

# TERMS AND CONDITIONS

## 1. PURCHASE ORDER ACCEPTANCE:

This Purchase Order constitutes an offer which can be accepted by the Seller only under its exact Terms and Conditions by: (1) signing and returning the acknowledgement copy; or (2) commencing work on any products or services ordered; or (3) shipping any of the products or providing any of the services ordered; or (4) by Seller's Acknowledgement which conflicts with or are additional to the Terms and Conditions of this Purchase Order shall apply. Purchase Orders for sub-contract work that include special terms must be acknowledged in writing and accepted on behalf of the Seller as sub-contractor prior to beginning any work.

## 2. SPECIFICATIONS:

Specifications describe the products or services to be furnished including but not limited to the descriptions of the dimensions, finish, functional characteristics, general quality, material, manufacturing methods, quality control procedures, and tolerances of the products or services. Specifications are furnished in various forms including, but not limited to, blue prints, catalogs, design, drawings, engineering instructions, quality control procedures, and written specifications. If any specification or instruction, in whatever form, supplied by the Buyer appears to be in conflict with another specification or instruction or is insufficient or unclear, it shall be the duty of the Seller to request clarification from the Buyer. Buyer shall be the final judge of whether the products or services are non-conforming under the specifications and under this Purchase Order.

## 3. DELIVERY:

Products shall be delivered and services provided in accordance with the shipping and delivery instructions provided by the Buyer. Unless otherwise specified all products shall be tendered in a single delivery. Seller shall immediately notify the Buyer whenever the Seller has reason to believe that any scheduled delivery will be late.

## 4. PRICES AND EXTRA CHARGES:

If the amount to be paid for the materials, equipment, supplies or services to be furnished under this Purchase Order is on any basis other than a fixed price basis, or involves a fixed price that may be adjusted by an escalator clause, the SELLER shall keep adequate records and books of account showing the actual cost of all items of labor, materials, equipment, supplies, services and other expenditures of whatever nature in connection with the performance of this Purchase Order. The method of accounting employed by the SELLER must conform to good accounting practice. This Purchase Order is not to be filled at a price in excess of amount shown on face of this order, or of our previous orders. If price is not shown on this order, without obtaining our consent thereto. No charges will be allowed for boxing, crating, drayage or storage unless specifically agreed to, in writing.

## 5. SPECIFIED QUANTITIES:

Unless otherwise agreed to in writing, the obligation of the Buyer is limited to the specific quantities set forth in the Purchase Order. Seller warrants that all markings of weight or measurement shall be true and correct. Our count will be accepted as final and conclusive on all shipments not accompanied by a packing slip.

## 6. WARRANTIES:

Seller represents and warrants that Seller has special skills and that Buyer is relying on the skill and judgment of Seller to select and furnish suitable products or services. All written or oral statements of Seller as to functions, quality, suitability, and use of the products or services are warranties of Seller. Seller represents and warrants that all products (including packaging) and services (including construction work) provided under this Purchase Order shall: (I) fully and strictly conform to specifications; (II) be free of defects; (III) be of good material and workmanship; and (IV) be merchantable and fit for the general and particular purposes for which they are required. If any products or services are non-conforming Seller shall, if Buyer request, promptly and without charge repair or replace the products or provide replacement services. Seller shall be liable for all direct, incidental and consequential damages resulting from non-conforming products or services, or breach of any other warranties or provisions of the Purchase Order.

## 7. CANCELLATION:

Buyer may cancel this Purchase Order without any obligation or liability on the part of the Buyer if Seller should breach any provisions of this Purchase Order including but not limited to failure to deliver on time, delivery of non-conforming products or services, or breach of any warranties. Buyer also may cancel without liability in the event of Seller's insolvency or bankruptcy.

## 8. INVOICING, BILLING AND PAYMENT:

Invoices and original bills of lading or express receipts, etc., properly signed by carrier representative, must be attached to the SELLER'S invoice and both mailed to Automatic Systems, Inc. 9230 East 47<sup>th</sup> Street, Kansas City, Missouri 64133, not later than the day after shipment. In case shipments are consigned to us at other points, original bills of lading should be sent to the shipping address and signed duplicates forwarded to us in Kansas City. The Purchase Order number, Part number, and quantity must appear on all shipping documents, invoices, and correspondence. Packing slips must accompany each shipment. The payment date and discount period will be calculated from the date the invoice is received by the Buyer or the goods are received by the Buyer, whichever is later provided, however, that the payment date and discount period shall be calculated from the scheduled rate of delivery if the deliveries and invoicing are made ahead of schedule. Progress payments for construction work are subject to a 10% retention until final acceptance of the construction work by the Buyer. No payments for construction work shall be made or due without releases of mechanic's lien from all contractors, sub-contractors, and materialmen.

## 9. QUALITY INSPECTION:

Seller shall employ adequate quality control procedures and comply with the quality control procedures provided by the Buyer. Buyer shall have the right to inspect and test all products and services, either before shipment, upon delivery, or at any time after delivery. Buyer's right of inspection shall survive the acceptance of and the payment for the products or services and shall survive any resale by the Buyer. Seller shall be responsible for all rework charges relating to defective material including defective material shipped to Buyer's customers.

## 10. RETURNS:

Buyer shall have the right to return at Seller's expense any part of all of the nonconforming products. Buyer shall have the right to return at the expense of Seller any part or all of the conforming products if the quantities tendered or delivered are different than the quantities specified on the Purchase Order.

## 11. TERMINATION:

Buyer may terminate in whole or in part this Purchase Order without cause. In the case of special order products and services made and provided primarily in accordance with the specifications of the

Buyer, the Buyer shall be liable only for marginal cost incurred by the Seller prior to the date of termination, less full credit for direct materials or tooling reusable by the Seller, and less the full scrap or salvage value for materials and tooling which cannot be reused by the Buyer, in the case of all other products or services (including but not limited to those products or services where Buyer's specifications are secondary or incidental) then the Seller shall be liable for the Purchase Order price only for the products shipped or services provided prior to the date of termination.

## 12. LOSS RISK:

The risk of loss for conforming goods shall be on the Seller until the products are delivered to the destinations specified in the Purchase Order regardless of whether the Buyer or Seller is paying for the freight provided, however, that the Buyer shall assume the risk of loss for products while being transported on Buyer's vehicles. The risk of loss for nonconforming products shall be on the Seller at all times.

## 13. TOOLING, MATERIALS, AND DOCUMENTS:

All tooling (including but not limited to dies, fixtures, gauges, patterns, and tools), all materials (including but not limited to artwork, design, film, and samples) and all documents (including but not limited to blueprints, drawings, and specifications) or other tangible items furnished by the Buyer or paid for by the Buyer either as a separate item or as part of the unit price shall be on and remain the property of the Buyer and will be delivered to the Buyer at its request in good condition, ordinary wear and tear excepted. Seller shall be responsible for tool maintenance and shall not use Buyer's tooling, material or documents to make products for anyone else. Risk of loss shall be the Sellers, to protect Buyer's interest, the Seller authorizes the Buyer to sign and file a UCC 1 Financing Statement covering the foregoing described property of the Buyer.

## 14. CHANGES:

The Buyer may make changes in specification packaging and methods of transportation without changes in prices unless the changes result in an increase or decrease in the marginal costs of the Seller.

## 15. RECORDS:

Seller shall grant access to Buyer for the purpose of copying during business hours all records of Seller relating to the products or services to be provided under this Purchase Order.

## 16. COMPLIANCE WITH LAWS:

Seller represents and warrants that all products or services to be provided under this Purchase Order shall strictly comply with all Federal, State, Local and, where applicable, foreign laws, regulations, rules, and ordinances including but not limited to the Fair Labor Standards Act of 1938 as amended, the Flammable Fabrics Act as amended, the Federal Hazardous Substances Act as amended, the Consumer Products Safety Act, the Textile Fiber Identification Act, the Occupational Safety and Health Act of 1970 as amended, the Civil Rights Act (18 USC Chapter 21), Executive Orders 11246 and 11375 as amended, of the President of the United States on Equal Employment Opportunity, and the Rules and Regulations pursuant thereto, the Environmental Protection Acts, and the Toxic Substances Control Act.

## 17. PATENTS AND OTHER INTANGIBLE RIGHTS:

SELLER guarantees that the sale or use of SELLER'S products as covered by the Purchase Order will not infringe any United States or foreign patents and by acceptance of this Purchase Order agrees and undertakes, to indemnify Automatic Systems, Inc., against all judgments, decrees, costs and expenses for any alleged infringement of any patent resulting from the sale or use of SELLER'S products, as covered by this Purchase Order, by Automatic Systems, Inc., or any Vendee of Automatic Systems, Inc., and Seller covenants that Seller will, upon request of Automatic Systems, Inc., and at SELLER'S own expense, defend, or assist in the defense of any suit or action for such alleged infringement which may be brought against Automatic Systems, Inc., or any Vendee thereof for selling or using any of SELLER'S products covered by this Purchase Order.

## 18. INDEMNITY:

Seller shall indemnify, defend, protect and hold harmless the Buyer from any and all actions, claims, costs, expenses, fees, (including reasonable attorney's fees) investigations, liabilities, losses or suits arising out of or related to the products or services provided under this Purchase Order including but not limited to those which: (1) involve any actual or alleged injuries or death to any person or property damage, resulting in whole or part, from defective or allegedly defective products or services; or (2) involve actual or alleged infringement of any United States or Foreign letters patent, trademarks, copyrights, or other intangible rights by reason of the use or sale of any product or service; or (3) involve actual or alleged violation of any law, regulation, rule or ordinance relating to the use or sale of any products or services.

## 19. INSURANCE REQUIREMENTS:

Seller agrees to obtain and maintain policies of insurance including but not limited to policies providing public liability, product liability with a broad form vendor's endorsement naming the Buyer, automobile liability, and workmen's compensation coverage in such amounts, with such companies and containing such other provisions which shall be satisfactory to Buyer relating to the products or services covered by this Purchase Order. Seller shall provide Buyer with certificates of insurance and all such policies and certificates shall provide that the coverage provided by such policies shall not be terminated or cancelled without at least ten (10) days prior written notice to the Buyer.

## 20. ERRORS AND OMISSIONS:

Errors or omissions, including but not limited to stenographic and clerical errors, are subject to correction at any time.

## 21. GOVERNING LAW:

This Purchase Order including the provisions relating to the providing of services shall be governed by the Uniform Commercial Code of the State of Missouri and such laws of the State of Missouri that may be applicable to this Purchase Order.

## 22. TRADE SECRETS AND CONFIDENTIAL INFORMATION:

Seller shall not disclose or use except to the extent required to fulfill this Purchase Order any confidential matters or trade secrets of the Buyer.

## 23. ASSIGNMENT:

This Purchase Order may not be assigned in whole or in part by the Seller without the express written consent of the Buyer. Seller shall not issue any press releases or originate any publicity in any form regarding this Purchase Order without the prior written consent of the Buyer.