

Kaydon Bearings Division - Purchase Order Terms and Conditions



1. Acceptance. This purchase order constitutes Buyer's offer to purchase products or services from Seller in conformance with the terms and conditions herein contained (the "Purchase Agreement"). This Purchase Agreement is the complete and exclusive agreement between Buyer and Seller. And the terms and conditions of this Purchase Agreement shall be those terms and conditions that are set forth on the face and reverse side of this purchase order and in any document incorporated in this purchase order by reference. All such different and/or additional, modified or other terms and conditions which may be contained in any document furnished by Seller in accepting this Purchase Agreement are hereby objected to and rejected and shall have no force and effect unless otherwise agreed to in writing by Buyer. Any document of Seller containing additional or different terms and conditions or any attempt by Seller to vary to any degree any of the terms and conditions as herein expressed, shall not operate as a rejection of this Purchase Agreement, but shall be deemed a material alteration thereof and this Purchase Agreement shall be deemed accepted by Seller without such additional or different terms and conditions. Written acknowledgement, the commencement of work, shipment or delivery of the materials, goods or services referred to on the face of this purchase order shall constitute acceptance of the Purchase Agreement and assent to all of its terms and conditions.

2. Price/payment. Buyer will pay to Seller the price for the product or service as contained on the face of this purchase order. Unless otherwise agreed to in writing between the parties, Buyer will make all payments sixty (60) days from the date of Buyer's receipt of Seller's correct invoice. Products and services are sold subject to Buyer's inspection notwithstanding payment of invoices or early payment to obtain cash discount does not constitute acceptance of products or services furnished.

3. Transportation. All work, materials and goods subject to the Purchase Agreement shall be transported F.O.B. Buyer's facility unless otherwise agreed.

4. Invoices. Invoices not rendered in accordance with instructions will be returned and discount date based upon the date corrected invoice is received.

5. Additional Charges. No Seller charges of any kind will be allowed, including charges for boxing, packing or cartage, unless specifically agreed to by Buyer in writing.

6. Changes. Buyer at any time, by amendment or other writing signed by Buyer, shall have the right to make changes in the design (including drawings, materials and specifications), processing, method of packing and shipping, and the place of delivery of the work, materials, goods and services. If such changes affect delivery schedules or the amount to be paid by Buyer, Seller shall notify Buyer immediately and shall negotiate an equitable adjustment in good faith. Seller shall not make any change in the design,

processing, packaging, shipping or place of delivery of the work, materials, goods and services without Buyer's prior written approval. The pendency of negotiations of an equitable adjustment or the failure to agree to an equitable will not excuse Seller's performance hereunder as changed, and such failure to agree will be deemed a dispute subject to the dispute resolution provisions herein contained.

7. Inspection and Rejections. All inspections of materials provided shall be at Buyer's premises. Buyer, at its option, may reject and return at Seller's expense, or retain and correct, any work, materials, goods or services supplied to it under the Purchase Agreement that do not meet the requirements of the Purchase Agreement. If Buyer elects to retain and correct, Seller shall in good faith advise Buyer as to the appropriate method of correction. Seller shall reimburse Buyer for all expenses resulting from or associated with Buyer's rejection or retention and correction. Buyer's inspections and approval of any materials, goods or services subject to the Purchase Agreement shall not constitute a waiver of any of Buyer's rights hereunder.

8. Rejection. Goods rejected because of failure to meet specifications or on account of inferior quality or workmanship will be returned to Seller with charges for inbound and outbound freight plus labor, reloading, trucking, etc., and are not to be replaced except upon receipt of written instructions from Buyer.

9. Delivery Schedule. Buyer's production schedules are based upon the agreement that materials will be delivered to Buyer on the dates specified. Time is therefore of the essence. If deliveries are not made at the time agreed upon, Buyer may terminate this Purchase Agreement or purchase elsewhere and hold Seller accountable for any loss or damage to Buyer. Buyer may, but shall not be obligated to, return to Seller, at Seller's expense, any materials and goods shipped to Buyer in advance of schedule. Any such returned materials and goods shall be transported to Seller F.O.B. Buyer's facility. Buyer may from time to time and with reasonable notice change or temporarily suspend its delivery schedule. If for any reason Seller does not comply with Buyer's delivery schedule, Buyer, in addition to any remedies provided by law, at its sole option, may either approve a revised delivery schedule or terminate the Purchase Agreement. In the event Buyer terminates the Purchase Agreement for Seller's default Seller shall promptly refund all payments made in advance.

10. Shipment Quantities. Shipments must equal the exact amount (or weight, as applicable) ordered. Buyer may, in addition to any other remedies it may have, deduct the amount of any shortage from amounts otherwise due Seller, and may return the amount of any excess to Seller, at Seller's expense, deducting all expenses incurred (including handling charges) from amounts otherwise due Seller.

11. Net Weight. When ordering by weight, price is to cover net weight of material unless otherwise specifically agreed to by Buyer in writing.

12. Packing, Marking and Shipping. Seller, at its own cost and expense, shall pack and ship all work, materials and goods in accordance with the requirements of Buyer and the carrier transporting the same. Seller shall mark each package in accordance with the instructions of Buyer and the carrier transporting the same. Seller will reimburse Buyer for costs incurred as a result of improper packing, marking, routing or shipping.

13. Packing Slips and Bills of Lading. (a) Seller shall obtain a straight bill of lading from the carrier of any work, materials or goods under the Purchase Agreement and shall include on each packing slip and bill of lading the number of the Purchase Agreement and the location of the destination facility. (b) Seller shall include a numbered master packing slip with each shipment and the slip shall be included in one of the packages which shall be marked "Packing Slip Inside." (c) Seller shall retain the original bill of lading for two years from the date of shipment unless otherwise directed by Buyer in writing. (d) Certifications and/or certifications of compliance shall be included with each shipment per the Buyer's instructions.

14. Export/Import. For each international shipment, Seller shall furnish all other required export/import documents. Export credits and custom drawbacks shall belong to Buyer or its designee. Upon request, Seller shall furnish in satisfactory form all documents required to obtain export credits and customs drawbacks or to satisfy any other government requirement, including certificates that identify the country of origin of the materials used in these supplies and the value added in each country.

15. Cancellation of Shipment. Buyer reserves the right to cancel, without charge to Buyer, if the order is not shipped or filled as specified. In case of the order calling for partial shipments, balance may be cancelled or suspended by Buyer if shipments are not made on date specified.

16. Late Delivery Charges. If Buyer determines that Seller's deliveries are so far behind a given schedule that Buyer requires express shipments, then Seller will comply with all express shipment direction and all costs associated therewith, shall be borne by Seller. If Seller's deliveries are so far behind a given schedule that Buyer is compelled to use material not in accordance with the specifications or at a higher cost, then Seller will pay whatever additional costs, expenses, losses or damages that Buyer sustains. The provisions of this paragraph are not intended to limit any other rights and remedies Buyer may have.

17. Stop Work Order. Buyer may at any time and by written order to Seller require Seller to stop all, or any part of, the work being performed hereunder for a period not to exceed ninety (90) days ("Stop Work Order"). Upon receipt of the Stop Work Order Seller will immediately comply with the terms of the Stop Work Order and will take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the Stop Work Order. Within the ninety day period (or such other period as agreed to between the parties), the Buyer will either (i) cancel the Stop Work Order, or (ii) terminate the work covered as provided in the Termination provisions of this Purchase Agreement. If the Stop Work Order is

anceled or the ninety day period expires, the Seller will resume work and the parties will negotiate an equitable adjustment, if warranted, to any additional cost incurred with the re-start, or schedule delay in accordance with the Changes provision of this Purchase Agreement.

18. Work at Buyer's or Its Customers' Premises. If Seller's work under the Purchase Agreement involves operations by Seller, its agents, employees or subcontractors on the premises of Buyer or one of its customers, Seller shall abide by all safety and security rules of the location, take all necessary precautions to prevent the occurrence of any injury to person or property during the progress of such work and, except to the extent that any such injury is due solely and directly to Buyer's and shall indemnify Buyer as provided in Section 28 against all loss which may result in any way from any act or omission of Seller, its agents, employees, or subcontractors.

19. Insurance. Where fulfillment of this Purchase Order requires Seller, including its subcontractors, to perform work on Buyer's premises, Seller shall procure at Seller's own cost and keep in force, in form satisfactory to the Buyer: (a) Workmen's Compensation Insurance, providing for payment to the employees of Seller of compensation under the Workmen's Compensation laws of the state/country in which the work is being performed. (b) Liability insurance covering commercial general liability in a minimum of \$1,000,000 per occurrence with an aggregate minimum of \$5,000,000 for product liability, personal injury (including death) and property damage. Seller will maintain insurance for automobiles, trucks, trailers or other motor vehicles. Evidence of such insurance, in policy or certificate form, shall be deposited with Buyer prior to commencement of the work and when requested by Buyer, Buyer shall be named as an additional insured on said coverage. Coverage may not be reduced or discontinued without notifying Buyer in writing prior to such change.

20. Subcontractors. Seller shall promptly pay all claims and demands for labor performed and for material, machinery, or fuel furnished in the performance of the work contemplated by this order, and shall fully protect and indemnify Buyer against all such claims and against any and all such claims or debts on account of which liens might be obtained. In the event Seller does not promptly pay its subcontractors, Buyer reserves the right in its sole discretion, to directly pay such subcontractors and deduct the paid amounts from the Purchase Agreement price or Seller Invoice amount.

21. Confidential Information. Seller agrees not to disclose to any third party, or use, except in connection with furnishing product or services under this Purchase Agreement, any confidential information relating to Buyer's business, including, without limitation, business and marketing plans, processes, specifications, methods, equipment or trade secrets including, confidential information resulting from performance hereunder.

22. Proprietary Rights. (a) Seller represents and warrants that (i) the sale or use of the work, materials, goods or services subject to the Purchase Agreement and (ii) the sale or use of the work, materials, goods or services subject to the Purchase Agreement in any combination in accordance with any specifications or recommendations of Buyer or Seller, will not infringe any patents, copyrights, industrial design rights or other proprietary rights of any other person or entity. (b) Seller hereby grants to Buyer a perpetual nonexclusive, royalty free, irrevocable right and license to repair,

rebuild and relocate and to have repaired, rebuilt and relocated the work, materials, goods or services subject to the Purchase Agreement. (c) Seller hereby grants to Buyer a perpetual, irrevocable, nonexclusive, paid-up, worldwide license under each and every copyright of Seller that is applicable to any works of authorship fixed in any tangible medium of expression (including, but not limited to, drawings, prints, manuals and specifications) furnished to Buyer in the course of Seller's activity hereunder, to reproduce the copyright work, to prepare derivative works based thereon, to distribute copies of the copyright work to the public, and to display the copyright work publicly, subject to other provisions hereof. (d) All technical information disclosed heretofore or hereafter by Seller to Buyer in connection with the work, materials, goods, or services supplied under or pursuant to the Purchase Agreement is disclosed or will be disclosed on a non-confidential basis. (e) Seller agrees, upon receipt of notifications, to promptly assume full responsibility for the defense of any suit or proceedings which may be brought against Buyer, Buyer's agents or vendees, for alleged patent infringement, as well as for alleged unfair competition resulting from similarity in design, trade-mark, or appearance of the use or sale of any goods furnished on this order, and the Seller further agrees to indemnify Buyer, and Buyer's agents or vendees, against any and all expense, loss, royalties, profits and damages, including court costs and attorneys' fees, resulting from the bringing of such suit or proceedings, and/or from any settlement decree or judgment therein. Buyer may be represented by Buyer's own counsel in any such suit or proceedings, if Buyer so desires.

23. Title to Drawings and Specifications. Buyer shall retain title to all drawings and specifications provided by Buyer to Seller. Seller shall use such drawings and specifications only in connection with this Purchase Agreement and shall keep all such drawings and specifications confidential. All such drawings and specifications shall be returned by Seller upon termination of this Purchase Agreement or at Buyer's request.

24. Buyer's Property. Unless otherwise specifically agreed to by Buyer in writing, all tools, equipment, dies, jigs, fixtures, or material of every description furnished to Seller by Buyer or specifically paid for by Buyer and any replacement thereof, and any materials affixed or attached thereto, shall be and remain the property of Buyer. Such property, and whenever practical each individual item thereof, shall be plainly marked or otherwise adequately identified by Seller as the property of Buyer and shall be safely stored separate and apart from Seller's property. Seller shall not substitute any property for buyer's property and shall not use such property except in filling Buyer's orders. While such property is in Seller's custody or control, Seller shall be responsible for its care and for any loss or damage thereto (excluding normal wear and tear). Such property shall be held at Seller's risk and shall be kept insured by Seller at Seller's expense in an amount equal to the replacement cost with loss payable to Buyer. Such property shall be subject to removal at Buyer's written request, in which event Seller, at its own cost and expense, shall prepare such property for transport to Buyer (F.O.B. Buyer's Facility unless otherwise agreed) and shall redeliver such property to Buyer in the same condition as originally received by Seller, reasonable wear and tear expected.

25. Warranty. SELLER REPRESENTS AND WARRANTS THAT ALL WORK, MATERIALS, GOODS AND SERVICES SOLD AND DELIVERED UNDER THE PURCHASE AGREEMENT (a) CONFORM TO ALL APPLICABLE

SPECIFICATIONS, DRAWINGS, SAMPLES OR OTHER DESCRIPTIONS; (b) ARE FIT AND SUFFICIENT FOR THE PARTICULAR PURPOSE INTENDED (c) ARE OF GOOD MATERIAL AND WORKMANSHIP; (d) ARE MERCHANTABLE; AND (e) ARE FREE FROM ACCEPTANCE, OR PAYMENT BY BUYER OF ANY WORK, MATERIALS, GOODS OR SERVICES SUBJECT TO THE PURCHASE AGREEMENT, AND THE SAME MAY BE REJECTED BY BUYER IF THEY FAIL TO CONFORM AND RETURNED TO SELLER AT SELLERS EXPENSE, AND REPAIRED OR REPLACED PROMPTLY, AT BUYER'S ELECTION, IN ADDITION TO ANY OTHER REMEDIES BUYER MAY HAVE HEREUNDER OR OTHERWISE.

26. Force Majeure and Delays in Delivery. Neither party shall be liable to the other party for a failure to perform that arises from causes or events beyond its reasonable control and without its fault or negligence or reasonable control of the party claiming force majeure. Force majeure includes, but may not be limited to, acts of God, acts of war, terrorism, insurrection or civilian strife, Government restrictions (including the denial or rescission of any export or import license), labor strikes to the extent not foreseeable, or natural disasters. If Seller suffers from such force majeure event, Buyer may at its election, terminate this Purchase Agreement in accordance with the Termination provisions as herein contained and may acquire from Seller or its subcontractors at any tier, possession of any finished work, work in process, and the materials and goods which Seller produced or acquired in accordance with the Purchase Agreement. If Buyer elects to acquire possession of such property, Seller shall immediately transport the same to Buyer pursuant to the Purchase Agreement.

27. Termination. In addition to any other rights of termination set forth in the Purchase Agreement, Buyer shall have the rights of termination that follow: (a) Buyer may immediately terminate this Purchase Agreement in whole or in part, for Seller's uncured default. Buyer will provide Seller written notice of Seller's default and Seller will have fifteen (15) days to cure said default. (b) Buyer may immediately terminate upon Seller's insolvency, filing for voluntary or involuntary bankruptcy, or assignment for the benefit of creditors, in the event a receiver is appointed or in the event Seller ceases operations in the ordinary course of business. (c) Buyer may terminate this Purchase Agreement for Buyer's convenience, either, in whole or in part, at any time, by a written notice of termination to Seller. Buyer shall have such right of termination notwithstanding the existence of an excusable delay under the Purchase Agreement. (d) Upon receipt of the notice of termination described in subsection (a), (b) or (c) Seller, unless otherwise directed by Buyer in writing, shall (i) terminate promptly all work under the Purchase Agreement, (ii) transfer title and deliver to Buyer the finished work, the work in process, and the materials and goods which Seller produced or acquired in accordance with the Purchase Agreement and which Seller cannot use in producing goods for itself or for others; (iii) settle all claims by subcontractors for actual cost that are rendered unrecoverable by such termination; and (iv) take action reasonably necessary to protect property in Seller's possession in which Buyer has an interest. (e) Subject to subsection (d), upon termination by Buyer under this Section, Buyer's liability to Seller shall consist solely of (i) the purchase price for all finished work and completed services which conform to the requirements of the Purchase Agreement, (ii) Seller's actual cost of work in process and materials and goods transferred to Buyer hereof; (iii) Seller's actual costs of

settling the claims by subcontractors of subsection (c) hereof; and (iv) Seller's reasonable, actual cost of carrying out its obligations of subsection (c) hereof. Notwithstanding anything express or implied herein to the contrary, Buyer's liability under hereunder shall not exceed the original contract price that Buyer would have paid to Seller in the absence of termination. (f) In the event of termination for Buyer's convenience as set forth in subsection (c), Seller shall furnish to Buyer, within thirty (30) days after the date of termination, Seller's termination claim and all supporting documentation substantiating the claim. Buyer reserves its right to audit said claim and supporting documentation including, without limitation, Seller's books and records, before or subsequent to payment, to verify amounts requested in Seller's termination claim. (g) Buyer shall not be liable to Seller for any amounts whatsoever if Buyer terminates the Purchase Agreement because of Seller's default.

28. Compliance with Laws. All work and material furnished shall conform to the requirements of the laws of the State/Country where the work is performed, to all applicable local or municipal laws and ordinances and to all applicable regulations of any public authority, including without limitation, the U.S. International Traffic In Arms Regulations, the U.S. Export Administration Regulations and the U.S. Foreign Corrupt Practices Act.

29. Indemnity. Seller shall indemnify and hold Buyer, its successors, assigns, customers and users, harmless from any and all loss, damage or expense whatsoever, including attorneys' fees and costs that may be incurred, and all incidental and consequential damages, as a result of any breach by Seller or its subcontractors, of any of the terms of this Purchase Agreement, or any loss, damage, or injury to persons or property arising out of Seller's performance hereunder or in the event that Seller's products are claimed or adjudicated to infringe the intellectual property of a third part. This indemnity shall be in addition to Seller's standard warranty or any warranty implied by law.

30. Applicable Law. This Purchase Agreement shall be construed and governed by the laws of the state of Michigan, excluding its conflict of laws provisions. All disputes or controversies arising hereunder or relating out of this Agreement will be heard in a state or federal court of competent jurisdiction located in the Western District of Michigan.

31. Arbitration. Any controversy or claim arising out or relating to this Purchase Agreement shall be determined in Buyer's accepting offices by arbitration in accordance with the Rules of the American Arbitration Association. Judgment upon any award may be entered in any state or federal court of competent jurisdiction located in the United States.

32. Advertising. Seller may not, without written consent of an official of Buyer, advertise or publish, in any manner, the fact that Seller has contracted to furnish the materials or services specified. For failure to observe this provision, Buyer shall have the right to cancel the contract resulting from Seller's acceptance of this order without further liability thereon.

33. Waiver. The failure of Buyer at any time or from time to time to promptly enforce any of the provisions of the **Purchase Agreement** shall not be construed as a waiver of such provisions with respect to Seller's act or failure to act to which such failure to enforce related, or to any subsequent act or failure to act, and Buyer

shall have the right to enforce each and every such provision at any time.

34. Modification. Except as otherwise expressly provided in the Purchase Agreement, neither the Purchase Agreement nor any of its terms and conditions may be modified or amended except in writing signed by the party sought to be bound thereby.

35. Non-Assignment. Neither the Purchase Agreement, any interest therein nor any payment due or to become due hereunder shall be assigned or subcontracted by Seller, without the prior written consent of Buyer. Any such assignment or subcontracting by Seller without such consent shall be void. Buyer may assign all of its rights and duties under the Purchase Agreement to a parent, subsidiary or affiliated company without the consent of Seller.

36. Taxes. Except as otherwise provided in the Purchase Agreement, the contract price includes all applicable Federal, State or local taxes applicable to materials provided by Seller.

37. Setoffs and Counterclaims. All claims for moneys due or to become due from Buyer are subject to deduction to Buyer for any setoff or counterclaim arising out of this Purchase Agreement or any other agreement between Buyer and Seller.

38. Supplementary Information. Any specifications, drawings, notes, instructions, engineering notices or technical data referenced in this Purchase Agreement shall be deemed to be incorporated by reference as it is fully set forth, and Seller shall refer to Buyer for decision or instruction or interpretation in case of any discrepancies or questions.

39. Severability. If any part of this Purchase Agreement is found to be void, unenforceable or contrary to law, such a finding shall not affect the enforceability of the balance of this Purchase Agreement, which shall be enforceable in accordance with its terms.

40. Headings. The headings included in this Purchase Agreement are included for reference purposes only and shall not affect its interpretation.

41. Acceptance. This purchase order may be withdrawn by Buyer at any time prior to receipt at Buyer's plant or Seller's written acceptance of same. Any written acknowledgement of receipt of such order shall be considered by Buyer to be an acceptance unless it is therein stated otherwise.

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