

MACHINISTS INC.

TERMS AND CONDITIONS OF SALE

The following terms and conditions are applicable to all sales made by Machinists Inc, Seattle, Inc. ("MI") unless otherwise specified:

1. All previous quotations and agreements relating to this transaction are hereby superseded, and these Terms and Conditions and the relevant quotation in which they are incorporated by reference constitute the entire agreement between the parties as to the subject matter.
2. All prices quoted are F.O.B. MI's dock, Seattle, Washington. Delivery is available without cost for Seattle shops if load or size limitations do not preclude the use of MI's truck. Except where MI makes deliveries by its own truck, goods shall be considered to be delivered, and risk of loss and damage shall pass, to customer when (i) goods are delivered to the carrier for shipment, or (ii) MI places goods in storage at customer's request.
3. All prices are quoted and payable in U.S. Dollars. Payment is due within 30 days from the date of MI's invoice. Amounts not paid within the 30 day period shall bear interest at the rate of 12% per year until paid in full.
4. MI shall have the sole right to determine the amount of credit extended to any customer. MI makes no assurance that credit will be extended or that, once extended, will be maintained at any specified amount. Should MI determine, in the exercise of its sole discretion, that customer is no longer creditworthy, it may suspend deliveries of product, require prepayment in immediately available funds prior to shipment, or require some form of performance assurance from customer.
5. All equipment, parts, materials or accessories worked on, furnished or manufactured by MI shall be promptly inspected by customer upon delivery to determine whether such items conform to relevant specifications in all respects. Defects that do not impair satisfactory service shall not be cause for rejection.
6. MI warrants that, for a period of one year from date of their shipment to customer, goods manufactured by MI will (i) be free from defects in materials (except where customer has supplied or selected materials incorporated in the goods) and in workmanship which impairs their usage, and (ii) conform to applicable American Gear Manufacturers Association standards. **HOWEVER, MI MAKES NO WARRANTY WHATSOEVER WITH RESPECT TO THE HEAT TREATMENT OF SUCH GOODS AND HEAT TREATMENT IS SPECIFICALLY EXCLUDED FROM THE SCOPE OF THE WARRANTY GIVEN IN THIS SECTION 6.**
7. MI warrants that, for a period of one year from date of their shipment to customer, all assembled products sold by MI and all parts repaired or replaced by MI will (i) be free from defect in materials and workmanship which impairs their usage, and (ii) conform to MI's published drawings and specifications. **THIS WARRANTY WILL APPLY ONLY IF THE ENVIRONMENT IN WHICH THE PRODUCTS ARE INSTALLED IS COMPATIBLE WITH THE MATERIALS USED IN THE PRODUCT, THE INTERCONNECTED PARTS ARE COMPATIBLE WITH ONE ANOTHER, AND THE SYSTEM OF INTERCONNECTED PARTS IS (A) FREE FROM MISALIGNMENT, (B) OPERATES WITHIN SPECIFIED SPEED RANGES WITHOUT EXCEEDING CRITICAL SPEEDS, AND (C) IS FREE FROM LATERAL, TORSIONAL OR OTHER TYPES OF VIBRATIONS DURING OPERATION WITHIN THE SPECIFIED OPERATING SPEED RANGE, NO MATTER HOW INDUCED.** Responsibility for system analysis for compliance with these requirements rests solely with customer.
8. When parts are manufactured from customer-supplied samples, MI will use its best efforts to examine and determine the appropriate manufacturing dimensions, tolerances and metallurgy. MI will not be responsible for critical dimensions, tolerances or metallurgy not apparent from customer-supplied parts and not specifically identified by the customer.

9. MI'S WARRANTY WILL BE VOIDED IF: (A) THE DEFECT IS NOT REPORTED WITHIN THE ONE YEAR WARRANTY PERIOD; (B) THE PRODUCT IS INSTALLED, USED, SERVICED, OR MAINTAINED OTHER THAN IN ACCORDANCE WITH MI'S STANDARDS OR THOSE OF THE AMERICAN GEAR MANUFACTURER'S ASSOCIATION; (C) THE PRODUCT HAS BEEN ALTERED OR MODIFIED BY SOMEONE OTHER THAN MI; OR (D) THE DESIGN, SPECIFICATIONS OR MATERIALS SUPPLIED BY CUSTOMER WERE ERRONEOUS OR DEFICIENT IN ANY RESPECT.

10. THE WARRANTIES SET FORTH IN SECTIONS 6 AND 7 ARE IN LIEU OF ALL OTHER WARRANTIES AND COMPRISE MI'S SOLE AND ENTIRE WARRANTY OBLIGATION TO CUSTOMER AND ITS CUSTOMERS AND ASSIGNS IN CONNECTION WITH GOODS AND SERVICES SOLD BY MI. ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY EXCLUDED.

11. Customer's sole and exclusive remedy for defective goods covered by MI's warranty shall be, at MI's option and place of business, repair, replacement or refund of the purchase price. MI WILL IN NO EVENT BE LIABLE FOR ANY INCIDENTAL, CONTINGENT, SPECIAL, CONSEQUENTIAL, OR OTHER DAMAGES, INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, REVENUE OR USAGE, COST OF SUBSTITUTE GOODS, ADDITIONAL COSTS INCURRED BY CUSTOMER, OR CLAIMS OF PURCHASER'S CUSTOMERS OR THIRD PARTIES.

12. MI'S TOTAL LIABILITY TO CUSTOMER FOR DAMAGE OR LOSS ARISING OUT OF, OR IN ANY WAY RELATED TO, THE SALE OF GOODS HEREUNDER, WHETHER BASED IN CONTRACT, TORT (INCLUDING NEGLIGENCE AND/OR GROSS NEGLIGENCE), STRICT LIABILITY, BREACH OF WARRANTY OR ANY OTHER CAUSE (A "CLAIM") SHALL IN NO EVENT EXCEED THE PURCHASE PRICE OF THE PARTICULAR GOODS WITH RESPECT TO WHICH SUCH CLAIM RELATES.

13. MI shall use its best efforts to meet scheduled delivery dates but shall not be liable for (i) any loss or damage arising from any delay in manufacture or delivery, or (ii) MI's inability to perform due to conditions or events rendering MI's performance commercially impracticable or due to causes beyond MI's control, such as acts of God, customer's acts or omissions, acts of authorities, fires, strikes, labor disturbances, war, fate deliveries by suppliers, or shortages of fuel, labor or materials. If customer requests changes in specifications or designs, shipment schedules shall be revised, if necessary, in MI's reasonable opinion. Delays in the design, manufacturing or shipping schedule caused by customer may result in additional charges, including, but not limited to, surcharges to offset increased material costs, storage fees, higher labor costs, or other applicable costs.

14. All sales made by MI are expressly conditioned upon customer's acceptance of these Terms and Conditions. If there is any inconsistency between these terms and conditions and those contained in any document submitted by customer, these terms and conditions shall control even if customer's documents expressly limit acceptance to use of customer's terms and conditions. MI shall only be bound by such additional terms and conditions to which it specifically agrees in writing.

15. Quoted prices are for goods exactly as described in the original quotation. Alterations made to the goods post-quotation will be charged and paid for as an extra. Orders placed by customer may not be cancelled nor delivery postponed more than 30 days, except upon terms that fully compensate MI for material and labor already expended.

16. All sales are made subject to all applicable local, State, Federal, use, sales and excise taxes, the amount of which customer agrees to pay.

17. Where instructions for shipping do not appear on customer's order, shipment will be forwarded according to MI's best judgment.
18. For field services, such as inspections, repairs, and installations which occur outside MI's shop area, a labor charge will be made at the rate of \$1500.00 per man per 8 hour day between the hours of 8:00 AM and 5:00 PM (including travel time), plus travel and subsistence expenses. Field work in excess of 8 hours per day, and on weekends and holidays, will be charged at a premium rate.
19. Nonrecurring tooling charges, such as for dies, tools, broaches, hobs, cutters, jigs, do not convey ownership or the right to remove the same from MI's premises. All such items shall be and remain MI's property at all times.
20. Should MI have the misfortune to scrap customer supplied material, MI's sole liability for loss or damage is limited to the lesser of (i) the cost of replacement or (ii) the cost of MI's services rendered in connection with the material.
21. Customer is solely responsible for the safe use, selection, handling and disposal of the products being sold to it.
22. To secure customer's obligations to MI, MI hereby reserves, and customer grants to MI, a security interest, including any applicable purchase money security interest, in the goods being sold. Customer hereby authorizes MI to file any financing statement necessary to perfect the security interest.
23. U.S. Government or aircraft work must have been called out at the time the customer requests a quotation. U.S. Government or aircraft merchandise is to be inspected and accepted on MI's premises, unless specifically otherwise agreed to in MI's acceptance of the customer's purchase order. Where inspection by third parties, such as Lloyds or ABS, is required, such inspection must have been called out in customer's order at the time of its placement. All such inspections are to be performed on MI's premises prior to delivery.
24. Customer shall not induce MI to use any patent, secret process, trade secret, know-how, drawings, plans, specifications or other confidential knowledge belonging to any third party ("collectively, "Third Party Intellectual Property"). Customer shall hold MI harmless from, and defend it against, any claims, damages, costs, expenses or other liabilities arising out of, or related to, any claim brought against MI for infringement of Third-Party Intellectual Property.
25. Where parts are to be used in high load or high-risk areas, necessitating more than normal care in manufacture, the exact requirements must have been called out in customer's order at the time of its placement.
26. All work done in MI's shop may be stamped with MI's identification, permanently tying it to MI's quality assurance system. This stamp will be placed next to customer's part number unless customer specifies another location.
27. MI shall have no responsibility for the alignment and/or timing of teeth for parts manufactured unless specific tolerances and instructions are agreed to prior to starting the work.
28. Machine complete and/or cut teeth only prices confirmed herein are per quantities stated, and are based upon the premise that all customer furnished material is received in good condition in MI's plant at one time. MI will charge additional setup fees if customer material arrives at intervals and/or causes extra setups or machine down time in our plant.
29. Time is of the essence of this sale, and if customer fails to make any payment as herein required and MI brings suit to collect the same, customer shall pay a reasonable attorney's fee and all costs and expenses in connection with the said suit.

30. These terms and conditions shall be construed and interpreted in accordance with the laws of the State of Washington. For purposes of these terms and conditions, the United Nations Convention on the International Sale of Goods shall not be considered as a part of the law of the State of Washington and shall not be applicable to this Agreement.

31. In the event of any litigation between the parties, the exclusive jurisdiction and venue thereof shall lie in the state and federal courts located in Seattle, Washington. MI and customer each consents to the jurisdiction and venue of such courts and waives all rights to seek access to any other court.