



## PURCHASE ORDER TERMS AND CONDITIONS

In these Terms and Conditions, “Company” means Intercontinental Bearing Supply Company, Inc. and its respective assigns; “Products” mean those items or services that the company wishes to purchase; and “Supplier” means the firm or person from whom the Company proposes to purchase the Products. The Company offers to purchase from Supplier the Products described in the Purchase Order on the reverse side of the terms, conditions and provisions set forth herein.

1. Price. Supplier warrants that the prices for the items or services covered by this Purchase Order are not less favorable than those currently extended to any other customer for the same or similar items or services in similar quantities. In no event is this order to be filled at higher prices than last previously quoted or charged without Company’s written consent. In the event Supplier reduces its prices during the term of this order, Supplier agrees to reduce the price hereof correspondingly. Supplier warrants that the prices shown on this Purchase Order shall be complete, and no additional charges of any type will be added without Company’s express written consent. Such additional charges include, but are not limited to, shipping, packaging, labeling, custom duties, taxes, storage, insurance and boxing. If partial shipments are made for the convenience of Supplier, any additional transportation charges will be paid by Supplier.
2. Terms. This Offer may be accepted only on the exact terms set forth in this Purchase Order and any additional or different terms or conditions which may appear in any communication from Supplier are hereby objected to and shall not be effective or binding unless contained in a writing signed by the Company referring to this purchase order. This Offer shall be deemed accepted on the earlier of the date (a) when a purchase order confirmation is received from Supplier or (b) when Supplier begins work on the Products. Unless otherwise indicated in the Purchase Order, Company shall pay each invoice in full within 45 (forty-five) days of receipt of the invoice or acceptance of the Products covered by the invoice, whichever is later.
3. Supplier Request for Nonconformance Deviation. A Supplier shall not knowingly ship Products that deviate from the drawing, specification limits, or design intent without prior written authorization from the Company. If such a condition exists, the Supplier may petition the Company in writing, to allow shipment of the Deliverable under a written nonconformance deviation. Company approval of a deviation is specific to the Products for which it has been submitted and approved and shall not be construed as a permanent engineering change. The Supplier must begin work immediately on corrective action when required. In all cases, the Supplier shall fully contain all product suspected of being nonconforming. In addition, nonconforming product may be returned to the Supplier at Supplier’s expense, or the Supplier may be required to sort any suspect product already shipped to Company sites or be charged back for the cost of sorting by Company. Any Products shipped to the Company that have been approved for deviation shall be clearly identified as such externally on the box, container, or other packaging and on shipping documentation. A copy of the Company approved deviation document shall be included inside each box.
4. Control of sub-tier Suppliers. The Supplier, as the recipient of the purchase order, is responsible for meeting all requirements, including work performed by the Supplier’s sub-tier Suppliers. When the Supplier uses sub-tier sources to perform work on Products for Company, the Supplier shall include (flow-down) on purchase orders and contracts, to its sub-tier Suppliers, all of the applicable technical and quality requirements contained in the Company purchase order, including quality system requirements, government, regulatory and Defense requirements, the use of customer designated sources, and the requirement to document and control 'key characteristics' and/or 'key processes,' and to furnish certifications and test reports as required. The Company and its customers reserve the right of-entry to sub-tier facilities, subject to proprietary considerations.
5. Supplier Change Requests. Suppliers and sub-tier Suppliers are required to obtain documentation of Company approval prior to implementing any applicable change. This requirement applies to all Suppliers, including distributors. Applicable ‘changes’ include but are not limited to: Approved production processes, Materials, NDT, and special processing; change of sub-tier Suppliers for raw materials, purchased components or services and/or Change to test/inspection sequencing or methods.
6. Right of Access. The Supplier shall provide the Company, the Company’s customer, or a specified third party (customer/regulatory agency), right of access to the facility and all records related to the Products ordered by the Company. The Company reserves the right for the Company, the Company’s customer, or a specified third party (customer/regulatory agency), to perform an audit or inspection at the Supplier’s facility. Such verification shall not be used as evidence of effective control of quality. This verification does not absolve the Supplier of the responsibility to provide acceptable Products and does not preclude any subsequent rejection by the Company or its customer.

7. Source Inspection. When invoked via purchase order, the Supplier shall support source inspection activities by the Company, the Company's customer, or a specified third party (customer/regulatory agency). The Supplier will contact the appropriate party for source inspection upon completion of the product in such cases. Products shall not be shipped until source inspection has been completed including appropriate documentation. If the Supplier has difficulty in reaching the appropriate source inspector, they shall contact the Company for support without undue delays. The Supplier shall provide the necessary access, equipment and resources required to effectively accomplish the source inspection.
8. Delivery. Delivery by Supplier of the Products shall be as shown in the "Ship to" block on the face of this Purchase Order or as otherwise directed by Company. Unless otherwise specified on the face of this Purchase Order, all products will be packaged by Supplier in suitable containers to permit safe and secure transportation and handling. Delivery shall be strictly in accordance with the schedule set forth in the Purchase Order. Supplier shall expend its best efforts to conform to the mutually agreed upon delivery date or dates. Items delivered more than ten (10) days prior to the Purchase Order item delivery schedule, may at Company's option, be returned to Supplier at Supplier's expense. Supplier agrees to notify Company as soon as possible after Supplier becomes aware that it will not be able to deliver any or all of the Products on the date specified for delivery, and Company may thereupon at its sole discretion (a) terminate this purchase order in whole or in part without liability to Company and without waiving any rights to recover damages (including incidental and consequential damages) under the Uniform Commercial Code ("UCC") as adopted in the State of Texas, or (b) require Supplier to use additional effort, including premium effort, and shall ship via air or other expedited routing to avoid or to minimize delay to the maximum extent possible and all at no charge to Company or change in the price and without prejudice to any of Company's rights or remedies, whereupon Supplier shall use such efforts.
9. Risk of Loss and Insurance. The risk of loss from any casualty to the Products, regardless of the cause or of the casualty, shall be on Supplier until the Products have been delivered as provided in paragraph 3 and accepted in the manner provided under paragraph 8. Unless otherwise specified in the Purchase Order, all shipments shall be F.O.B. Houston, Texas, or if international C.I.F. Houston, Texas or other destination specified by Company. Supplier agrees to insure the Products from and against all reasonable and customary hazards and risks of injury and destruction from the time the Products are identified to the contract to the time of delivery. Insurance shall be placed with reputable underwriters and shall name Company as a loss payee as its interests may appear, and such policy shall waive subrogation rights against Company.
10. Inspection at Supplier's Premises. At the request of Company, the Products shall be subject to, at any time prior to delivery, inspection by Company at the premises of Supplier, upon such request and without cost to Company, shall provide reasonable facilities and assistance for the safety and convenience of such inspectors. At the time of inspection, Supplier shall make available to the inspectors' copies of all such information relating to the Products, including all specifications, drawings, samples, tooling, inspection tools and descriptions, requested by inspectors to facilitate this inspection. This inspection shall be deemed as preliminary only and the Products shall be subject to final inspection and acceptance after delivery at Company's place of business.
11. Adequate Assurances. In the event that Company learns of a non-conformity of the Products prior to delivery, Company may demand from Supplier adequate assurances of cure and Supplier shall provide such assurances, both as to the particular Products in question and as to future installments, if any, within ten business days after such demand. In the event of Supplier's failure to provide adequate assurances, Company may in its sole discretion terminate this contract in whole or in part (including with respect to future installments) without liability to Company and without waiving any rights to recover damages (including incidental and consequential damages) from Supplier or to purchase such Products elsewhere and hold Supplier accountable for "cover" as defined in the UCC as adopted in the State of Texas.
12. Final Inspection. Supplier shall inspect and test the Products prior to their shipment to Company. Notwithstanding any prior payment or prior inspection by Company of the Products, acceptance of the Products shall be subject to final inspection by Company after delivery at Company's place of business. Company shall be entitled to inspect the Products in any manner that is possible and commercially reasonable, including utilizing persons not employed by Company for the purpose of making the inspection.
13. Acceptance of Products. In no event shall acceptance of the Products occur until Company has had a reasonable period of time to conduct a final inspection of Products, however inspection within ten business days following receipt at the delivery point specified above shall be conclusively deemed reasonable. Company, at Company's option, may reject quantity over shipments that are not specifically covered by a properly executed Change Order to this Purchase Order, and such over shipments are subject to return by Company to Supplier at Supplier's expense.

14. Warranty. The Products shall be in conformity with the highest standards of quality and professionalism. Supplier warrants that the Products shall be free from defects in design, materials and workmanship and shall conform to all applicable requirements, specifications, samples, drawings and descriptions either provided by or to Company, including, without limitation, all requirements, specifications, samples, drawings and descriptions contained or referenced in any other documentation provided or produced by Supplier, shall conform to all applicable requirements of law and government regulation, and shall otherwise be merchantable and fit and suitable for their intended purposes. Supplier further warrants that it owns the Products and has the power to, and shall, transfer the Products to Company free and clear of liens, encumbrances and interests of any kind. These warranties shall survive delivery, inspection, acceptance and payment.
15. Remedies for Non-Conformity. Without prejudicing Company's other rights and remedies, Company may return at Supplier's sole expense all Products which do not conform to Supplier's warranties for a full refund of all sums then paid for the Products. Company may, in addition, return all quantities of Products tendered after the delivery date or in quantities in excess of those ordered. In the event of a non-conforming delivery, Company may, at its option, (a) demand repair and/or replacement of non-conforming Products, whereupon Supplier shall repair or replace such merchandise, (b) terminate the relevant purchase order without waiving rights to recover damages (including incidental and consequential damages) or to purchase replacement goods from other suppliers and (c) hold Supplier liable for cost of "cover" as defined in the UCC.
16. Installation Contracts. Where Supplier is to deliver Products to Company in multiple shipments, it is expressly recognized and agreed that a breach which is substantial with respect to any one installment is conclusively substantial with respect to the entire contract.
17. Quality. Supplier understands that it is expected to deliver only a deliverable which meets the Company's quality requirements and all other applicable requirements. The specification and quality requirements shall be set forth by the Company, or if no written quality standards are specified, the parties agree to use their best efforts to establish mutually satisfactory acceptable quality requirements. In the event that a product which Company considers to be defective is delivered by Supplier will replace the defective product at no additional charge to Company and will pay all return and reshipment expenses. Further, replacement shall be accomplished by the Supplier within 48 hours of receipt of notification of the defect. Company expects that Supplier will have a commitment to deliver products with zero defects. Initial corrective action reports for defects including a defect analysis and corrective action plan, will be provided within the time frame requested by the Company on the corrective action issued to Supplier will provide the Company a containment plan within 24 hours of receipt of notification of the defect.
18. Scrap. Supplier understands that if it is performing a process(es) on material that the Company has provided to Supplier, the Supplier shall return all scrapped and unused parts back to the Company along with the Products, and if scrapped, an explanation as to why it was scrapped. All product returned to the Company shall be clearly identified.
19. Continuous Improvement. Supplier will make a good faith effort to continuously improve competitiveness and performance in all areas of the relationship including but not limited to co-development in the design cycle, quality, release lead time, minimum release quantity and pricing. In particular, Supplier is expected to evaluate opportunities for cost/price reductions on active and new items and to communicate them promptly to Company. Supplier will strive to reduce its costs of procurement and production will share with Company the benefit and any price reductions made possible by process improvements or reductions in material costs. Supplier is expected to advance its economies of production and technical prowess at least as fast as other competitors in its industry, maintain its competitive position and offer the price and performance benefits of those improvements to Company as they become available. Supplier has committed to achieve a 48-hour turnaround on pricing estimates for new commodity items and new item delivery within 48 hours after engineering approval. Company shall promptly evaluate and respond to suggestions made by Supplier for improvement of the relationship hereby established.
20. Retention of Records. Supplier shall maintain quality records which provide evidence of conforming to requirements of Products delivered to the Company. Supplier shall make such records available to the Company or regulatory authorities upon request. Supplier shall maintain such records for a period of not less than 10 (ten) years from the date of shipment under each applicable order for all Products on the order. Supplier shall maintain all records related to the current first article inspection (FAI) for 10 (ten) years past final delivery of the Products covered by the FAI. At the expiration of such period set forth above and prior to disposal of records, Supplier shall notify Company of the records to be disposed, and at the Company's option and at no additional cost to the Company, Supplier shall promptly deliver such records to the Company on media agreed to by both parties.
21. Changes to Processes or Deliverable: Supplier shall promptly notify the Company of any changes to the processes used in manufacturing the deliverable or in the deliverable itself, including but not limited to change of a sub tier supplier, change in manufacturing location, change in Executive Management and / or Quality Management personnel.

22. Default; Remedies. Upon the occurrence of any one or more of the following events, Company shall have the right, at Company's option, in any outstanding order, to (i) cancel and terminate any contract for the purchase of Products without cost or liability to Company and/or (ii) purchase the Products elsewhere and charge Supplier with the difference between the net price for which the Products are actually purchased and the price recorded on this purchase order and/or (iii) exercise all other rights and remedies available to Company under the UCC: (a) Supplier's insolvency or inability to meet its obligations as they become due; (b) filing of a voluntary or involuntary petition of bankruptcy by or against Supplier; (c) institution of legal proceedings against Supplier by creditors or stockholders; (d) appointment of a receiver for Supplier by any court of competent jurisdiction; (e) Supplier's failure to perform or comply with any term or condition in this contract or any order, including Supplier's failure to deliver any Products to Company when due; (f) any warranty made by Supplier is or becomes untrue or incorrect; or (g) Supplier fails to give adequate assurances of performance within ten days from the demand therefore from Company. In the event of Supplier's bankruptcy or insolvency Company shall be entitled to collect from Supplier its attorney's fees and litigation expenses. The rights and remedies provided herein are cumulative and not exclusive of any rights and remedies provided by law or in equity.
23. Warranty of Infringement; Supplier's Authority. Supplier represents and warrants that the Products and any and all other items, technology, and rights and properties of any nature developed by Supplier under this Purchase Order shall be original to Supplier and shall not infringe in any respect on the right or property of any others. Supplier shall not, without prior written approval of Company, use any equipment, suppliers, facilities, or proprietary information of any other party in Supplier's performance under this Purchase Order. Supplier further represents and warrants that Supplier is fully authorized to enter and to perform under this Purchase Order, without infringing any of Supplier's other commitments, agreements, or understandings. Supplier shall defend, indemnify and hold Company and its agents and owners harmless from and against any and all losses, claims, damages, liabilities, obligations, costs and expenses (including reasonable attorneys' fees) arising from or based upon any breach of Supplier's representations or warranties or the use of the Deliverable or any of the rights and properties.
24. Indemnity. Supplier agrees to defend, indemnify, release and hold harmless Company, its directors, officers, employees and agents against and from any and all liabilities, claims, demands, suits, causes of action, losses, penalties, fines, expenses and damages, including reasonable attorneys' fees and court costs for personal injury or bodily injury, including death, to any person and for damages to the property of anyone (including property of Company), arising out of or in connection with the use or sale of the Products, from any patent or hidden defects in the quality of the Products, or any breach of warranty given by Supplier with respect to the Products. No limitation of liability of Supplier contained in any other writing shall be binding on or effective against Company.
25. Right of Setoff. Claims for monies due or to become due from Company shall be subject to deduction by Company for any setoff or counterclaim arising out of this or any other of Company's orders placed with Supplier or contracts made with Supplier. Company expressly reserves all such rights against Supplier and its assignees.
26. Compliance with Laws, Rules & Regulations. Supplier agrees to comply with all applicable State, Federal, and local laws in the purchase, manufacture, processing and delivery of the Products. If violation of such laws has or does occur, Supplier will indemnify and save harmless Company from all loss, penalties, or payments of sums of money on account of such violation.
27. U.S. Export Controls. The Products and/or technical data is subject to all applicable U.S. export and re-export control laws and regulations, including the Export Administration Regulations ("EAR") maintained by the U.S. Department of Commerce, trade and economic sanctions maintained by the Treasury Department's Office of Foreign Assets Control ("OFAC"), and the International Traffic in Arms Regulations ("ITAR") maintained by the Department of State, and may be subject to export or import regulations in other countries. Supplier agrees to comply strictly with all such regulations. Specifically, Supplier agrees that it shall not -- directly or indirectly -- sell, export, re-export, transfer, divert, or otherwise dispose of any products, software, or technology (including products derived from or based on such technology) received from the Company under this Agreement to any destination, entity, or person prohibited by the laws or regulations of the United States, without obtaining prior authorization from the competent government authorities as required by those laws and regulations. This restriction includes the transfer of any products or technical data to Supplier's employees who are not U.S. persons as defined by the appropriate regulations. Supplier acknowledges that it has the responsibility to obtain any required authorization from the competent government authorities. Supplier agrees to indemnify, to the fullest extent permitted by law, Company from and against any fines or penalties that may arise as a result of Supplier's breach of this provision. If Supplier is not a U.S. Person, Supplier agrees to immediately destroy this communication and to notify the sender.
28. Employees, Agents, and Subcontractors. If Supplier uses any agents or subcontractors ("persons") in its performance under this Purchase Order, Supplier shall first request and receive Company's consent to such assistance and Supplier shall require each such person to be covered by a written agreement binding such person to the terms of this Purchase Order for the benefit of Company or its Assignee.

29. Assignment of Purchase Order by Company. The Purchase Order is assignable by Company upon written notice to Supplier, subject, however, to Supplier's written consent, which shall not be unreasonably withheld. Notwithstanding the foregoing, the consent of Supplier shall not be required for the assignment of this Purchase Order by Company to (i) an entity which controls, is subject to common control, or is controlled by Company, or (ii) an unrelated entity that is a national bank or financial institution or an affiliate thereof. Assignment by Company pursuant to this paragraph shall have no effect on, or serve to diminish in any way, Company's rights and remedies under this Purchase Order.
30. Protection of Confidential Information. Supplier acknowledges and agrees that Company's business and future success depends on the preservation of the trade secrets and other confidential information of Company and its affiliates, licensors, suppliers, customers and prospective customers ("Confidential Information"). The Confidential Information includes, without limitation, the Products and all specifications, drawings, tooling, prototypes, technical information, patent applications and information, procedural and business and financial information, product and marketing plans, personnel information, know-how and any ideas, concepts, product, methods, inventions, procedures or information that are proprietary to Company, its affiliates, its licensors or its actual or prospective suppliers of customers or that Company is required to keep confidential, whether developed by or provided to Supplier agrees to protect and to preserve as confidential during and after the term of this Purchase Order all the Confidential Information at any time known to Supplier agrees to take appropriate action to protect and preserve the confidentiality of the Confidential Information and at a minimum to utilize the same effort to safeguard such Confidential Information as it utilizes to protect its own confidential or proprietary information. Supplier shall not disclose any of the Confidential Information without the prior written consent of Company, and Supplier shall neither use nor allow others to use any of the Confidential Information for any purpose other than for the sole benefit of Company as authorized by the Purchase Order, unless specifically approved in writing in advance by Company. Supplier's obligation under this paragraph shall survive any completion or termination of this Purchase Order. Because a violation by Supplier of the provisions of this paragraph could cause irreparable injury to Company and there is no remedy at law for such violation, Company shall be entitled, in addition to all other remedies available at law or in equity, to equitable relief, including injunction and specific performance without posting a bond, as a remedy for any such violations. In the event Company incurs any expenses by reason of Supplier's breach of any term of this paragraph, such actual expenses, including, but not limited to, attorneys' fees, court costs and other expenses, shall be paid by Supplier to Company.
31. Notices. All notices and approvals shall be in writing and given (i) in person; (ii) if mailed, by registered or certified mail, postage and charges prepaid to the address in this paragraph; or (iii) by a national courier service. Notices shall be effective on the earlier of the actual receipt or five (5) days after mailing. All notices to the Supplier shall be directed to the address set forth on the face of this Purchase Order. All notices to Company shall be directed to:
- Intercontinental Bearings Supply Company, Inc.  
17711 Telge Road, Cypress, TX 77429*
32. No Assignment by Supplier. Supplier's obligations under this Purchase Order are personal and are not assignable to others and any purported assignment shall be void. Without limiting the generality of the foregoing, Company shall have no obligation to pay any invoice designating that payment be made to anyone other than Supplier, provided however, that following receipt by Supplier directing Company to pay a third party, payment in accordance with any such notice shall conclusively satisfy the obligations to Supplier with respect to this Purchase Order.
33. Relation of Parties. The relationship of the parties is one of independent contractors, and neither Supplier nor Company intend to create any partnership, joint venture, employment, or agency. Supplier shall not represent to anyone that Supplier is an agent of Company or otherwise authorized to bind or commit Company in any way.
34. Governing Law. This Purchase Order shall be governed by and interpreted in accordance with the laws of the State of Texas which are in force on the date of this Purchase Order without reference to the United Nations Convention on Contracts for the International Sale of Goods. Unless the context requires otherwise, all terms used in this Purchase Order and that are defined in the UCC shall have the meaning stated in the UCC.
35. Severability. If any provision of the Purchase Order is or becomes void or unenforceable, the other provisions shall remain valid and enforceable.
36. Waiver/Modification. This Purchase Order is the complete and exclusive statement of the agreement between the parties and supersedes any or all prior or contemporaneous oral or written communications with respect to the subject matter hereof. No modification, waiver, or amendment hereof shall be binding unless in writing and signed by Company, and no waiver of a right in any instance shall constitute a waiver of the same or any other right in any other instance.