

ADI Standard Terms and Conditions

Definitions

Purchase Order: means the document setting out the Buyers requirements for the Contract

Contract: means the contract between the Buyer and the Supplier consisting of the Purchase Order, these Conditions, and any other documents (or parts thereof) specified in the Purchase Order

Buyer: means Applied Dynamics International (ADI)

Supplier: means the person, firm or company who is the supplier of the Goods and/or Services named in the Purchase Order

Goods: means any such Goods supplied to the Purchaser by the Supplier pursuant to or in connection with the Purchase Order

Services: means the Services specified in the Purchase Order.

Price: means the price of the Goods and/or Services as specified in the Purchase Order

Delivery Date: means the date on which the Goods and/or Services are to be delivered to the Buyer, as specified in the Purchase Order

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1. **Acceptance:** Any of the following acts by Supplier shall constitute acceptance of this Order and all its terms and conditions:
 - a. Signing and returning a copy of this Purchase Order
 - b. Delivery of any items ordered
 - c. Supplier's commencement of performance.

Any term or condition stated by the Supplier shall not be binding to the Buyer unless specifically accepted in writing.

2. **Price:** The Supplier shall furnish the Goods and/or Services stated on the Purchase Order in accordance with the price, delivery and terms stated. The price will include all applicable taxes required by law to be paid by the Supplier.
3. **Quantities:** The quantity ordered must be delivered in full. Any unauthorized quantity is subject to rejection and return at Supplier's expense.
4. **Inspection:** All Goods shall be received subject to the Buyer's right of inspection and rejection. Defective Goods or Goods not in accordance with the Buyer's specifications will be held at the Supplier's risk, and if the Supplier so directs, will be returned at the Supplier's expense. If inspection discloses that part of the Goods received are not in accordance with specification, the Buyer shall have the right to cancel any unshipped portion of this Purchase Order. Payment prior to inspection shall not constitute acceptance thereof and is without prejudice to any and all claims that the Buyer may have against the Supplier.
5. **First Article Inspection:** When applicable, the Supplier shall provide one or more representative samples for inspection/verification of the quality requirements. In such cases, the supplier must wait for the Buyer's approval before shipping the remainder of the Purchase Order. First Article Inspection shall not use prototype parts, or parts manufactured using different methods from those intended for normal production process.
6. **On-site Inspection and Audit:** The Buyer retains the right to conduct on-site inspection of the Supplier's processes, equipment, training and qualifications.

7. **Controlled Equipment:** Suppliers shall use controlled equipment as part of their manufacturing process where appropriate. Records must be maintained and be made available for inspection on request.
8. **Training/Quality:** Supplier must have processes in place to:
 - a. Guarantee the correct level of training/accreditation of all involved in working on this order
 - b. Make employees aware of their responsibility to product quality, safety and the importance of ethical behavior.
9. **Warranty:** The Supplier warrants that the merchandise sold to the Buyer hereunder will be of merchantable quality; will conform to applicable specifications, drawings or descriptions furnished by the Buyer; will be free from defects in material and workmanship; and will be sufficient and fit for the purposes intended by the Buyer. The Buyer's approval of design furnished by the Supplier shall not relieve the Supplier of its obligations under this paragraph. The warranties of the Supplier, together with its service guarantees, shall run to the Buyer and its divisions, subsidiaries and affiliates.
10. **Non-conformance:** The Supplier will inspect and verify conformance of Goods and/or Services to meet the engineering drawing and/or Purchase Order requirements before shipping. If any Goods and/or Services are found to be non-conforming, it shall immediately be disclosed to the Buyer, including, but not limited to, quantity shipped, date shipped, and the extent of the non-conformance. Suppliers that receive notification of non-conforming product shall take appropriate containment action. The Supplier will be notified if formal corrective action is required to be submitted to the Buyer.
11. **Cancellation:** The Buyer reserves the right to cancel all or any part of the undelivered portion of this Purchase Order if the Supplier does not make deliveries as specified, or if the Supplier breaches any of the terms hereof, including, with limitation, the warranties of the Supplier.
12. **Delays in Delivery:** The Supplier will not be liable for delays to the delivery date due to force majeure. However, the Buyer may either approve a revised delivery schedule or terminate the Purchase Order either in whole or in part without liability.
13. **Indemnification:** The Supplier shall indemnify and hold the Buyer harmless against any and all losses, claims or actions for personal injury or property damage caused by Goods and/or Services performed by the Supplier pursuant to this Purchase Order.
14. **Applicable Laws:** The Supplier warrants that the merchandise covered by this Purchase Order was not manufactured, sold or priced in violation of any applicable law, and that Goods and/or Services shipped under this Purchase Order will be produced in compliance with the Fair Labor Standards Act. The Supplier agrees to comply with the applicable requirements of the Fair Labor Standards Act and all the regulations and orders of the Department of Labor issued thereunder. All Purchase Orders from the Buyer are issued with reference to the laws of the State of Michigan.
15. **Assignment:** This contract may not be assigned without Buyer's written consent.
16. **Patents:** Supplier, its heirs, successors, assignees and legal representatives, shall forever protect, indemnify and save harmless the Buyer, its agents, divisions, subsidiaries and affiliates, against all claims, suits, judgments, court costs, attorney's fees and other liabilities, demands or losses in any manner arising out of alleged infringement of any patent copyright or trademark rights because of their possession, use or sale of the subject matter to which this agreement relates, provided that the Supplier shall be promptly notified of the bringing of said suits. The Supplier shall have the right to be represented in the defense thereof by counsel of its own selection and at its own expense.
17. **Proprietary Information:** All written information obtained by the Supplier from the Buyer in connection with this Purchase Order, which is identified as proprietary, is received in confidence and shall remain

property of the Buyer and shall be used and disclosed by the Supplier only to the extent necessary for the Supplier's performance.

18. **Title:** Title shall remain with the Supplier until delivery and actual acceptance thereof by the Buyer.
19. **Packing and Shipping:** The Supplier shall not charge for packaging, storage or transportation to F.O.B. point. Goods shall be packaged, marked and prepared in accordance with good commercial practices and marked and labeled as required by applicable laws and regulations. An itemized packing list must accompany each shipment.
20. **Lien/Waivers:** The Supplier shall furnish at the Buyer's request waivers by the Supplier and all other persons entitled to assert any lien rights in connection with the performance of this Purchase Order.
21. **Insurance:** The Supplier shall take out and maintain with a reputable insurance company a policy or policies of insurance that are normal for Goods and/or Services of this nature. The Company shall on demand be entitled to inspect and receive copies of all documents relating to each insurance policy.
22. **Safety and Health:** The Supplier warrants that all Goods and/or Services provided under this Purchase Order conform to and comply with all applicable standards per the Occupational Safety and Health Act (OSHA).
23. **Quality/delivery:** Performance of the Supplier will be measured based on quality and delivery performance. Not meeting one or both can result in disqualification of the Supplier as an Approved Vendor.
24. **Notification Responsibilities:** The Supplier shall notify the Buyer in writing in the event that any one of the following occurs:
 - a. Change to/relocation of the Supplier's facility
 - b. Any change to the manufacturing process
 - c. Change in quality systems
 - d. Change to Quality management System registration, including issuance of a new registration certificate