

**GRAPHEL CORPORATION
AND CARBON PRODUCTS DIVISION
PURCHASE ORDER TERMS AND CONDITIONS**

1. ACCEPTANCE

This purchase order must be accepted in writing by Seller. If Seller should fail to accept in writing, any conduct by Seller which recognizes the existence of a contract pertaining to the subject matter hereof shall constitute acceptance by Seller of this purchase order and all its terms and conditions. Any terms proposed in Seller's acceptance of Buyer's offer which add to, vary from, or conflict with the terms herein are hereby objected to. If this purchase order has been issued by Buyer in response to an offer and if any of the terms herein are additional or different from any terms of such offer, then the issuance of this purchase order constitutes Buyer's acceptance of such offer subject to the express condition that Seller assent to the additional and different terms herein. Seller shall be deemed to have so assented unless Seller notifies Buyer to the contrary in writing within 10 days of receipt of this order.

2. CANCELLATION/TERMINATION

Buyer may at its election, by delivery to Seller of written notice of termination, terminate this order or any part hereof for cause if Seller (a) fails to deliver the goods or perform the services in accordance with the schedule specified in this order (for any reason whatsoever), (b) fails to comply with any of the other provisions of this order and does not cure such failure to comply within a period of ten (10) days, (c) fails to provide Buyer, upon request, of reasonable assurances of performance, or (d) becomes insolvent or the subject of any bankruptcy or insolvency proceedings. In the event of such termination, buyer shall not be liable to seller for any amount and Seller shall be liable to Buyer for all damages sustained by Buyer by reason of the default that gave rise to termination. In addition, Buyer may cancel this order for its own convenience at any time upon written notice to Seller. In such event, Buyer will make an equitable termination payment to Seller based on the proportion of the work completed, and actual direct costs resulting from termination. Such payment shall not exceed that fraction of the total purchase order price which is allocable to the work performed and any such payment shall be subject to audit by Buyer. Following any such notice of cancellation, Seller shall do only such work as is necessary to preserve and protect goods completed or in process of completion and shall take prompt action to minimize costs which form part of any such claim. Seller shall deliver promptly in accordance with Buyer's delivery instructions all completed goods and work in process.

3. DELIVERY

The terms of delivery are stated on the reverse side hereof. Buyer's production and delivery schedules are established in reliance on the delivery dates specified in this order. Time, therefore is of the essence. Shipments in greater or lesser quantities than ordered may be returned by Buyer at Seller's expense. Seller will not be liable to Buyer for delays in performance due to causes beyond its or its subcontractors or suppliers reasonable control. Seller shall notify Buyer in writing immediately of any delay or anticipated delay in the performance of its obligations hereunder.

4. REVIEW OF DRAWINGS

Buyer's approval of Seller supplied drawings, manufacturing procedures, calculations, and other documents shall not relieve the Seller of any responsibility for the goods delivered or services performed hereunder or any requirements or warranties under this order whether express or implied.

5. INSPECTION

Buyer, or its representatives, shall have the right to inspect and test the goods or services ordered hereunder at any time prior to delivery or performance and to finally inspect such goods and results of such services within a reasonable time after delivery to Buyer. The goods or services shall not be deemed accepted until after such final inspection and testing. The making or failure to make any inspection of, or payment for, or acceptance of, the goods or services, shall in no way impair Buyer's right to reject or revoke its acceptance of non-conforming goods and services or to seek any other remedies to which Buyer may be entitled.

6. WARRANTY

In addition to any implied warranties, Seller warrants that the goods delivered, and services rendered, pursuant to this purchase order are free from all defects in design, workmanship and material, are in strict conformance with the specifications, drawings and samples in the contract, are new, of merchantable quality and fit for the purposes for which they are intended. Seller agrees to promptly repair or replace, at Buyer's option and without cost to Buyer, any goods delivered, and services rendered, which shall be found by Buyer to be defective, non-conforming or otherwise not in accordance with this warranty within the later of (a) one year after commencement of use of the goods or services by the ultimate user thereof, or (b) in the case of goods, eighteen months after the date of delivery by Seller of the goods to buyer or to buyer's customer. Seller agrees that all warranties of seller on goods delivered, and services rendered under this purchase order shall extend to, and be for the benefit of, Buyer and Buyer's customers.

7. CHANGES

Buyer shall have the right to make any changes in the work ordered under this purchase order and Seller agrees to perform this purchase order in accordance therewith. If in Seller's opinion such changes will cause an increase or decrease in the cost of, or time required for, performance hereunder, Seller shall notify Buyer promptly. If additional cost or time is required, Seller shall not proceed without written authorization from Buyer and if Buyer directs Seller to proceed, Buyer shall make an equitable adjustment in the price and delivery/completion schedule.

8. COMPLIANCE WITH LAWS

Seller warrants that all goods delivered and services rendered hereunder shall be in compliance with all applicable federal, state and local laws, rules, regulations and standards, including, without limitation, the Fair Labor Standards Act, the Occupational Safety and Health Act, and Executive Order 11246 and any applicable Canadian or provincial law. Seller shall indemnify and hold harmless the Buyer and the Buyer's customers from all loss, liability and fines incurred by any of them as a result of Seller's failure to so comply.

9. INDEMNITY

Seller agrees to indemnify and hold harmless Buyer, its successors and assigns, customers and users of its products against all suits at law or in equity and from all damages, liabilities, expenses (including attorneys fees), claims and demands arising out of or resulting in any way from any defect in the goods or services purchased hereunder, or from any act or omission of Seller, its agents, employees or subcontractors. This indemnification shall be in addition to any warranty obligations of Seller. Upon the tendering of any such suit or claim to Seller, Seller shall defend the same at Seller's expense as to all costs, fees (including attorneys fees) and damages.

10. INSURANCE; WORK ON PREMISES

Seller shall maintain such public liability insurance, including products liability, completed operations, contractors liability and protective liability, automobile liability, Workmen's Compensation and employer's liability insurance, as will adequately protect Buyer against any damages, liabilities, claims or demands referred to in paragraph 10. In the event that Seller performs any of its services hereunder on Buyer's property or the property of its customers, Seller agrees that all such work is done as an independent subcontractor and that the persons performing such work are not to be considered employees of Buyer.

11. PATENTS

Seller represents and warrants that all products delivered, and services performed, pursuant to this Agreement and the sale or use thereof do not infringe any patent, trade secret, copyright or trademark, and that Seller will, at Seller's expense, defend, indemnify and hold harmless Buyer and Buyer's customers from and against all claims, demands, actions and liability based on alleged or actual infringement or misappropriation thereof. Buyer, at its option, may require Seller to deliver non-infringing equivalent goods, to procure for Buyer the right to continue using Seller's infringing goods and services, or, in the case of goods, to refund the purchase price thereof upon the return by Buyer to Seller of the infringing goods.

12. ASSIGNMENT AND SUBCONTRACTING

Seller shall not assign this purchase order or subcontract the whole or any part thereof without Buyer's prior written consent. Seller's purchase of raw materials or standard commercial articles shall not be deemed a subcontract.

13. PROPRIETARY INFORMATION; PUBLICITY

The property interest in any drawings, specifications or other technical information which Buyer supplies to Seller shall remain the sole and exclusive property of Buyer and Seller agrees to keep all such drawings, specifications and information confidential and not to disclose such drawings and information to others or use such drawings or information for any purpose other than fulfilling its obligations under this purchase order, without Buyer's prior written consent. Seller shall obtain the consent of Buyer prior to any publicity regarding this purchase order and Buyer shall have the right to participate in the content of any such proposed publicity.

14. ENTIRE AGREEMENT

This purchase order and any documents referred to on the face hereof constitute the entire agreement between the parties, and supersedes all other prior or contemporaneous oral and written agreements.

15. SETOFF

All claims for money due or to become due from Buyer shall be subject to deduction or setoff by Buyer by reason of any counterclaim arising out of this or any other transaction with Seller.

16. WAIVER

Buyer's failure to insist on performance of any of the terms and conditions herein or to exercise any right or privilege, or Buyer's waiver of any breach hereunder, shall not thereafter waive any other terms, conditions, privileges or rights, whether of the same or similar type.

17. APPLICABLE LAW; LANGUAGE

Unless otherwise provided on the face hereof, this purchase order shall be governed in all respects in accordance with the laws of the state of Ohio.

18. RECORDS AND RETENTION.

Unless otherwise specified in writing by Buyer, all inspection and test records attesting and or relating to product conformity to the purchased requirements shall be retained by Seller for a minimum of 3 years.

Quality Assurance Terms and Conditions ref AS9100 D.

Your company will maintain a standard operating procedure that provides direction to it's employees.

Your company will have and use written procedures

Your company will verify the quality of its product with Receiving, In-Process & Final inspections.

Your company will ensure that inspection tools are periodically calibrated to nationally recognized standards.

Records of production and inspection will be made available upon request for a period of 3 years.

Your company shall be capable of maintaining S/N and Lot Numbers, Separation/Traceability when necessary or required.

Your company will monitor customer complaints and implement corrective measures to prevent repetitive non-conformities.

You will notify Graphel in writing of any nonconformance's prior to their release from your facility.

You will notify Graphel in writing of any changes to your production process or manufacturing location prior to shipment.

If requested you will supply test specimens and or product certification as specified by Graphel Corp.

Your company will consent to the right of access by Graphel Corporation, it's customers and or USG regulatory authorities, to applicable areas and documentation provided ample notice is provided.

Your management team will notify it's personnel so that they understand that the products you provide can impact the conformity and safe function of Graphel's end users product.

Your management team understands and promotes ethical behavior in the work place

Your top management accepts responsibility for the quality of its product and in the event discrepancies are released by your company to Graphel Corp. you agree to compensate Graphel for a handling / disposition fees not to exceed \$150.00 for each defective line item if requested.

By accepting work from Graphel Corporation, you understand that any Quality System or process requirements must be flowed down to your vendors/subcontractors.