



PURCHASE ORDER TERMS AND CONDITIONS

In these Terms and Conditions, the "Deliverables" mean those items described in the purchase order on the reverse side; the "Company" means Mechatronics, Inc., Mechatronics, National Precision Ball, National Precision Bearing, Silverthin Bearing, and their respective assigns; and "Vendor" means the firm or person from whom the Company proposes to purchase the Deliverables. The Company offers to purchase from Vendor the Deliverables described in the Purchase Order on the reverse side of the terms, conditions and provisions set forth herein.

1. Price. Vendor warrants that the prices for the items or services covered by this Purchase Order are not less favorable than those currently extended to any other customer for the same or similar items or services in similar quantities. In no event is this order to be filled at higher prices than last previously quoted or charged without Company's written consent. In the event Vendor reduces its prices during the term of this order, Vendor agrees to reduce the price hereof correspondingly. Vendor warrants that the prices shown on this Purchase Order shall be complete, and no additional charges of any type will be added without Company's express written consent. Such additional charges include, but are not limited to, shipping, packaging, labeling, custom duties, taxes, storage, insurance and boxing. If partial shipments are made for the convenience of Vendor, any additional transportation charges will be paid by Vendor.
2. Terms. This Offer may be accepted only on the exact terms set forth in this Purchase Order and any additional or different terms or conditions which may appear in any communication from Vendor are hereby objected to and shall not be effective or binding unless contained in a writing signed by the Company referring to this purchase order. This Offer shall be deemed accepted on the earlier of the date (a) when a purchase order confirmation is received from Vendor or (b) when Vendor begins work on the Deliverables. Unless otherwise indicated in the Purchase Order, Company shall pay each invoice in full within 45 (forty-five) days of receipt of the invoice or acceptance of the Deliverables covered by the invoice, whichever is later.

3. Delivery. Delivery by Vendor of the Deliverables shall be as shown in the "Ship to" block on the face of this Purchase Order or as otherwise directed by Company. Unless otherwise specified on the face of this Purchase Order, all products will be packaged by Vendor in suitable containers to permit safe and secure transportation and handling. Time is of the essence. Delivery shall be strictly in accordance with the schedule set forth in the Purchase Order. Vendor shall expend its best efforts to conform to the mutually agreed upon delivery date or dates. Items delivered more than fifteen (15) days prior to the Purchase Order item delivery schedule, may at Company's option, be returned to Vendor at Vendor's expense. Vendor agrees to notify Company as soon as possible after Vendor becomes aware that it will not be able to deliver any or all of the Deliverables on the date specified for delivery, and Company may thereupon at its sole discretion (a) terminate this purchase order in whole or in part without liability to Company and without waiving any rights to recover damages (including incidental and consequential damages) under the Uniform Commercial Code ("UCC") as adopted in the State of Washington, or (b) require Vendor to use additional effort, including premium effort, and shall ship via air or other expedited routing to avoid or to minimize delay to the maximum extent possible and all at no charge to Company or change in the price and without prejudice to any of Company's rights or remedies, whereupon Vendor shall use such efforts.
4. Risk of Loss and Insurance. The risk of loss from any casualty to the Deliverables, regardless of the cause or of the casualty, shall be on Vendor until the Deliverables have been delivered as provided in paragraph 3 and accepted in the manner provided under paragraph 8. Unless otherwise specified in the Purchase Order, all shipments shall be F.O.B. Preston, Washington, or if international C.I.F. Preston, Washington or other destination specified by Company. Vendor agrees to insure the Deliverables from and against all reasonable and customary hazards and risks of injury and destruction from the time the Deliverables are identified to the contract to the time of delivery. Insurance shall be placed with reputable underwriters and shall name Company as a loss payee as its interests may appear, and such policy shall waive subrogation rights against Company.
5. Inspection at Vendor's Premises. At the request of Company, the Deliverables shall be subject, at any time prior to delivery, to inspection by Company at the premises of Vendor. Vendor, upon such request and without cost to Company, shall provide reasonable facilities and assistance for the safety and convenience of such inspectors. At the time of inspection, Vendor shall make available to the inspectors copies of all such information relating to the Deliverables, including all specifications, drawings, samples, and descriptions, requested by inspectors to facilitate this inspection. This inspection shall be deemed as preliminary only and the Deliverables shall be subject to final inspection and acceptance after delivery at Company's place of business.

6. Adequate Assurances. In the event that Company learns of a non-conformity of the Deliverables prior to delivery, Company may demand from Vendor adequate assurances of cure and Vendor shall provide such assurances, both as to the particular Deliverables in question and as to future installments, if any, within ten business days after such demand. In the event of Vendor's failure to provide adequate assurances, Company may in its sole discretion terminate this contract in whole or in part (including with respect to future installments) without liability to Company and without waiving any rights to recover damages (including incidental and consequential damages) from Vendor or to purchase such Deliverables elsewhere and hold Vendor accountable for "cover" as defined in the UCC as adopted in the State of Washington.
7. Final Inspection. Vendor shall inspect and test the Deliverables prior to their shipment to Company. Notwithstanding any prior payment or prior inspection by Company of the Deliverables, acceptance of the Deliverables shall be subject to final inspection by Company after delivery at Company's place of business. Company shall be entitled to inspect the Deliverables in any manner that is possible and commercially reasonable, including utilizing persons not employed by Company for the purpose of making the inspection.
8. Acceptance of Deliverables. In no event shall acceptance of the Deliverables occur until Company has had a reasonable period of time to conduct a final inspection of Deliverables, however inspection within ten business days following receipt at the delivery point specified in paragraph 4 above shall be conclusively deemed reasonable. Notwithstanding the foregoing, where the Deliverables are an integral part of or a component of a system, acceptance of the Deliverables shall not occur until Company has had a reasonable period of time to conduct a final inspection of the entire system. Company, at Company's option, may reject quantity over shipments that are not specifically covered by a properly executed Change Order to this Purchase Order, and such over shipments are subject to return by Company to Vendor at Vendor's expense.

9. Warranty. The Deliverables shall be in conformity with the highest standards of quality and professionalism. Vendor warrants that the Deliverables shall be free from defects in design, materials and workmanship and shall conform to all applicable requirements, specifications, samples, drawings and descriptions either provided by or to Company, including, without limitation, all requirements, specifications, samples, drawings and descriptions contained or referenced in any other documentation provided or produced by Vendor, shall conform to all applicable requirements of law and government regulation, and shall otherwise be merchantable and fit and suitable for their intended purposes. Vendor further warrants that it owns the Deliverables and has the power to, and shall, transfer the Deliverables to Company free and clear of liens, encumbrances and interests of any kind. These warranties shall survive delivery, inspection, acceptance and payment.
10. Remedies for Non-Conformity. Without prejudicing Company's other rights and remedies, Company may return at Vendor's sole expense all Deliverables which do not conform to Vendor's warranties for a full refund of all sums then paid for the Deliverables. Company may, in addition, return all quantities of Deliverables tendered after the delivery date or in quantities in excess of those ordered. In the event of a non-conforming delivery, Company may, at its option, (a) demand repair and/or replacement of non-conforming Deliverables, whereupon Vendor shall repair or replace such merchandise, (b) terminate the relevant purchase order without waiving rights to recover damages (including incidental and consequential damages) or to purchase replacement goods from other suppliers and (c) hold Vendor liable for cost of "cover" as defined in the UCC.
11. Installment Contracts. Where Vendor is to deliver Deliverables to Company in multiple shipments, it is expressly recognized and agreed that a breach which is substantial with respect to any one installment is conclusively substantial with respect to the entire contract.

12. Default; Remedies. Upon the occurrence of any one or more of the following events, Company shall have the right, at Company's option, in any outstanding order, to (i) cancel and terminate any contract for the purchase of Deliverables without cost or liability to Company and/or (ii) purchase the Deliverables elsewhere and charge Vendor with the difference between the net price for which the Deliverables are actually purchased and the price recorded on this purchase order and/or (iii) exercise all other rights and remedies available to Company under the UCC: (a) Vendor's insolvency or inability to meet its obligations as they become due; (b) filing of a voluntary or involuntary petition of bankruptcy by or against Vendor; (c) institution of legal proceedings against Vendor by creditors or stockholders; (d) appointment of a receiver for Vendor by any court of competent jurisdiction; (e) Vendor's failure to perform or comply with any term or condition in this contract or any order, including Vendor's failure to deliver any Deliverables to Company when due; (f) any warranty made by Vendor is or becomes untrue or incorrect; or (g) Vendor fails to give adequate assurances of performance within ten days from the demand therefore from Company. In the event of Vendor's bankruptcy or insolvency Company shall be entitled to collect from Vendor its attorney's fees and litigation expenses. The rights and remedies provided herein are cumulative and not exclusive of any rights and remedies provided by law or in equity.
13. Warranty of Infringement; Vendor's Authority. Vendor represents and warrants that the Deliverables and any and all other items, technology, and rights and properties of any nature developed by Vendor under this Purchase Order shall be original to Vendor and shall not infringe in any respect on the right or property of any others. Vendor shall not, without prior written approval of Company, use any equipment, suppliers, facilities, or proprietary information of any other party in Vendor's performance under this Purchase Order. Vendor further represents and warrants that Vendor is fully authorized to enter and to perform under this Purchase Order, without infringing any of Vendor's other commitments, agreements, or understandings. Vendor shall defend, indemnify and hold Company and its agents and owners harmless from and against any and all losses, claims, damages, liabilities, obligations, costs and expenses (including reasonable attorneys' fees) arising from or based upon any breach of Vendor's representations or warranties or the use of the Deliverable or any of the rights and properties.

14. Indemnity. Vendor agrees to defend, indemnify, release and hold harmless Company, its directors, officers, employees and agents against and from any and all liabilities, claims, demands, suits, causes of action, losses, penalties, fines, expenses and damages, including reasonable attorneys' fees and court costs for personal injury or bodily injury, including death, to any person and for damages to the property of anyone (including property of Company), arising out of or in connection with the use or sale of the Deliverables, from any patent or hidden defects in the quality of the Deliverables, or any breach of warranty given by Vendor with respect to the Deliverables. No limitation of liability of Vendor contained in any other writing shall be binding on or effective against Company.
15. Right of Setoff. Claims for monies due or to become due from Company shall be subject to deduction by Company for any setoff or counterclaim arising out of this or any other of Company's orders placed with Vendor or contracts made with Vendor. Company expressly reserves all such rights against Vendor and its assignees.
16. Compliance with Laws, Rules & Regulations. Vendor agrees to comply with all applicable State, Federal, and local laws in the purchase, manufacture, processing and delivery of the Deliverables. If violation of such laws has or does occur, Vendor will indemnify and save harmless Company from all loss, penalties, or payments of sums of money on account of such violation.
17. Employees, Agents, and Subcontractors. If Vendor uses any agents or subcontractors ("persons") in its performance under this Purchase Order, Vendor shall first request and receive Company's consent to such assistance and Vendor shall require each such person to be covered by a written agreement binding such person to the terms of paragraph 19 of this Purchase Order for the benefit of Company or its Assignee.
18. Assignment of Purchase Order by Company. The Purchase Order is assignable by Company upon written notice to Vendor, subject, however, to Vendor's written consent, which shall not be unreasonably withheld. Notwithstanding the foregoing, the consent of Vendor shall not be required for the assignment of this Purchase Order by Company to (i) an entity which controls, is subject to common control, or is controlled by Company, or (ii) an unrelated entity that is a national bank or financial institution or an affiliate thereof. Assignment by Company pursuant to this paragraph shall have no effect on, or serve to diminish in any way, Company's rights and remedies under this Purchase Order.

19. Protection of Confidential Information. Vendor acknowledges and agrees that Company's business and future success depends on the preservation of the trade secrets and other confidential information of Company and its affiliates, licensors, suppliers, customers and prospective customers ("Confidential Information"). The Confidential Information includes, without limitation, the Deliverables and all specifications, drawings, prototypes, technical information, patent applications and information, procedural and business and financial information, product and marketing plans, personnel information, know-how and any ideas, concepts, product, methods, inventions, procedures or information that are proprietary to Company, its affiliates, its licensors or its actual or prospective suppliers of customers or that Company is required to keep confidential, whether developed by or provided to Vendor. Vendor agrees to protect and to preserve as confidential during and after the term of this Purchase Order all the Confidential Information at any time known to Vendor. Vendor agrees to take appropriate action to protect and preserve the confidentiality of the Confidential Information and at a minimum to utilize the same effort to safeguard such Confidential Information as it utilizes to protect its own confidential or proprietary information. Vendor shall not disclose any of the Confidential Information without the prior written consent of Company, and Vendor shall neither use nor allow others to use any of the Confidential Information for any purpose other than for the sole benefit of Company as authorized by the Purchase Order, unless specifically approved in writing in advance by Company. Vendor's obligation under this paragraph shall survive any completion or termination of this Purchase Order. Because a violation by Vendor of the provisions of this paragraph could cause irreparable injury to Company and there is no remedy at law for such violation, Company shall be entitled, in addition to all other remedies available at law or in equity, to equitable relief, including injunction and specific performance without posting a bond, as a remedy for any such violations. In the event Company incurs any expenses by reason of Vendor's breach of any term of this paragraph, such actual expenses, including, but not limited to, attorneys' fees, court costs and other expenses, shall be paid by Vendor to Company.

20. Notices. All notices and approvals shall be in writing and given (i) in person; (ii) if mailed, by registered or certified mail, postage and charges prepaid to the address in this paragraph; or (iii) by a national courier service. Notices shall be effective on the earlier of the actual receipt or five (5) days after mailing. All notices to the Vendor shall be directed to the address set forth on the face of this Purchase Order. All notices to Company shall be directed to:

Mechatronics, Inc., 8152 - 304th Avenue SE Preston, WA 98050 Telephone: 425-222-5900

21. No Assignment by Vendor. Vendor's obligations under this Purchase Order are personal and are not assignable to others and any purported assignment shall be void. Without limiting the generality of the foregoing, Company shall have no obligation to pay any invoice designating that payment be made to anyone other than Vendor, provided however, that following receipt by Vendor directing Company to pay a third party, payment in accordance with any such notice shall conclusively satisfy the obligations to Vendor with respect to this Purchase Order.
22. Relation of Parties. The relationship of the parties is one of independent contractors, and neither Vendor nor Company intend to create any partnership, joint venture, employment, or agency. Vendor shall not represent to anyone that Vendor is an agent of Company or otherwise authorized to bind or commit Company in any way.
23. Governing Law. This Purchase Order shall be governed by and interpreted in accordance with the laws of the State of Washington which are in force on the date of this Purchase Order without reference to the United Nations Convention on Contracts for the International Sale of Goods. Unless the context requires otherwise, all terms used in this Purchase Order and that are defined in the UCC shall have the meaning stated in the UCC.
24. Arbitration. Any dispute, difference, controversy or claim touching or arising out of or relating to any contract for the sale of Deliverables hereunder or a breach thereof, which cannot be resolved over a period of at least ninety days shall be resolved by arbitration conducted in the English language in Seattle, Washington and administered by American Arbitration Association ("AAA") or Judicial Arbitration and Mediation Service ("JAMS"). There shall be a single arbitrator appointed by the AAA/JAMS. The prevailing party in any such proceeding shall be entitled to an award of its reasonable attorneys' fees and other costs, including the fees and expenses of the arbitrator and AAA/JAMS, provided that the same may be apportioned by the arbitrator if he or she determines that each party has prevailed in part. The arbitrator's decision shall be final and binding upon the parties, and the award made by the arbitrator may be filed in any court of competent jurisdiction and execution issued thereof. Nothing in this paragraph shall limit the right of Company to exercise at any time self-help remedies under the UCC as adopted in Washington.
25. Severability. If any provision of the Purchase Order is or becomes void or unenforceable, the other provisions shall remain valid and enforceable.

26. Waiver/Modification. This Purchase Order is the complete and exclusive statement of the agreement between the parties and supersedes any or all prior or contemporaneous oral or written communications with respect to the subject matter hereof. No modification, waiver, or amendment hereof shall be binding unless in writing and signed by Company, and no waiver of a right in any instance shall constitute a waiver of the same or any other right in any other instance.