



CONTROLLED DOCUMENT

DO NOT DUPLICATE

Date	12/21/07	Number	Proc-7.4.2.2
Page	1 of 11	Revision	00

SUBJECT: SUPPLIER TERMS AND CONDITIONS

1.0 Purpose:

The purpose of this document is to detail the terms and conditions under which suppliers of the company accept orders from the company.

2.0 Scope:

The terms and conditions of this document apply to all orders purchased by the company on which this document is called out on the purchase order.

3.0 Terms and Conditions:

3.1 Delivery, Shipment and Packaging

3.1.1 Supplier will deliver Goods in the quantities and on the date(s) specified on the Purchase Order or Purchase Order schedule releases. Time is of the essence for all Galaxy Purchase Orders. If delivery dates are not stated, Supplier will offer its best delivery date(s), which will be subject to acceptance by Galaxy.

3.1.2 If the delivery schedule is endangered for any reason other than Galaxy's fault, then Supplier will, at its expense, deliver Goods by the most expeditious shipping method. Galaxy reserves the right to reject, at no expense to Galaxy, all or any part of any delivery that varies from the quantity authorized by Galaxy for shipment. Galaxy reserves the right to pursue additional remedies caused by late delivery. Supplier will not make any substitutions without Galaxy's prior written approval. All items will be packaged according to Galaxy's instructions or, if none, according to good commercial practice in a manner sufficient to ensure receipt in an undamaged condition. Galaxy will not be liable for any discharge, spill or other environmental incident (including clean-up costs) involving any Goods shipped under the Purchase Order until received by Galaxy. All containers will be properly marked for identification as instructed on Galaxy's Purchase Order and contain a packing slip that details, at a minimum, the Galaxy Purchase Order number(s), product number, detailed product description, total number of boxes in shipment, quantity of product shipped, and final delivery address. Items shipped in advance of Galaxy's delivery schedule may be returned at Supplier's expense. For domestic shipments, if requested by

CONFIDENTIAL: This document contains proprietary, trade secret, and confidential information which are the property of Galaxy Compound Semiconductors. This document and its contents may not be duplicated or disclosed to any other party without expressed authorization of Galaxy Compound Semiconductors.



CONTROLLED DOCUMENT

DO NOT DUPLICATE

Date	12/21/07	Number Proc-	7.4.2.2
Page	2 of 11	Revision	00

SUBJECT: SUPPLIER TERMS AND CONDITIONS

Galaxy, and for all international shipments, Supplier will give notice of shipment to Galaxy when the Goods are delivered to a carrier for transportation. The Purchase Order number(s) must appear on all correspondence, shipping labels, and shipping documents, including all packing sheets, bills of lading and air waybills.

- 3.1.3 All Goods, unless specifically exempted by the destination country's governing authorities, must be marked with the country of origin (manufacture) of the Goods in a conspicuous place as legibly, indelibly, and permanently as the nature of the article or container permits.
- 3.1.4 Supplier will provide Galaxy with a) the Harmonized Tariff Schedule number, country of origin information or certificates, manufacturer's affidavits, applicable free trade agreement ("FTA") certificates, and any other documents or information Galaxy may require to comply with international trade regulations or to lawfully minimize duties, taxes and fees, and (b) FTA certificates for all Goods that qualify under one or more FTA. Supplier will exert reasonable efforts to qualify the Goods under FTAs.
- 3.1.5 Within one business day after Supplier delivers the Goods to the carrier, Supplier will send Galaxy a complete set of shipping documents, including the commercial invoice, packing list, and air waybill, or three original parts of the combined through-bill of lading, clean without notation, necessary to release the Goods to Galaxy's custody.
- 3.2 Notice of Delay
 - 3.2.1 Whenever anything delays or threatens to delay the timely performance of this Purchase Order, Supplier must immediately notify Galaxy in writing of all relevant information with respect to such delay.
- 3.3 Shipping Terms, Title and Risk of Loss
 - 3.3.1 If the Goods will be transported from Suppliers location in the U.S. to Galaxy's location in the U.S., unless otherwise specified on the face of the Purchase Order or in a separate agreement, the F.O.B. point is Supplier's location, Supplier bears all risk of

CONFIDENTIAL: This document contains proprietary, trade secret, and confidential information which are the property of Galaxy Compound Semiconductors. This document and its contents may not be duplicated or disclosed to any other party without expressed authorization of Galaxy Compound Semiconductors.



CONTROLLED DOCUMENT

DO NOT DUPLICATE

Date	12/21/07	Number Proc-	7.4.2.2
Page	3 of 11	Revision	00

SUBJECT: SUPPLIER TERMS AND CONDITIONS

loss or damage to the Goods and title passes to Galaxy upon delivery of the Goods to the carrier designated or approved by Galaxy. When the F.O.B. point is Galaxy's location, Supplier bears all risk of loss or damage to the Goods and title passes to Galaxy upon delivery of the Goods at Galaxy's location.

3.3.2 The foregoing does not relieve Supplier of any responsibility for hidden damages discovered after acceptance of the Goods. Notwithstanding the foregoing, title and risk of loss to Goods subject to a consignment stock agreement pass upon release of the Goods from the consignment stock.

3.4 Import/Customs Compliance

3.4.1 Supplier assumes all responsibility and liability for any shipments covered by this Purchase Order requiring any government import clearance. If government authorities declare or otherwise impose countervailing duties, antidumping duties, or retaliatory duties on the Goods imported under this Purchase Order, Galaxy reserves the right to terminate this Purchase Order under the Terminations provisions of this Purchase Order. Supplier will be debited for any duties, fees or freight incurred by Galaxy due to Supplier's failure to comply with the terms and conditions of this Purchase Order.

3.5 Invoicing and Payment

3.5.1 After each shipment made or service provided, Supplier will submit an invoice listing a description of the Goods provided and, as applicable, part numbers, quantity, unit of measure, hours, and the unit and total prices. Any incidental charges such as royalties, selling commissions, nonrecurring engineering, or other incidental charges must be separately itemized and identified on the invoice. The invoice must also include the following information in English: a) Name and address of the Supplier and Galaxy; b) name of shipper (If different from Supplier); c) Galaxy's Purchase Order Number(s); d) country of export; e) detailed description of Goods; f) Harmonized Tariff Schedule number; g) country of origin (manufacture) of the Goods, or if multiple countries of origin, the country of origin of each part shipped; h) weights of the Goods shipped; i) currency in which the sale was made; j) payment terms; k) shipments terms used; and l) all

CONFIDENTIAL: This document contains proprietary, trade secret, and confidential information which are the property of Galaxy Compound Semiconductors. This document and its contents may not be duplicated or disclosed to any other party without expressed authorization of Galaxy Compound Semiconductors.



CONTROLLED DOCUMENT

DO NOT DUPLICATE

Date 12/21/07	Number Proc- 7.4.2.2
Page 4 of 11	Revision 00

SUBJECT: SUPPLIER TERMS AND CONDITIONS

rebates or discounts. The invoice will be accompanied (if applicable) by signed bill of lading or express receipt evidencing shipment. Payment of an invoice does not constitute acceptance of the Goods and is subject to appropriate adjustment should Supplier fail to meet the requirements of the Purchase Order. Payment Terms are net 30 days from receipt of invoice and conforming Goods unless otherwise stated on the face of the Purchase Order or other written agreement executed by both parties. Payment will be scheduled for the first payment cycle following the net terms for the Purchase Order. Payments to Supplier for satisfactory performance will be made based on the date of receipt of a Galaxy approved Supplier invoice.

3.6 Inspection

3.6.1 All Goods may be inspected and tested by Galaxy, its customer, higher-tier contractors, and end users at all reasonable times and places. If an inspection or a testing is made on Supplier's premises, Supplier will provide, without additional charge, all reasonable facilities and assistance required for the inspection and tests. In its standard inspection and testing of the Goods, Supplier will use an inspection system accepted by Galaxy in writing. All inspection records, including sub tier supplier records relating to the Goods, will be maintained by Supplier and made available to Galaxy during the performance of this Purchase Order, and for such longer periods as may be specified by Galaxy.

3.6.2 Final inspection and acceptance by Galaxy will be at destination unless otherwise specified in this Purchase Order. Galaxy may inspect 100% or a sample of Goods, at Galaxy's option, and may reject all or any portion of the Goods or lot of Goods if Galaxy determines them to be defective or nonconforming. If Galaxy performs any inspection (other than the standard inspection) after discovering defective or non-conforming Goods, any additional inspection costs will be paid by Supplier. No inspection, tests, approval, design approval or acceptance of the Goods relieves Supplier from responsibility for warranty or any latent defects, fraud, or negligence. If the Goods are defective or otherwise do not conform to the requirements of this Purchase Order, Galaxy may, by written notice to the Supplier; a) rescind this Purchase Order as to the Goods; b) accept the Goods at an equitable



CONTROLLED DOCUMENT

DO NOT DUPLICATE

Date	12/21/07	Number Proc-	7.4.2.2
Page	5 of 11	Revision	00

SUBJECT: SUPPLIER TERMS AND CONDITIONS

reduction in price; or c) reject the Goods and require the delivery of replacements. Delivery of replacements will be accompanied by a written notice specifying that such Goods are replacements. If Supplier fails to deliver required replacements promptly, Galaxy may correct any retained defective or nonconforming Goods at Supplier's expense; replace them with Goods from another supplier and charge the Supplier the cost thereof, including cover and any incidental costs; or terminate this Purchase Order for cause.

3.6.3 Upon request, Supplier will allow Galaxy, any regulatory authorities and Galaxy customers access to its facilities and quality records.

3.7 Warranty

3.7.1 Supplier warrants to Galaxy, its successors, assigns, customers, and end users that, upon delivery, and during the entire Warranty Period specified below, all Goods furnished (including all replacement or corrected Goods or components that Supplier furnishes under this warranty) will a) be free from defects in material, workmanship, and design, even if the design has been approved by Galaxy, b) conform to applicable drawings, designs, quality control plans, specifications and samples and other descriptions furnished or specified by Galaxy, c) be merchantable, d) be fit for the intended purposes (to the extent the Goods are not of a detailed design furnished by Galaxy) and operate as intended, e) comply with all applicable national and local laws, f) be free and clear of any and all liens, restrictions, reservations, security interests, or encumbrances, and g) not infringe any patent, published patent application, or other intellectual property rights of any third party existing as of the date of delivery, and not utilize misappropriated third party trade secret information. Services will be performed in accordance with the highest standards in the industry.

3.7.2 The Warranty Period will be for a period of 24 months from the date of delivery to the end user or such longer period of time as may have been accepted by Galaxy from Galaxy's Customers or the date on which any longer or broader government requirement covering the Goods ends. These warranties will survive any delivery, inspection, acceptance, or payment by Galaxy for the entire Warranty Period. Claims for breach of warranty do not



CONTROLLED DOCUMENT

DO NOT DUPLICATE

Date	12/21/07	Number	Proc-
			7.4.2.2
Page	6 of 11	Revision	00

SUBJECT: SUPPLIER TERMS AND CONDITIONS

accrue until discovery of noncompliance, even if the Goods were previously inspected. The warranties provided are cumulative and in addition to any warranty provided by law or equity. Any applicable statute of limitations runs from the date of discovery. Goods that meet the preceding standards are collectively called "conforming Goods." If conforming Goods are not furnished within the time specified by Galaxy, then Galaxy may, at its election and in addition to any other rights or remedies it may have at law or in equity, have the nonconforming Goods repaired, replaced, or corrected or credited to Galaxy at Supplier's expense. Supplier is responsible for the costs of repairing, replacing or correcting or crediting Galaxy for, nonconforming Goods, and for all related costs, expense and damages including, but not limited to, the costs of removal, disassembly, failure analysis, fault isolation, reinstallation, re-inspection, and retrofit of the nonconforming Goods or of Galaxy's affected end-product; all freight charges; all customer charges; and all corrective action costs (i.e., costs of additional inspection or quality-control systems). Unless set off by Galaxy, Supplier will reimburse Galaxy for all such costs upon receipt of Galaxy's invoice. Any replacement Goods are warranted for the same period as the original Goods. For services, Supplier will re-perform nonconforming services or provide a refund to Galaxy, at Galaxy's option.

3.8 Changes

3.8.1 Galaxy may, by written or electronic notification, direct changes in drawings, designs, specifications, method of shipment or packing, quantity, or time or place of delivery of the Goods; reschedule the services; or require additional or diminished services. Only authorized Galaxy procurement representatives may issue changes to the Purchase Order. If any change causes an increase or decrease in the cost of, or the time required for, performing this Purchase Order, an equitable adjustment will be made in the Purchase Order price, delivery dates or both, and this Purchase Order will be modified in writing or electronically accordingly. Any claim for adjustment under this provision may, at Galaxy's option, be deemed to be waived unless asserted in writing (including the amount of the claim) and delivered to Galaxy within 30 days from the date of the receipt by Supplier of



CONTROLLED DOCUMENT

DO NOT DUPLICATE

Date	12/21/07	Number	Proc-7.4.2.2
Page	7 of 11	Revision	00

SUBJECT: SUPPLIER TERMS AND CONDITIONS

the Galaxy-directed change to the Purchase Order. If the cost of property made obsolete or excess as a result of a change is paid by Galaxy, Galaxy may prescribe the manner of disposition of the property. Notwithstanding any disagreement between the parties regarding the impact of a change, Supplier will proceed diligently with its performance under this Purchase Order pending resolution of the disagreement.

3.9 Design and Process Changes

3.9.1 Supplier will make no changes to the design, materials, manufacturing location, or processes specified in the Purchase Order or documents referenced in it, or if none, those in place when the Purchase Order is issued, without the advance written approval of Galaxy's procurement representative. Changes to a process include, but are not limited to, changes to the production process, changes in manufacturing equipment, or changes between a manual and automated process. This requirement applies whether or not the change affects costs and regardless of the type of change, including product improvements.

3.10 General Indemnification

3.10.1 Supplier will, at its expense, defend and indemnify Galaxy and its subsidiaries, affiliates, and agents, and their respective officers, directors, shareholders, and employees, and Galaxy's customers (collectively "Indemnitees") from and against any and all loss, cost, expense, damage, claim, demand, or liability, including reasonable attorney and professional fees and costs, and the cost of settlement, compromise, judgment, or verdict incurred by or demanded of an Indemnitee arising out of, resulting from or occurring in connection with Supplier's Goods or Services, or breach of the terms of this Purchase Order. In no event will Supplier enter into any settlement without Galaxy's prior written consent, which will not be reasonably withheld.

3.11 Intellectual Property Indemnification

3.11.1 For Goods provided under this Purchase Order, Supplier will, at its expense, defend and indemnify Indemnitee from and against any and all loss, cost, expense, damage, claim, demand, or liability, including reasonable attorney and professional fees and costs, and the cost of settlement, compromise, judgment, or



CONTROLLED DOCUMENT

DO NOT DUPLICATE

Date 12/21/07	Number Proc- 7.4.2.2
Page 8 of 11	Revision 00

SUBJECT: SUPPLIER TERMS AND CONDITIONS

verdict incurred by or demanded from Indemnitee arising out of, resulting from, or occurring in connection with any alleged: a) patent, copyright, or trademark infringement; b) unlawful disclosure, in use or misappropriation of a trade secret; or c) violation of any other third-party intellectual property right, and from expenses incurred by Indemnitee in defense of such suit, claim, or proceeding if Supplier does not undertake the defense thereof. Supplier will have the right to conduct the defense of any such claim or action and, consistent with Indemnitee's rights hereunder, all negotiations for its settlement. But, in no event will Supplier enter into any settlement without Galaxy's prior written consent, which will not be reasonably withheld. Indemnitee may participate in a defense or negotiations to protect its interests. If any injunction or restraining order is issued, Supplier will, at its expense, obtain for Indemnitee either the right to continue using and selling the Goods or replace or modify the Goods to make them noninfringing.

3.12 Confidentiality and Intellectual Property

3.12.1 All information, including without limitation specifications, samples, drawings, materials, know-how, designs, processes, and other technical, business, or financial information, that: a) has been or will be supplied to Supplier by or on behalf of Galaxy; or b) Supplier will design, develop, or create in connection with this Purchase Order; as to individual items or a combination of components or both, and whether or not completed, and all derivatives of a) and b) that Supplier has or will design, develop or create and any information identified as proprietary or confidential in some other manner indicating the confidential or in some other manner indicating the confidential nature of the information are deemed to be "Confidential Information" of Galaxy. All Confidential Information is work made for hire and made in the course of services rendered. All rights to it belong exclusively to Galaxy, with Galaxy having the sole right to obtain, hold, and renew, in its own name or for its own benefit, patents, copyrights, registrations, or other appropriate protection. To the extent that exclusive title or ownership rights in Confidential Information may not originally vest in Galaxy, Seller irrevocably assigns transfers and conveys to Galaxy all right, title, and interest therein.

CONFIDENTIAL: This document contains proprietary, trade secret, and confidential information which are the property of Galaxy Compound Semiconductors. This document and its contents may not be duplicated or disclosed to any other party without expressed authorization of Galaxy Compound Semiconductors.



CONTROLLED DOCUMENT

DO NOT DUPLICATE

Date	12/21/07	Number Proc-	7.4.2.2
Page	9 of 11	Revision	00

SUBJECT: SUPPLIER TERMS AND CONDITIONS

3.12.1.1 Galaxy's Confidential Information will remain the property of Galaxy. It may not be used by Supplier for any purpose other than for performing this Purchase Order, may not be disclosed to any third party, and will be returned to Galaxy upon the earlier of Galaxy's written request or completion of the Purchase Order. If, with Galaxy's prior written approval, Supplier furnishes Confidential Information to a sub-tier supplier, Supplier will bind the sub-tier supplier to confidentiality requirements substantially identical to this provision and Supplier will remain responsible to Galaxy for any breach of this provision by its sub-tier suppliers. No disclosure, description or other communication of any sort will be made by Supplier to any third person of the fact of Galaxy's purchase of Goods hereunder, the terms of this Purchase Order, the substance of any discussions or negotiations concerning this Purchase Order, or either party's performance under this Purchase Order.

3.13 Audit

3.13.1 Supplier will maintain suitable detailed records as may be necessary to adequately reflect Supplier's compliance with the terms of this Purchase Order. Supplier will permit Galaxy's auditors to have access at all reasonable times to Supplier's pertinent records. Supplier will require each of its sub tier suppliers to do likewise with respect to their records. Supplier and each sub tier supplier will also furnish other information as may be needed by Galaxy's representatives in auditing compliance.

3.13.2 Galaxy may perform audit up to two years following completion of a Purchase Order. If as a result of an audit, any invoice submitted by Supplier is found to be in error, an appropriate adjustment will be made to the invoice or the next succeeding invoice following the discovery of the error and will be paid promptly by Supplier or Galaxy, as the case may be. Supplier will promptly correct any other Supplier deficiencies discovered as a result of the audit.

3.14 Assignment and Subcontracting

3.14.1 Supplier will not assign this Purchase Order or any rights or obligations or subcontract all or any material aspect of the work

CONFIDENTIAL: This document contains proprietary, trade secret, and confidential information which are the property of Galaxy Compound Semiconductors. This document and its contents may not be duplicated or disclosed to any other party without expressed authorization of Galaxy Compound Semiconductors.



CONTROLLED DOCUMENT

DO NOT DUPLICATE

Date	12/21/07	Number Proc-	7.4.2.2
Page	10 of 11	Revision	00

SUBJECT: SUPPLIER TERMS AND CONDITIONS

called for without the prior approval of Galaxy. Any assignment without Galaxy's written approval will be voidable at the option of Galaxy. Galaxy may assign this Purchase Order or any of its rights obligations to any of its subsidiaries or affiliates, or to any purchaser or successor to all or substantially all of the assets of the business or product line to which this Purchase Order relates without Supplier's consent and upon written notice to Supplier.

3.15 Relationship of Parties/Independent Contractor

3.15.1 Nothing in this Purchase Order will be construed to place Supplier and Galaxy in an agency, employment, franchise, joint venture, or partnership relationship. Neither part has the authority to obligate or bind the other in any manner, and nothing contained in this Purchase Order will give rise or is intended to give rise to rights of any kind to any third parties. Neither party will make any representation to the contrary. The parties agree that Supplier will perform its obligations under this Purchase Order as an independent contractor. Supplier retains the right to exercise full control of, supervision over and responsibility for Supplier's performance hereunder, including the employment, direction, compensation, unemployment, disability insurance, social security, withholding and all other laws, rules, codes, regulations and ordinances governing such matters.

3.16 Notices

3.16.1 All Notices relating to this Purchase Order must be in writing. Notices to the parties will be sent to their respective addresses appearing on the face of this Purchase Order. Notices must be delivered personally; or delivered by recognized overnight courier; or mailed certified first class mail, postage prepaid; or sent by facsimile transmission to the facsimile number provided by Galaxy or Supplier respectively; or sent by electronic transmission (email) with proof of delivery. Any Notice will be deemed given on the date delivered if delivered personally; three business days after being placed in the mail as specified; or upon confirmation receipt that it was transmitted satisfactorily if transmitted by facsimile or electronic transmission.

	CONTROLLED DOCUMENT DO NOT DUPLICATE	Date 12/21/07 Page 11 of 11	Number Proc- 7.4.2.2 Revision 00
---	---	--	--

SUBJECT: SUPPLIER TERMS AND CONDITIONS

3.17 Publicity

3.17.1 Any news release, public announcement, advertisement, publicity or any other disclosure concerning this Purchase Order to any third party except as may be necessary to comply with other obligations stated in this Purchase Order requires prior written approval of Galaxy.

REVISION STATUS

REVISION NO.	DATE	DESCRIPTION	ORIGINATOR
00	12/28/07	ORIGINAL - ECO #00009	Debbie Burchak

CONFIDENTIAL: This document contains proprietary, trade secret, and confidential information which are the property of Galaxy Compound Semiconductors. This document and its contents may not be duplicated or disclosed to any other party without expressed authorization of Galaxy Compound Semiconductors.