

## Entire Agreement

Any Order or Release is accepted at the discretion of AZDEL and only with the understanding that the Order or Release is subject to these Terms and Conditions. These Terms and Conditions likewise are incorporated into every agreement between AZDEL and Buyer, and AZDEL expressly rejects Buyer's terms in any form unless expressly accepted in writing by AZDEL in advance of the Order or Release.

## Warranty

AZDEL warrants that the goods will conform to the description on the face of the Order or Release and to the appropriate material's specifications. THIS WARRANTY IS GIVEN TO THE EXCLUSION OF ALL OTHER WARRANTIES, EITHER EXPRESSED OR IMPLIED. AZDEL WARRANTS NEITHER MERCHANTABILITY NOR FITNESS FOR A PARTICULAR PURPOSE. ANY DRAWINGS, DESCRIPTIONS, OR ILLUSTRATIONS NOT EXPRESSLY MADE PART OF THE CONTRACT ARE NOT BINDING. Tolerances customary in the trade or industry will apply to all goods.

## Quality System

AZDEL is a raw material supplier under BMAP rules of AIAG; Production Part Approval Process (PPAP) 4th Edition. Proprietary formulations and processes will not be subject to customer review. AZDEL is registered under ISO 9001:2000 only. We will not accept purchase order conditions that require us to be registered under any other quality system such as ISO 14000 or TS16949. AZDEL will meet initial PPAP and APQP requirements as per agreed commitments with our customers and will provide default PPAP submission warrants. Additional customer requests for PPAP submissions are to be negotiated separately and may result in additional cost to the customer.

## Claims by Buyer

Any claim not made in accordance with this paragraph is waived by Buyer, whether for damage, shortage, late delivery, non-delivery, or otherwise. Every claim shall be made by registered mail and shall include an offer for AZDEL to inspect the goods. Claims for late delivery must be made within 60 days after the date of delivery specified in the Order or Release; all other claims must be made, and acknowledged by AZDEL, within 30 days after arrival of the goods at the destination if within the USA, or at the port of entry if outside the USA. Where a claim is made for shortage or damage, Buyer must also notify the carrier and insurer within 30 days from arrival at destination or port of entry, as described above. In the event of an unexcused late delivery or non-delivery, AZDEL will pay no more than 10% of the purchase price of the goods as liquidated damages. For any other breach of the contract, AZDEL's sole liability will be replacement of goods for which timely claim has been made with goods of an equal specification and amount or, at AZDEL's option, refund of that portion of the purchase price that can be allocated to nonconforming goods rejected by Buyer.

## Price Increases

In the event that AZDEL's costs are increased as a result of increased transportation charges, insurance rates, customs duties, interruptions or deviations of shipment, changes in currency conversion rates, or governmental action between the date of the Order and the date on which AZDEL receives full payment, the price shall be increased accordingly. If any such factor increases AZDEL's costs where such price increase is prohibited by law, AZDEL may terminate the contract upon thirty (30) days' notice to the Buyer.

## Delivery

AZDEL may deliver the goods in more than one lot, each to be considered as a separate contract to be paid for separately. If the mode or time of shipment is subject to Buyer's future instructions, such instructions must be clearly given to AZDEL at least 30 days before the first shipment date. If such instructions are not so received or if they cannot be complied with for any reason outside of AZDEL's control, then AZDEL must invoice the goods on the shipment date as if shipped and a) ship the goods at AZDEL's convenience or b) store the goods at Buyer's expense and risk in any warehouse, or c) declare the contract canceled. Any changes of up to 10% of Order or Release volume must be communicated to AZDEL no later than two weeks prior to the agreed upon shipping date and is subject to acceptance by AZDEL. Any other change must be communicated to AZDEL no later than four weeks prior to the agreed upon shipping date and is subject to acceptance by AZDEL. Such changes may require an updated purchase order and may affect pricing, delivery time, or shipping cost. If expedited shipping is required due to circumstances solely within AZDEL's control and not related to Buyer's late instructions or changes, and if in those circumstances AZDEL agrees to cover a portion of the shipping costs, then AZDEL's maximum responsibility will be for the difference between the expedited shipping costs and the amount for which the Buyer would have been responsible if expedited shipping had not been required.

## Inspection

Pre-delivery inspection by Buyer shall be permitted only if AZDEL agrees to such an inspection in writing or requests that such an inspection be made; inspection shall, in any case, be at Buyer's expense and be on reasonable conditions fixed by AZDEL. Upon delivery of goods, Buyer shall promptly inspect the goods. No claim may be based on defects ascertained by any inspection unless Buyer furnishes AZDEL with a written inspection report. In the event that AZDEL disagrees with Buyer's inspection report, an inspection report by a reputable neutral concern furnished by AZDEL shall be binding.

## Permits & Licenses

Buyer represents that it has obtained all import licenses, exchange permits and all other critical governmental permits necessary to fulfill the contract and agrees to deliver copies of all such documentation to AZDEL within 10 days of the date of Buyer's purchase order or release under the contract.

## Letters of Credit

Letters of Credit must be established within 10 days of the date of the contract. Letters of Credit must a) be irrevocable, b) permit partial shipments, c) be issued by or confirmed and payable by a bank in the USA, d) conform to the "Uniform Customs and Practices for Documentary Credits" issued by the International Chamber of Commerce, and e) provide that Bills of Lading or dock receipts shall be deemed clean notwithstanding any notation of surface dirt.

## Payment

All sales are Net 30 days, FOB Lynchburg, Virginia, USA, unless otherwise agreed to in writing by AZDEL. Amounts outstanding beyond the agreed to payment terms will be assessed a penalty of 0.5% per month until paid.

## Force Majeure

Force Majeure events shall include but are not limited to: acts of God; labor disturbances; shortage of goods; AZDEL's supplier's non-delivery or failure to make timely delivery; transportation difficulties; AZDEL's inability to obtain suitable insurance, licenses, or permits; governmental action; or any other cause beyond AZDEL's control that causes delay or non-delivery.

## Security Interests

If the purchase price and other charges advanced for Buyer's account are not paid when due or within 10 days thereof, or if Buyer fails to open any Letter of Credit provided for herein, then AZDEL shall have a security interest in the goods and their proceeds. Buyer authorizes AZDEL to execute on its behalf any financing statements or other documents necessary to perfect such interest.

## Remedies

If Buyer fails to perform any term of the contract or fails to cause any Letter of Credit to be extended for the necessary time where shipment is delayed by Force Majeure; or if AZDEL in its judgment determines that Buyer's credit is unsatisfactory; or if Buyer ceases to conduct its operations in the normal course of business including but not limited to inability to meet its obligations as they mature; or if any petition authorized by any bankruptcy or insolvency laws of any jurisdiction is filed by or against Buyer and is not dismissed within 10 days; or if a trustee or receiver of Buyer's property is appointed; or if Buyer makes an assignment for the benefit of any creditors; or if a judgment against Buyer remains unsatisfied or unbonded for 10 days; or if Buyer withholds any portion of the amount due without AZDEL's consent, then AZDEL may, at its option, either a) declare the unpaid purchase price and any other indebtedness of Buyer to AZDEL immediately due and payable, b) cancel the contract, c) terminate any other contract with Buyer, d) revoke Buyer's credit privilege and continue business on a cash basis; e) exercise all rights in any security interests given by Buyer, f) invoke any and all other remedies available at law or in equity or in arbitration, or g) any combination of the above.

## Assignment

The contract may not be assigned by Buyer without the prior written consent of AZDEL.

## Severability

If any provision of the contract is held invalid, that provision shall be severed from the contract and the remaining provisions continue in full force and effect.

## Limitation of Actions

Any action or arbitration based on the contract is waived unless initiated within one year after the underlying claim arises.

## Non-Waiver

The failure of AZDEL to enforce at any time for any period of time any provision of the contract shall neither be construed as a waiver of that provision or any other provision of the contract nor limit any right of AZDEL to enforce any provision thereafter.

## Merger and Modification

These terms and conditions and the Order or Release, to the extent that its stated terms are not inconsistent with these terms and conditions, together with all things expressly incorporated herein by reference, shall constitute the entire agreement between the parties, and the parties are bound by no obligation not expressly set forth therein. Except as provided in a contract between the parties, no waiver, alteration, modification, rescission, or termination shall be binding except in writing signed by both parties.

## Choice of Law

This Agreement, and all claims or causes of action (whether at law, in contract, or in tort) that may be based upon, arise from, or relate to this Agreement or the negotiation, execution, or performance hereof, shall be governed by and construed in accordance with the laws of the State of New York, USA, without regard to conflicts of law rules.

## Arbitration

All disputes arising out of or connected with the contract, its interpretation, or breach shall be submitted for arbitration before a panel of three, to be conducted according to the rules of the American Arbitration Association and to be held in the State of New York, U.S.A. The award shall be binding and enforceable through any domestic or foreign court of competent jurisdiction.