

SOUTHERN TOOL STEEL, INC. PURCHASE ORDER TERMS AND CONDITIONS

These Purchase Order Terms and Conditions posted here apply to all Southern Tool Steel, Inc. Purchase Orders.

PURCHASE ORDER TERMS AND CONDITIONS

The Purchase Order and these Purchase Order Terms and Conditions (collectively, the "Purchase Order") of Southern Tool Steel, Inc. ("Buyer") become a binding agreement between Buyer and Seller upon acceptance of this Purchase Order by Seller or upon the commencement of performance by Seller. The term "Seller" means the party providing goods or services to Buyer. The term "goods" refers to all materials, supplies, equipment, parts, accessories and other items to be sold to Buyer. The term "services" refers to all services of any nature whatsoever ordered or required by Buyer.

Acceptance of this Purchase Order is expressly limited to the terms and conditions contained in this Purchase Order. Buyer shall not be bound by any provisions in Seller's order acknowledgement or acceptance forms or other documents, electronic or otherwise (including counter offers) which propose any terms or conditions in addition to or differing with the terms and conditions set forth in this Purchase Order, and any such terms and conditions of Seller and any other modification to this Purchase Order shall have no force or effect and shall not constitute any part of the terms and conditions of purchase, except to the extent separately and specifically agreed to in writing by Buyer. Buyer's failure to object to provisions contained in Seller's documents shall not be deemed a waiver of the terms and conditions set forth in this Purchase Order, which shall constitute the entire agreement between the parties. NO AMENDMENT, DELETION, SUPPLEMENT OR CHANGE IN TERMS AND CONDITIONS CONTAINED HEREIN SHALL BE BINDING ON BUYER UNLESS APPROVED IN WRITING BY BUYER.

1. **INVOICING.** Seller agrees to submit an invoice with each shipment showing the Purchase Order number. All invoices should be issued to Southern Tool Steel, Inc. c/o Accounts Payable. The period of any cash discount period available to Buyer will date from the date of the invoice. When freight is prepaid for account Seller must show freight charges separately and sales tax, if any, must be computed before adding freight charges. No allowance will be made for packaging, skid charges, fuel surcharges, energy surcharges, cut charges, or other accessorial charges unless so stated on the Purchase Order and invoiced separately.

2. **TITLE.** Title to the goods purchased by Buyer pursuant to this Purchase Order

remains with Seller until they are off-loaded at Buyer's facility, or site otherwise specified on the Purchase Order. However, in all cases Seller bears all risks of loss or damage in transit.

3. **FREIGHT.** Shipper must comply with the shipping terms and instructions as stated on the Purchase Order. Failure to accurately follow the shipping terms and instructions as stated may result in one of the following: (1) a chargeback for the freight cost difference; (2) a chargeback for the freight cost difference plus an administrative charge; or (3) a chargeback for the full cost of the freight.

4. **PRICE.** The price for the goods or services is the price shown on the Purchase Order. Seller warrants that the agreed price is not less favorable than that currently extended to any other buyer for the same or like goods or services in equal or lesser quantities. Unless Buyer otherwise consents in writing, the price shown on the Purchase Order is the limit of the liability of Buyer for the goods or services and work thereon. Seller warrants its pricing terms, delivery, service, and quality to be consistent and competitive with the market.

5. **INSPECTION.** All goods purchased are subject to inspection, test and approval at destination by Buyer, notwithstanding prior payments or inspections at the source. Buyer, without limitation to its other rights under this Purchase Order, may reject any goods that contain defective materials or workmanship, do not meet the specifications, or otherwise do not conform to this Purchase Order. Defective material or material not in accordance with Buyer's specifications will be held for Seller's instructions and at Seller's risk and expense. Acceptance of any goods shall not be deemed to alter or affect the obligations of Seller or the rights and remedies of Buyer under any other provision of this Purchase Order. Buyer reserves the right, at Seller's expense, to inspect before shipment, or during the process of manufacture, any goods.

6. **OVERSHIPMENT.** Quantities in excess of that shown in this Purchase Order, if rejected, will be returned at Seller's risk and expense. Any excess quantities that Buyer accepts shall be at the Purchase Order price or a reduced price agreed to by Buyer.

7. **SUBTIERS.** Seller is required to flow down the requirements to all subtiers, to allow 'Right of Access', to notify Buyer of any product/process changes, notification of non-conformances, and

records retention requirements as called out in these terms and conditions.

8. **RIGHT OF ACCESS.** Seller will permit Buyer, Buyer's customer, and government agencies to conduct such inspections and audits at Seller's facilities, subcontractor facilities, and Seller processes as may be required to verify compliance with Buyer's Purchase Order requirements. Such assistance as may be reasonably required to accomplish these inspections will be furnished by Seller without cost to Buyer or Buyer's customer.

9. **CUSTOMS DRAWBACK DOCUMENTS, OTHER GOVERNMENT REQUIREMENTS, AND EXPORT CONTROLS.** Upon Buyer's request, Seller shall furnish promptly all documents required for customs drawback purposes, properly completed in accordance with government regulations applicable thereto. Seller shall furthermore, at its expense, provide all information necessary (including written documentation and electronic transaction records relating to the goods, tooling and equipment necessary for Buyer to fulfill any customs-related or other governmental agency-related obligations, origin marking or labeling requirements and certification or local content reporting requirements, to enable Buyer to claim preferential duty treatment at the time of entry for goods, tooling and equipment eligible under applicable trade preference regimes, and to make all arrangements that are necessary for the goods to be covered by any applicable duty deferral or free trade zone program(s) of the country of import. Seller shall, at its expense, provide Buyer or Buyer's nominated service provider with all documentation necessary for the export of the goods, tooling and equipment unless otherwise indicated in the Purchase Order, in which event Seller shall provide all information as may be necessary to enable Buyer to obtain such licenses or authorization(s). Credits or benefits resulting or arising from any Purchase Order, including trade credits, export credits or the refund of duties, taxes or fees, shall belong to Buyer. In addition, Seller is responsible for any incorrect information provided by Seller or any non-compliance with the U.S. Customs Regulations by Seller that results in penalties and/or additional duties for Buyer. Seller also acknowledges and agrees to adhere to all security procedures required by the Customs-Trade Partnership Against Terrorism (C-TPAT). Seller shall share with Buyer any audit or inspection information related to C-TPAT inspection and/or validation at Seller's location.

10. ANTI-KICKBACK ACT. By accepting a Purchase Order, Seller represents, covenants, and warrants to Buyer that Seller and all subcontractors of Seller are in full compliance with the Anti-Kickback Act of 1986 and amendments thereto (the "Act"). Seller further agrees to indemnify and hold harmless Buyer and its respective directors, officers, and employees from any violation of the Act by Seller or any subcontractors below Seller. All defined terms set forth in the Act apply to this paragraph.

11. MSDS. Seller shall deliver to Buyer, with delivery of goods, all applicable MSDS. In addition, Seller shall appropriately label all containers in accordance with OSHA requirements.

12. CHANGES. Buyer shall have the right at any time to make changes in drawings, designs, specifications, materials, packaging, time and place of delivery and method of transportation. If any such changes cause an increase or decrease in the costs, or the time required for the performance by Seller, an equitable adjustment shall be made by Buyer and this Purchase Order shall be modified in writing accordingly. Seller agrees to accept any such adjustments made by Buyer pursuant to this paragraph.

13. INTELLECTUAL PROPERTY INDEMNIFICATION. Seller warrants that there has been no violation or infringement of any copyright, trade name, trademark, patent or related property right, as a result of manufacturing, producing or selling the goods. Seller further agrees to defend, indemnify and hold harmless Buyer, its officers, agents and employees from all claims, expenses and liabilities arising from any actual or alleged violation or infringement.

14. WARRANTY. Seller expressly warrants that all goods furnished pursuant to this Purchase Order will be free from defects in material and workmanship and be free from any liens or encumbrances on title of any kind. Further, Seller warrants all goods will conform to all applicable specifications, drawings, samples, descriptions or performance criteria and, if of Seller's design, shall be free from design defects. Seller further warrants that all goods and services shall be fit for Buyer's intended use and service. If it appears, within one year of the date of delivery, that the goods delivered hereunder do not meet the warranty specified above, Buyer shall promptly notify Seller; Seller shall thereupon correct any defect either by repair or replacement of the defective goods subject to the approval of Buyer, at Seller's expense, provided that Buyer's continued use of said defective goods pending repair or replacement shall not constitute a waiver by Buyer under this

Purchase Order. Seller further warrants the goods, services and production, packaging and delivery thereof, shall be in compliance with all applicable federal, state and local laws, rules, regulations, requirements, ordinances and orders, including without limitation the safety standards established and promulgated under the Federal Occupational Safety and Health Law (Public Law 91-956) and its regulations in effect as of the date of this Purchase Order.

15. TIME. Time is of the essence. Buyer reserves the right to cancel this Purchase Order or any portion thereof without penalty in the event that deliveries are not made within the specified time, without liability for deliveries previously made and accepted by Buyer.

16. TERMINATION. Buyer reserves the right to cancel this Purchase Order or any part thereof without penalty if Seller breaches any of the terms hereof.

17. GOVERNMENTAL REGULATIONS. Seller agrees to comply with all applicable contract clauses required by federal, state, or local law, rule or regulation which shall be part of this contract including, but not limited to, the following, which are incorporated by reference herein: Equal Opportunity Clause; Affirmative Action Clause of Disabled Veterans and Veterans of the Vietnam Era; Affirmative Action Clause for Handicapped Workers; and the Certification of Nonsegregated Facilities Clause. Seller also agrees and certifies, if applicable, that it has developed a written affirmative action compliance program and annually files Standard Form 100 (EEO-1). In addition, Seller agrees to comply with all applicable federal laws and regulations regarding the utilization of small business concerns and/or small disadvantaged business concerns, including if applicable, any subcontracting plans thereunder. Unless otherwise exempt, Seller agrees to comply with all provisions of Executive Order 11246, as amended; the Vietnam Era Veterans' Readjustment Assistance Act of 1974, as amended; the Rehabilitation Act of 1973, as amended; and all related rules, regulations, and relevant orders of the Secretary of Labor in effect on the date of this order. The following Federal Acquisition Regulation (FAR) clauses are required in this order. These clauses, incorporated herein by reference, are made part of this Purchase Order with the same force and effect as if set forth in full text. In the application of these clauses to the Supplier, the term "Contracting Officer" shall be interpreted to mean the "Southern Tool Steel Representative". The term "contract" shall be interpreted to mean "Purchase Order". The term "contractor" shall be interpreted to mean "Supplier".

(1) 52.219-8, Utilization of Small Business Concerns (May 2004)

(2) 52.222-26, Equal Opportunity (APR 2002)

(3) 52.22-35 Equal Opportunity for Disabled Veterans and Veterans of the Vietnam Era (APR 1998).

During the performance of the contract, the Seller will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Seller will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to the following: Employment, upgrading, demotion, or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Seller agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause. The Seller will, in all solicitations or advertisements for employees placed by or on behalf of the Seller, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin. The Seller will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting officer, advising the labor union or workers' representative of the contractor's commitments under section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment. Seller will also include in their advertisements for employees an insignia or phrase indicating that they are an "equal opportunity employer" or that they will consider applicants without regard to race, color, religion, sex, national origin, disability or veteran's status. The Seller will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders. In the event of the Seller's non-compliance with the nondiscrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be canceled, terminated or suspended in whole or in part and the contractor may be declared ineligible for further contracts.

18. INSURANCE. Unless an authorized representative of Buyer instructs Seller otherwise, Seller will maintain during the term of the Purchase Order insurance policies described below issued by companies licensed in Tennessee. Buyer shall be explicitly named as an Additional Insured on said policy. Before supplying any goods or providing any services, Seller must furnish Buyer with certificates of insurance evidencing the required coverages, conditions and limits required by the Purchase Order. The insurance policies, except those for workers compensation or professional liability, must be endorsed to name Buyer, its agents, officers, officials, employees, and volunteers as additional insureds. In the event any insurance policies required by the Purchase Order are written on a "claims made" basis, coverage will extend for two years past completion and acceptance of Seller's goods, work, services, equipment, or materials and must be evidenced by annual certificates of insurance. The insurance policies must be endorsed stating that they will not expire, be cancelled, suspended, voided or materially changed without 30 days written notice by certified mail to the Operations Manager of Buyer. Seller insurance must be primary, and any insurance or self-insurance maintained by Buyer may not contribute to it. If any part of the Purchase Order is subcontracted, these insurance requirements also apply to all subcontractors. Insurance coverage required under the Purchase Order is: commercial general liability insurance with a limit of not less than \$2,000,000 per occurrence for bodily injury, property damage, personal injury, products, and completed operations, and blanket contractual coverage, including but not limited to, the liability assumed under the indemnification provisions of the Purchase Order; automobile liability insurance with a combined single limit for bodily injury and property damage of not less than \$2,000,000 each occurrence with respect to Seller's owned, hired, and non-owned vehicles; workers' compensation insurance with limit statutorily required by any applicable federal or state law and employer's liability insurance of not less than \$100,000 for each accident, \$100,000 disease for each employee, and \$500,000 disease policy limit; and if applicable, professional liability insurance covering acts, errors, mistakes, and omissions arising out of the work or services performed by Seller, or any person employed by Seller, with a limit of not less than \$2,000,000 each claim.

19. NEW AND UNUSED ITEMS Unless otherwise specified, materials, components and parts, including those permanently installed into systems, subsystems and/or assemblies, shall be new and unused. Refurbished, rebuilt or modified items are strictly prohibited.

20. MERCURY. Material shall not have come in contact with or been contaminated by mercury, or other low melting point metals.

21. INDEMNIFICATION. Seller agrees to indemnify and hold harmless Buyer from and against all demands, claims, suits, costs of defense, liabilities and other expenses for damage, damage to property, and for injury or injuries to or death of any person or persons in any way arising from Seller's breach of any of the terms of this Purchase Order or the furnishing of any goods and services provided under this Purchase Order, except for liability or damage arising solely from the negligence or willful misconduct of Buyer, its agents or employees. This indemnification shall be in addition to the warranty obligations of Seller.

22. CONFIDENTIALITY. Seller shall not use or disclose any data, designs, or other information belonging to, supplied by or on behalf of Buyer. Upon completion by Seller of its obligations under this Purchase Order or upon Buyer's request, such data, designs and other information or any copies thereof shall be returned to Buyer. Where in accordance with Buyer's written authorization, Buyer's data, designs or other information is furnished to Seller's suppliers for procurement of supplies by Seller for use in the performance of this Purchase Order, Seller shall insert the substance of this provision in its own purchase order. This Purchase Order is confidential, and Seller shall not, without prior written consent of Buyer, disclose any information relative to or derived under this Purchase Order, except as may be required to ensure performance. Unless otherwise authorized by Buyer, Seller shall not advertise or publish the fact that Seller has contracted to furnish Buyer the goods or services.

23. WAIVER; SET OFF. Buyer shall not, by any act, delay, omission or otherwise, be deemed to have waived any of the rights or remedies under this Purchase Order, and no waiver whatever shall be valid as against Buyer unless in writing, signed by an authorized representative of Buyer, and then only to the extent set forth therein. Buyer's waiver of any right or remedy under the terms of this Purchase Order on any one occasion shall not be construed as a waiver of any right or remedy which Buyer would otherwise have on a future occasion. Seller agrees that Buyer shall have the right to set off against amounts which may become payable by Buyer to Seller under this contract or otherwise, any present or future indebtedness of Seller to Buyer.

24. JURISDICTION AND VENUE. Each of Buyer and Seller irrevocably and unconditionally submits to the exclusive

jurisdiction of any Tennessee State court in Hamilton County, Tennessee or any federal court of the United States of America sitting in the Eastern District of Tennessee and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Purchase Order or for recognition or enforcement of any judgment. Further, each of Buyer and Seller irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection (whether as a matter of state or federal law) that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Purchase Order in any Tennessee State court in Hamilton County, Tennessee or federal court sitting in the Eastern District of Tennessee. Each of Buyer and Seller irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

25. CHOICE OF LAW. Seller agrees that this Purchase Order shall be interpreted, construed and enforced in all respects in accordance with the laws of the State of Tennessee, without giving effect to its principles of conflict of law.

END OF PURCHASE ORDER TERMS AND CONDITIONS

These Purchase Order Terms and Conditions are subject to revision; Revised February 9, 2010. The most current revision can be found at <http://www.southerntoolsteel.com>.