

PURCHASE ORDER TERMS AND CONDITIONS

THIS ORDER IS SUBJECT TO THE TERMS AND CONDITIONS OF PURCHASE SET FORTH BELOW.
ANY ADDITIONAL OR CONFLICTING TERMS AND CONDITIONS ARE OBJECTED TO.

A. These purchase order terms and conditions ("Terms") shall apply and form part of every purchase order ("Order") submitted by APPLIED INDUSTRIAL TECHNOLOGIES or any of its affiliates ("Buyer") to the seller appearing on the Order ("Seller") for the sale or supply, directly or indirectly, to Buyer of products, materials, other goods and/or services (the "Deliverables"). Buyer's order number (including letters) and ordering location name must appear on all invoices, packing lists, shipping cartons and correspondence. A packing list must accompany all shipments.

B. Unless otherwise specified, Buyer's purchases are for resale and no sales or use taxes shall be charged. Seller is responsible for requesting any required certification from Buyer.

C. Seller shall use Buyer designated carriers only. Seller shall not purchase transportation insurance unless requested. Freight over-payments or over-charges are subject to a handling charge and will be deducted from the invoice payment.

D. Seller shall render a separate invoice for each order and shipment to the attention of Accounts Payable Department; P.O. Box 338; Saskatoon, Saskatchewan S7K3L3.

1. **Acceptance, Entire Agreement and Modification.** By acceptance of the Order, Seller agrees to these Terms, incorporated herein by reference, which Terms, together with the Order, shall constitute the entire agreement between the parties. The Order and these Terms order shall be deemed accepted upon the return of the acknowledgement copy of this Order or the commencement of performance by Seller (including the commencement of work or performance of any services with respect to samples) and shall be deemed an agreement by Seller that it has read these Terms and that it understands and agrees to be bound by same. No change to or modification of this order shall be binding upon Buyer unless agreed to in writing by an authorized representative of Buyer. Buyer rejects any additional and inconsistent terms and conditions offered by Seller at any time and irrespective of Buyer's acceptance of, or payment for, Seller's Deliverables. Without limiting the foregoing, any and all terms, provisions, or conditions specified by Seller in its acceptance, confirmation or acknowledgement of the Order that in any way modify these Terms shall be deemed rejected and null and void, unless specifically accepted by Buyer in writing.

2. **Delivery.** Time is of the essence. Failure to deliver by the required delivery date specified in Buyer's order may result in substantial damages to Buyer due to commitments to its customers. In addition to its other remedies, Buyer may cancel an order in whole or in part without liability if delivery is not made within the time specified on the order.

3. **Transportation and Packaging.** All Deliverables shall be properly packed, marked and shipped in accordance with any of Buyer's instructions and applicable laws. Damage and/or loss resulting from improper packaging, preparation, loading or shipping shall be charged to Seller. Unless provided otherwise in an Order, shipping shall include all transportation costs and expenses packing and delivery including any applicable duties, taxes, commissions to selling agents and similar incidental costs.

4. **Title, Risk of Loss, Inspection and Acceptance of the Goods.** Regardless of CPT (Incoterms 2010) terms of sale, title to and risk of loss or damage shall pass and acceptance of the Deliverables shall take place when such Deliverables have been delivered to Buyer's specified destination and have passed Buyer's inspection and tests. In no event shall payment be deemed to constitute acceptance.

5. **Prices.** Buyer is liable only for the price indicated on this Order. If the price is omitted from the Order, Seller shall invoice at the price last quoted to and agreed by Buyer or paid by Buyer for such Deliverables in equal quantities. Seller warrants that the prices for the Deliverables are not less favorable than those currently extended to any other customer for the same or like goods under conditions similar to those specified in Buyer's order. In the event Seller establishes or offers a lower price for the sale of such Deliverables in such quantities, Seller agrees to reduce the prices hereof correspondingly. No additional charges of any kind will be allowed unless specifically agreed to in writing in advance by Buyer. Unless otherwise specified by Buyer, payment terms will be 45 days of receipt of the Deliverables by Buyer.

6. **Warranty.** In addition to any warranty implied by applicable law and without in any way limiting remedies for breach thereof, Seller warrants to Buyer, its successors, assigns and customers that all Deliverables furnished (including all replacement goods and all replacement or corrected components which Seller furnishes pursuant to this warranty) will (i) be free from defects in construction, design, workmanship, materials and packaging for a period of five years after delivery to the Buyer, or such longer period as may be otherwise provided by law or in equity, (ii) conform to applicable drawings, specifications, samples and other descriptions furnished or specified by Buyer, and (iii) to the extent such Deliverables are not of a detailed design furnished by Buyer, be merchantable, suitable for the intended purposes and free from all defects, including defects in design. Seller further represents and warrants that it has good, legal and marketable title to the Deliverables, and will be sold or provided free and clear of all hypothecs, liens and encumbrances of any kind. In the event Seller is required to replace or correct any component of any item pursuant to a breach of the foregoing warranty, the running of the warranty period for the item of which the defective component is a part, shall be suspended from the date Seller receives notice of the breach of warranty until the date the component is replaced or corrected. Buyer's approval of Seller's samples or first supply of Deliverables shall not be construed as a waiver by the Buyer of any requirement of the drawings, specifications and/or other referenced descriptions applicable hereto or of any express or implied warranty. Further, Seller represents and warrants that the deliverables and their sale or use, alone or in combination, will not infringe any intellectual property of third parties.

7. **Indemnification.** Seller shall indemnify and hold Buyer, its successors, assigns, customers, agents and affiliates, and their respective present and former directors, officers and employees (collectively, "Buyer's Indemnitees") harmless against all damages, liabilities, costs and expenses (including, without limitation, Buyer's costs of testing and inspection, court costs and reasonable legal fees) on account of claims for injuries to persons or damage to property arising out of (i) any act or omission of Seller, its agents, employees and subcontractors, (ii) any breach of Seller's warranties hereunder, (iii) incurred by Buyer in connection with or related to any recall, inspection, testing, replacement or correction of the Deliverables or any part or equipment into which the Deliverables are incorporated, which results from or is related to, in whole or in part, a defect or alleged defect in the Deliverables, or (iv) except when Buyer supplies all drawings and specifications, the infringement or alleged infringement of any patent or copyright for or on account of the manufacture, sale, resale, and/or use of the Deliverables furnished hereunder.

8. **Insurance.** Seller shall furnish Buyer with insurance certification from Seller's insurance carrier showing that Seller has reasonable and customary coverage, including but not limited to comprehensive general liability insurance coverage that includes products liability coverage,

currently in force in an amount of not less than \$2,000,000 combined single limit bodily injury and property damage. Such certification shall also contain a vendor's endorsement showing Buyer as an additional insured vendor under Seller's insurance policies and shall provide for thirty (30) days prior written notice to Buyer from Seller's insurance carrier in the event of cancellation or termination of such coverage. The purchase of such insurance coverage or the furnishing of such certification shall not be deemed in lieu of Seller's liability hereunder, nor shall it in any way modify Seller's indemnification of Buyer's Indemnitees.

9. **Excess Quantities/Non-Conforming Goods/Substitutions.** All Deliverables shall be subject to inspection and rejection or acceptance, notwithstanding any payment or initial inspection, at the point of delivery specified by Buyer in an Order. Seller acknowledges and agrees that such inspection of the Deliverables is carried out on a sampling of such Deliverables only and shall not constitute acceptance of the Deliverables or precludes Buyer from rejecting the Deliverables after final inspection in the event that defects or nonconformities that were not discovered during such initial inspection are then discovered. Final inspection will be made by Buyer within a reasonable time after receipt of the Deliverables. In case any of the Deliverables are defective in material or workmanship, or do not conform to applicable specifications, drawings, samples or other description furnished or specified by Buyer to Seller, Buyer shall have the right, at its option, to reject and obtain a refund of, or to seek replacement for or repair of, or to retain and correct such Deliverables. Deliverables in excess of those specified, non-conforming goods and unauthorized substitutions shall not be accepted by Buyer and any such Deliverables will be held at Seller's risk, and all transportation charges, both to and from the original destination, shall be paid by Seller.

10. **Manufacture and Material Commitments.** Seller shall not make commitment for materials nor fabricate in advance of time necessary to permit shipment on delivery dates unless authorized in writing by the Buyer.

11. **Cancellation.** Buyer shall have the right by written notice to cancel, suspend or modify the Deliverables to be furnished by Seller under Buyer's order. Buyer shall only be liable to Seller for the agreed upon price for Deliverables accepted by Buyer and for Seller's cost for reasonable materials and actual work performed up to the time of cancellation not otherwise usable or saleable by Seller, net of salvage value. TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, IN NO EVENT SHALL THE BUYER BE LIABLE FOR SELLER'S ANTICIPATORY PROFITS AND/OR INDIRECT, CONSEQUENTIAL, INCIDENTAL, PUNITIVE OR SPECIAL DAMAGES.

12. **Default.** Buyer reserves the right, by written notice, to cancel any order without liability to Buyer in the event of (i) the insolvency of Seller, (ii) the filing of a voluntary petition in bankruptcy by Seller, (iii) the filing of an involuntary petition to have Seller declared bankrupt, (iv) the appointment of a receiver or trustee for Seller, (v) the execution by Seller of an assignment for the benefit of creditors or the application by Seller for relief under the *Companies Creditors Arrangement Act* (Ontario), or other similar legislation (vi) proceedings of any type being instituted in any jurisdiction in respect of the alleged insolvency or bankruptcy of the Seller. If Seller fails to perform, or breaches any of the terms of this order, Buyer reserves the right, immediately upon such failure of performance or breach, and without any liability to Buyer (I) to cancel the order in whole or in part by written notice to Seller, or (II) after notifying Seller of such failure or breach and of Buyer's intent to exercise such right, to obtain the Deliverables from another source, with any excess costs resulting therefrom chargeable to Seller. Seller shall be liable for Buyer's damages in connection with such breach or failure to perform including consequential damages reasonably foreseeable by Seller or of which Seller was apprised by Buyer, provided, however, the Seller shall not be responsible for delays or defaults occasioned by fires, Acts of God or force majeure, wars or riots, but in the event of such occurrence, Buyer reserves the right to cancel the order without liability of any kind.

13. **Setoff.** Buyer shall be entitled at all times to setoff any amount owing from Seller to Buyer against any amount payable by Buyer pursuant to Buyer's order.

14. **Compliance with Laws.** Seller shall, in the performance of its obligations hereunder, comply with all applicable laws and regulations including, without limitation, all income tax and "social security" legislation (e.g. unemployment insurance, Canada pension plan, old age benefits or worker's compensation laws) of Canada or of any Province or other governmental authority with respect to persons employed in the provision of Deliverables under this Order.

15. **Remedies.** The remedies provided Buyer herein shall be cumulative and in addition to any other remedies provided by law, equity or other legal theory. A waiver of a breach of any provision hereunder shall not constitute a waiver of any other breach. The invalidity in whole or in part of any provision hereof shall not affect the validity of any other provision. Any terms that would, by their nature survive the termination of the Order shall so survive.

16. **Applicable Law.** These Terms shall be governed and construed by the laws of the Province of Saskatchewan, without regard to its conflict of law provisions. Seller agrees that the *United Nations Convention on Contracts for the International Sale of Goods* or any internal law which ratifies same shall not apply to these Terms or the Order. Any action brought on any matter relating to the sale or use of Deliverables hereunder shall be instituted and maintained only in a court of competent jurisdiction for the Province of Saskatchewan, and Sellers waives any objection it may have to the jurisdiction or venue of such court. Seller acknowledges and is satisfied that these Terms be drawn up in the English language. *Le vendeur reconnaît avoir exigé que les présentes soient rédigées en anglais et s'en déclare satisfait.*

17. **Hazardous and Dangerous Goods and Materials; Conflict Minerals.** For any Deliverables furnished in accordance with this Order which are hazardous or dangerous under applicable law, Seller will provide Buyer with hazardous warning and safe handling information in the form required by applicable laws and regulations and appropriate labeling for such Deliverables. Seller shall have further, any conflict mineral, as defined in the U.S. Securities and Exchange Commission's final rule on conflict minerals, that is included in any Deliverable, or is from recycled or scrap sources, all as defined in the rule. Seller agrees that all inquiries and diligence performed shall be consistent with the rule's requirements. Seller further agrees to respond promptly to each inquiry by Buyer from time to time by certifying in writing to Buyer whether Seller is complying with this paragraph.

18. **Confidentiality.** All information which Buyer may disclose to Seller in connection with the Order and any Deliverable, including all information relating to pricing, costs, inventory and any specification furnished by Buyer is and shall be deemed to be confidential and the sole and exclusive property of Buyer. Seller agrees to keep any and all such information in strict confidence.