

**IF YOU ARE A NEW CUSTOMER OF MECHATRONICS, INC., YOU NEED TO REVIEW THESE TERMS AND CONDITIONS,
SIGN THEM, AND SEND THEM VIA FIRST CLASS MAIL OR FACSIMILE TO MECHATRONICS, INC. AT (425) 222-6047**

**MECHATRONICS, INC.
CONDITIONS OF CONTRACT
FOR THE SALE OF GOODS**

In these conditions, the "Merchandise" means those items described in Seller's purchase order confirmation; "Seller" means MECHATRONICS, INC., Mechatronics, National Precision Ball, National Precision Bearing, Silverthin Bearing; and "Buyer" means the firm or person by whom Merchandise is to be purchased and all permitted assignees thereof. Seller agrees to sell and Buyer agrees to purchase Merchandise from time to time on the terms, conditions and provisions set forth herein, ALL OF WHICH BUYER HAS READ AND UNDERSTANDS AND TO WHICH IT AGREES.

1. **Terms.** Payment for all Merchandise is due and shall be paid according to the terms appearing on the face of the invoice or purchase order confirmation from Seller. In the absence of such terms, payment terms shall be 1% 10 days; net 30 days. Unless otherwise specifically stated in the invoice or order confirmation, prices do not include city, county, state, Federal or other taxes imposed on the Merchandise. All such taxes shall be added to the price and paid by Buyer. Unless otherwise specifically stated on the invoice, the invoice amount and all taxes shall be paid in cash, in full, when due. Any amount not paid on the date it is due shall accrue interest at a rate of 18% per annum.
2. **Quantity.** Seller shall be deemed to have complied with its contractual obligations in full hereunder notwithstanding a delivery of up to 5% less or 5% more than the quantities appearing on the purchase order. Seller shall be entitled to make partial deliveries and in such case each such delivery shall be invoiced by Seller and shall be paid for by Buyer in accordance with Clause 1.
3. **Delivery.** Seller will make commercially reasonable best efforts to deliver all Merchandise by the delivery date specified on the order confirmation, and will promptly notify Buyer when a delivery is not expected to be timely. If Buyer fails to take delivery promptly of the goods when tendered, any cost, loss or damage arising from such failure shall be at the Buyer's sole risk and expense. Seller may then (but shall not be bound to) take steps at the Buyer's expense to store, protect and insure the goods. Unless otherwise specified in the purchase order confirmation, all goods shall be delivered F.O.B. Preston, Washington. Seller will order only sufficient Merchandise to fulfill Buyer's order and therefore cannot guarantee immediate availability of reorders.
4. **Increased Cost.** If Seller's cost of performance is increased after the date of this contract due to events which are beyond the reasonable control of Seller, or which are otherwise unavoidable, the Buyer agrees to compensate Seller for these increased costs. The Buyer shall bear the burden of any existing, new, or increased tax, public charge, freight, tariff or duty which may after the date of the quotation or contract be levied on or imposed upon this transaction. When unit prices have been based on estimated weights provided by Buyer and if it is determined that the actual weights of Merchandise vary from those provided, the unit prices may be adjusted up or down accordingly.
5. **Changes.** Any changes or deviations required by Buyer as to any Merchandise after Seller's acceptance of Buyer's order shall be agreed upon between both as to any additional cost or savings to be effected by such changes or deviations. In the event that an agreement cannot be reached, then such sales order shall, at the option of either party, be cancelled by written notice, and Buyer shall pay Seller for all expenses incurred up to the time of receipt of such notice.
6. **Services.** If Seller performs any services for Buyer, including but not limited to, payment of drayage, freight, duty or insurance, such services shall be performed as an agent for Buyer and for Buyer's account.
7. **Credit.** If Seller makes a demand for an assurance of performance or payment and Buyer fails to provide reasonably adequate assurances within 10 days, then Seller (without liability to Seller), may refuse, change or withdraw extensions of credit at any time, and may demand cash payments upon delivery or prior to shipment of the goods. If Buyer fails to comply with such changes (such as failure to make cash payments) Seller may, on written notice to Buyer, terminate the order, and in the event of any such termination Buyer shall compensate Seller for any commitments and costs Seller has incurred in connection with the order or termination thereof.
8. **Security Interest.** Buyer hereby grants to Seller a security interest in all Merchandise, whether or not it has been incorporated into other goods or otherwise become accessions, and in the whole into which Merchandise becomes an accession, and in all proceeds and products thereof, including without limitation cash, instruments, documents, letter of credit rights, accounts, payment intangibles and general intangibles, to secure the payment and performance of all obligations now or hereafter owing by Buyer to Seller, and such security interest shall remain valid and enforceable unless and until Buyer makes full payment to Seller for the Merchandise. Until payment, Seller shall be entitled to enter any premises to inspect the goods and if Buyer shall fail to make due payments for them, to retake and re-claim the goods in accordance with the Uniform Commercial Code ("UCC"). Buyer hereby appoints Seller its agent to execute all documents and do all things on its behalf in order to perfect and give full effect to the security interests of Seller pursuant to this Section and to maintain such rights or interests enforceable against third parties in all jurisdictions where the goods may be situated. Buyer shall insure the Merchandise for its full insurable value and shall name Seller as a loss payee with respect to the Merchandise, as its interests may appear.
9. **Claims.** Buyer or its agent shall inspect or test all goods upon receipt. Buyer waives any right to assert a claim against Seller arising from any non-conformity which would have been observable on reasonable inspection or testing at the time of delivery, unless Seller is advised of the nonconformity within 72 hours after receipt of such goods by Buyer. Subject to the foregoing sentence, should any of the goods supplied fail materially to conform to the specifications and description in Seller's confirmation of Buyer's purchase order, then the Merchandise claimed by Buyer to be non-conforming shall be set aside, protected and held by Buyer without further processing until Seller has an opportunity to inspect and advise of the disposition, if any, to be made of such Merchandise. In no event shall any goods under claim be returned, reworked or scrapped by Buyer without the express written authorization of Seller. In the event of non-conformity as aforesaid, Buyer's sole and exclusive remedy will be limited to the repair or replacement of any non-conforming goods or to the repayment of the portion of the purchase price paid by Buyer attributed to the non-conforming item. Availability of remedies shall be subject to Buyer's return of the non-conforming Merchandise, in substantially the condition delivered to Buyer, to a place designated by Seller. UNDER NO CIRCUMSTANCE SHALL SELLER BE UNDER ANY OTHER LIABILITY (AND IN PARTICULAR SHALL NOT BE LIABLE FOR ANY CONSEQUENTIAL, INCIDENTAL, PUNITIVE OR INDIRECT LOSSES, INCLUDING ANY LOST PROFITS).
10. **Warranty.** Seller warrants that the title to the Merchandise shall be free of any encumbrances, and that during the Warranty Period the Merchandise will conform to the agreed written specification, subject to standard manufacturing variances. "Warranty Period" means the one-year period beginning on the date Buyer accepts the Merchandise. SUCH WARRANTIES ARE IN LIEU OF AND EXCLUDE ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, BY OPERATION OF LAW OR OTHERWISE, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR THE BUYER'S PARTICULAR PURPOSE. ANY AIRCRAFT OR AEROSPACE PARTS SUPPLIED BY SELLER MAY BE MILITARY SURPLUS PARTS. Although employees of Seller are available for consultation concerning the selection of goods and required specifications, they are not authorized to warrant the suitability of any goods for any particular use or application, and it is Buyer's responsibility to determine whether the Merchandise meets local legal requirements, the specifications of Buyer's customers, and are suitable for Buyer's intended purpose. The images of Merchandise appearing in websites, catalogues, or brochures, are intended for purposes of illustration and do not constitute any warranty of condition or quality. Seller assumes no responsibility for the adequacy or performance of engineering, designs or specifications furnished by Buyer.
11. **Force Majeure.** Seller shall provide notice at the earliest practicable time in the event of non-fulfillment or delayed performance of all or any part of any contract for the sale of Merchandise, due, directly or indirectly, to any Act of God, government orders, rules or restrictions, fire, flood, war, strikes, labor disputes, transportation delays, loss or damage to the Merchandise in transit, Seller's inability to obtain or ship the goods, the failure of any third party to supply Seller with the Merchandise, or any other casualties, contingencies, occurrences or conditions whatsoever beyond the reasonable control of Seller (collectively, a "Force Majeure Event"). Following such

notice, Seller shall have such additional period of time, up to 60 days, to fulfill performance, and if Seller cannot fulfill performance within such period due to the Force Majeure Event then either party shall have the option to perform or cancel the contract or any unfulfilled portion thereof, at no penalty or cost to Seller.

12. **Choice of Law.** Each contract for the sale of Merchandise hereunder 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 Agreement, without reference to the United Nations Convention on Contracts for the International Sale of Goods. Whenever a term defined by the UCC as adopted in the State of Washington is used in this contract, the definition in said UCC shall control. In the event that the Buyer fails to perform any of its obligations, Seller shall be entitled to all legal and equitable remedies including those specified herein and under the UCC.
13. **Modifications; No Waiver.** No modification or waiver of any term or condition herein shall be effective unless in writing and signed by Seller. Seller may accept or reject any modification at its sole discretion and if the proposed modification is rejected, then Buyer shall continue to be bound by the purchase order confirmation, the invoice, and these Terms and Conditions.
14. **Default; Remedies.** Upon the occurrence of any one or more of the following events, Seller shall have the right, at Seller's option, in any outstanding order, to (i) cancel and terminate any contract for the sale of Merchandise without cost or liability to Seller and/or (ii) sell the undelivered portion of the Merchandise elsewhere and charge Buyer with the difference between the net price for which the Merchandise is actually sold and the price recorded on the applicable purchase order and/or (iii) declare immediately due and payable all sums owing to Seller whereupon such sums shall become immediately due and payable and Seller may exercise all rights and remedies of a secured party under the UCC and/or (iv) exercise all other rights and remedies available to Seller under the UCC: (a) Buyer'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 Buyer; (c) institution of legal proceedings against Buyer by creditors or stockholders; (d) appointment of a receiver for Buyer by any court of competent jurisdiction; (e) Buyer's failure to perform or comply with any term or condition in this contract or any order, including Buyer's failure to pay any sum owing to Seller when due; (f) any warranty made by Buyer is or becomes untrue or incorrect; or (g) Buyer fails to give adequate assurances of performance within ten days from the demand therefor from Seller. In the event of any such termination, or any cancellation by Buyer, Buyer shall compensate Seller for any commitments and costs Seller has incurred in connection with such contract or termination thereof. Any security interest in favor of Seller shall survive such termination until all sums owing to Seller are paid in full. The rights and remedies provided herein are cumulative and not exclusive of any rights and remedies provided by law or in equity.
15. **Protection of Proprietary Information.** Buyer agrees and acknowledges as follows: (a) Confidential Information, and any and all patents, copyrights and other rights related thereto, are the sole property of Seller and/or its assigns; (b) Buyer's use of the Confidential Information shall at all times be only for Seller's benefit; (c) at all times, Buyer agrees to keep in confidence and trust all Confidential Information, and not to use nor to disclose any Confidential Information or anything relating to it without Seller's prior written consent; (d) Buyer agrees to return all Confidential Information and "Physical Property" (samples, documents, equipment, and any and all other physical property, whether or not pertaining to Confidential Information) to Seller immediately upon Seller's request. "Confidential Information" is to be construed broadly and includes, but is not limited to, all of the following relating to Seller or the Merchandise: business methods, data and other recorded information, customer lists and information, pricing, designs, samples, drawings, ideas and proposals, inventions, know-how, materials and documents, products, programs, sources of supply, specifications, techniques, contacts and relationships, trade secrets, and the like, all whether in preliminary or final form and in and on any media whatsoever, that are created, conceived, reduced to practice, developed, discovered, invented or made, whether before or during the term of this Agreement. Confidential Information does not include: (a) what is already public at the time of disclosure to Buyer; (b) what is later publicly made known without any unlawful acts, omissions and conduct of Buyer or third-parties; and (c) what is provably and demonstrably already known to Buyer prior to any disclosure of Confidential Information.
16. **Buyer's Indemnity.** Buyer shall, except in the case of Seller's gross negligence or intentional misconduct, indemnify, defend and hold Seller and its agents and employees harmless from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs and expenses (including attorney's fees) imposed on, or incurred or sustained by or asserted against Seller by any person or persons whatsoever, based upon or arising from the purchase, sale or use of Merchandise. Buyer shall make no sale or shipment of any merchandise contrary to U.S. law, and shall indemnify the Seller against costs, penalties, and fines resulting there from.
17. **Export Statement.** Seller's merchandise is subject to U.S. Export Control Laws, including the Export Administration Act and its associated regulations and may be subject to export or import regulations in other countries. Buyer agrees to comply strictly with all such regulations and acknowledges that it has the responsibility to obtain licenses to export or re-export the merchandise or any parts thereof. The merchandise and its parts may not be exported or re-exported into, or to a national resident of any country to which the U.S. has embargoed goods or to anyone on the U.S. Treasury Departments list of Specially Designated Nationals, the U.S. Commerce Departments list of Denied Parties, Unverified List, Entity List or the U.S. State Departments Debarred List without the explicit approval of U.S. Export Licensing Authorities.
18. **Collection; Attorney's Fees.** Buyer shall pay all costs of collection of any delinquent sum, including compensation made to any collection agency, and reasonable attorneys' fees, costs and expenses incurred, including fees, costs and expenses incurred in any bankruptcy proceeding.
19. **Arbitration.** Any dispute, difference, controversy or claim touching or arising out of or relating to any contract for the sale of Merchandise 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 Seller to exercise at any time self-help remedies under the UCC as adopted in Washington.
20. **Solvency.** Buyer warrants that it is solvent within the meaning of the United States Bankruptcy Code and the UCC.
21. **Assignability.** Buyer shall not assign any order without the prior written consent of Seller.
22. **General.** The terms and conditions set forth herein constitute the entire contract between Seller and Buyer, relating to the sale of goods, acceptance is limited to the terms of these terms and conditions and no additional or different terms proposed by Buyer shall become part of the contract between Seller and Buyer unless Seller expressly agrees in writing. This contract prevails over any and all inconsistent terms proposed by Buyer in any purchase order issued by Buyer or otherwise. Acceptance of Buyer's order by Seller is expressly made conditional on Buyer's assent to these terms and conditions of sale, evidenced either by Buyer's written acknowledgment or by conduct that recognizes the existence of a contract with respect to the goods described in Seller's purchase order confirmation or invoice.

Agreed and executed this _____ day of _____, 200__.

Buyer:

MECHATRONICS, INC.

By: _____

By: _____

Its: _____

Its: _____