

## PURCHASE ORDER GENERAL TERMS AND CONDITIONS

*(For Procurement of Non-Production Products)*

*No. T&C-Non-Production Products -20080901-CHINA*

### 1. Offer; Acceptance; Formation of Contract; Exclusive Terms

A. These Purchase Order General Terms and Conditions (the "**General Terms**") shall constitute an indispensable part of each purchase order issued by Purchaser (as identified in each purchase order) for purchase of Products (as defined in Section 2 hereof). Each purchase order, together with these General Terms (collectively, the "**Order**") constitutes an offer by Purchaser to the party to whom such Order is addressed (the "**Seller**" or the "**Supplier**") to enter into a contract contemplated by the Order (the "**Procurement Contract**") and shall be the complete and exclusive statement or terms of such offer and Procurement Contract, superseding all previous relevant agreements and other documents, if any, unless otherwise expressly provided for in such previous agreements, the Order, these General Terms or other relevant documents. For the avoidance of doubt, an Order does not constitute an acceptance by Purchaser of any offer or proposal by Seller, whether in Seller's quotation, acknowledgement, invoice or otherwise. In the event that any Seller quotation or proposal constitutes an offer, that offer is hereby expressly rejected by Purchaser.

B. A Procurement Contract is formed when Seller accepts an Order of Purchaser, i.e. Seller accepting the offer of Purchaser. Each Order shall be deemed accepted upon the terms and conditions of such Order by Seller by written acknowledgement, shipment of Products (as defined below) ordered, commencement of manufacture of the Products, or by any other conduct of Seller that recognizes the Order. Generally, Seller's acceptance of the Order shall be made within seven (7) working days after Seller's receipt of the Order; otherwise, Purchaser shall be entitled to withdraw the Order without bearing any liabilities.

C. Acceptance by Seller is limited to acceptance of the terms and conditions of an Order in its entirety and no modification, replacement or supplement to any of the terms and conditions of the Order shall be allowed. Acceptance shall be invalid if the Order is modified, replaced or supplemented by Seller. In case Seller makes any modification, replacement or supplement and, concurrently, performs under the Order by act (such as by delivery of Products), Purchaser may select to reject or accept Seller's performance; provided, however, that if Purchaser accepts Seller's performance, unless a duly authorized representative of Purchaser (the "**Authorized Representative**") has signed in writing (a "**Signed Writing**") to confirm Purchaser's acceptance of the aforementioned modification, replacement or supplement, Seller shall be deemed to have accepted the terms and conditions of the Order in its entirety and expressly waived such modification, replacement or supplement.

Only the Authorized Representatives of Purchaser are competent to sign on behalf of Purchaser an Order, Order amendment and any other document binding upon Purchaser. Such Authorized Representatives shall include Purchaser's legal representative, general manager, head of the purchase department and their respective representatives authorized in writing. The seal stamped by Purchaser on any Order, Order amendment and any other document binding upon Purchaser shall be limited to the administrative seal and contract seal of Purchaser. If any Order, Order amendment or any other document binding upon both parties is signed by any person other than an Authorized Representative of Purchaser or stamped with a seal other than the administrative seal and contract seal of Purchaser and Purchaser ratifies the effectiveness of such Order, Order amendment or other document retroactively by actual performance thereof, then such retroactive ratification shall only be limited to such Order, Order amendment or other document and shall not apply by analogy to any other Order, Order amendment or document.

D. In the event of any conflict between an Order and these General Terms or any prior relevant agreement or document exchanged between Purchaser and Seller, the Order shall govern.

## 2. Applicability of General Terms

A. These General Terms apply to all Orders issued by Purchaser to Seller after Sept. 1, 2008 for purchase of any Products from Seller. The Products under these General Terms shall mean the goods not for production usage or purpose, including, without limitation, office furniture, office articles, production and R & D facilities (such as modules, tooling, equipment, machinery, devices) and other commodities not for production usage or purpose (collectively, the "**Products**"). The exact name, code and specification of the Products procured by Purchaser from Seller shall be specified in each Order by Purchaser.

B. These General Terms apply to all Suppliers, including, without limitation, any Directed Supplier. A "**Directed Supplier**" refers to any supplier from which Purchaser has been requested or recommended to procure Products at the direction or suggestion of Purchaser's customer and/or the ultimate Original Equipment Manufacturer ("**OEM**") customer (collectively, the "**Customer**"), and/or supplier to which, due to a Customer's product description, specification or other limitation, Purchaser is limited for the purchase of the Products required. Each Directed Supplier acknowledges the applicability of these General Terms and agrees to be bound by these General Terms.

C. In addition, for the avoidance of doubt, Supplier Requirements Manual, Packaging and Shipping Requirements, and other manuals, guidelines, documents and requirements, as the same may be amended from time to time, which may be provided by Purchaser to Seller together with each Order or otherwise, are incorporated herein by reference. In the event of a conflict between any of the above documents and these General Terms, these General Terms shall govern unless Purchaser expressly indicates otherwise in writing.

D. No exception to, deviation from, or waiver of, these General Terms shall be valid or binding on Purchaser unless expressly specified on the face of an Order or made in a Signed Writing by an Authorized Representative of Purchaser with the affixation of Purchaser's administrative seal or contract seal.

E. Purchaser may use the words "Lear Corporation" and/or the trademark of Lear Corporation on an Order or any other relevant document, which shall not be construed, however, as an Order or document issued by Lear Corporation nor shall it be construed that Lear Corporation should be liable or enjoy any right under such Order or documents. Such Order or other document shall not be binding upon Lear Corporation unless it is specifically issued by Lear Corporation.

## 3. Relevant Documents

The following one or several documents may be signed by Purchaser for purchase of certain Products based on the relevant circumstances. As described above, such documents shall be superseded by an Order except as otherwise expressly provided in such documents *per se* or the Order itself. However, in any case, if there is a conflict between such documents and the Order, the Order shall govern.

A. Joint Development Agreement ("**JDA**"). This is an agreement between Purchaser and another party to jointly develop a specific product.

B. Request for Quotation ("**RFQ**"). This is an introductory-step document, which may potentially generate an offer from Purchaser to Seller to be contained in an Order. It may include Volume and Duration Projections and specifications for the Products to be quoted for.

C. Quotation. Following the RFQ, this is generally the next step in generating the offer from Purchaser to Seller contained in an Order. It also may include Volume and Duration Projections and may reference projected prices.

D. Order Amendment. This is an amendment to an Order issued by Purchaser on Purchaser's purchase order form through Purchaser's standard purchasing protocol to reflect an amendment or modification to the Order, which will be sent to Seller together with the Order.

#### **4. Quantity**

Quantity of the Products is specified in the Procurement Contract.

#### **5. Competitive Products**

Seller guarantees that the Products provided by it to Purchaser are competitive in terms of cost, quality, delivery, technology and after-sales service. Seller's failure to meet this requirement is a basis for Purchaser to cut down the prices of the related Products or return them back to Seller.

#### **6. Price**

A. Prices charged for each batch of Products procured by Purchaser shall be set forth in the Order or such other document as agreed upon by both parties. Seller undertakes that (1) the prices of the Products it sold to Purchaser, in terms of quotation, sales and delivery, are in compliance with the applicable laws and regulations; (2) such prices shall be no less favorable than those of the like Products it sells to any other purchasers; (3) the prices charged for Products by Seller shall be persistently competitive compared with the prices charged by any other suppliers on the market; and (4) the prices, once determined, are not subject to increase for any reason (other than reasons attributable to Purchaser), such as any increase based upon changes in raw material pricing or labor, unless agreed to by a Signed Writing by a Purchaser's Authorized Representative.

B. In addition, in case of Purchaser's procurement in batches and in large scale as well as Purchaser's requirement for cost savings, Seller agrees to unconditionally reduce the prices accordingly to ensure that the Products are persistently competitive.

#### **7. Quality**

A. Seller is fully aware of Purchaser's purpose of procuring the Products and, if the Products are facilities for production or R & D, after purchasing the Products from Seller, Purchaser will use the Products to assemble or manufacture automotive components or assemblies or provide support to such assembly or manufacture.

B. Seller shall meet all quality requirements hereunder, under the Procurement Contract and such other documents agreed to be binding upon both Parties.

C. Products sold by Seller to Purchaser shall, in all aspects, conform to China's national standards, industry standards as well as such standards, specifications, drawings, samples, descriptions and requirements of such other documents provided by Purchaser to Seller (the "**Standards**"). In case the Products are imported by Purchaser from Seller, they shall further comply with the applicable international conventions.

During the manufacturing process, if Seller discovers any doubt or deficiency in the Standards, it shall promptly notify Purchaser thereof. Without prior written consent of Purchaser, Seller shall not make any modification or improvement to the Standards.

D. Seller is fully responsible for the qualities of components and services and other aspects of the supply provided by its subcontractors. Seller must maintain ongoing supervision on the qualities of the components, services and other aspects of the supply provided by its subcontractors to ensure that all Products and services provided by them conform to all applicable Standards.

E. Whether the Products conform to the Standards or other requirements or not shall be subject to the results of the testing or appraisal conducted by Purchaser or a qualified inspection institute entrusted by Purchaser. If Seller has any objection to the results of the testing or appraisal conducted by Purchaser, the results of the testing or appraisal by the qualified inspection institute shall be binding upon both Parties and in such case, all the fees charged by the inspection institute shall be borne by Seller. For nonconforming Products, Purchaser will retain such Products at its premises or the place where such Products are located at the time and notify Seller thereof. Seller shall reply within ten (10) calendar days upon receipt of Purchaser's notice and remove the nonconforming Products within twenty (20) calendar days upon receipt of Purchaser's notice. Otherwise, Seller shall be deemed to have abandoned the nonconforming Products, and Purchaser shall have the right to dispose of such Products in any manner. Seller shall pay Purchaser storage fees, freight and disposal fees in an amount equal to 5% of the original total price of the nonconforming Products. Such payments made by Seller shall not release Seller from assumption of any other contractual obligations and legal liabilities arising from or in connection with the nonconforming Products.

## **8. Delivery**

A. Time and quantity of delivery are of the essence for the Procurement Contract. Seller shall deliver the Products in strict accordance with the time, quantity and other directions specified in the Procurement Contract. Purchaser may change Seller's scheduled shipments or instruct a temporary suspension of Seller's scheduled shipments, in which cases, the prices set forth in the Procurement Contract shall remain unchanged. Where the quantity and/or delivery date are unclear, Seller shall make delivery as per the instructions issued by Purchaser thereafter.

If Seller delays in delivery, it shall pay liquidated damages to Purchaser equal to zero point two percent (0.2%) of the total price of the Products so delayed for each day of delay. In case Seller's shipments are less than the prescribed quantity, the shortage shall be deemed as delay in delivery on the part of Seller and Seller shall pay penalty to Purchaser in accordance with the preceding sentence. If Purchaser suspends its production or is liable for any compensation or other obligations to its Customer or any third parties as a result of such delay in delivery or shortage of shipment, Seller shall compensate Purchaser and be liable in accordance with Section 23.B hereof in addition to its obligation to pay penalty.

If Seller delays in delivery of the Products for over thirty (30) days due to any reasons not attributable to Purchaser or Force Majeure, Purchaser shall be entitled to terminate the Procurement Contract, in which case Seller shall, in addition to Purchaser's other remedies and claims hereunder and under the Procurement Contract, pay to Purchaser a penalty of no less than ten percent (10%) of the total price of the Products and the specific percentage of penalty shall be determined in the Order; in case there's no such determination in the Order, the penalty shall be ten percent (10%) of the total price of the Products.

B. Unless as otherwise expressly specified in the Order, freight and other shipping and transportation costs, loading and unloading expenses, insurance premium and other relevant expenses incurred by Seller in delivering the Products to Purchaser in accordance with the Order shall be Seller's sole responsibility.

C. Seller may deliver to and unload the Products at the place specified by Purchaser in the Order or such other place as otherwise notified by Purchaser or its designated agent (the “**Destination**”). Seller shall be deemed to have completed the delivery of the Products after the Products are unloaded and placed at the Destination as evidenced by a written confirmation of receipt signed by Purchaser. Prior to delivery of the Products to the Destination, all risks of the Products, including, without limitation, loss, damage and contamination, shall be borne by Seller. The title to the Products shall be immediately transferred from Seller to Purchaser after delivery of the Products at the Destination.

D. Seller shall, at the time of the delivery of the Products, deliver to Purchaser all materials relating to the Products, including, without limitation, technical data, specifications, drawings, all materials related to the inspection, testing, installation, pilot operation, operation and maintenance of the Products and spare parts.

## **9. Technology and Intellectual Property**

A. The technical specification and requirements for the Products shall be determined, to the extent applicable, in accordance with the designs, drawings, specifications, samples and other technical information provided or acknowledged by Purchaser (collectively as “**Specifications**”). Purchaser may modify the Specifications it provides. Such modification shall become effective upon delivery of notice thereof to, and acknowledged by, Seller.

B. Seller shall promptly inform Purchaser of any inconsistencies or ambiguities in Purchaser's specifications of which Seller is or becomes aware. After reviewing Purchaser's specifications, Seller must immediately notify Purchaser in writing of any questions that Seller has as to whether the Products that Seller is producing will meet Purchaser's needs.

C. Intellectual Property referred to herein shall include patent, trademark, trade name, service mark, copyright, know-how, trade secret, and packaging and decoration puritan to well-known commodities. Seller confirms that Purchaser owns all Intellectual Property on any and all of the Specifications provided by Purchaser to Seller. Seller undertakes that it shall neither transfer or license any of Purchaser's Intellectual Property to any third party nor use it for any purpose other than for producing and supplying the Products to Purchaser. In addition, Seller shall comply with the confidentiality obligations set forth in Article 39 below.

D. Seller warrants that it owns all legal rights in and to the Intellectual Property it used in the Products and services it provides (including ownership right, proprietary right, use right and disposal right) other than the Intellectual Property provided by Purchaser and that it has the right to provide Purchaser with the Products and services containing such Intellectual Property. In the event that any Intellectual Property used in the Products provided by Seller is licensed to Seller by a third party, Seller warrants that the use and sale of Seller's Products by Purchaser are completely within the scope of such third party's license.

E. Seller warrants that the Intellectual Property used in the Products and services by Seller and the use and sale of Seller's Products by Purchaser do not infringe on the Intellectual Property of any third party. Seller agrees:

(1) to defend, hold harmless and indemnify Purchaser and its affiliates as well as their respective directors, officers, employees and agents against any actions or claims, demands, losses, damages, liability, fines, fees and expenses (including fees payable to attorneys, experts and consultants, settlement costs and litigation and arbitration costs) arising out of any alleged infringement by a third party of any Intellectual Property as a result of the manufacture, use or sale of the Products, including infringement arising out of compliance with the Specifications

furnished by Purchaser or actual or alleged misuse of any trade secret arising, directly or indirectly, from Seller's conduct in the manufacture or sale of the Products; and

(2) to waive any claim against Purchaser or its Customer in respect of any alleged infringement of Intellectual Property by Seller or Purchaser, including infringement arising out of compliance with Specifications furnished by Purchaser.

F. Seller warrants that all copyrightable works (including, but not limited to, computer programs, technical specifications, documentation and manuals), ideas, inventions (whether patentable, patented or not), know-how, processes, compilations of information, trademarks and other Intellectual Property used in or covered by the Products, other than that provided by Purchaser, shall be original to Seller and shall not incorporate any unlicensed Intellectual Property of any third party.

G. With respect to the manufacture, use and sale of the Products sold by Seller to Purchaser, Seller hereby grants to Purchaser, its successors, assigns, buyers and customers of the Products an irrevocable, non-exclusive and worldwide license to use free of charge the Intellectual Property of Seller and its affiliates incorporated or used in the Products. The license shall be effective from the first delivery of the Products under an Order.

H. Unless with prior written consent of Purchaser (which consent may be given or refused in its sole discretion), Seller shall not provide any third party with any Products containing Purchaser's Intellectual Property. Any Intellectual Property furnished by Purchaser to Seller shall only be used for the manufacture of the Products for delivery to Purchaser and shall not be used for any other purposes. Any Products manufactured by Seller for supply to Purchaser shall only be used for supply to Purchaser and shall not be otherwise disposed of.

## **10. Inspection, Installation, Commissioning, Pilot Operation and Acceptance**

### **A. On-Site Inspection Prior to Shipment by Seller**

(1) Purchaser shall have the right to enter Seller's premises during normal business hours to inspect the production facility, design, production process and storage of the Products. Purchaser's inspection of the Products, whether during manufacture, prior to or after delivery, shall not constitute acceptance of any Products.

Notwithstanding prior inspection, payment for, or use of the Products, Purchaser shall have the right to reject any of such Products that does not conform to the Standards, Specifications or any such other requirements set forth in the Order.

(2) Seller shall conduct an inspection of the Products by itself before shipment of the Products and shall issue an inspection report and quality certificates to certify that the Products comply with the Procurement Contract in respect of quality, specifications, quantity, weight, packaging, safety and hygiene and shall attaché the quality certificates to the Products.

### **B. Unpacking Inspection**

(1) The unpacking inspection of all Products supplied by Seller shall be conducted within seven (7) days of the arrival of the Products at the Destination or within such period as determined in the Order. Seller shall dispatch inspection personnel at its own cost to attend the inspection.

If Seller's inspection personnel fail to be present at the Destination for the unpacking inspection as scheduled due to reasons on the part of Seller or Seller informs Purchaser that it will not attend the inspection, Purchaser shall be entitled to conduct the unpacking inspection on its own account and in this case, the inspection results recorded by Purchaser shall be effective and binding upon both Parties. For avoidance of doubt, in case the unpacking inspection of the Products are conducted by Purchaser itself according to this Paragraph, Seller shall not be released from any of its obligations or liabilities hereunder and under the Procurement Contract.

(2) The purpose of the unpacking inspection is to check: (i) if the packaging of the Products meet the Standards and is not damaged; (ii) if the Products are the true ones ordered by Purchaser, (iii) if the Products are complete in quantity and in line with the packing list; (iv) if the attached documents and materials are enclosed; and (v) if there's any damage to the Products.

(3) If in the unpacking inspection the Products are found to meet all the requirements under the preceding paragraph, the representatives of the Parties shall sign an Unpacking Inspection Certificate in two (2) originals and each Party shall hold one (1) of them.

(4) If in the unpacking inspection the Products are found to not meet any of the requirements set forth in Article 10 B (2) above, the representatives of the Parties shall prepare and sign an accurate records reflecting the factual circumstances of the unpacking inspection, which shall be used as the evidence for Purchaser's claim against Seller or for return the Products to Seller decided by Purchaser in its sole discretion. In case the representatives of Seller refuse to sign the records, Purchaser shall have the option to: (i) regard it as the failure of the Products to pass the unpacking inspection and, thus, Purchaser shall be entitled to return the Products back to Seller; or (ii) employ a local qualified inspection institution to inspect the Products at the cost of Seller and the results of such inspection shall be binding upon both Parties. For the avoidance of doubt, in case Purchaser chooses to return the Products to Seller, Purchaser shall still be entitled to such other remedies that are available under the Procurement Contract and the applicable law.

For imported Products which are required to go through mandatory commodity inspection under the Chinese laws and regulations, the results of the inspection of the competent import and export commodity inspection authorities shall be binding upon both Parties. In case mandatory commodity inspection is not required for the Products, Purchaser may, at its own discretion, apply to the competent import and export commodity inspection authorities at the Destination for unpacking inspection of the Products or for another separate inspection following the unpacking inspection of the Products by the Parties. The result of such unpacking inspection or the follow-up inspection shall be effective and binding upon both Parties. In case the results of the inspection by the said authorities show that the Products are non-conforming, Seller shall bear all the cost for such inspection in addition to its other liabilities under the Procurement Contract.

(5) Upon receipt of a notice of claim from Purchaser, Seller shall immediately provide the remedy requested by Purchaser, including, without limitation, taking back the Products, replacement or repair of the Products or any defective or missing parts of the Products free of charge, payment of compensation or reduction of the purchase price of the Products. Any taking back, replacement or repair of any part of the Products required hereunder shall be effected by Seller promptly at its own cost.

#### **C. Installation and Commissioning**

In case installation and commissioning of the Products are required under the Procurement Contract, Seller shall, in accordance with the schedule of Purchaser and at its own cost, dispatch qualified and experienced technical personnel to the premises designated by Purchaser to carry out installation and commissioning of the Products. If the Products are certified to be conforming after the installation and commissioning, the representatives of the Parties shall sign a Letter of Confirmation.

If Seller's technical personnel refuse or fail to be present at the designated premises of Purchaser according to the Purchaser's scheduled to carry out the installation and commissioning of the Products, Purchaser shall have the option to (i) either install and commission the Products by itself or by a third party employed by Purchaser, all at the cost of Seller or (ii) return the Products back to Seller at the cost of Seller and to claim for damages against Seller according to the Procurement Contract and these General Terms. In case the installation and commissioning of the Products are conducted by Purchaser itself according to this Paragraph, Seller shall not be released from any of its obligations and liabilities hereunder and under the Procurement Contract.

#### **D. Pilot Operation**

In case Pilot Operation is necessary and agreed by the Parties in the Procurement Contract, Seller shall, according to the schedule of Purchaser and free of charge, designate qualified and experienced technical personnel to the designated premises of Purchaser to join and assist Purchaser in the Pilot Operation and performance test of the Products.

If Seller's technical personnel refuse or fail to be present at the designated premises of Purchaser to join and assist Purchaser in the Pilot Operation of the Products, Purchaser shall have the option to (i) either conduct the Pilot Operation by itself or by a third party employed by Purchaser, all at the cost of Seller, and the results of such Pilot Operation recorded by Purchaser shall be effective and binding upon both Parties or (ii) return the Products back to Seller at the cost of Seller and claim for damages against Seller according to the Procurement Contract and these General Terms. In case the Pilot Operation is conducted by Purchaser itself according to this Paragraph, Seller shall not be released from any of its obligations or liabilities hereunder and under the Procurement Contract.

"Pilot Operation" shall include "**No Load Test**", which means the operational test conducted on the Products without producing any products, and "**Load Test**", which means the trial production on the Products for the purpose of conducting the Performance Test after connecting to all relevant facilities and with materials being processed. "**Performance Test**" means the tests conducted to confirm whether the products manufactured by the Products have achieved the technical performance and requirements of Purchaser.

If the Pilot Operation shows that the Products have met the requirements of the these General Terms and the Procurement Contract, the representatives of both Parties shall sign a Final Acceptance Certificate in two (2) originals and each Party shall hold one (1) such certificate.

If, following the Pilot Operation, the Products fail to meet the requirements of these General Terms and the Procurement Contract, Seller shall immediately work out measures for repairing and improving the Products. After such repair and improvement, a separate Pilot Operation shall be conducted on the Products immediately. In case the Products fail to meet the requirements of these General Terms and the Procurement Contract for three (3) times, Purchaser shall be entitled to return the Products back to Seller at the cost of Seller and to claim for damages against Seller according to the Procurement Contract and these General Terms.

#### **E. Final Acceptance**

Final Acceptance shall refer to the final test and acceptance of the Products conducted in accordance with the provisions specified in this Section E.

(1) In case Pilot Operation on the Products is necessary under the Procurement Contract, the Products shall be regarded as having been accepted by Purchaser if and when the representatives of both Parties sign a Final Acceptance Certificate according to Section D of this Article 10.

(2) In case the Parties agree in the Procurement Contract that Products shall be used by Purchaser for an agreed period of time, the Products shall be regarded as having been accepted by Purchaser if Purchaser issues a Final Acceptance Certificate to Seller upon the expiration of the said period of time.

(3) In case the Parties agree in the Procurement Contract that Products shall be installed and commissioned, the Products shall be regarded as having been accepted by Purchaser if the representatives of both Parties have signed the Letter of Confirmation under Section 10 C hereof.

(4) If no installation, commissioning and/or Pilot Operation are required under the Procurement Contract, the Products shall be regarded as having been accepted by Purchaser if and when the representatives of both Parties sign an Unpacking Inspection Certificate according to Section B (3) of this Article 10.

(5) If the Parties agree in the Procurement Contract upon such other final acceptance procedures, the Final Acceptance shall be conducted according to such procedures.

### **11. Warranty**

A. Seller warrants that: the Products are manufactured with the use of high quality and brand new (not second-hand) materials and components and are free from any defects in design, material or quality; the Products meet the Specifications, Standards and all applicable PRC laws and international conventions; and it has full ownership of the Products and has the right to sell them to Purchaser, free from any lien, mortgage, pledge, any other security interest or any other third party rights.

B. For each Products, Seller grants to Purchaser a minimum warrant period of twelve (12) months commencing from the date of completion of the Final Acceptance of such Product. In case the PRC laws and regulations provide a longer period of warranty period, then the warranty period provided by the PRC laws and regulations shall apply. Seller's responsibility under this warranty shall include, without limitation, all parts, labor and transportation costs in the event the Products must be returned to Seller for repair or replacement.

C. Seller shall also offer to Purchaser an extended warranty on the Products on commercially reasonable terms at least as equally favorable as the warranty offered by Seller to any other purchaser of comparable equipment. Seller shall advise Purchaser in writing of the terms of such extended warranty prior to delivery of the Products to Purchaser. Purchaser shall have the option to purchase the extended warranty until the expiration of a period of sixty (60) days after the Final Acceptance of the Products.

D. Seller warrants to Purchaser, its successors and assigns that all the Products supplied to Purchaser shall be equipped with approved or appropriate safety safeguarding devices and other safety systems required by applicable laws, regulations or industry standards.

## **12. Changes**

A. Purchaser reserves the right at any time to direct changes to the Products under any Order, Order amendment or Procurement Contract, including, but not limited to, changes in the design (including drawings and specifications), processes, methods of packing and shipping and the date or place of delivery of the Products or changes in the scope of the work covered by the Procurement Contract (including work with respect to such matters as inspection, testing or quality control). Seller agrees to promptly implement such changes once it is directed by Purchaser. Any such changes shall not affect the time for performance or the cost thereof under the Procurement Contract unless Seller provides Purchaser with written notice of a request for adjustment to the time for performance or cost within ten (10) calendar days of the date of Purchaser's notice to Seller of the change. After auditing such claim, Purchaser shall determine whether Seller's claim for adjustment is appropriate. Any such request by Seller for adjustment to the time for performance or cost of performance under a Procurement Contract must be solely and directly the result of the change directed by Purchaser and any notice of such request will be considered by Purchaser only if accompanied by all relevant information sufficient for Purchaser to verify such request. Moreover, Purchaser has the right to review all relevant records, facilities, work or materials of Seller to verify such request raised by Seller. Seller shall consider and advise Purchaser of the impact of a design change on the system in which the Products covered by the Procurement Contract are used. Nothing in this Article 12 shall excuse Seller from performing the Procurement Contract as changed.

B. Without the prior written consent of Purchaser, Seller shall not make any changes to any Order, the Products covered by the Order or anything related thereto, including, without limitation:

(1) the price of any of the Products covered by the Procurement Contract;

(2) the fitness, form, function, appearance or performance of any Products covered by the Procurement Contract; and

(3) the production method, or any program or software used in the production or procurement of any Products under the Procurement Contract.

Any of the foregoing changes by Seller without the prior written approval of Purchaser shall constitute Seller's Breach.

### **13. Financial and Operational Condition of Seller**

Seller represents and warrants to Purchaser as of the acceptance of each Order and at the time of each delivery of Products that: (i) it is not insolvent and is paying all debts as they become due; (ii) it is in compliance with all loan covenants and other obligations; (iii) all financial information provided by Seller to Purchaser concerning Seller, if any, is true and accurate; (iv) such financial information fairly represents Seller's financial conditions; and (v) all financial statements of Seller have been prepared in accordance with generally accepted accounting principles, which are uniformly and consistently applied.

### **14. Seller Insolvency**

In case Seller's business encounters material deterioration, or it moves away its property, or it loses commercial credibility, or any other circumstances occur that cause it to be unable to perform its obligations, Purchaser may immediately suspend the implementation of the Procurement Contract and notify Seller thereof. During the suspension, Purchaser has the right to procure Products from any third party. If Seller fails to provide appropriate guarantee satisfactory to Purchaser or resume the capability of performing the Procurement Contract within fifteen (15) calendar days of its receipt of Purchaser's notice of suspension, Purchaser shall have the right to terminate the Procurement Contract without any liability to Seller.

In addition, Purchaser may immediately terminate the Procurement Contract without being liable to Seller upon the occurrence of any of the following or any other similar or comparable event:

- (1) filing of a voluntary petition in bankruptcy by Seller;
- (2) filing of an involuntary petition in bankruptcy against Seller; or
- (3) appointment of a receiver or trustee for Seller.

### **15. Remedies for Breach by Seller**

A. The rights and remedies reserved to Purchaser under each Procurement Contract shall be cumulative with, and additional to, all other or further remedies provided in the laws and regulations. Without limiting the generality of the foregoing, should any Products fail to conform to the warranties made by Seller or should any Products provided by Seller fail to conform to the requirements hereof and under the Procurement Contract, Purchaser shall notify Seller and Seller shall, if requested by Purchaser, indemnify Purchaser from and against, among others, any special, incidental and consequential damages caused by nonconforming Products, including, but not limited to, costs, expenses and losses incurred by Purchaser:

- (1) in inspecting, testing, repairing or replacing such nonconforming Products or parts thereof;
- (2) resulting from production interruptions;
- (3) in taking remedial actions; and
- (4) in connection with claims for personal injury (including death) or property damage caused by such nonconforming Products or parts thereof.

The nonconforming Products or parts thereof shall be handled in accordance with Section 7.E. above.

B. Notwithstanding anything to the contrary contained in any Order, Purchaser does not release any claim against Seller that is based in whole or in part on any fraud or duress in connection with the Order or any breach or anticipatory breach of the Order on the part of Seller.

## **16. Termination**

### **A. Purchaser's Right to Terminate for Seller's Breach.**

Purchaser has the right to cancel any Order or terminate any Procurement Contract immediately without notice to Seller and without any liability to Seller if:

- (1) Seller is in breach of the Procurement Contract; or
- (2) Seller expressly indicated or demonstrated by conduct not to perform any of its major obligations.

B. Seller has no right to terminate the Procurement Contract unless otherwise authorized hereunder or agreed upon by the Parties in writing.

## **17. Limitation of Damages**

In no event shall Purchaser be liable to Seller for any indirect loss. This limitation of liability provision applies to all Orders and Procurement Contracts. Purchaser's liability for a claim of any kind by Seller or for any loss or damage arising out of or in connection with or resulting from any Order, Procurement Contract, the Products or any other agreement between Purchaser and Seller is limited to reasonable losses. The obligations of Purchaser to Seller due to Purchaser's unilateral termination of a Procurement Contract shall not exceed those of Purchaser in case such Procurement Contract is not terminated.

## **18. Assignment**

Seller shall not assign or delegate any of its duties or obligations under any Procurement Contract to any third party without the prior written consent of Purchaser, which consent may be withheld in Purchaser's sole discretion. Seller may assign its creditor's right to claim for payment of the Products to a third party provided that the rights of Purchaser against Seller or the assignee are superior to any rights of such assignee and any and all of the following conditions shall be satisfied:

- (1) Any such assignment shall not prohibit or impair Purchaser from enforcing its rights against Seller or the assignee, including, without limitation, Purchaser's rights to setoff under Article 29;
- (2) Such assignment can practically be implemented;
- (3) The assignee is an enterprise legal person, not a natural person or such other organization;
- (4) Such assignment is not against Chinese laws and regulations;
- (5) Purchaser shall have received from Seller a written notice on assignment which shall detail the amount of credit assigned, the basis for such credit, the name and address of the assignee, the bank accountant of the assignee, etc.

**19. Customs Declaration, Etc.**

In case of import of Products by Purchaser from overseas sources, Seller shall be responsible and bear all cost for all export customs clearance formalities and licenses.

Seller shall furnish Purchaser all documents required for customs declaration purposes in accordance with applicable Chinese government regulations. Seller shall furthermore provide all information (including written documents and electronic transaction records relating to Products) necessary for Purchaser to fulfill any customs-related or other governmental agency-related obligations to enable Purchaser to claim preferential duty treatment at the time of entry for Products eligible under applicable trade preference regimes, and to make all arrangements that are necessary for Products to be covered by any applicable duty deferral or free trade zone program(s) of the country of import. Seller shall provide Purchaser or Purchaser's nominated service provider with all documents to enable Products to be imported, and obtain all import licenses or authorizations necessary for the import of Products unless otherwise indicated in the Procurement Contract, in which event Seller shall provide all information as may be necessary to enable Purchaser to obtain such licenses or authorization(s). Credits or benefits resulting or arising from any Procurement Contract, including all trade credits, refund of duties, taxes or fees in China, shall belong to Purchaser.

Seller is responsible for any incorrect information provided by it or its violation of laws. Seller acknowledges and agrees to adhere to all export security procedures and regulations. Seller shall share with Purchaser the information concerning export security audit or inspection. Seller shall hold Purchaser harmless and compensate Purchaser for any losses due to any incorrect information provided by it or its violation of laws.

**20. Preventive Maintenance**

A. Seller agrees to provide Purchaser with a complete and comprehensive preventative maintenance plan for Products prior to the Final Acceptance of the Products at the Destination. The preventative maintenance plan shall include, but not be limited to, one complete set of maintenance and operating manuals for all Products purchased by Purchaser (including one in the English language, if required by Purchaser), as well as a detailed list of materials and spare parts.

B. Seller warrants to Purchaser, its successors and assigns that the Products will operate safely at quoted production rate and/or cycle times for the stated expected useful life if Purchaser follows the preventative maintenance plan proposed by Seller.

C. Seller agrees to escrow, pursuant to an escrow agreement with a third party mutually acceptable to Purchaser and Seller, a complete copy of (i) the source codes for any software incorporated in the Products purchased by Purchaser from Seller along with any additional information reasonably necessary so that a trained programmer of general proficiency may maintain and support any such software and (ii) a running object code version of such software. The escrow agreement will provide Purchaser with full and immediate access to the foregoing items without charge in the event of a Seller Insolvency (as defined in Section 14 hereof).

**21. Subcontracting**

A. Seller shall not subcontract any of its obligations under any Procurement Contract to any third party without prior express consent by Purchaser on the face of an Order or otherwise in writing. Seller shall ensure that any subcontractor complies with all requirements of Purchaser. Purchaser or Purchaser's representative shall be afforded the right to verify at any subcontractor's premises and Seller's premises that subcontracted part(s) of Products conform to specified requirements. For the avoidance of doubt, verification by Purchaser or Purchaser's representative shall not shift the responsibility for the

quality of the Products from Seller to Purchaser or release Seller from its responsibilities for providing Products meeting requirements nor deprive Purchaser of its rights to reject any Products. Notwithstanding any verification by Purchaser or Purchaser's representative, Seller remains fully liable for any work subcontracted.

B. In the event Seller cannot fulfill any of its obligations under any Procurement Contract, Seller shall, at Purchaser's request and in addition to any other rights or remedies available to Purchaser under the Procurement Contract, assign to Purchaser all of Seller's rights with respect to any subcontractors.

## **22. Nonconforming Products**

Purchaser, at its option, may reject and return or retain and correct, at Seller's expenses, the Products received pursuant to any Procurement Contract that fail to conform to the requirements of the Procurement Contract even if the nonconformity does not become apparent to Purchaser until the Final Acceptance or later. Seller shall repair or replace the nonconforming Products with conforming Products according to notice from Purchaser. The time for Seller to repair or replace the nonconforming Products shall be regarded as delay of delivery of the Products by Seller, which shall be dealt with in accordance with Section 8 above. The nonconforming Products will be disposed of in accordance with Section 7.E. above. Seller shall reimburse Purchaser for any amounts paid by Purchaser for any rejected nonconforming Products, and reimburse, within ten (10) calendar days of the date on which Purchaser issued to Seller a notice or memorandum for payment, all costs incurred by Purchaser as a result of the nonconforming Products, including, but not limited to, costs of inspection, sorting, testing, evaluation, storage or rework. For the avoidance of doubt, payment by Purchaser for nonconforming Products shall not constitute an acceptance thereof, limit or impair Purchaser's right to assert any legal or equitable remedy from Seller, or relieve Seller from any liability.

## **23. Breach and Indemnification by Seller**

A. Seller's any violation of laws, regulations, government authorization or order, Order, Procurement Contract, these General Terms or any Standards or Specifications, representations, warranties and obligations set forth in any other related document binding upon both Parties or Seller caused by error, omission or negligence of Seller, any of its employees, agents or representatives shall constitute Seller's breach of the Procurement Contract ("**Seller's Breach**").

B. Seller shall be liable for all risks of property loss or personal injury (including death) caused by its breach.

Seller hereby covenants and agrees to indemnify and hold harmless Purchaser, its affiliates, and their respective directors, officers, employees and agents from any claims, demands, lawsuits, administrative claims, arbitration, regulatory actions or other proceedings, personal injury or death compensation, property damage or economic losses, obligations, liabilities, damages, costs and expenses that are related in any way to or arise in any way from the Products, Seller's representations or warranties, Seller's performance of any Procurement Contract or Seller's Breach. Such indemnification shall include, without limitation:

(1) Purchaser's direct property loss or damage as a result of Seller's Breach, which shall be calculated at the replacement price of the property;

(2) all expenses for repairing the Products and Purchaser's other facilities as a result of Seller's Breach;

(3) Purchaser's incremental costs and expenses (including, but not limited to, fees for investigation, consultation and attorneys incurred by Purchaser in connection with investigations, consultation, lawsuits and arbitration) as a result of Seller's Breach;

(4) the utility fees and employee compensation incurred during shutdown and/or production suspension caused by Seller's Breach that have to be paid by Purchaser;

(5) Purchaser's expenses in connection with any personal injury or death arising out of Seller's Breach;

(6) any claim against Purchaser by Purchaser's Customer and/or any third party caused by Seller's Breach; and

(7) costs and expenses incurred by Purchaser in connection with adoption of other remedies caused by Seller's Breach.

The rights and indemnification of Purchaser under each Order and Procurement Contract shall be cumulative and can be used together with all other rights and indemnification provided by law.

C. If Seller performs any work on Purchaser's premises or utilizes the property of Purchaser, whether on or off Purchaser's premises, Seller shall indemnify and hold harmless Purchaser, its affiliates, and their respective directors, officers, employees and agents from and against any obligations, liabilities, claims, demands or expenses (including actual fees for attorneys, experts and consultants, settlement costs and judgments) arising from or in connection with any damage to property or injuries (including death) to its employees or any other person arising from or in connection with Seller's performance of work or use of Purchaser's property except to the extent of any such liability, claim or demand arising solely out of the gross negligence of Purchaser.

## **24. Insurance**

Seller shall obtain and maintain such insurance coverage and in such amounts as and if so required in the Order. All such insurance shall name Purchaser as the beneficiary and the additional insured. Seller shall furnish to Purchaser insurance policies, setting forth the insured amount, policy number and date(s) of expiration of the insurance. The insurance policies must provide that if any insurance coverage terminates or the insured amount decreases, the insurance company shall notify Purchaser thereof thirty (30) calendar days in advance. Seller's furnishing of insurance policies to Purchaser or purchasing of insurance shall not release Seller from its obligations or liabilities under an Order or a Procurement Contract.

## **25. Compliance**

A. Seller agrees to strictly comply with the provisions of applicable laws and regulations, especially the provisions concerning equal employment. Each Procurement Contract shall be deemed to have incorporated by reference all such provisions of the said laws and regulations. All raw materials procured by Seller and used in the manufacture of Products shall comply with the government regulations in respect of safety relating to restricted, toxic and hazardous raw materials as well as of environmental, electrical and electromagnetic considerations applicable in the country of manufacture and sale.

B. Seller shall not utilize forced or involuntary labor or employ any child, regardless of its form, except as part of a job training, apprenticeship or similar program permitted by laws, or engage in abusive employment or corrupt business practices in the manufacture or supply of Products under any Order.

C. Unless Seller has already established similar code of conduct, Seller shall adopt and enforce a code of conduct for business practices by taking reference to the principles, policies and procedures of Lear Global Purchasing Code of Ethical Behavior, a copy of which is hereto attached as Appendix I. Seller shall promptly report all violations of Seller's code of conduct for business practices to Purchaser.

D. Seller shall provide Purchaser with written notice immediately upon becoming aware that any director, officer or employee or immediate family member of any director, officer or employee of Seller or any of its subsidiaries or affiliates is also a director, officer or employee or immediate family member of any director or officer or employee of Purchaser or any of its subsidiaries or affiliates. As to employees of Seller only, Seller only needs to report this information to Purchaser if the employee (excluding an officer or director of Seller) is substantively involved in Seller's business relationship with Purchaser or receives any direct or indirect compensation or benefit based on Seller's business relationship with Purchaser.

## **26. Shipping**

A. Seller shall properly pack, mark and ship the Products in accordance with the industry standards and the packing and marking requirements of Purchaser and/or the carrier applicable to the shipment and delivery of the Products under the Procurement Contract and in order to secure the safe arrival of the Products at the Destination without any damage and at the lowest possible shipping and transportation cost.

Packaging of the Products to be imported from Seller shall be made in accordance with applicable Chinese laws and regulations, international conventions as well as the requirements of Purchaser. In any case, the Products shall be packed in sturdy and durable packages for shipment applicable for multiple loading and unloading, handling, storage and transportations (including ocean and continental transportation, etc.) and against rain, moisture, leakage, rust and vibration so as to ensure safe arrival of the Products at the port of destination.

Seller shall clearly mark, with durable colors, on the packing labels of each shipment of Products Purchaser's Order number, shipping marks, port of destination, piece number, gross weight, net weight, volume and necessary warnings. In the event one shipment consists of numerous containers, Seller shall mark a series number on each container.

Seller shall be liable for any damages and losses to the Products resulting from its insufficient or in appropriate packing or marking.

Seller shall route shipment in accordance with Purchaser's instructions and shall charge no additional fees for loading, unloading, handling, packaging, storage or shipping unless otherwise approved by Purchaser on the face of an Order or Order amendment or in a Signed Writing by Purchaser.

Seller shall provide Purchaser with shipping documents for each shipment, setting forth the Order number, Order amendment number, Purchaser's part number, Seller's part number where applicable, quantity of pieces in shipment, number of cartons or containers in shipment, Seller's name and code name, the bill of lading number and the country of origin.

Seller shall promptly forward the original bill of lading or other shipment receipt for each shipment in accordance with Purchaser's instructions and carrier requirements. The marking on each package, the packing list, the bills of lading and invoices shall be sufficient to enable Purchaser to easily identify the Products procured.

B. For Products that may contain any inflammable, explosive, toxic and caustic ingredients or other restricted materials, Seller shall furnish to Purchaser and the carrier a list of all ingredients and the quantity thereof as well as a warning, and paste striking warning labels on the packages. Before shipping any Products, Seller shall furnish to Purchaser sufficient warning and notice in writing together with such clear and proper handling instructions on each packaging according to the applicable Standards, international conventions and the requirements of Purchaser which are necessary to advise the involved carriers, Purchaser, and their respective employees how to exercise that measure of care and precaution that will best prevent bodily injury and property damage in the packing, handling, shipment, load and unload, use or disposal of Products and their package.

C. Any packaging made of wood (including pallets) must conform to the international softwood standards. In the event Seller fails to comply with such standards, Seller shall be liable for all related replacement and transportation costs.

D. In the event Seller fails to meet Purchaser's delivery requirements due to its own reasons and causes Purchaser to take a swifter mode of transportation, based on the choices of Purchaser, Seller shall:

- (1) promptly compensate Purchaser for the cost differential between the swifter mode of transportation and the original mode of transportation; or
- (2) allow Purchaser to deduct the cost differential from the invoice amount payable to Seller; or
- (3) ship Products as quickly as possible at its own expense and issue to Purchaser the invoice with the amount of normal shipment cost.

## **27. Invoices**

Seller shall provide Purchaser with correct and legally valid invoices before any installment of payments by Purchaser. Purchaser is not liable for payment before the receipt of said invoices.

All invoices must reference the Order number, Order amendment number, Products number where applicable, number of pieces shipped, number of cartons or containers, Seller's name and code name, and bill of lading number. In addition, no invoice may reference any term inconsistent with these General Terms, the Order or the Procurement Contract; otherwise, they shall be deemed as invalid invoices and Seller shall reissue the invoices. Payment terms will begin to run once Purchaser finally receives the correct and valid invoices from Seller. Any payment by Purchaser of a nonconforming invoice shall not be deemed as acceptance of any non-conforming element or terms of such invoice.

## **28. Payment Terms**

A. Payment terms are set forth in the Order.

B. Payment method shall be check transfer or other payment methods determined by Purchaser in the Order.

C. No payment of funds for the Products shall be made by Purchaser until Seller transfers title to Purchaser to the Products free and clear of all liens, claims or other encumbrances and completes all related services, or, at Purchaser's option, provides adequate assurance of continued performance in such form as requested by Purchaser.

**29. Setoff**

A. In addition to such other rights of setoff provided or allowed by laws and regulations and to the extent possible, all amounts due to Seller at any time shall be considered as net of indebtedness or obligations of Seller to Purchaser and Purchaser may setoff against any amounts due or to become due from Seller to Purchaser however and whenever arising.

B. If there is a dispute with respect to the performance of certain obligations of Seller under the Procurement Contract or such obligations which should have been performed by Seller but have not been performed or if Seller commits a breach of contract and shall bear penalty or compensation for breach of contract, Purchaser shall have the right to defer payment of all or any portion of the amount due to Seller until such dispute is resolved or such outstanding obligation is performed. Without limiting the generality of the foregoing and by way of example only, in the event of a bankruptcy of Seller, if a Procurement Contract has not been fully performed, then Purchaser shall have the right to defer payment for Products, which shall be used to setoff any damages which may become payable by Seller to Purchaser in the case of any rejection of Products or any other damages.

C. An “**affiliate**” means, for purposes of any specific entity, any other entity that directly or indirectly controls, is controlled by, or is under common control with, such entity. For purposes of this definition, the term “control” (including “controlled by” and “under common control with”) means the possession, directly or indirectly, of twenty percent (20%) or more of the capital or equity of an entity or the power, by ownership of voting securities, appointment of directors or members of the governing body of the entity, contract or otherwise, to direct or cause the direction of the major affairs of the entity.

**30. Training**

Seller shall provide any and all necessary training and training materials to Purchaser for the Products at the stage of installation, commissioning and Pilot Operation at no additional cost to Purchaser. Seller shall provide training in the amount and on such schedule as shall be reasonably required by Purchaser. Seller shall provide the training materials in a computerized format, if possible.

**31. Advertising**

Seller shall not make any reference to Purchaser in any advertising or public releases without the prior approval in a Signed Writing of a Purchaser’s Authorized Representative and shall not use any of the Purchaser’s Intellectual Property in any advertising or promotional materials or any other information carrier not approved by Purchaser in writing in advance.

**32. Force Majeure**

In the event either party fails to perform all or any part of its obligations under a Procurement Contract due to force majeure, such party shall be released from such obligation or liability for breach of contract within the duration of force majeure and its impact and to the extent of the impact of force majeure.

Force majeure means an objective event that cannot be predicted, avoided or overcome by the party encountering force majeure without its fault or negligence, including wars, riots, earthquakes,

explosions, fires, typhoons, floods, storms, other natural disasters and any prohibitions and restrictions imposed by a governmental authority.

The party suffering from force majeure shall notify the other party by telephone or facsimile within twelve (12) hours after the occurrence of such force majeure and shall, within seven (7) calendar days thereafter, provide the other party with the proof of the occurrence of force majeure and inform the other party of the anticipated duration of force majeure and the anticipated time for resuming performance of the Procurement Contract.

The party suffering from force majeure shall take all reasonable measures to minimize the losses resulted from the force majeure.

In case the force majeure and its impact last for over thirty (30) days, Purchaser shall be entitled to terminate the impacted Procurement Contract by serving to Seller a written notice. In case the force majeure and its impact last for over sixty (60) days, the impacted Procurement Contract shall automatically terminate unless otherwise agreed upon by the Parties in writing or by act.

### **33. Spare Parts/Service Discount**

Upon the purchase of the Products, Seller agrees to provide a discount for any replacement and/or spare parts ordered by Purchaser as well as for any service for two (2) years after the expiration of Seller's warranty. The negotiated discount shall be a percentage reduction from Seller's price list published at the time of purchase of the Products, which shall be provided by Seller to Purchaser upon purchase of the Products, or as otherwise agreed upon in writing. In the absence of a published price list, Seller shall provide written certification of the price in effect for the replacement and spare parts at the time of delivery.

### **34. Taxation**

Any and all taxes payable by either party in accordance with applicable laws shall be paid by that party. Any and all taxes and customs duties (if any) to be levied on Seller in accordance with such laws shall be paid by Seller, and Seller shall not request Purchaser to pay any of such taxes and customs duties.

### **35. Trial Sale**

In case the Parties agree to a trial sale of the Products, Purchaser will so specify in the Order, including the trial period. Except as otherwise specified in the Order, the trial period shall commence at the date when Purchaser puts the Products into pilot usage. The Purchaser may extend the trial period if so agreed by the Parties. Upon expiration of the trial period, Seller shall notify Purchaser in writing inquiring whether Purchaser purchases the Products or not. If Seller fails to serve such notice, the trial period shall be extended accordingly.

In the trial period, Seller shall designate experienced technicians to train and guide Purchaser to carry out trial use of the Products. If Seller fails to carry out its training or guiding obligations, resulting in Purchaser's improper use of the Products, Seller shall bear all the liabilities and compensate to Purchaser the losses suffered by Purchaser.

Purchaser's confirmation to purchase the Products after trial use shall be regarded as Purchaser's final acceptance of the Products in which case Purchaser shall pay to Seller ninety percent (90) of the total price of the Products within twenty (20) days after such confirmation and the remaining ten percent (10%) shall be paid by Purchaser to Seller within twenty (20) days after expiration of the Warranty Period of the Products after deducting any amounts payable by Seller to Purchaser, including, but not limited to, penalty for breach of contract and compensation, etc.

In the trial period, Purchaser shall be entitled to return the Products to Seller at any time.

Seller warrants that the Products meet the purpose of trial use. Seller shall compensate Purchaser for any losses suffered by Purchaser in trial use due to defects in design, quality or materials in the Products.

### **36. Relationship between the Parties**

No agency relationship shall be created between Purchaser and Seller as a result of the Order, these General Terms, the Procurement Contract or any other relevant documents. Therefore, unless both parties expressly agree otherwise in writing, neither party shall have the right to make on behalf of the other party any written or oral covenants or representations binding upon the other party nor shall it have the right to execute, on behalf of the other party, any agreements or other documents binding upon the other party.

### **37. Severability**

If any term of these General Terms is declared invalid or unenforceable under any law or regulation, such term shall be deemed to be deleted or amended, as the case may be, only to the extent necessary to comply with such law and regulation, and the remaining provisions shall remain in full force and effect.

### **38. Electronic Communications and Electronic Signatures**

The use of any electronic communications shall be subject to prior written consent of both parties. E-mails, even containing a signature block of one of Purchaser's representatives, shall not constitute a binding document of Purchaser.

### **39. Notices**

Any formal notices sent and any other formal communications delivered by either party to the other party shall be made in writing and delivered by one of the following methods to the address of the other party as set forth in a Procurement Contract or such other address as notified by the other party thereafter:

(1) Facsimile: for facsimiles successfully transmitted during normal business hours of a working day, notices shall be deemed effectively given on the then current day, otherwise on the first working day following the transmission, provided that the party sending notices shall send an original of the notices to the other party by any of the methods set forth in Items (2) to (4) below.

(2) Registered mail: notices shall be deemed effectively given on the seventh calendar day following the date of posting as indicated by the postmark of the post office in case of a PRC Seller, or on

the tenth calendar day following the date of posting as indicated by the postmark of the post office in the case of an overseas Seller.

(3) Courier: notices shall be deemed effectively given on the date set forth in the return receipts.

(4) Personal delivery: notices shall be deemed effectively given on the date set forth in the return receipts.

#### **40. Confidentiality**

Each Party (the “**Receiving Party**”) shall keep strictly confidential the trade secrets provided by the other Party (the “**Disclosing Party**”) and shall not disclose them to any third party without the prior written consent of the Disclosing Party. The Receiving Party shall use Disclosing Party’s trade secrets solely for the purpose of performing the Procurement Contract.

Trade secrets mean any and all information provided to Receiving Party by Disclosing Party or its representatives in connection with the business, programs and Products covered by the Procurement Contract, including, without limitation, quotations, the Order, specifications, data, formulas, compositions, designs, drawing, photographs, samples, test samples, manufacturing processes, packaging or shipping methods, technology documents and computer software and programs (including object code and source code) as well as any materials or information that contain, or are based on any trade secrets, whether prepared by Purchaser, Seller or any other person.

In the event the Receiving Party shall submit or disclose the Disclosing Party’s trade secrets or any part thereof to a competent judicial organ or administrative authority in accordance with laws, the Receiving Party shall promptly notify the Disclosing Party and provide said organ and authority with that part of trade secrets approved by the Disclosing Party after obtaining written consent from the Disclosing Party.

#### **41. Construction**

When used in these General Terms, "including" means "including, without limitation," and terms defined in the singular include the plural and vice versa. The headers, titles and numbering are for convenience of reference only and shall not affect the construction or interpretation of these General Terms.

#### **42. Entire Agreement; Modification**

Each Order, these General Terms and applicable supplements and appendices, other applicable agreements and documents together with relevant Specifications, Standards and such other binding documents provided by Purchaser hereunder constitute the entire agreement between both parties with respect to the subject matters contained in a Procurement Contract and supersede any and all other oral or written representations and agreements unless it is expressly stated otherwise in the Order, these General Term or other applicable documents.

Purchaser may modify a Procurement Contract. Such modifications shall become effective when Seller accepts them by signing anything in writing or by act.

**43. Governing Law**

The formation of each Procurement Contract, its execution, construction, performance, termination and settlement of disputes in connection herewith shall apply and be governed by the published laws and regulations of the People's Republic of China.

**44. Dispute Settlement**

Any dispute arising out of or in connection with a Procurement Contract shall be settled through friendly consultations between both parties. If no settlement can be reached, the dispute shall be submitted to China International Economic and Trade Arbitration Commission Shanghai Sub-commission for arbitration in Shanghai in accordance with its then effective arbitration rules. The arbitration shall be conducted in both Chinese and English languages, and the arbitration award rendered in such arbitration shall be made in both Chinese and English in writing. The Arbitration shall take place in Shanghai City. The arbitration award shall be final and binding on both parties.

**45. Languages**

If these General Terms, an Order and other documents constituting a Procurement Contract are written in both Chinese and English, both versions shall be equally valid and binding. In case of any discrepancy between these two versions in respect of any wording, term or paragraph, they shall be interpreted in accordance with the version that most accurately reflects the original intentions of the parties.

**46. Appendices to These General Terms:**

Appendix 1    Lear Global Purchasing Code of Ethical Behavior

## **LEAR GLOBAL PURCHASING CODE OF ETHICAL BEHAVIOR**

Lear Corporation's Board of Directors (the "Board") has recently adopted a Code of Business Conduct and Ethics (the "Code"), which reflects the Board's commitment to continue to focus the Board and Lear management on areas of ethical risk, providing guidance to employees to help them recognize and deal with ethical issues, providing mechanisms to report unethical conduct, and help to maintain a culture of integrity, honesty and accountability. In conjunction with the issuance of the Code, Lear Global Purchasing has adopted the following Code of Ethical Behavior to provide its personnel with specific guidelines unique to supplier relationships. The guidelines set forth herein shall not take the place of the Code, but rather are additional guidelines to be followed. In the event there is a conflict between the Code and these guidelines, Lear's Global Purchasing employees shall follow the Code.

### **OBEDY THE LAW**

Lear Corporation's base-line policy is to conduct all of its activities in full compliance with all relevant laws, rules, and regulations in an ethical manner.

### **LEAR'S CODE OF ETHICAL BEHAVIOR**

Individual actions project you not only as a person, but also as a representative of Lear Corporation. It is imperative that you do your utmost to maintain the highest level of integrity and ethics. High standards of integrity and ethics require hard work, courage and sometimes difficult choices. Often it is necessary to determine a proper cause of action and forego business or personal opportunities.

### **WORK ENVIRONMENT**

Lear expects all of its employees to be treated with dignity, their rights respected and their privacy maintained. This applies to all employees regardless of sex, race, ethnic background, religion, age, disability or membership in any other legally protected class.

### **PERSONAL INTERESTS**

You have a duty to avoid personal interests which may conflict or appear to conflict with the interest of Lear. No employee shall, directly or indirectly, participate in, or seek to influence, decisions regarding the selection of a particular vendor or supplier if such employee (or any member of his or her family living in the same household) has any financial interest or investment in such vendor or supplier, other than investments of less than 1% of any class of publicly-traded securities, investments in diversified mutual funds and other immaterial investments or financial interests.

### **SUPPLIER/CUSTOMER RELATIONSHIPS**

In the normal course of business with suppliers to Lear and with customers of Lear, questions often arise concerning the receipt of meals, entertainment, gifts, etc. In general, no gift or entertainment should ever be offered, given, provided or accepted by any employee, close family member or agent unless: (a) there is no reasonable likelihood that it will influence your judgment or actions in performing duties for Lear (the frequency of which should be limited to minimize any potential conflict with the Supplier/Customer Relationships section of this policy); (b) it cannot be construed as a bribe or payoff; and (c) does not violate any laws or regulations. A "gift" in the form of cash is

## LEAR GLOBAL PURCHASING CODE OF ETHICAL BEHAVIOR

prohibited. Employees should discuss with their supervisor or the Lear's Legal Department any gifts or proposed gifts which they are not certain are appropriate. In addition, the following guidelines are to be followed:

### **Business Meals**

- Business meals as a guest of the same supplier/customer at which business is discussed should not occur more than once a quarter, and overall you should not have a business meal more than once a month unless there are extenuating circumstances. A meal eaten at a supplier/customer's facility is an exception to this guideline.

### **Events**

- Attendance at sporting events, restaurants, bars, shows, etc., as the guest of a supplier/customer is permitted on a limited basis, but the frequency should be limited to avoid any appearance of a conflict of interest. If the hosting company representative is not present, that fact should be reported to your direct manager/supervisor and documented accordingly. [Laurie Harlow in the case of the Legal Department.]

### **Record Keeping**

- Each employee is required to advise their direct manager/supervisor [Laurie Harlow] of their supplier business meal and event participation 48 hours in advance (including all lunches, dinners, and entertainment paid for by a supplier or customer) per the procedure published concurrent with this revision. If 48 hours advance notification is not feasible, documentation of the business meal and event participation per the procedure is necessary.

### **Travel**

- Travel and overnight accommodations paid for by a supplier are not allowed. Travel on a supplier's corporate plane for business purposes is an exception to this guideline.

### **Financial Support**

- Personal financial assistance of any kind provided by a supplier, other than a financial institution in the ordinary course of its business, is prohibited.

### **Sponsorship**

- Sponsorship by a supplier of Lear athletic events, recreational activities or retirement parties is not allowed.

### **Gifts**

- Promotional material or a gift of nominal value (not to exceed \$25) may be accepted if made voluntarily and there is no reasonable likelihood it will influence your judgment or actions in performing duties for Lear Corporation.

### **Payment from Third Parties**

- You, and members of your family, are prohibited from soliciting and accepting personal benefits such as cash.