

1. **Applicability.** These terms and conditions of sale (these "Terms") are the only terms which govern the sale of the goods ("Goods") more particularly described on the accompanying purchase order ("PO") by the seller of the Goods ("Seller") to Precision Pulley & Idler Inc. ("Buyer"). The PO and these Terms (collectively, this "Agreement") comprise the entire agreement between the parties, and supersede all prior or contemporaneous understandings, agreements, negotiations, representations and warranties, and communications, both written and oral. These Terms prevail over any of Buyer's general terms and conditions of purchase regardless of whether or when Buyer has submitted the PO. Fulfillment of Buyer's order does not constitute acceptance of any of Seller's terms and conditions and does not serve to modify or amend these Terms.

2. **Delivery.** The Goods will be delivered on or before the date specified in the PO. Unless otherwise agreed in writing by the parties, Seller shall deliver the Goods to the location specified by Buyer (the "Delivery Point"). Buyer shall take delivery of the Goods within two days of Seller's written notice that the Goods have been delivered to the Delivery Point, except when different delivery terms have been agreed upon by Buyer (i.e. International Shipments). Buyer's production schedules are based upon agreement that deliveries of Goods covered by this Agreement will be made on the date specified. Time is, therefore, of the essence of this Agreement. If deliveries are not made at the time specified herein, Buyer reserves the right to cancel or to purchase elsewhere, and hold Seller accountable therefor.

3. **Shipping Terms and Packaging.** All Goods shall be shipped FOB Delivery Point. Title and risk of loss passes to Buyer upon delivery of the Goods at the Delivery Point. All Goods must be packaged in the manner specified by Buyer and shipped in the manner and by the route and carrier designated by Buyer. If Buyer does not specify the manner in which the Goods must be packaged, Seller shall package the Goods so as to avoid any damage in transit. If Buyer does not specify the manner of shipment, route or carrier, Seller will ship the Goods at the lowest possible transportation rates. Any additional freight, cartage or other costs incurred directly or indirectly as a result of Seller's failure to observe the conditions set forth in this Section 3 will be for Seller's account. If the Goods are not accompanied by a packing slip, Buyer's count or weight shall be conclusive.

4. **Modification.** Buyer may, at any time, by written order, make changes within the general scope of the Agreement. Seller shall proceed immediately to perform in accordance with the Agreement, as changed. If any such change causes an increase or decrease in the cost of, or time required for the performance of Seller's obligations under the Agreement, an equitable adjustment shall be made in the Price or delivery schedule as approved by Buyer. Any claim by Seller for adjustment under this clause must be asserted within 30 days from the date of receipt by Seller of such written change order or within such further time as may be agreed upon, in writing, by the parties.

5. **Pre-Approval of Certain Reports.** If Buyer's specifications, per any applicable PO, require Seller to submit Mill Test Reports, Seller shall submit all such original reports to Buyer before the processing of the applicable PO. Buyer shall then advise Seller of the reports' acceptance or rejection. Only upon acceptance may Seller begin production of the PO.

6. **Inspection and Rejection of Nonconforming Goods.** Buyer shall inspect the Goods within five days of receipt ("Inspection Period"). Buyer will be deemed to have accepted the Goods unless it notifies Seller, in writing, of any Nonconforming Goods during the Inspection Period. "Nonconforming Goods" means Goods that are different from those identified in the PO or any other Goods which are in Buyer's judgment defective. Seller shall, at Buyer's option: (i) replace Nonconforming Goods with conforming Goods, or (ii) credit or refund the Price for such Nonconforming Goods, together with any reasonable shipping and handling expenses incurred by Buyer in connection therewith. If Buyer elects to have the Nonconforming Goods replaced, Seller shall, after receiving Buyer's shipment of Nonconforming Goods, ship to Buyer, at Seller's expense and risk of loss, the conforming Goods.

7. **Price.** Buyer shall purchase the Goods from Seller at the prices (the "Price") agreed upon between Buyer and Seller.

8. **Payment Terms.** Buyer shall pay all invoiced amounts due to Seller in accordance with the terms of the PO. Buyer shall make all payments hereunder in the ordinary course of Buyer's business and in Canadian dollars, or as otherwise agreed by Buyer. Buyer shall be entitled to a 2% Price reduction if an invoiced amount is paid within 20 days of the date of invoice or a 5% Price reduction if an invoiced amount is paid within 10 days of the date of invoice. Seller shall be entitled to suspend the delivery of any Goods if Buyer fails to pay any amounts when due hereunder and such failure continues for 30 days following written notice thereof.

9. **Limited Warranty.** Seller warrants to Buyer that for a period of two years from the date of shipment of the Goods ("Warranty Period"), that such Goods will: (i) materially conform to Seller's published specifications in effect as of the date of manufacture; (ii) materially conform to Buyer's specifications as per all applicable POs; (iii) be free from defects in material and workmanship; and (iv) be free of any claim of any third party, including but not limited to claims of infringement. With respect to any defect in such Goods during the Warranty Period, Seller shall, at Buyer's option, either: (i) repair or replace such Goods (or the defective part) or (ii) credit or refund the Price of such Goods, per item, provided that, if Seller so requests, Buyer shall, at Seller's expense, return such Goods to Seller.

10. **Documentation Compliance.** Seller shall utilize internal systems to track Job and Heat numbers assigned to parts sent to Seller from Buyer. Seller shall also complete in a timely fashion the Supplementary Custom Pulley Reports supplied by Buyer.

11. **Discontinuance of Goods.** If Seller plans to discontinue production of any Good currently being purchased by Buyer, Seller shall (i) notify Buyer 18 months in advance of such discontinuation; and (ii) allow Buyer to place an additional order of the discontinued Goods.

12. **On-Site Inspection.** Seller shall allow inspections of its production facilities by Buyer and/or Buyer's customers, upon reasonable notice, to ensure compliance with the agreed-upon processes and specifications.

13. **Compliance with Law.** Seller shall comply with all applicable laws, regulations and ordinances in carrying out its obligations under this Agreement. Seller shall maintain in effect all the licenses, permissions, authorizations, consents and permits that it needs to carry out its obligations under this Agreement. Seller shall comply with all export and import laws of all countries involved in the sale of the Goods under this Agreement, including but not limited to providing all customs documentation for all shipments arriving from a non-Canadian location.

14. **Buyer's Property.** All special tools, dies, patterns, jigs and fixtures supplied by Buyer or paid for by Buyer remain Buyer's property and Seller agrees to comply promptly with all disposal and shipping instructions furnished by Buyer. Seller shall at its expense, maintain all property in its possession which belongs to Buyer in good condition and repair and adequately insured and indemnify Buyer for all damage or loss to such property.

15. **Indemnity.** Seller shall defend and indemnify Buyer against all damages, liability, claims, losses and expenses arising out of or resulting in any way from any defect in the Goods or a breach of any warranty given herein, or from any act or omission of Seller, its agents, employees or subcontractors. Seller agrees to further indemnify Buyer against any claim by such party that the Goods infringe on the intellectual property rights of a third party. Seller shall maintain such public liability insurance, including products liability, completed operations, contractors' liability and protective liability, automotive liability insurance, and workmen's compensation and employers' liability insurance as will adequately protect Buyer against such damages, liabilities, claims, losses and expenses. Seller agrees to submit certificates of insurance evidencing its insurance coverage when requested by Buyer.

16. **Confidentiality.** All specifications, design data, documents, drawings, instructions, engineering, notices or other technical data or prototype articles delivered by Buyer in conjunction with Seller's performance hereunder shall not be disclosed to any third party or used for any purpose other than

in connection with the order evidenced by this Agreement without the prior written consent of Buyer. Such specifications, data, documents, drawings, instructions and articles are to be returned to Buyer promptly upon its written request. Such request may be made at any time during or after completion of Seller's performance hereunder. The obligations under this Section shall survive termination of this Agreement.

17. Miscellaneous. Seller shall not be liable or responsible to Buyer, or be deemed to have defaulted or breached this Agreement, for any failure or delay in fulfilling or performing any term of this Agreement when and to the extent such failure or delay is caused by or results from acts or circumstances beyond the reasonable control of Seller including, without limitation, acts of God, flood, fire or earthquake. Further, Buyer may delay delivery and/or acceptance occasioned by causes beyond its control without liability. Seller shall not assign any of its rights or delegate any of its obligations under this Agreement without the prior written consent of Buyer. The relationship between the parties is that of independent contractors. Nothing contained in this Agreement shall be construed as creating any agency, partnership, joint venture or other form of joint enterprise, employment or fiduciary relationship between the parties and neither party shall have authority to contract for or bind the other party in any manner whatsoever. This Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of these Terms. All matters arising out of or relating to this Agreement are to be governed by and construed in accordance with the internal laws of the Province of British Columbia without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any jurisdiction other than those of the Province of British Columbia. Any legal suit, action or proceeding arising out of or relating to this Agreement shall be instituted in the courts of British Columbia located in the City of Vancouver, and each party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding. All notices, requests, consents, claims, demands, waivers and other communications hereunder (each, a "Notice") shall be in writing and addressed to the parties at the addresses set forth on the face of the PO or to such other address that may be designated by the receiving party in writing. All Notices shall be delivered by personal delivery, nationally recognized overnight courier, facsimile or certified or registered mail. Except as otherwise provided in this Agreement, a Notice is effective only (i) upon receipt of the receiving party; and (ii) if the party giving the Notice has complied with the requirements of this Section. If any term or provision of this Agreement is deemed invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Provisions of these Terms which by their nature should apply beyond their terms will remain in force after any termination.

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