

ENERVAC INTERNATIONAL ULC

PURCHASE ORDER TERMS AND CONDITIONS

The clauses set forth below are a part of the Purchase Order noted above and are applicable thereto.

1. ACCEPTANCE - Unless otherwise stated herein, Seller's acknowledgement of this order or commencement of any work or performance of any services hereunder shall constitute acceptance by Seller of this order and all of its terms and conditions. No term or condition stated by Seller in acknowledging or otherwise accepting this order shall be binding upon Buyer unless specifically accepted in writing by Buyer.

2. RELEASE AUTHORIZATION - When it is specified on the face hereof that deliveries are to be in accordance with Buyer's written releases, Seller shall not fabricate or assemble any supplies covered by this order, or procure required materials, or ship any supplies to Buyer, except to the extent authorized by such written releases or special provisions of this order specifying minimum fabrication or delivery quantities. Returned shipments will reduce the Seller's cumulative shipped quantity. Material returned due to overshipment or rejection will be returned for credit at Seller's expense.

3. PREMIUM FREIGHT COST - Buyer shall have the right to require special, express or air shipment if Seller fails to meet the delivery requirements of this order, or subsequent releases as mutually agreed thereto. Seller shall reimburse Buyer for any resulting additional transportation costs unless due solely to causes beyond the control and without the fault or negligence of Seller.

4. RESPONSIBILITY FOR PACKING, MARKING AND DELIVERY - Unless otherwise provided in this order, Seller, for the price as stated in this order, shall (i) pack and mark the supplies covered by this order to be shipped so as to secure the lowest transportation rates, meet carrier requirements and assure arrival at "ship to" point free of damage and deterioration and (ii) be responsible for the supplies until delivered at the designated (f.o.b.) delivery point, regardless of point of inspection. Damage discovered after transfer of title determined to be a result of faulty packaging or handling by Seller shall be Seller's responsibility. Unless otherwise provided, (i) the price as stated in this order shall include all charges and expenses with respect to containers, packing and crating, and for transportation to f.o.b. point and (ii) all containers, packing and crating material shall become property of Buyer. Seller shall process shipping documents and route shipment from f.o.b. point, as directed by Buyer. Articles sold f.o.b. shipping point must be forwarded prepaid unless otherwise specified by Buyer.

5. CHANGES - Buyer may at any time, by a written order, and without notice to sureties, if any, make changes within the general scope of this order, in any one or more of the following: (i) drawings, designs, or specifications pertaining to this order; (ii) method of shipment or packing; (iii) place of delivery, if any such change causes an

increase or decrease in the cost of, or the time required for, performance of any part of the work under this order, whether changed or not changed by any such order, an equitable adjustment shall be made in the order price, or the delivery schedule. Any claim by Seller for adjustment under this clause must be asserted within ninety (90) days from the date of receipt by Seller of the notification of change. Buyer will have the right to check all claims hereunder at any reasonable time or times, if inspecting and auditing the records, facilities, work or materials of Seller relating to this order. Where the cost of property made obsolete or excess by a change is either included in Seller's claim for adjustment or set-off against a claim for adjustment by Buyer, Buyer shall have the right to prescribe the manner of disposition of such property and the proceeds therefrom shall be paid to Buyer. Nothing in this clause shall excuse Seller from proceeding with the order as changed.

6. MODIFICATION - Any modification of this order, to be valid, must be in writing and signed by Buyer's authorized representative. Only the Buyer's signed consent will bind it to any terms hereafter transmitted in any form by the Seller. Buyer will consider Seller's requests for changes only if such requests are in writing and are directed to specified provisions of this order.

7. CARRIER - Buyer shall have the right to specify at any time the Carrier and/or the method of transportation to be employed in conveying any part or all of the supplies covered herein. Any changes by Buyer to such a specified method will be subject to an equitable adjustment as provided in Clause 5, Changes.

8. INSPECTION AND CORRECTION OF DEFECTS - Buyer shall have the right to inspect and test all supplies, special tooling, materials and workmanship to the extent practicable at all times and places, including the places and during period of manufacture. Seller shall also provide and maintain an adequate inspection system covering the supplies, fabricating methods, and special tooling hereunder. Seller shall make its inspection records of all work and materials available to Buyer during the performance of this order, and for such longer period as may be specified in this order.

In case any property delivered or service rendered hereunder is defective in material or workmanship or otherwise not in conformity with the requirements of this order, Buyer shall have the right, notwithstanding payment or any prior inspection or test, either to reject it or to require its correction. Any service which is required to be corrected hereunder shall be corrected by and at the expense of Seller promptly after notice. Property which is rejected or required to be corrected shall be removed (if permitted or required by Buyer) or corrected in place, by and at the expense of the Seller promptly after notice, and shall not thereafter be delivered hereunder unless the former rejection or requirement of correction is disclosed. If the Seller fails promptly to remove such property which is required to be removed, or promptly to replace or correct such property or promptly to correct any such service, Buyer either (i) may be contract or otherwise replace or correct such property or service and charge to Seller the increased cost occasioned Buyer thereby, or (ii) may affect a cancellation for default under Clause 12. Unless the Seller is able to correct or replace such property or correct such service within the delivery schedule, Buyer by written notice may accept the delivery of such property or accept such service subject to a reduction in price reflecting the reduced value attributable to non-conformance. Seller assumes the risk of damage to or loss of and all handling and transportation costs for defective property delivered hereunder.

9. WARRANTY – Seller warrants that the supplies or services covered by this order will comply with the specifications, drawings, descriptions or samples furnished or specified by Buyer and that the same will be merchantable, of good material and workmanship and free from defects. Seller warrants that any supplies furnished under this order that are designed by Seller will be fit and sufficient for the purposes intended. Seller specifically agrees to defend, indemnify and hold harmless Buyer from and against any and all claims, losses, damages and settlement expenses resulting from or arising out of a breach of Seller’s warranties and of which Buyer notifies Seller at any time.

10. ASSIGNMENT - Seller agrees not to assign or delegate the performance of its duties under this order without the written consent of Buyer.

11. TERMINATION AT BUYER’S OPTION – The Buyer may terminate performance of work under this order in whole or from time to time in part by written notice of termination whereupon Seller will stop work on the date and to the extent specified in the notice and terminate all orders and subcontracts to the extent they relate to the terminated work. Seller will promptly advise Buyer of the quantities of applicable work and material on hand or purchased prior to termination and the most favourable disposition that Seller can make thereof. Seller will comply with Buyer’s instructions regarding protection transfer and disposition of title to and possession of such work and material (Releases existing or subsequently received against other purchase orders awarded Seller by Buyer for the same or similar parts or materials are to be considered such instructions unless Seller is otherwise notified in writing). Within 90 days after receipt of such notice of termination Seller will submit all its claims resulting from such termination. Buyer will have the right to check such claims at any reasonable time or times by inspecting and auditing the records, facilities, work or materials of Seller relating to this order. Buyer will pay Seller, without duplication, the order price for finished work accepted by Buyer and the cost to Seller of work in process and raw material allocable to the terminated work, based on any audit Buyer may conduct and generally accepted accounting principles; less, however, (1) the reasonable value or cost (whichever is higher) of any items used or sold by Seller without Buyer’s consent; (2) the agreed value of any items used or sold by Seller with Buyer’s consent; and (3) the cost of any defective, damaged or destroyed work or material. Buyer will make no payments for finished work, work in process or raw material fabricated or procured by Seller in excess of any authorization required under Clause 3, Release Authorization. Notwithstanding the above payments made under this clause, shall not exceed the aggregate price specified in this order less payments otherwise made or to be made, and adjustments shall be made reducing the payments hereunder for costs of work in process and raw material to reflect on a pro rata basis any indicated loss on the entire contract had it been completed. Payment made under this clause will constitute Buyer’s only liability in the event this order is terminated hereunder. Except as otherwise provided in this order, the provisions of this clause will not apply to any cancellation by Buyer for default by Seller or for any other cause allowed by law or under this order.

12. CANCELLATION FOR DEFUALT – If Seller fails (i) to deliver the supplies or to perform the services at the time specified herein or any extension thereof authorized by Buyer in writing, or (ii) to perform any of the other provisions of this order and does not cure such failure within a period of 10 days (or such longer period as Buyer may authorize in writing) after receipt of notice from Buyer specifying such failure, Buyer may by written notice of default to Seller cancel the whole or any part of the supplies and

services ordered without liability; except for completed services and completed supplies delivered and accepted and except under that portion of the order not cancelled. If, after notice of default under this clause, it is determined that Seller was not in default, work affected by the cancellation shall be deemed terminated pursuant to Clause 11 above and the right and obligations of the parties shall be governed by such clause.

13. INSURANCE AND RESPONSIBILITY FOR SUPPLIES - Seller agrees to furnish acceptable certificates evidencing adequate workman's compensation, public liability and property damage insurance coverage when requested by Buyer. Seller shall defend, indemnify and protect Buyer against all claims, liabilities, losses and damages due to injury to or death of any person and damage to or loss of property arising out of improper performance or negligent work under this order or arising out of allegedly defective material or workmanship in the goods or services provided by this order or out of any act or omission of an employee or agent of Seller and its subcontractors while on Buyer's property or in the course of their employment.

14. RISK OF LOSS - Seller assumes all risks of loss or damage to any property in the possession of the Seller received from or held by the account of Purchaser, until delivery of the property to the purchaser. All material and equipment furnished by Purchaser on other than a change basis shall at all times remain the property of the Purchaser.

15. PROPRIETARY RIGHTS - All designs, tools, jigs, patterns, drawings, information or equipment supplied by Buyer for use in the manufacture of articles under this order, or supplied by Seller for such use and the cost or substantially all of the cost of which is included in the price to be paid for articles ordered hereunder, shall be and remain the sole property of Buyer and Seller expressly agrees that the same will not be used in the design, manufacture or production of any articles other than those called for by this order or for the account of others, nor for the manufacture of larger quantities than called for in this order, without first obtaining the written consent of Buyer; nor shall articles furnished to Buyer's patterns, specifications, drawings, dies or tools be furnished or quoted to any other person or concern. All such property of Buyer, together with spoiled or surplus material shall be returned to Buyer at termination, cancellation or completion of this order, unless Buyer shall otherwise direct. All such designs, tools, etc., shall be kept in good condition and from time to time replaced by Seller without expense to Buyer except that the actual cost of changes due to the Buyer's change of design or specifications shall be paid for by Buyer, if such changes are made prior to the exhaustion of the useful life of the designs, tools, dies, etc. All materials furnished by Buyer under this purchase order (except that which became normal industrial waste or was replaced at Seller's expense) shall be returned in the form of parts or unused material and Seller shall be responsible for the use of reasonable care in the safeguarding of all such materials until so returned in the event that Buyer shall deem it necessary to recover by legal action material, parts, or tools furnished to Seller that may be lost or damaged by Seller, or for damages caused by default. Seller shall be liable for court costs and reasonable legal fees that may result from such action.

16. PATENTS - Seller warrants that the sale or use of the articles, goods or materials covered by this order, will not infringe or contribute to the infringement of any patents or copyrights, either in Canada, the U.S.A. or in foreign countries, and that Seller covenants to defend every suit for any such alleged infringement which may be brought against Buyer or its customers or other privities and pay all expense and fees of counsel

which shall be incurred in and about defending, and all costs, damages, profits and other recoveries in every such suit.

17. LABOUR DISPUTES – Whenever Seller has knowledge that any actual or potential labour dispute is delaying or threatens to delay the timely performance of this Purchase Order, Seller shall immediately give notice thereof, including all relevant information with respect thereto, to Buyer.

18. REMEDIES – The rights and remedies herein reserved to Buyer shall be cumulative and additional to any other or further rights and remedies available at law or in equity. No waiver of a breach of any provision of this order shall constitute a waiver of any other breach or waiver of such provision.