

SCHAFER INDUSTRIES, INC.

GENERAL PURCHASE ORDER TERMS and CONDITIONS

These purchase order terms and conditions ("Terms and Conditions") are hereby incorporated by reference into and made a part of each purchase order issued to Seller, or otherwise provided to Seller by Schafer Industries, Inc. (the "Buyer" or "Schafer").

Definitions: As used in the purchase order, "Schafer" means Schafer Industries, Inc., Schafer Driveline, LLC and Schafer Gear Works Roscoe, LLC ("Schafer"). As used in this purchase order "Supplier" means the vendor of Supplies. "Supplies" designates raw materials, material components, intermediate assemblies, technical data, drawings, or services to be furnished by Supplier to Schafer under the purchase order.

The only terms and conditions that apply to this purchase are those set forth in the order. No term or condition contained in any form or other communication between Schafer and Seller pertaining to this purchase, subsequent or prior to the issue of this order, which in any way differs from or adds to the terms and conditions set forth in this order shall become part of the contract between the parties. Schafer's failure to object to any term or condition contained in any form or other communication from Supplier will not be a waiver of the provisions hereof.

1. **Applicable Law.** The contract resulting from the acceptance of the purchase order is to be construed according to the laws of the State of Indiana.

2. **Assignment of Contract.** This purchase order is not assignable by the Supplier in whole or in part without the prior approval of Schafer.

3. **Acceptance.** The written acceptance by Supplier of this purchase order or the commencement of any work or the performance of any services hereunder by Supplier, (including the commencement of any work or performance of any services with respect to samples) shall constitute acceptance by Supplier of this purchase order and all of its terms and conditions.

Any exceptions which Supplier wishes to take to any of the terms, conditions, prices or specifications stated herein should be communicated to Schafer purchasing on acknowledgement of the purchase order. Such exceptions shall only be effective to the extent approved in writing by Schafer.

4. **Pricing and Payment.** Seller prices are F.O.B. Seller's dock. Seller warrants that it is selling at the lowest prices and upon the most favorable terms (including without limitation, volume, quality and /or payment terms) that it offers to any buyer of Supplies or services of the same or similar quality to that provided for in the purchase agreement. Unless otherwise agreed to in writing between Seller and Schafer invoices are paid net sixty (60) days from receipt of Supplies. Invoices must show Schafer purchase order number, and location shipped.

5. **Quality.** Seller shall not change the manufacturing location, process or raw materials used in the products delivered to Schafer unless Seller notifies Schafer ninety (90) days in advance and changes before its implementation and Schafer agrees to the change in writing. Such change will be effective only after the sample produced with proposed changes are approved by Schafer. Seller will participate in programs implemented by Schafer with respect to quality in manufacturing and delivery of products and services.

6. **Samples.** Samples supplied must conform to specifications provided. Any variation in sample from specifications shall not be deemed a waiver or modification of written specifications even where samples are received without objection and shall not be deemed an "acceptance".

7. **Access and Audit.** In order to assess Seller's work quality and compliance with the purchase agreement, Seller will permit Schafer reasonable access to all locations where work is performed in connection with the products and services provided for in the purchase agreement, and Seller's books and records relating to the purchase agreement.

8. **Delivery.** Deliveries are to be made in quantities and at times specified by Schafer. Schafer will have no liability for payment for Supplies delivered which are in excess of quantities specified in the delivery schedule and reserves the right to return such Supplies at the expense of the Seller, or to store them at Seller's expense. Delivery of Supplies is not considered complete until all Supplies have been received and accepted by Schafer.

9. **Quantity Adjustments and Delivery Dates.** Schafer will provide quantities and delivery dates of material within blanket and/or one-time release purchase orders based on a schedule that accommodates Schafer's on-time fulfillment of its customer order(s). Potential changes to the purchase order issued by Schafer as a result of either a change from Schafer's customer order(s) and/or any internal modifications to Schafer's production schedule shall yield negotiable and equitable adjustments to the purchase order quantity and/or delivery date and agreed upon by Seller at no additional expense to Schafer.

10. **Customs and Trade.** Seller shall provide annually to Schafer accurate and complete North American Free Trade Agreement (NAFTA) Certificates of Origin for the Supplies provided to Schafer hereunder. The NAFTA Certificate of Origin must be completed in accordance with regulations published by the U.S. Department of Treasury in the Federal Register and any amendments thereto, and in accordance with instructions issued to the Seller by Schafer. Upon any modifications in the NAFTA content of any goods supplied by Seller to Schafer hereunder, Seller shall immediately provide Schafer with a new NAFTA Certificate of Origin.

Unless otherwise agreed by Schafer in writing, Schafer will not be a party to the importation of products. All purchases under the Purchase Agreement will be consummated subsequent to importation, prices will be inclusive of all duties and other costs of customs clearance and Seller will not cause or permit Schafer's name to be shown as "importer of Record" on any custom declaration. In any case where Schafer agrees to be the importer of record, Seller will provide all information needed to effect custom entry into the country into which the products are to be imported.

11. **Material Furnished by Schafer.** All jigs, fixtures, gauges, patterns, tools, dies or any equipment purchased and paid for, in part or in whole, by Schafer for the manufacture of or use in any Supplies for Schafer shall remain property of Schafer, for Schafer sole use, and shall be subject to removal by Schafer at any time upon demand. Such property shall, at all times, be properly housed, maintained and repaired by Seller and will be used only in connection with applicable Supplies ordered by Schafer.

12. **Warranty.** Seller warrants that the Supplies covered by this purchase order shall conform to the specifications, drawings, samples or other description furnished or specified by Schafer and will be fit

and sufficient for the purpose intended, merchantable, of good material and workmanship and free from defect. The warranties and remedies provided for in the Paragraph shall be in addition to those implied by or available at law and shall exist notwithstanding the acceptance by Schafer of all or a part of the Supplies with respect to which such warranties and remedies are applicable.

13. **Recall.** In the event Schafer determines that any Product furnished by Seller causes a recall by Schafer or its customers ("Recall"), Seller will be responsible for all costs and damages resulting from such Recall based on Schafer's allocation of responsibility for the Recall. This section will not limit Seller's responsibility under any other provision of the Purchase Order or Agreement.

14. **Service Requirements.** Upon conclusion of an active production program, Schafer will continue to supply the Product requirement to its customers for quantities committed by the customer service forecast, at the price in place at the end of production. Seller will supply Products as required by Schafer to fulfill its obligation to customers.

15. **Patents.** Seller agrees to defend at its expense all suits, actions, or proceedings brought against Schafer or Schafer products, for actual or alleged infringement of any United States or Foreign letters patent because or on account of any material or products used on fulfilling this order, or their resale, and further agrees to indemnify and hold harmless Schafer and users of its products from and against any and all damages and expenses which may be incurred in connection with any suit, action, or proceeding.

16. **Inventions.** Seller agrees that in all cases where this Order requires Seller to make a new design to meet Schafer's specifications any ideas or inventions relating to the subject matter of this Order conceived or first reduced to practice while filling this Order or a direct or indirect result of work done while filling this Order and all subsequent improvements thereon and any ideas or inventions first disclosed to Seller by Schafer and all subsequent improvements thereon shall be the property of Schafer. Seller agrees without further compensation to disclose promptly such ideas, inventions and improvements and to vest title in Schafer in any patents issued thereon.

17. **Severability.** If any provision of the agreement as documented is held by a court of jurisdiction to be contrary to law, the remaining provisions of the agreement remain in full force and effect.

18. **Termination.** Schafer may at any time terminate all or any part of undelivered quantities on this purchase order, or any revisions thereof, or any release and shipping schedule pursuant thereto. Seller agrees that any termination charges made in consequence shall be limited to costs of materials and labor incurred on items terminated prior to knowledge of their termination.

19. **Changes.** Schafer shall have the right at any time prior to the delivery of ordered Supplies to make changes in drawings, designs, specifications, packaging, and place of delivery. If any such changes cause an increase or decrease in the cost or time to deliver the agreed upon Supplies, an equitable adjustment shall be made and a change order will be issued to the original purchase order.

20. **Packing.** All shipments must contain a packing slip listing Supplies, Schafer part number, if any, purchase order number, and shipping location name. All packages in that shipment must contain the same information.

21. **Compliance with Laws.** Seller represents that it has and will continue during the performance of this order to comply with provisions of all Federal, State and Local laws and regulations from which liability may accrue to Schafer for any violation thereof, including, but not limited to, the Fair Labor Standards Act of 1938 as amended. Seller shall label containers of all goods which are known to contain a health, poison, fire or explosion hazard in accordance with the labeling laws in the state to which such goods are shipped. In the absence of such law, Seller shall label such containers in accordance with the Warning Labels, Manual L-1, published by the Manufacturing Chemists Association, Washington, D.C.

22. **Choice of Law and Attorneys' Fees.** This contract is to be construed according to the laws of and under the Uniform Commercial Code as adopted by the State of Indiana. Any action of lawsuit, in equity or any other judicial proceeding with respect thereof shall be brought and maintained solely in the State of Indiana, St. Joseph County, or in the United States Federal District Court in the State of Indiana.

If Seller shall default in his performance under this contract, and the default results in the expenditure of attorneys' fees to enforce the terms of this contract or to recover damages, for breach of this contract, then Seller shall pay Schafer reasonable and actual incurred attorneys' fees in addition to any other damages recovered.

23. **Indemnifications for Claims.** Seller shall defer, indemnify and hold harmless Schafer and its directors, employees, agents, and other representatives from and against any and all claims, damages or expense in any manner arising out of or resulting from any failure, fault or negligence of Seller or its employees, agents, subcontractors or other representatives in connection with the performance of this order.

24. **Insurance.** Before commencing work services to Schafer, Seller shall furnish to Schafer a certificate of insurance showing that Seller carries adequate liability insurance and worker's compensation insurance (or evidence of authority to self-insure) with acceptable insurers and in amounts acceptable to Schafer but not less than outlined below. The failure by Seller to furnish to Schafer or the failure by Schafer to obtain such a certificate of insurance will not constitute a waiver of the requirement for such certificate or of any other provision of this order. If this order covers performance of labor for Schafer, Seller agrees to indemnify and protect Schafer against any and all claims or demands for injuries or damages to any person or property growing out of the performance of this order by Seller, its servants, employees, agents, or representatives, and Seller further agrees to name Schafer as Additional Insured and provide a certificate of insurance listing the Additional Insured status. In any capacity, Seller further agrees to furnish a certificate of insurance showing that the Seller has insurance coverage in amounts not less than the following:

Commercial General Liability: \$1,000,000 per occurrence, \$2,000,000 general aggregate, \$2,000,000 products/completed operations aggregate. Business Automobile Liability: \$1,000,000 combined single limit of liability, Umbrella Liability: \$1,000,000 and workers compensation: statutory limits by state or states in which work is to be performed, \$100,000 per occurrence for bodily injury / \$100,000 per employee for bodily injury by disease / \$500,000 aggregate for bodily injury by disease Employers' liability.

Said certificate must set forth the amount of coverage, policy number, name of insurance company, and policy period (effective and expiration dates). If the Seller is self-insurer, a certificate from the appropriate government department for labor and industry of the state in which said Seller is located or in which the labor is to be

performed must be furnished by such department directly to Schafer. The purchase of such insurance coverage or the furnishing of the aforesaid certificates shall not be a satisfaction of Seller's liability hereunder or in any way modify Seller's indemnification of Schafer.

25. Premium Shipment Cost. If, because of failure of Seller to meet the delivery requirements of this purchase order, Schafer finds it necessary to require shipment of any of the Supplies covered by this purchase order by a method of transportation other than the method originally specified by Schafer, Seller shall reimburse Schafer the amount, if any, by which the cost of the more expeditious method of transportation exceeds the cost of the method of transportation originally specified, unless such failure is due to causes beyond the control and without the fault or negligence of Seller.

26. Sales – Use Tax Status. Schafer Sales Tax exemption number is supplied, if exemption applies. Individual line items are indexed as to tax status.

27. Taxes. Exempt as otherwise required by law or otherwise agreed in writing. Seller agrees to pay and bear any federal, state, local, or foreign taxes or other governmental charge upon the production, transportation or sale of the goods supplied hereunder.

28. Equal Employment Opportunity. There are incorporated in this order the provisions of Executive Order 11246 (as amended) of the President of the United States on Equal Employment Opportunity and the Rules and Regulations issued pursuant thereto with which the Seller represents that he will comply, unless exempted.

29. Order of Precedence. In the event of any inconsistency among provisions contained in any Order and any documents incorporated by reference herein, the inconsistency shall be resolved by giving precedence in the following order: (A) separate, written Agreement including pricing; (B) the Order; (C) these Terms and Conditions; (D) drawings and specifications; and (E) any other documents incorporated by reference.

SCHAFER INDUSTRIES, INC.

PURCHASE ORDER TERMS and CONDITIONS (FOREIGN SUPPLIERS)

These purchase order terms and conditions ("Terms and Conditions") are hereby incorporated by reference into and made a part of each purchase order issued to Seller, or otherwise provided to Seller by Schafer Industries, Inc. (the "Buyer" or "Schafer").

Definitions: As used in the purchase order, "Schafer" means Schafer Industries, Inc., Schafer Driveline, LLC and Schafer Gear Works Roscoe, LLC ("Schafer"). As used in this purchase order, "Foreign Supplier" means vendor and manufacturing location of Supplies located outside of North America ("Foreign Supplier"). "Supplies" designates raw materials, material components, intermediate assemblies, technical data, drawings, or services to be furnished by Foreign Supplier to Schafer under the purchase order.

The terms and conditions that apply to this purchase are those set forth in the order. Provisions contained within SCHAFER INDUSTRIES GENERAL PURCHASE ORDER TERMS and CONDITIONS apply to this section with the exception of provisions hereunder.

No term or condition contained in any form or other communication between Schafer and Foreign Supplier pertaining to this purchase,

subsequent or prior to the issue of this order, which in any way differs from or adds to the terms and conditions set forth in this order shall become part of the contract between the parties. Schafer's failure to object to any term or condition contains in any form or other communication from Foreign Supplier will not be a waiver of the provisions hereof.

1. Pricing and Payment. Unless otherwise provided in a separate agreement, prices for imported products are (i) stated in U.S. Dollars; (ii) subject to allowable variation in Raw Material and Currency Exchange rate fluctuations granted by Schafer providing Foreign Supplier furnishes necessary documentation to substantiate such adjustments to Raw Material costs and Currency Exchange rates; and delivered (Duty Paid, as appropriate) at a facility specified by Schafer in writing. Foreign Supplier's invoices shall be payable ninety (90) days from the date of the Bill of Lading. Schafer shall make all payments in US Dollars by wire transfer or automated clearing house.

2. Quality. Foreign Supplier shall not change the manufacturing location, process or raw materials used in the products delivered to Schafer unless Foreign Supplier notifies Schafer one hundred eighty (180) days in advance and changes before its implementation and Schafer agrees to the change in writing. Such change will be effective only after the sample produced with proposed changes are approved by Schafer. Foreign Supplier will participate in programs implemented by Schafer with respect to quality in manufacturing and delivery of products and services. Defective or non-conforming Parts shall be repaired or replaced by Foreign Supplier without additional charge to Schafer or, in lieu thereof, at Foreign Supplier's option. Foreign Supplier may refund to Schafer the purchase price for the defective or non-conforming Parts plus applicable freight costs associated with the quantity of the defective or non-conforming Parts.

3. Termination. Either party throughout the duration of this Agreement, by providing twelve (12) months written notice to the other party, may terminate this Agreement for convenience. If such an event is requested, Foreign Supplier agrees to stop work immediately upon termination date and shall notify its subcontractor(s) (if permitted by Schafer) to stop work on such termination date, and shall preserve and protect property in its possession in which there is interest by Schafer. In the event of termination of this Agreement, Schafer shall be obligated to; (i) pay for any finished Parts that are shipped by Foreign Supplier prior to or as of the date of termination; (ii) purchase from Foreign Supplier all finished Parts then in Foreign Supplier's inventory manufactured and assembled in accordance with an outstanding purchase order. Supplier shall be obligated to; (i) finish manufacturing purchase orders in process which shall be paid for by Schafer, or alternatively at Schafer's discretion, Schafer may purchase all work in process and remaining inventory relating to pending purchase orders at cost from Foreign Supplier and Schafer may complete the manufacturing process elsewhere; (ii) return all tooling, drawings, plans, etc. immediately to Schafer; (iii) maintain reasonable inventory that is utilized for manufacture of Parts not to exceed six (6) months in accordance with outstanding orders from Schafer. In the event Foreign Supplier has inventory in excess of six (6) months, Foreign Supplier understands and acknowledges that Schafer will be indemnified and held harmless from any financial responsibility for the value of excess inventory including raw material, purchased components, work in process and finished goods processed beyond the six (6) month limit.