charges (including restocking fees). Manufacturer agrees to use reasonable commercial efforts to return unused Inventory specifically purchased for Buyer and to cancel pending orders with suppliers.

(d) Inventory. Upon Manufacturer's receipt of payment for any Inventory, Buyer shall have the option to: (i) direct Manufacturer to ship to Buyer, at Buyer's cost, the Inventory or (ii) request Manufacturer store the Inventory at customary storage charges for use on future Orders for a period of up to three (3) months or as the parties may otherwise mutually agree.

6. SHIPMENT AND DELIVERY.

Manufacturer shall ship Products in accordance with each accepted Order subject to the terms and conditions of this Agreement. Delivery of Products shall be made EXW Manufacturer's facility (Incoterms® 2010) on the dates specified in the applicable Order. Title to, and risk of loss for, Products shall pass to Buyer at delivery.

7. ACCEPTANCE.

The Product shall be deemed accepted when Manufacturer has: (i) tested and inspected the Product in accordance with the contracted level of testing and inspections, if any, and such Products have passed the testing and inspections, and (ii) delivered the Product to Buyer.

8. PRICES; OTHER COSTS; PRICE CHANGES; INVOICING.

(a) Prices; Taxes. Buyer shall pay Manufacturer the Purchase Price set forth in the applicable Product Schedule for Orders of Products received by Manufacturer during the applicable Forecast Period (which Purchase Price may be adjusted from time to time pursuant to the terms of this Agreement). The Purchase Price is exclusive of the costs of packaging, shipping, and insurance, and any applicable federal, state, and local taxes, all which shall be borne by Buyer.

(b) Price Changes. In addition to other provisions in this Agreement allowing for adjustments to the Purchase Price, if significant fluctuations occur at any time in the costs of Inventory, Manufacturer and Buyer will review the impact of such fluctuations and mutually agree to an increase or decrease in the Purchase Price arising therefrom for Products whose costs are affected by such fluctuations and have not yet been produced or shipped.

(c) Tooling/Non-Recurring Expenses. Buyer shall pay for, or obtain and consign to Manufacturer, any Product specific tooling and shall prepay other non-recurring expenses as set forth in the applicable Product Schedule. Upon request by Buyer and at Buyer's cost, Manufacturer shall return all items paid for by Buyer pursuant to this section.

(d) Invoicing and Payment. Manufacturer shall invoice Buyer concurrently with each shipment of Products, and Buyer shall pay all invoices within thirty days of the date of invoice. Payments shall be made in U.S. dollars. Any payment or part of a payment that is not paid when due shall bear interest at the rate of one and a half (1.5%) per month, or at the highest contract rate allowed by law, whichever is less, from its due date until paid.

9. ENGINEERING CHANGES AND COST SAVINGS

Buyer may request in writing that Manufacturer incorporate an engineering or other change into a Product. Such request shall include a description of the proposed change sufficient to permit Manufacturer to evaluate it. Manufacturer's evaluation shall be in writing and shall state the impact of the requested change on delivery schedule and expected cost. Manufacturer shall not be obligated to proceed with the requested engineering change until the parties have agreed on the changes to the Product, Specifications, delivery schedule and pricing, including without limitation the cost to be paid by Buyer for re-assembly, retooling and Inventory on hand and on order that becomes obsolete. Pricing for obsolete Inventory as a result of such change shall be based upon the cost of such Inventory plus Manufacturer's standard material handling fee. Any cost reduction programs may also have an effect on the Purchase Price.

10. FORCE MAJEURE.

Neither party shall be liable for its failure to perform hereunder due to any occurrence beyond its reasonable control, including acts of God, fires, floods, wars, terror, sabotage, accidents, labor disputes or shortages, governmental laws, ordinances, rules and regulations, whether valid or invalid (including, but

not limited to, priorities, requisitions, allocations and price adjustment restrictions), inability to obtain material, equipment or transportation, and any other similar or different occurrence; provided, however, that obligations for payment for Products produced and delivered shall not be relieved or suspended by any event of force majeure. The party whose performance is prevented by any such occurrence shall notify the other party thereof in writing as soon as is reasonably possible after the commencement of such occurrence, and shall promptly give written notice to the other party of the cessation of such occurrence. The party affected by such occurrence shall use reasonable commercial efforts to remedy or remove such event of force majeure as expeditiously as possible.

11. INTELLECTUAL PROPERTY.

Title to and ownership of all of the technology, trade secrets, know-how, and information regarding the Products and the manufacture of the Products supplied by Buyer to Manufacturer hereunder shall remain in Buyer. Buyer hereby grants Manufacturer a limited, non-transferable, non-exclusive, revocable license to use Buyer's software, technology, trade secrets, know-how, and other proprietary information ("Buyer's Proprietary Information") for the purposes of this Agreement, free of any claim or allegation by Buyer of misappropriation of Buyer's Proprietary Information or infringement by Manufacturer of any Buyer intellectual property rights covering Buyer's Proprietary Information; provided, however, that Manufacturer's rights and freedom of use in connection with the manufacture of Products for Buyer hereunder shall endure only for the term of this Agreement. After the termination, cancellation, or expiration of this Agreement, such license shall expire and Manufacturer shall have no further rights to use Buyer's Proprietary Information. Notwithstanding the foregoing, title to and ownership of any software, technology, trade secrets, know-how, and information of Manufacturer used by Manufacturer hereunder shall remain the property of Manufacturer.

12. MANUFACTURER RESTRICTIONS AS TO USE OF PRODUCTS

(a) Product Warranty. Manufacturer warrants that Products manufactured will conform to the Specifications and will be free from Defects in workmanship for a period of one year from the date of delivery of the Products. Buyer shall promptly notify Manufacturer in writing of any malfunction in the Products, which notification shall describe the malfunction in sufficient detail to permit Manufacturer to isolate the malfunction. Upon notification from Buyer, Manufacturer will provide Buyer with instructions on returning the Product under a warranty claim. Upon receipt of any Products returned by Buyer pursuant to this section, Manufacturer shall test the Products in accordance with the contracted level of testing as set forth in the applicable Product Schedule in order to isolate any malfunctions in the Product. If Manufacturer determines that the malfunction is not due to nonconformity with the Specifications or Defect, then Manufacturer will seek instructions from the Buyer regarding whether Manufacturer should return the Product to Buyer or dispose of it. If Manufacturer is unable to isolate any malfunctions in the Product using the contracted level of testing as set forth in the applicable Product Schedule, then Buyer is solely responsible for isolation of the malfunction and Manufacturer will seek instructions from the Buyer regarding whether Buyer will authorize additional testing on the returned Product or whether Manufacturer should return the Product to Buyer or dispose of it. If any returned Product contains malfunctions due to nonconformity with the Specifications or Defects in workmanship, then Buyer's exclusive remedy and Manufacturer's sole liability under this warranty will be for Manufacturer, at its sole option and expense, to correct or replace or issue a credit for the nonconforming or defective Product. This warranty does not apply to: (i) any first articles, prototypes, pre-production units, test units of a Product; (ii) any Products which have been repaired by Buyer or a third party; (iii) any Products which have been altered or modified in any way by Buyer or third party; or (iv) any Products which have been subject to misuse, abnormal use or neglect

(b) Disclaimer. THE WARRANTY STATED ABOVE IS IN LIEU OF ALL OTHER WARRANTIES, CONDITIONS OR OTHER TERMS, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF TERMS AS TO QUALITY, FITNESS FOR PARTICULAR PURPOSE, MERCHANTABILITY OR OTHERWISE,

WHETHER IMPLIED BY CUSTOM OR LAW. Without limiting the foregoing disclaimer, Buyer understands, acknowledges and agrees that Manufacturer does not warrant any parts, components, or other materials used in the manufacture of the Products.

14. LIMITATION OF LIABILITY.

EXCEPT AS TO OBLIGATIONS OF INDEMNIFICATION, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL OR PUNITIVE DAMAGES OF ANY KIND OR NATURE ARISING OUT OF OR RELATING TO THIS AGREEMENT OR CONNECTED WITH OR RESULTING FROM THE MANUFACTURE, SALE, DELIVERY, RESALE, REPAIR, REPLACEMENT, OR USE OF ANY PRODUCTS OR THE FURNISHING OF ANY SERVICE OR PART THEREOF, WHETHER SUCH LIABILITY IS BASED IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE, EVEN IF SUCH PARTY HAD BEEN WARNED OF THE POSSIBILITY OF ANY SUCH DAMAGES. MOREOVER, IN NO EVENT WILL MANUFACTURER'S TOTAL CUMULATIVE LIABILITY TO BUYER ARISING OUT OF OR RELATED TO THIS AGREEMENT EXCEED THE GREATER OF TWENTY-FIVE THOUSAND DOLLARS (\$25,000) OR 33 PERCENT OF THE SUMS PAID BY BUYER TO MANUFACTURER FOR THE PRODUCT CAUSING LOSS FOR THE IMMEDIATE PROCEEDING (12) TWELVE MONTHS.

15. INDEMNIFICATION.

Buyer shall defend, indemnify, and hold Manufacturer and its parent companies, subsidiaries, affiliates, officers, directors, employees, agents and representatives ("Manufacturer Indemnities") harmless from any and all claims, demands, liabilities, actions and causes of action, suits, proceedings, assessments, losses, damages, liabilities, settlements, judgments, fines, penalties, interest, expenses and costs (including attorneys' fees) of every kind asserted by third parties asserted against Manufacturer Indemnities based on or arising out of: (i) personal injury (including death) or property damage to the extent any of the foregoing is proximately caused either by a Buyer-furnished item, the Specifications, a defective Product (including strict liability in tort), or by the grossly negligent or willful acts of Buyer or its officers, employees, subcontractors or agents; or (b) intellectual property infringement (including misappropriation of any patent, trademark, mask work, copyright, trade secret or any actual or alleged violation of any other intellectual property rights) arising from or in connection with the Products, Specifications and/or Buyer-Furnished Items. In the event of any such suit or proceeding, Manufacturer may, at its sole option, immediately terminate and/or suspend performance as a Force Majeure event.

Without the prior written permission of the other party, each party agrees, during the term of this Agreement and for a period of twelve months following its termination or expiration, not to directly or indirectly solicit for employment or hire any employees of the other party with whom such party had contact, or who became known to such party, in connection with this Agreement; provided, however, that such party shall not be prohibited from hiring any such employee who contacts such party on his or her own initiative and without any direct or indirect solicitation by such party. A general advertisement for an employment position shall not be deemed to be a direct or indirect solicitation for the purposes of this provision. This agreement shall in no way, however, be construed to restrict, limit or encumber the rights of any employee granted by law.

16. MISCELLANEOUS.

(a) Notices. All notices and other communications required or permitted to be given under this Agreement shall be in writing and hand-delivered, mailed by first-class mail postpaid, sent by facsimile (so long as the party sending the facsimile has the ability to receive a confirmation of receipt from its facsimile machine) or sent by an overnight courier with a reliable tracing system, to each of the parties to their respective addresses. Notices that are mailed shall be deemed to have been given as of the fourth business day following the date of mailing and notices that are hand-delivered or sent by overnight courier are deemed to be given the next business day. Either party may change its address for the giving

of notice by so notifying the other party by ten (10) days prior written notice given in the manner set forth in this section.

(b) Written Modifications. No amendment, modification, or release from any provision of this Agreement, the Product Schedules attached hereto, or Orders issued hereunder, shall be of any force or effect unless it is in writing and signed by both parties.

(c) No Assignment. This Agreement shall not be assigned by either party without the prior written consent of the other party, such consent not to be unreasonably withheld.

(d) No Waiver. A failure to exercise any right hereunder with respect to any breach shall not constitute a waiver of such right with respect to any subsequent breach.

(e) Independent Contractors. Each party is acting as an independent contractor and not as agent, partner, or joint venturer with the other party for any purpose. Except as provided in this Agreement neither party shall have any right, power, or authority to act or to create any obligation, express or implied, on behalf of the other.

(f) Security Interest. In order to secure its obligations under this Agreement, Buyer hereby grants Manufacturer a purchase money security interest ("Security Interest") in all Products sold by Manufacturer to Buyer or Inventory purchased on behalf of Buyer, and to any proceeds thereof, under the Uniform Commercial Code as adopted in the jurisdiction identified below, until all of Buyer's payment obligations under this Agreement have been paid in full. Buyer agrees that this Agreement shall constitute a "Security Agreement" for purposes of the UCC and that Manufacturer shall have and may exercise any and all remedies Buyer may have with regard to the Security Interest. Buyer authorizes Manufacturer to file one or more financing statements determined by Manufacturer to be necessary to perfect the Security Interest. Buyer agrees to execute any documents Manufacturer may request in order to protect and perfect Manufacturer's Security Interest.

(g) Governing Law. The validity, interpretation, and performance of this Agreement shall be governed by the laws of the state of California, without regard to such state's conflicts of laws principles. The parties specifically exclude from application to this Agreement the United Nations Convention on Contracts for the International Sale of Goods. The sole and exclusive forum for litigation permitted under this Agreement will be the state or federal courts within the geographic bounds Van Nuys, California (the "Courts"), and each party irrevocably submits to the jurisdiction of the Courts for the litigation of such disputes, and irrevocably waives and agrees not to assert any claim or defense that the Party is not subject to the jurisdiction of the Courts, that the Courts are an inconvenient forum or an improper venue. Each party shall bear their own attorneys' fees and costs expended in connection with dispute resolution.

(h) Entire Agreement. The terms and conditions of this Agreement, including all Product Schedules and accepted Orders, constitute the entire agreement between the parties hereto with respect to the subject matter hereof and supersede all previous communication, either oral or written, between the parties hereto. There are no understandings, representations or warranties of any kind whatsoever, except as expressly set forth herein.

(j) Counterparts. This Agreement may be executed in counterpart copies, all of which counterparts shall have the same force and effect as if all parties were to have executed a single copy of this Agreement.