



PECTEC

PERFORATION . EMBOSSING . CUTTING

PECTEC Corporation Terms & Conditions of Sale

1. GENERAL. THE SALE OF PRODUCTS ("PRODUCTS") BY PECTEC Corp ("PECTEC") TO THE BUYER ("BUYER") IS EXPRESSLY LIMITED TO BUYER'S ACCEPTANCE OF THE TERMS OF PECTEC'S QUOTATION AND THE TERMS AND CONDITIONS CONTAINED HEREIN. NO MODIFICATION OR WAIVER OF ANY OF THE TERMS AND CONDITIONS CONTAINED HEREIN AND NO ADDITIONAL OR DIFFERENT TERMS OR CONDITIONS SHALL BE EFFECTIVE UNLESS AGREED TO IN WRITING SIGNED BY BOTH PARTIES. NO ORAL AGREEMENT, COURSE OF PERFORMANCE OR OTHER MEANS OTHER THAN SUCH WRITTEN AGREEMENT SIGNED BY BOTH PARTIES EXPRESSLY PROVIDING FOR SUCH WAIVER SHALL BE DEEMED TO WAIVE ANY THE TERMS OF THIS AGREEMENT. BUYER'S ACCEPTANCE OF THE PRODUCTS SOLD HEREUNDER SHALL CONSTITUTE BUYER'S ACCEPTANCE OF THE TERMS HEREOF.

2. PRICES AND TAXES. Prices stated are fixed for a period of 60 (60) days from the date of current quotation and subject to change without notice by PECTEC in the event of: (1) alterations in specifications, quantities, designs or delivery schedules; (2) increases in the cost of fuel, power, material, supplies or labor, and/or; (3) foreign or domestic legislation enacted by any level of government, including tax legislation, which increases the cost of producing, warehousing, or selling the Goods purchased hereunder. All prices are subject to adjustment, at any time, by PECTEC. Goods purchased is net and does not include sales, use, excise or similar taxes, whether federal, state or local. The amount of any such taxes applicable to the Goods shall be paid by Buyer in the same manner and with the same effect as if originally included in the purchase price.

Buyer hereby agrees that in the event it fails to timely pay for the goods as agreed herein, Buyer shall be liable to Seller for costs of collection including court costs, attorney fees and expense associated with suit and collection.

3. CANCELLATIONS AND CHANGES. No cancellations of or changes to the Products ordered by Buyer shall be effective without PECTEC's written consent. Without such consent, a cancellation of or change to the Products ordered by Buyer shall entitle PECTEC to all remedies available by law or equity including, but not limited to, cancellation costs, increased prices and/or full payment of ordered materials.

4. SHIPMENT AND DELIVERY. Lead times given by PECTEC via order confirmation, written or verbal correspondence are estimated and nonbinding. All lead times are approximate, and are based upon current availability of materials, present production schedules, and prompt receipt of all necessary information. If any delay arises because of changes in these circumstances PECTEC will not be liable for any damage, loss, shut-downs, or expenses arising out of any delays beyond PECTEC's reasonable control. In the event of any such delay, PECTEC without liability, can cancel all or any portion of this Agreement and/or extend any date upon which any performance hereunder is due. Unless explicitly agreed upon with written consent, the delivery shall be "Ex Works (EXW) from the premise. PECTEC will not be liable for any delays, breakage, loss or damage after the carrier leaves PECTEC's facility. All claims for loss or damage in transit are to be made by Buyer directly to the transportation carrier and the appropriate insurance carrier retained by Buyer. No deductions of any kind from the invoice amount shall be made. Unless otherwise specified in PECTEC's quotation, standard packing for domestic shipment is included in the quoted price. When special domestic or export packing is requested, Buyer will be charged for any additional expenses. Shipments shall be deemed accepted by Buyer unless written notice of rejection is received by PECTEC within ten (10) days after receipt of the Products by Buyer.

5. FORCE MAJEURE. In the event either party is unable to fully perform its obligations hereunder (except for Buyer's obligation to pay for Products ordered) due to events beyond its reasonable control including but not limited to acts of God, action by any governmental authority (whether valid or invalid), fires, floods, windstorms, explosions, riots, natural disasters, wars, sabotage, labor problems (including lockouts, strikes, slowdowns), inability to obtain power, material, labor, equipment or transportation, or court injunction or order, that party shall be relieved of its obligations to the extent it is unable to perform. Timely notice of

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such inability to perform shall be given to the other party. In the event of PECTEC's inability to perform due to force majeure, Buyer shall be entitled to reduce its purchase obligations towards PECTEC by the quantities purchased from other sources but shall not have the right to terminate this Agreement.

6. PAYMENT TERMS. Unless otherwise specified in PECTEC's quotation, terms of payment are net thirty (30) days from date of shipment, with no discount allowed for early payment. PECTEC reserves the right to alter or suspend credit terms, require C.O.D. or advance payment, whenever PECTEC has reasonable doubt as to Buyer's credit worthiness. If Buyer becomes delinquent in payment or refuses to accept C.O.D. shipments, PECTEC shall have the right, in addition to all other available rights and remedies, to cancel any or all Buyer orders, withhold further deliveries, and declare all unpaid amounts for Products previously delivered immediately due and payable. Amounts past due shall be subject to an interest charge of 1.5% per month. All costs and expenses incurred by PECTEC as a result of non-payment or delinquent payment by Buyer, including collection costs, interest, and reasonable attorneys' fees, shall be paid by Buyer.

7. WARRANTY/RECALL.

7.1 Unless otherwise in PECTEC's quotation, PECTEC warrants that the Products will conform to the applicable specifications and will be free of defects in design, material and workmanship. Unless otherwise specified in PECTEC's quotation, the warranty shall be for a period of 12 months of delivery or otherwise stated in the TDS.

7.2 PECTEC will provide free of charge to Buyer Replacement Products or, at PECTEC's option, credit in a fair amount not to exceed the purchase price for Products which prove to be defective within the warranty period, provided, however, that Buyer has returned to PECTEC 100% or a statistically relevant share, as mutually agreed upon, of any Product claimed to be defective. PECTEC shall have the right to request reasonable evidence of and impose reasonable requirements for submission of a warranty claim, including by way of example and not as limitation, printouts of diagnostic test results performed by the Buyer.

7.3 If Buyer believes a recall is required by law and, in whole or in part, is caused by the Products, Buyer shall give prompt written notice to PECTEC, keep PECTEC at all times fully informed and consult with PECTEC on the actions to be taken. Such prompt written notice is also required in the event of any Product-related incident such as fire, accident, malfunction causing injury, or loss of control of vehicle, and shall be accompanied by all information available to Buyer. Buyer shall not respond to inquiries of any Federal or State agency relating to the Products without prior consultation with PECTEC. Prior to any recall involving the Products, PECTEC shall have the right to perform a full investigation including but not limited to inspection and testing (including destructive testing) of the Products involved, vehicle history, scene investigation, and copies of all witness statements, reports, analysis, and tests performed by or on behalf of or in the possession of Buyer. Buyer shall give PECTEC full support for such investigation. In the event that a recall is determined to be legally required, both parties agree to negotiate a fair and equitable reimbursement of a share of Buyer's direct expenses incurred for such recall. Such allocation shall take into consideration the portion of each party's responsibility, the cost of the Products involved, the other cause(s) of the recall and the strength and the nature of the evidence concerning the defect and its cause(s). In no event shall PECTEC's liability hereunder exceed 10% of the average yearly net invoiced value of the aggregate sales of the Products concerned, nor shall PECTEC be liable for mark-ups or profit margins normally accruing to Buyer or its customers in the provision of replacement parts, nor for costs of handling, administration, customer inducement or incentives, nor for incidental, consequential or punitive damages (including but not limited to damages caused by standstill, loss of goodwill, lost profits), whether incurred by Buyer or any of its customers.

7.4 THIS WARRANTY IS IN LIEU OF ALL OTHER WARRANTIES EXPRESS OR IMPLIED INCLUDING OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. PECTEC ASSUMES NO LIABILITY FOR INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES. THE REMEDIES SET FORTH IN THIS SECTION 7 REPRESENT BUYER'S SOLE AND EXCLUSIVE REMEDIES FOR ANY PECTEC BREACH OF WARRANTY.

8. PROTOTYPE WARRANTY. Prototype components are for use only in product testing/evaluation by qualified Buyer representatives in an appropriate test environment. Prototype components are provided "AS

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IS" and all warranties are expressly excluded. PECTEC shall have no liability for claims related to the prototype components. Buyer shall indemnify and hold PECTEC harmless from claims related to the prototype components.

9. SPECIAL TOOLING. Special tooling which is separately negotiated for and fully paid for by Buyer as a separate item on an order shall become the property of Buyer. During its use at PECTEC's facility, such special tooling shall be held for the exclusive use of Buyer (except that PECTEC may use such special tooling for the supply of Products to the aftermarket organizations of PECTEC, and its affiliates) and shall be maintained in accordance with PECTEC's usual practice. Buyer shall bear the risk of ordinary wear and tear, or loss or damage other than such caused by PECTEC. At the request of Buyer and to the extent practicable, special tooling shall be identified by appropriate markings. Prices for special tooling do not include transportation costs, storage beyond completion of the purchase order, or costs of marking or packaging. Unless PECTEC elects to continue to use special tooling for the aftermarket as described above, PECTEC will not be responsible for special tooling after completion of the purchase order and Buyer shall remove all special tooling within 30 days after such completion. If Buyer fails to do so PECTEC may, at Buyer's expense and without any liability towards Buyer, dispose of such in a manner it deems fit. PECTEC shall have a lien on the special tooling to secure all outstanding obligations of Buyer.

10. TERMINATION/CANCELLATION.

10.1 Either party may terminate this Agreement: (a) upon breach of any material term of this Agreement by the other party which is not remedied within 30 days after notice of such breach; or (b) if a party becomes insolvent or makes an assignment for the benefit of creditors, or such party institutes any voluntary proceeding under bankruptcy, reorganization, arrangement, readjustment of debt or insolvency law of any jurisdiction or for the appointment of a receiver or trustee in respect to any of the party's property, then termination shall be automatic and immediate; however, in the event any such proceeding is initiated by a third party against such party, termination shall be automatic if the such proceeding is not dismissed or cured by the party within thirty (30) days after the filing thereof.

10.2 In the event that Buyer cancels the program after business award but before the agreed upon end of program duration, Buyer shall reimburse appropriate cancellation charges for unrecoverable investment including but not limited to capital equipment, PECTEC paid tooling, engineering costs, and material obsolescence. Buyer payment is expected in lump sum by the end of the calendar year of the cancellation.

11. PATENTS/TRADEMARKS.

11.1 PECTEC warrants that the Products shall be delivered free of rightful claims for infringement of any United States patent or trademark, provided, however, that this warranty shall not apply to claims for patent infringement to the extent that any Products are (a) manufactured to Buyer's specifications, (b) used in combination with Products not purchased from PECTEC in a manner which infringes a patent covering the combination, or (c) used in a manner not reasonably anticipated by PECTEC. PECTEC's obligation hereunder is conditioned upon Buyer: (i) giving PECTEC prompt written notice of any infringement claim; (ii) cooperating fully with respect to the defense of such claim; and (iii) upon PECTEC's request, providing PECTEC full control of the defense including settlement and/or litigation of such claim. 11.2 PECTEC shall be entitled, at its option, to obtain a license on Buyer's behalf for the Product which (allegedly) infringes an intellectual property right or to modify the Product in such a way that it does not infringe the intellectual property right or replace the Product by a similar product which does not infringe the intellectual property right.

12. GOVERNMENT CONTRACTS. If Products are purchased under a government contract or sub-contract, Buyer shall promptly notify PECTEC of the provisions of any government procurement laws and regulations which are required to be included in the contract covering the Products ordered. If compliance with such provisions increases PECTEC's costs or liability, PECTEC shall be entitled, at its option, to adjust the prices accordingly, request separate payment of the additional costs, or terminate this Agreement with Buyer being responsible for all costs incurred by PECTEC.

13. CONFIDENTIAL INFORMATION. Any and all information concerning the Products or the transaction covered hereunder which PECTEC discloses to Buyer, or which Buyer otherwise obtains knowledge of hereunder, remains the exclusive property of PECTEC and shall not be disclosed by Buyer to third parties without PECTEC's express written consent. Buyer shall have no right whatsoever to such

information other than to use it for evaluation for the purpose of the transaction covered hereunder. PECTEC will not disclose information submitted to it by Buyer which is confidential and proprietary to Buyer and clearly designated as such without Buyer's consent.

14. REMEDIES/LIMITATION OF REMEDIES. PECTEC's rights and remedies set forth herein shall be in addition to any legal or equitable right or remedy available to PECTEC. No waiver of any of PECTEC's rights or remedies shall be effective without PECTEC's express written consent. PECTEC shall not be liable for any incidental, consequential, special or punitive damages arising from the sale or use of any Products or PECTEC's performance or failure to perform any of its obligations hereunder, whether the claims be in contract or tort, including negligence or strict liability. Buyer's sole and exclusive remedy after acceptance of the Products shall be the remedy available under the warranty provision.

15. SET-OFF. Buyer is not entitled to set-off any amounts due or allegedly due from PECTEC to Buyer from its debts towards PECTEC.

16. ASSIGNMENT. Neither party shall be entitled to assign its rights or obligations hereunder without the other party's prior written consent. A corporate reorganization, which does not result in a change of control or beneficial owner, shall not be deemed an assignment.

17. RELATIONSHIP OF THE PARTIES. Buyer and PECTEC are independent contracting parties. Nothing hereunder or in the course of performance of this agreement shall grant either party the authority to create or assume an obligation on behalf or in the name of the other party or shall be deemed to create the relationship of joint venture, partnership, association or employment between the parties.

18. SEVERABILITY. In the event that any provision of this Agreement shall by a court be declared void or unenforceable, the validity of any other provisions and of the entire Agreement shall not be affected thereby.

19. APPLICABLE LAW; ARBITRATION. This Agreement and all disputes between the parties arising out of or related to this Agreement shall be governed by the laws of the State of South Carolina except for its choice of law rules; the United Nations Convention on the International Sale of Goods shall not apply. The parties agree to submit all such disputes to binding arbitration which shall be held in the area of Spartanburg, SC in accordance with the rules of the American Arbitration Association ("AAA") pertaining to commercial arbitration and the Federal Arbitration Act; the parties expressly agree that the South Carolina Arbitration Act and notice provisions thereof shall not apply to any contract or agreement which incorporates these terms and conditions of sale or otherwise. The arbitrators shall have no authority to award punitive damages or any other damages excluded herein. The arbitration award shall be final and binding, and it may be entered in and enforced by any court of competent jurisdiction. The party prevailing in the arbitration as determined by the Arbitration Panel as a part of this award, or any other legal proceedings as determined by the Court shall be entitled to recover its costs including reasonable attorney's fees incurred due to the arbitration or other legal proceedings.

20. VALIDITY OF QUOTATION. Any quotations issued subject to the terms contained herein shall be valid for 60 days from the date of issuance unless otherwise stated in PECTEC's quotation.

21. BUYER SUPPLIED MATERIALS AND INVENTORIES.

Finished goods produced but not shipped after (7) days of buyers requested ship date will be subject to being invoiced per quoted billing method with payment due within thirty (30) days of invoice date. Finished goods not shipped after the (7) days will be subject to daily storage and/or restocking fees. PECTEC is not responsible for any damage to Buyer's finished goods after the (7) days and/or Buyers supplied material.

22. SECURITY

PECTEC reserves a purchase money security interest in and vendor's lien upon all goods until the purchase price is paid in full, and Buyer may not sell, pledge or mortgage the goods until payment has been made in full. Buyer authorizes PECTEC to file a financing statement or to record a copy or signed original of PECTEC's quotation or other valid contract as a financing statement pursuant to SC Code 36-9-402, and Buyer agrees to sign any other document reasonably requested by PECTEC to perfect or to continue perfection of the security interest granted herein.