

CUSTOM FLUID POWER, Inc.
Standard Terms and Conditions
of Purchase

1. **General.** All transactions for the purchase and sale of all products ("Goods") and services ("Services") supplied by the seller (the "Seller") to Custom Fluid Power, Inc. (the "Buyer") shall be governed by these terms and conditions (the "*Terms and Conditions*"). These Terms and Conditions are hereby incorporated as part of each purchase order from Buyer for the purchase of Goods and/or Services ("*Order*"). Any quotation from the Seller ("*Quotation*") or any other terms and conditions that include different or additional terms that may vary from these Terms and Conditions are objected to and disallowed.

2. **Order Procedure.**

2.1. Buyer shall issue Orders to Seller. For the avoidance of doubt, Buyer shall only be obligated to purchase from Seller, and Seller shall be obligated to sell to Buyer, the quantities of Goods or scope of Services specified in a Purchase Order.

2.2. Seller shall confirm to Buyer the receipt of each Order issued hereunder within 5 days following Seller's receipt thereof. If Seller fails to issue a confirmation within such period or otherwise commences performance under such Order, Seller will be deemed to have accepted the Order. Buyer may withdraw any Order prior to Seller's acceptance thereof. Seller may not cancel any previously accepted Order hereunder.

3. **Prices; Payment Terms.**

3.1. Unless otherwise agreed by the Buyer in writing, the purchase price for Goods and Services ("Price[s]") shall be set out in the applicable Order. All Prices include, and Seller is solely responsible for, all costs and expenses relating to packing, crating, boxing, transporting, loading and unloading, customs, taxes, tariffs and duties, insurance and any other similar financial contributions or obligations relating to the production, manufacture, sale, and delivery of the Goods. All Prices are firm and are not subject to increase for any reason, including changes in market conditions, increases in raw materials, component, labor or overhead costs or because of labor disruptions, or fluctuations in production volumes.

3.2. Seller shall issue a monthly invoice to Buyer for all Goods or Services ordered in the previous month. Buyer reserves the right to return and withhold payment due to any invoices or related documents that are inaccurate or incorrectly submitted to Buyer. The parties shall seek to resolve any invoice disputes expeditiously and in good faith. Any payment by Buyer of an invoice is not an acceptance of any nonconforming element or terms on such invoice or the related

Goods or Services.

3.3. Except for any amounts disputed by Buyer in good faith, Seller's accurate and correctly submitted invoices will be payable within 60 days following the later of Buyer's receipt or Seller's invoice. Buyer may withhold payment pending receipt of evidence, in such form and detail as Buyer may reasonably direct, of the absence of any encumbrances on the Goods or liens related to the Services. Any payment by Buyer for Goods or Services will not be deemed acceptance of the same or waive Buyer's right to inspect.

4. **Delivery of Goods.** Delivery terms are F.O.B. the delivery location set forth in the applicable Order. Time, quantity and delivery to the delivery location specified on the Order are of the essence. If Seller does not comply with any of its delivery obligations under this Section 5, Buyer may, in Buyer's sole discretion and at Seller's sole cost and expense, (a) approve a revised delivery date, (b) require expedited or premium shipment, or (c) cancel the applicable Order and obtain similar goods or services from other sources. Unless otherwise expressly agreed to by the parties in writing, Seller may not make partial shipments of Goods to Buyer.

5. **Transfer of Property; Risk of Loss.** Title to Goods shipped under any Order passes to Buyer upon delivery of the Goods to Buyer at the delivery location. Title will transfer to Buyer even if Seller has not been paid for such Goods, provided that Buyer will not be relieved of its obligation to pay for Goods in accordance with the terms hereof. Notwithstanding any agreement between Buyer and Seller concerning transfer of title, risk of loss to Goods shipped under any Order passes to Buyer upon receipt and acceptance by Buyer at the delivery location set forth in the applicable Order, and Seller will bear all risk of loss or damage with respect to Goods until Buyer's receipt and acceptance of such Goods in accordance with the terms hereof.

6. **Inspection; Rejection.** Goods and Services are subject to Buyer's inspection and approval or rejection notwithstanding Buyer's prior receipt of or payment for the Goods or Services. Buyer shall have a reasonable period of time, not to be less than 15 days following delivery of the Goods to the Delivery Location ("*Inspection Period*"), to inspect all Goods or Services received under this Agreement and to inform Seller of Buyer's rejection of any Nonconforming Goods or Services. Buyer may return to Seller any or all units of rejected Goods that constitute Nonconforming Goods because they

exceed the quantity stated in this Agreement or any Purchase Order. If Buyer rejects any other Nonconforming Goods or Services, Buyer may elect to (a) require Seller, at Seller's sole cost, to repair or replace the rejected Goods or Services at the location specified by Buyer (which may include Seller's location, Buyer's location or the location of a third party), (b) purchase similar goods or services from another source (and apply such purchases against Buyer's requirements hereunder), (c) repair the Goods or Services itself or have a third party repair them, or (d) retain the rejected Goods or Services; in each case without limiting the exercise by Buyer of any other rights available to Buyer pursuant to applicable law. All returns of Nonconforming Goods to Seller are at Seller's sole risk and expense. Goods or Services that are not rejected within the Inspection Period will be deemed to have been accepted by Buyer; provided, however, that Buyer's acceptance of any Goods will not be deemed to be a waiver or limitation of Seller's obligations (or any breach thereof), including those obligations with respect to Seller's Warranty and Seller's duty to indemnify Buyer.

7. **Cancellation.**

7.1. Buyer may cancel an Order if Seller becomes insolvent or suspends any of its operations or if any petition is filed or proceeding commenced by or against the Seller under any state or federal law relating to bankruptcy, arrangement, reorganization, receivership or assignment for the benefit of creditors.

7.2. In the event Buyer cancels an Order or a portion of an Order, Seller may only invoice Buyer for material and labor costs incurred by the Seller as of the date of cancellation.

8. **Warranty.** Seller warrants to Buyer and any end users of the Goods and Services for 18 months from the date of delivery or for such longer period as provided by Buyer to its customers or any end users that (the "Warranty"):

8.1. Goods -- All Goods sold to Buyer under an Order will (a) be new, not used, rebuilt, or made of refurbished materials unless expressly approved by Buyer in writing; (b) be free from all defects in design, workmanship, and materials, (c) meet all specifications and requirements of the Order; (d) conform to any sample or any specifications, drawings, or other description furnished to or adopted by Buyer; (e) be produced, fabricated, manufactured, sold, and delivered in compliance with all applicable state and federal laws; and (f) be free of all liens, claims, security interests, and encumbrances. Seller will assign to Buyer and Buyer's end user any manufacturer's or

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other warranties applicable to the Goods and will cooperate with and assist Buyer in the enforcement of any warranties passed through to Buyer and its end users, provided Seller will remain responsible for meeting and fulfilling all warranties under the Order. Seller will, at the Buyer's election, promptly repair, replace or refund Buyer for any defective Goods or relevant parts thereof.

8.2. **Services** – Seller will perform all Services as an independent contractor and will have sole responsibility for all payroll taxes, contributions payable under any applicable local, state, or federal law, workers' compensation, and employee benefits associated with any of Seller's employees providing the Services. Seller further represents and warrants that (a) all Services will be performed in a good, safe, and workmanlike manner, in conformity with the highest industry standards, methods, and practices, including applicable environmental, health and safety laws, and that the Services will be free from defects in workmanship and be performed in strict compliance with all requirements of the Purchase Order; and (b) all Goods, if any, used in the performance of the Services will meet the warranty requirements stated above and will be free of all liens, claims, security interests, and encumbrances. Seller will, at its sole cost and expense, correct, re-perform any Services that fail to conform to the foregoing warranty.

8.3. **Infringement** – The Goods and Services, including the use of any process or method, will not infringe any United States or other corresponding foreign patent of a third party. Seller will defend, indemnify, and hold harmless Buyer and its customers from and against all claims, damages, costs, and expenses, including reasonable attorney fees and court costs, arising out of any infringement or alleged infringement of any patent rights with respect to the Goods and Services, except for claims directly arising out of the use of any designs or drawings provided by Buyer to Seller.

9. **Force Majeure.** Any delay or failure of either party to perform its obligations will be excused to the extent that the delay or failure was caused directly by an event beyond such party's control, without such party's fault or negligence and that by its nature could not have been foreseen by such party or, if it could have been foreseen, was unavoidable (which events may include natural disasters, embargoes, explosions, riots, wars or acts of terrorism) (each, a "Force Majeure Event"). Seller's financial inability to perform, changes in cost or availability of materials, components or services, market conditions or supplier actions or contract

disputes will not excuse performance by Seller under this Section 10. Each party shall use diligent efforts to end the Force Majeure Event, ensure that the effects of any Force Majeure Event are minimized and resume full performance.

10. **Confidentiality.** From time to time, either party (as the "Disclosing Party") may disclose or make available to the other party (as the "Receiving Party") information about its business affairs, goods and services, confidential information and materials comprising or relating to intellectual property Rights, trade secrets, third-party confidential information and other sensitive or proprietary information ("Confidential Information"). Confidential Information may be disclosed orally or in written, electronic or other form or media. Confidential Information does not include information that at the time of disclosure and as established by competent evidence: (a) is or becomes generally available to and known by the public other than as a result of, directly or indirectly, any breach of this Section 12 by the Receiving Party or any of its representatives; (b) is or becomes available to the Receiving Party on a non-confidential basis from a third-party source, provided that such third party is not and was not prohibited from disclosing such Confidential Information; (c) was known by or in the possession of the Receiving Party or its Representatives prior to being disclosed by or on behalf of the Disclosing Party; (d) was or is independently developed by the Receiving Party without reference to or use of, in whole or in part, any of the Disclosing Party's Confidential Information; or (e) is required to be disclosed pursuant to applicable Law.

11. **Intellectual Property Rights.**

11.1. Each of the parties acknowledges and agrees that: (i) each party retains exclusive ownership of its Background Intellectual Property Rights; (ii) Buyer does not transfer to Seller any of its Background Intellectual Property Rights, and Seller may not use any of Buyer's Background Intellectual Property Rights other than to produce and supply Goods to Buyer hereunder; (iii) Seller does not transfer to Buyer any of Seller's Background Intellectual Property Rights, except that Seller grants to Buyer and its customers the right to resell Goods or incorporate Goods purchased from Seller into finished goods and to sell such finished goods to its customers; (iv) all Foreground Intellectual Property Rights will be owned by Buyer; (v) Seller assigns to Buyer all of Seller's right, title and interest in and to all Foreground Intellectual Property Rights, and, to the

extent that any Foreground Intellectual Property Rights are copyrightable works or works of authorship (including computer programs, technical specifications, documentation, and manuals), the parties agree that such works are "works made for hire" for Buyer under the US Copyright Act; and (vi) Seller shall only use the Foreground Intellectual Property Rights to produce and supply Goods to Buyer.

11.2. "Foreground Intellectual Property Rights" means any and all of the intellectual property rights developed with respect to, or for incorporation into, the Goods, that are either developed by Buyer alone, by Buyer and Seller jointly or by Seller alone as requested by Buyer.

11.3. "Background Intellectual Property Rights" means Buyer's intellectual property or Seller's intellectual property, as applicable, except for any Foreground Intellectual Property Rights.

12. **Indemnification.** Seller shall indemnify, defend and hold harmless the Buyer and its officers, directors, employees, agents, affiliates, successors and permitted assigns (collectively, "Indemnified Parties") against any and all losses, damages, liabilities, claims, actions, judgments, settlements, awards, penalties, fines, costs, or expenses of whatever kind, including reasonable attorneys' fees, fees and the costs of enforcing any right to indemnification under these Terms and Conditions and the cost of pursuing any insurance providers, incurred by any Indemnified Party (collectively, "Losses"), arising out of or resulting from any third-party Claim or any direct Claim against Indemnifying Party alleging: (i) a breach or non-fulfillment of any of Seller's representations, warranties, or covenants set forth in these Terms and Conditions; (ii) any negligent or more culpable act or omission of Seller or any of its representatives (including any recklessness or willful misconduct) in connection with Seller's performance under these Terms and Conditions; (iii) any bodily injury, death of any person or damage to real or tangible personal property caused by the acts or omissions of Seller or any of its representatives; (iv) any failure by Seller or its personnel to materially comply with any applicable laws; or (v) any assertion that Seller's Goods or Services infringe any intellectual property right of a third party.

13. **Assignment.** Seller shall not assign an Order without the prior written consent of the Buyer, and any purported assignment shall be void.

14. **Waiver.** No waiver by Buyer of any breach of these Terms and Conditions by Seller shall be considered as a waiver of the subsequent breach of the same or any other

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provision.

15. ***Severability.*** If any provision or portion of these Terms and Conditions shall be adjudged invalid or unenforceable by a court of competent jurisdiction or by operation of any applicable law, that provision or portion of these Terms and Conditions shall be deemed omitted and the remaining provisions and portions shall remain in full force and effect.

16. ***Applicable Law; Forum.***

16.1. The parties agree that unless otherwise agreed in writing, these Terms and Conditions shall in all respects be governed by and construed in accordance with the laws of the State of Idaho.

16.2. Any legal suit, action, or proceeding arising out of or relating to an Order or these Terms and Conditions shall be instituted in the federal courts of the United States of America or the courts of the state in the State of Idaho, and each party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action, or proceeding. Buyer shall have the right to collect from Seller its reasonable expenses, including attorneys' fees, incurred in enforcing these Terms and Conditions. The rights and obligations herein shall survive completion of the final payment under an Order.