



COBASYS

3740 Lapeer Road South
Orion, MI 48359
248.620.5700

SPECIAL TERMS AND CONDITIONS

FOR PRODUCTION COMPONENTS

Special Terms and Conditions for Production Components

- 1) This blanket contract is in effect for one year from the Effective Date. It may be extended for consecutive one year periods at the discretion of Cobasys for the life of the product program as described by Cobasys' customer for which the production component is designed. The inclusion of multi-year pricing covering such possible extensions is not an extension of the expiration date. This contract and/or individual purchase orders issued pursuant to it are subject to termination pursuant to these Special Terms and Conditions for Production Components and Cobasys General Terms and Conditions of Purchase.
- 2) Releases may be issued to Seller in the form of purchase orders for those components or services ("Components") which Cobasys wishes to purchase from Seller. This contract and all purchase orders issued pursuant to it shall constitute a single contract and not an installment contract.
- 3) This contract, the purchase orders, and Cobasys' General Terms and Conditions of Purchase set forth the exclusive terms and conditions under which Seller shall sell and Cobasys shall purchase the Components described in the line item detail of this contract. Cobasys' General Terms and Conditions of Purchase are integrated into and supplement this contract and are available on Cobasys' website at www.cobasys.com. These Special Terms and Conditions for Production Components shall take precedence over any General Terms and Conditions of Purchase of Cobasys to the extent they cannot be reconciled. Terms and conditions proposed by Seller which are different from or in addition to the provisions of this contract are unacceptable to Cobasys, are expressly rejected by Cobasys, and shall not become a part of this contract.
- 4) **DEFECT FREE PARTS REQUIREMENT:** All Components will be provided with zero percent defects. Seller shall maintain a capable process to meet the above requirements and maintain control of those processes. Seller shall be responsible for all costs resulting from the receipt of the defective parts. These costs can include, but are not limited to, containment, sorting, rework, scrap, returns to Seller, returns and fines from Cobasys' customer, value added to the parts by Cobasys, down time and transportation.
- 5) **QUALITY SYSTEMS REQUIREMENT:** The Quality standards of ISO/TS 16949:2002 for the automotive industry and TL 9000 for the telecommunications industry supplement other quality standards required by Cobasys. Seller shall demonstrate capability and compliance to these standards by certification or audit. Seller shall immediately inform Cobasys of any event that may affect Seller's ability to comply with such standards or Seller's loss of certification under such standards.
- 6) **DELIVERY REQUIREMENTS:** Seller shall maintain a 100% on time delivery record based on Cobasys' releases. Seller is responsible for any charges incurred to meet Cobasys' schedule. Seller shall maintain production and delivery capacity so that deliveries can be made in accordance with these schedules. Seller shall immediately inform Cobasys if there is any risk of variation from the schedule and shall take all available measures to avoid such variations. Cobasys and Seller are aware that the actual need for the parts is driven by the requirements of Cobasys' customer and that both parties must adopt a flexible approach in order to adjust to these requirements. If Seller delivers a quantity in excess of the authorized released amount, Cobasys shall not be responsible for taking delivery of the excess and is entitled to return the excess at Seller's expense.
- 7) **SUPPLY BANK PROVISION:** Seller shall maintain a supply bank equal to 40 days of anticipated demand based on Cobasys' releases in an outside warehouse prior to contract expiration date at no cost to Cobasys. This inventory shall be in place 60 days prior to the expiration of any collective bargaining agreement or any other event that could adversely affect the timeliness of Seller's deliveries.
- 8) **SAMPLE PROMISE DATE:** The sample promise and production ready dates listed in the APQP checklist are binding and may not be altered without written consent of Cobasys. Seller shall follow PPAP guidelines for sample submission as outlined in the PPAP manual. PPAP submissions are due on or before the due date specified and should be shipped to the address listed as the ship to address on this contract to the attention of the assigned Supplier Quality Engineer. All conditions of the APQP system must be met in a timely manner. If Cobasys rejects a sample, Seller shall correct the parts and reimburse Cobasys for verification testing of the part after the correction.
- 9) **RIGHT TO AUDIT:** Seller grants to Cobasys access to all pertinent information, including, but not limited to, books, records, receipts, correspondence and other documents for the purpose of auditing Seller's charges under this contract. Seller will preserve these documents for a period of one year after the final payment under this

contract. In addition, all work, materials, inventories and other items provided under this contract must be accessible to Cobasys, including, but not limited to, parts, tools, fixtures and gauges. Seller will segregate its records and otherwise cooperate with Cobasys so as to facilitate the audit.

10) PROCESS CHANGES: Once a sample has been approved, Seller may make changes to the process only after written approval from Cobasys Purchasing. Delivery after any approved change may only be made after the submission and approval of a new sample. This includes changes in subcontractors and their processes.

11) CANCELLATIONS AND CHANGES: Cobasys has the right to terminate this contract or make changes in quantities, specifications, and/or schedules in purchase orders or other releases for any or no reason, without incurring any liability to Seller, except for Seller's reasonable costs incurred prior to the effective date of such termination or change, as provided in Cobasys' General Terms and Conditions of Purchase.

12) ACCEPTANCE OF COMPONENTS: Acceptance of Components is subject to Cobasys' right of inspection, approval and test on arrival. If Components are rejected or acceptance is revoked, Cobasys will generally notify Seller within 30 days after arrival or discovery of nonconformity, which notice is agreed to be reasonable. Such Components will be held for a reasonable time at Seller's expense and risk. Payment for nonconforming Components or services shall not constitute an acceptance thereof, or limit or impair Cobasys' right to assert any legal or equitable right or remedy, or relieve Seller of responsibility for latent defects. In the event of Seller's failure to correct defects in or replace nonconforming Components or services promptly, Cobasys may repair, replace or correct such Components and services and charge Seller for the cost incurred by Cobasys in doing so.

13) WARRANTY OF COMPETITIVENESS: Seller warrants that the Components and services shall remain competitive in terms of price, technology, design and quality with similar Components and services available to Cobasys. If, in the reasonable opinion of Cobasys, the Components or services do not remain competitive, Cobasys, to the extent it is free to do so, will notify Seller in writing of the area(s) in which another product or supplier is more competitive with respect to price, technology, design or quality. If within 30 days, Seller does not agree to immediately sell the Components and services at a competitive price, or, if applicable, with comparable technology design or quality, Cobasys may terminate this contract and purchase from another supplier without liability to Seller. Cobasys and Seller will use their best efforts to implement cost savings and productivity improvements to reduce Seller's costs.

14) SERVICE AND REPLACEMENT PARTS. Seller shall sell to Cobasys Components as ordered by Cobasys for use as service and replacement parts, at the price set forth in the purchase order. If the Components are systems or modules, Seller shall sell to Cobasys as ordered by Cobasys the system or module, or the components or parts that comprise the system or module. The prices for the components or parts shall not, in the aggregate, exceed the price of the system or module less assembly costs. During the 15 years after Cobasys completes production for use by an original equipment manufacturer's current model purchases, Seller shall sell Components to Cobasys as ordered to fulfill Cobasys' past model service and replacement parts requirements. Unless otherwise agreed to by Cobasys in writing, the prices during the first five years of this period shall be those in effect at the conclusion of purchases for production for the original equipment manufacturer. For the remainder of this period, the prices for Components shall be as agreed to by the parties, not to exceed the lower of (a) the cost of manufacturer and a reasonable contribution to overhead and profit; (b) the prices at which Cobasys is obligated to sell to its Customer; and (c) the prices at the conclusion of production for use by an original equipment manufacturer's current models. When requested by Cobasys, Seller shall make service literature and other materials available at no additional charge to support Cobasys' service part sales activities. Notwithstanding the foregoing, this is not a requirements contract, and Cobasys is only obligated to purchase Components as stated in a purchase order.

15) INVOICING: Invoices subject to cash discount shall be mailed on the day they are dated. If they are not, the discount period will begin on the day invoices are received by Cobasys' Accounts Payable Department. Failure to attach a Bill of Lading or Express Receipt to the invoices and provide other documentation requested by Cobasys will delay payment and the discount period will begin when said documents are received.

16) WARRANTY: Seller warrants and represents to Cobasys, its customer and any original end user, that for a period of the greater of (i) the term of warranty required of Cobasys by its customer, or (ii) 36 months or 36,000 miles from the date of delivery to a final user of a vehicle or component or part manufactured or distributed to Cobasys into which have been incorporated Components delivered pursuant hereto (or, if such Components are not incorporated into a vehicle or component part, for a period of at least 36 months from the date of delivery thereof to Cobasys); such Components will be free from defects in material, design, workmanship and title; will be

fit and sufficient for the purpose intended; will be merchantable; and will conform to the specifications, drawings, samples or other descriptions furnished or specified by Cobasys. Seller waives the time and/or mileage limitations to which the foregoing warranties are subject in the event that after the applicable warranty period has expired, there are failures of or defects discovered in a material of a statistically significant portion of the Components sold hereunder, or a defect is discovered which, in Cobasys' opinion, poses a significant threat of damage to property or to the health or safety of any person. Seller shall defend, indemnify and hold Cobasys harmless in respect of the cost of recall campaigns and other corrective service actions that, in Cobasys' reasonable judgment, are required to rectify nonconformities in the Components that are the result of a breach of warranty.

17) INDEMNITY: Seller shall take all necessary precautions to prevent any injury to persons or property in the performance of this contract and shall maintain adequate insurance covering any liabilities which may arise there from. Seller shall assume the defense, indemnify and save harmless Cobasys with respect to any claim based on any act or omission of Seller in the performance of this contract or a defect in Components supplied hereunder.

18) INTELLECTUAL PROPERTY: Seller shall: (a) defend, hold free and harmless and indemnify Cobasys, its successors and customers against all claims, demands, losses, suits, damages, liability and expenses (including reasonable attorney fees) arising out of any suit, claim or action for actual or alleged direct or contributory infringement of, or inducement to infringe, any United States or foreign patent, trade name, trademark, copyright, mask work right or other intellectual property rights by reason of the manufacture, use or sale of the Components or services ordered, including infringement arising out of compliance with specifications furnished by Cobasys, or for actual or alleged misuse or misappropriation of a trade secret resulting directly or indirectly from Seller's actions; (b) waive any claim against Cobasys under the Uniform Commercial Code or otherwise, including any hold harmless or similar claim, in any way related to a claim asserted against Seller or Cobasys for patent, trade name, trademark, copyright or mask work right or other infringement claim, including claims arising out of compliance with specifications furnished by Cobasys; and (c) grant to Cobasys a worldwide, nonexclusive, royalty free, irrevocable license to make and have made, to repair and have repaired, to reconstruct and have reconstructed the Components ordered hereunder. Seller assigns to Cobasys all rights, title and interest in and to all trademarks, copyrights, trade names and mask work rights in any material created for Cobasys under this contract. Any patented or unpatented knowledge or information concerning either Cobasys' or Seller's products, production or other methods, processes, scheduling, sources of supply, customers, marketing, or otherwise which that party may disclose to the other attendant or incident to this contract shall be deemed to have been disclosed as part of the consideration hereunder and shall not be given other use, shall be retained in confidence by the party to which disclosed, and, to the extent represented by or in samples, writings, drawings or other tangibles, shall be returned to the disclosing party simultaneously with termination under this contract or at any time upon demand, subject to any license granted. Seller shall give Cobasys specific written notice of any such confidential knowledge or information (and of any license or other agreement relating to the use or dissemination thereof) embodied in the Components governed by this contract prior to delivery thereof. If the parties have signed a separate non-disclosure or confidentiality agreement, the terms of that agreement shall take precedence over the terms of this Section.

19) COBASYS OWNED TOOLING: All Components, materials, tools, jibs, dies, gauges, fixtures, molds, patterns, equipment and other items furnished by Cobasys or a Cobasys customer, either directly or indirectly to Seller to perform this contract, or for which Seller has been reimbursed by Cobasys or Cobasys customer, shall be and remain the property of Cobasys or Cobasys customer, and Seller shall bear the risks of loss of and damage to the subject property. The subject property shall at all times be properly housed and maintained by Seller, shall not be used by Seller for any purpose other than the performance of this contract; shall be conspicuously marked by Seller as "Property of Cobasys" or as otherwise indicated by Cobasys; shall not at any time become subject to any lien in favor of any creditor or other contract party of Seller; shall not be commingled with the property of Seller or with that of a third person; and shall not be moved from Seller's premises without Cobasys' prior written approval. Upon the request of Cobasys, such property shall be immediately released to Cobasys or delivered to Cobasys by Seller, either (i) F.O.B. transport equipment at Seller's plant, properly packed and marked in accordance with the requirements of the carrier selected by Cobasys to transport such property, or (ii) to any location designated by Cobasys, in which event Cobasys shall pay to Seller the reasonable cost of delivering such property to such location. Cobasys shall have the right to enter onto Seller's premises at all reasonable times to inspect such property and Seller's records with respect thereto. Seller, at its own expense, shall furnish, keep in good condition, and replace when necessary all Components, materials, tools, jibs, dies, gauges, fixtures, molds, patterns, equipment and other items furnished by Cobasys or a Cobasys customer. All such items must be maintained in a condition that is adequate for at least one year of production based on Cobasys' forecasts and historical production levels. The cost of changes to such items necessary to make design changes and specification changes authorized by Cobasys in writing shall be paid for by Seller unless otherwise provided in a purchase order.

20) COMPONENTS DISCLOSURE AND SPECIAL WARNINGS AND INSTRUCTIONS: Seller shall furnish to Cobasys: (i) a list of all materials in the Components purchased hereunder; (ii) the amount of one or more materials; and (iii) information concerning any changes in or additions to such materials. Prior to and with the shipment of the Components purchased hereunder, Seller shall furnish to Cobasys sufficient warning and notice in writing, including appropriate labels on Components, containers and packing of any hazardous material which is a part of any of the Components, including MSDS sheets, together with such special handling instructions as may be necessary to advise carriers, Cobasys, and their respective employees of how to exercise that measure of care and precaution which will best prevent bodily injury and property damage in the handling, transportation, processing, and use or disposal of the Components, containers and packing shipped to Cobasys.

21) APPLICABLE LAWS: The rights and obligations arising out of this transaction shall be determined by the laws of the State of Michigan. Seller shall comply with all laws which may apply to this transaction. Seller shall provide Cobasys with a certificate of compliance with any applicable laws upon request and to indemnify and save harmless Cobasys with respect to any claims resulting from Seller's failure to comply with any applicable law.

22) NON-DISCLOSURE: This contract is confidential between Cobasys and Seller and none of the details connected with it shall be disclosed to any third party without Cobasys' written consent. Seller shall not make any use of, or disclose to third parties, any data, designs, drawings, specifications, or other information furnished to it by Cobasys, except as may be necessary for the completion of this contract. Such data, designs, drawings, specifications and other information shall remain the exclusive property of Cobasys and upon completion, cancellation or termination of this contract and Seller shall return them to Cobasys along with any copies thereof.

23) NON-ASSIGNMENT: This contract and the rights and obligations hereunder may not be assigned by Seller without the prior written consent of Cobasys.

(12/07/07)