

PURCHASE ORDER TERMS AND CONDITIONS

1. Shipment. TIME IS OF THE ESSENCE. Seller shall deliver the products ordered (the "Products") to Data I/O by the date requested on the front of this Purchase Order (the "Delivery Date"). Delivery is defined as the date Products arrive at Data I/O's receiving dock. Whenever Seller has knowledge that any actual or potential labor dispute or other cause may delay this order, Seller shall immediately notify and submit all relevant information to Data I/O. Shipment shall be in accordance with the method and other terms specified on the front of this Purchase Order. If, in order to meet the committed Delivery Date a different shipping method is required, Seller shall be liable for the incremental difference between the method chosen and the method specified in this Purchase Order. Unless otherwise specified, shipments shall be F.O.B. destination. All items shall be adequately packaged and shipped at Seller's risk. All packing slips must reference the Data I/O part number, item number, quantities and the Purchase Order number.

2. Price and Payment. The prices specified herein shall, unless otherwise expressly stated, include all charges for preparation, packing and loading. Payment will be made in accordance with the payment terms specified on the front hereof.

3. Changes and Termination. Data I/O may at any time by written order make changes within the general scope of this order in any one or more of the following: (a) drawings, designs or specifications; (b) method of shipment or packing; (c) places of inspection, delivery or acceptance; (d) reasonable increases in quantity; (e) reasonable changes in delivery schedules; and (f) the amount of Data I/O furnished property. Seller shall proceed immediately to perform this order as changed. If any change causes an increase or decrease in the cost of or the time required for the performance of any part of the work under this order Seller must notify Data I/O in writing thereof within thirty (30) days from date of Seller's receipt of such written change order or waive any claim resulting from this change. If timely notice is given, a mutually agreeable, equitable adjustment shall be made in the purchase price or Delivery Date or both and this order shall be modified accordingly in writing. Failure of the parties to agree upon any adjustment to be made under this clause shall not excuse Seller from proceeding with the order as changed. Data I/O may at any time by written change order terminate this Purchase Order as to all or any portion of the Products not yet shipped, subject to an equitable adjustment between the parties as to any work or materials then in progress provided that no such adjustment be made in favor of Seller with respect to any undelivered goods which are Seller's standard stock. No such termination shall relieve Data I/O or Seller of any of their obligations as to any goods delivered thereunder. Any claim for adjustment must be asserted within thirty (30) days from date when the change or termination is ordered.

4. Compliance. Seller represents and warrants that all Products sold hereunder shall have been produced, sold, delivered and furnished in strict compliance with all applicable laws, regulations and industry codes to which the Products are subject and that such Products meet or exceed the safety standards established under the Federal Occupation Safety and Health Act and similar state or local acts and regulations in effect or proposed as of the date of this order.

5. Warranty. Seller warrants that all Products purchased hereunder shall conform strictly to the design, specifications, drawings, samples or other descriptions referred to herein or otherwise provided by or to Seller, shall conform strictly to the requirements of this Purchase Order, shall be fit for their purposes and shall be new and free from defects in design, material, workmanship and title for a period for one (1) year from the date the Product is received by Data I/O or six (6) months from resale of the Product by Data I/O, whichever is longer.

6. Defective and Nonconforming Work. If any of the products are defective in material or workmanship or otherwise not in strict conformity with the foregoing warranty or the other requirements of this Purchase Order, Data I/O shall have the right, in addition to its other rights and remedies, to select from the following options prior to acceptance: (a) Rejection of such defective or nonconforming Products and refund of the purchase price therefor; (b) Return of such defective or nonconforming Products for replacement at Seller's risk and expense, including round-trip transportation charges, in which case Seller

shall utilize its best effort to replace such Products within thirty (30) days; or (c) Upon notification to Seller, rework of such defective or nonconforming Products and recovery of Data I/O's reasonable expenses therefor. Upon Data I/O's request, Seller shall analyze any such defective or nonconforming Products and promptly furnish a failure analysis report setting forth the results of such analysis.

7. Indemnification. Seller hereby represents and warrants that it owns and possesses all rights and interest in the Products necessary to enter into and perform this Purchase Order and that none of the Products infringe or violate any patent, copyright, trademark, trade secret or other proprietary right of any person or entity. Seller hereby agrees to defend, indemnify and hold Data I/O, and its agents and employees, harmless from and against any loss, damage, liability, cost or expenses (including reasonable attorneys' fees) arising out of any claim that any of the Products, or any portion thereof, violates or infringes any patent, copyright, trademark, trade secret or other proprietary right of any person or entity, from any breach of any of Seller's warranties or representations, or from any use of the Products, provided that Data I/O reasonably cooperates in such defense.

8. Government Contracts. If this order indicates that it is under a government contract, it shall be subject to the terms of the Government Contracts Addendum attached hereto as Exhibit A and incorporated into this Purchase Order. If any conflict shall arise between this Agreement and the terms of the Government Contracts Addendum, the Government Contracts Addendum will control.

9. Insurance. Seller agrees to secure and maintain, at Seller's expense, sufficient insurance (but in any event in amounts not less than \$1,000,000 per occurrence) to protect both Data I/O and Seller against any and all claims, including without limitation, claims for personal injury, property damage, breach of warranty and patent and copyright infringement, which may arise from Data I/O's purchase, marketing or distribution of Products ordered hereunder or the use of such Products by any person or entity. The insurer and the terms of the insurance, including without limitation, the adequacy of protection shall be subject to Data I/O's reasonable approval, and Data I/O may, from time to time, require changes to the terms of such insurance, provided that such changes are reasonable under the circumstances. Seller shall promptly furnish to Data I/O adequate proof of the existence and terms of the foregoing insurance and of the renewal of such insurance. All such insurance shall provide that Data I/O be given thirty (30) days' written notice prior to any cancellation or material change in the policies, and any such material change or any new policies shall be subject to Data I/O's reasonable approval.

10. Inspection. Data I/O shall have the right to periodically inspect the Products and Seller's non-proprietary manufacturing processes at Seller's plant and to make a final inspection of the Products after delivery. Seller shall inspect all Products prior to shipment to Data I/O. Acceptance by Data I/O shall be final only after completion of inspection by Data I/O at its plant. Seller shall bear all risk of loss or damage for rejected materials after notice of rejection from Data I/O.

11. Contingency. Seller shall not be held responsible for any delay or failure in performance hereunder caused by acts of God or other causes beyond Seller's control and without Seller's fault or negligence. If such contingency occurs, Data I/O may elect to: (a) Terminate this Purchase Order or any part hereunder as to Products not shipped; (b) Suspend this Purchase Order in whole or in part for the duration of the delaying cause; or (c) Resume performance hereunder once the delaying cause ceases with the option to extend the time for performance hereunder up to the length of time the contingency endured. Unless written notice is given by Data I/O within thirty (30) days after notice of the contingency, "b" shall be deemed selected.

12. Confidentiality. Seller understands and agrees that the business, financial, customer and product information and trade secrets which may be disclosed to Seller in connection with this order constitute confidential and proprietary information of Data I/O (the "Confidential Information"). Seller agrees to take all reasonable steps to ensure that no unauthorized persons shall use or have access to the Confidential Information and that all authorized persons of Seller having access to the Confidential Information shall not use or disclose any such Confidential Information, other than as contemplated by this Purchase Order, without the written consent of Data I/O.

13. Third-Party Tooling. If any special tooling, molds, templates or other items are required to be used by Seller in production of any Products specially manufactured to Data I/O's specifications (the "Tooling"), such Tooling shall, subject to Data I/O's prior written approval, be paid for and shall belong solely to Data I/O. However, Seller shall be responsible for obtaining such Tooling and for the proper storage and maintenance of such Tooling. Seller shall use its best efforts to obtain quality Tooling at a reasonable price. Seller shall present Data I/O with quotes describing the specifications and pricing of the Tooling prior to purchasing such Tooling. At Data I/O's request, Seller shall execute for filing public notices of Data I/O's rights in such Tooling and/or shall promptly deliver the Tooling to Data I/O or as otherwise directed by Data I/O.

14. No Assignment. Seller shall not assign all or any portion of this Purchase Order or subcontract for all or any part of any Products to be purchased hereunder without the prior written consent of Data I/O, and any purported assignment or subcontract without such consent shall be void. Seller shall remain fully responsible for any subcontracted work or parts.

15. Modifications. No modification, waiver or amendment hereof shall be binding unless stated in a writing signed by both parties, and no waiver of a right in any instance shall constitute a waiver of the same or any other right in any other instance.

16. Governing Law; Jurisdiction. This Purchase Order shall be interpreted and governed in all respects by the laws of the State of Washington, without regard to the rules relating to conflicts of laws. Any litigations between the parties concerning this Purchase Order shall be brought in King County, Washington, and Seller hereby consents to the jurisdiction of the state and federal courts sitting in the state of Washington and to service of process by registered or certified mail or such other methods permitted under the applicable long-arm statute.

17. Notices. Notices and payments under this Purchase Order shall be sufficiently given if delivered in person or sent by certified mail, return receipt requested, facsimile or reputable courier service to the respective addresses stated on front hereof (or such other address as a party may by notice specify for notices to it), and shall be effective upon the earlier of actual delivery or the third day after mailing.