

## TERMS AND CONDITIONS OF PURCHASE ORDER

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, E CRAFTSMEN CORPORATION ("**E Craftsmen**"), and the CUSTOMER (*herein referred to as the "Buyer"*) hereby agree as follows:

**PURCHASE ORDERS:** References to "**Purchase Order**" herein shall mean any document negotiated and executed by E Craftsmen and Buyer (collectively, the "**Parties**") for the purchase and sale of "**Products**" and/or "**Services**".

THE RECEIPT BY E CRAFTSMEN OF A PURCHASE ORDER IN ANY FORM FROM THE BUYER SHALL BE DEEMED TO BE BUYER'S ACKNOWLEDGEMENT AND ACCEPTANCE OF THE TERMS AND CONDITIONS OF PURCHASE ORDER REFERENCED HEREIN (*THE "TERMS AND CONDITIONS"*). All other terms or conditions contained in the Buyer's form of Purchase Order shall not apply to any agreement between E Craftsmen and Buyer unless otherwise agreed to in writing by E Craftsmen. These Terms and Conditions and all such Purchase Orders to be negotiated and executed between the Parties are referred to herein collectively as the "**Purchase Agreement**".

**BLANKET ORDERS AND LETTERS OF INTENT:** Blanket Orders (*Purchase Orders with multiple releases*) and/or Letters of Intent executed between E Craftsmen and Buyer shall be in effect for a maximum of eight (8) months from the date of agreement between the Parties in respect thereof. Buyer acknowledges that E Craftsmen may terminate or amend the terms and conditions of a blanket order or a letter of intent (including, without limitation, the pricing in respect thereof) upon the expiry of such eight-month period. See also CANCELLATION, below.

EC reserves the right to increase pricing during the term of a blanket order and/or letter of intent in the event of market commodity increases for copper, steel or other key input factors. These increases would be supported by published commodity data from a third party.

**HOLDING INVENTORY:** Where E Craftsmen agrees to hold inventory of finished parts as a courtesy or in any other way for an Order (*including Safety Stock or KanBan*), such parts held in inventory for longer than 10 weeks will be shipped and/or invoiced to the Buyer.

Where Raw Materials are purchased and received as a courtesy on behalf of Buyer for Orders, the material(s) will be held for a maximum period of 4 months after which they will be invoiced to the Buyer.

**CONFIRMATION PROCESS:** Upon written confirmation of acceptance by E Craftsmen of the Buyer's Purchase Order, E Craftsmen shall provide the Products and/or Services described in that Purchase Order in accordance with this Purchase Agreement. The Buyer acknowledges that E Craftsmen has no obligation to fulfil the Purchase Order until the Buyer receives said written confirmation from E Craftsmen.

**TERMS OF PAYMENT:** Net 30 days from the Invoice Date, established based upon credit worthiness approval. No other payment terms apply unless specifically agreed to in writing by E Craftsmen. A minimum of 1.5% per month (18% per annum) will be charged on overdue accounts. E Craftsmen reserves the right to amend payment terms depending on payment performance and/or credit worthiness.

**SHIPPING TERMS:** INCO TERMS. Orders WITHIN CANADA - FOB Waterloo, Ontario. Orders OUTSIDE CANADA, Ex Works (EXW). E Craftsmen reserves the right to supply reasonable quantities either more than, or short of the quantities ordered, not to exceed 2%.

**TAXES AND FOREIGN CUSTOMS DUTY:** Prices are exclusive of Taxes of any kind as well as Duties or Brokerage Fees.

**FREIGHT:** Prices are exclusive of all Freight Charges. All shipments will be made FREIGHT COLLECT unless otherwise agreed to in writing. Buyer is responsible for payment of all charges and after-charges related to orders that are to be shipped Freight - Prepaid and Charge.

**CANCELLATION:** All orders/parts are NON-CANCELLABLE, NON-RETURNABLE. Cancellation or postponement of an order or a release may be considered if it is requested in writing no less than 8 weeks prior to the agreed upon shipment date. Otherwise, the Purchase Agreement stands and the full selling price will be invoiced. The cancellation of parts which meet the above condition will result in a charge equal to the cost of the material purchased or committed to by E Craftsmen plus any direct labour as well as the indirect and administrative costs incurred. Any quantities of parts ordered but not released or shipped at the end of this Purchase Agreement (e.g. under Blanket Orders or Letters of Intent) will be shipped and invoiced to the Buyer. If this is not possible the remaining sum will be treated as cancelled and this clause will apply.

**TERMINATION:** This Purchase Agreement shall terminate immediately and automatically if either party enters or is placed into receivership, is petitioned into bankruptcy or ceases to carry on business. Notwithstanding the foregoing, the contractual obligations owing at the time of such termination as between the Parties in respect of receivables and inventories shall continue upon termination of this Purchase Agreement.

**WARRANTY:** E Craftsmen warrants that the products sold conform as follows:

- (i) STANDARD PRODUCTS (*Including Slim Line Transformers*): Conform to documented E Craftsmen specifications.
- (ii) CUSTOM PRODUCTS: Conform to the specifications agreed upon through the applicable part's Customer Approval Form or through an approved Engineering Change Order.

This warranty is valid for a period of Five (5) Years from the date of shipment. This warranty may be void if:

- (i) Buyer fails to notify E CRAFTSMEN in writing of any claim under this warranty within 10 business days of discovery of any defect or non-conformance, or,
- (ii) Buyer fails to notify E CRAFTSMEN in writing of any transportation defects or quantity variations within 30 business days from delivery of the product.

This warranty constitutes Buyer's sole and exclusive remedy for claims in respect of defective or non-conforming Products and is in lieu of all other warranties, conditions, guarantees or representations relating to the Products whether oral or written, express or implied, statutory or otherwise in contract, tort, or otherwise, including without restriction any warranties of merchantability or of fitness for purpose, and any such warranty, condition, guarantee or representation is hereby excluded.

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**TERMS AND CONDITIONS OF PURCHASE ORDER** (continued from p.1)

**RETURN POLICY FOR STANDARD PARTS INCLUDING SLIM LINE TRANSFORMERS.** DOES NOT APPLY TO CUSTOM PARTS – SEE CANCELLATION ABOVE. Unused parts requested to be returned for credit will be subject to a 25% restocking fee (*i.e. Customer will receive 75% credit for returned parts*). Customer is responsible for shipping costs. All returned parts must be packed for delivery in the same way that they were shipped from E Craftsmen or in a similar manner that will protect the parts from damage during shipping. Parts received with physical damage due to inadequate shipping will not receive any credit.

**GRANT OF SECURITY INTEREST.** As security for the timely observance and performance of all covenants and obligations of the Buyer under this Purchase Agreement, including due payment by the Buyer of the payments reserved hereunder and interest and financing charges associated therewith, the Buyer hereby grants to E Craftsmen a first lien and charge on all goods, chattels, trade fixtures, furniture, equipment and inventory of the Buyer. Such lien and charge shall constitute a security agreement within the meaning of the Personal Property Security Act (Ontario) (the "Act") and on default of the Buyer hereunder E Craftsmen shall have, in addition to any other rights and remedies it may be entitled to under this Purchase Agreement or otherwise, all the rights and remedies of a secured party under the Act. E Craftsmen and the Buyer agree that the security interest constituted by this Purchase Agreement shall attach upon the execution of this Purchase Agreement by the Buyer. The Buyer agrees to execute all documents and instruments necessary to perfect such security interest including all financing statements.

**LIMITATION OF LIABILITY.** LIABILITY EXTENDS ONLY TO THE PURCHASE PRICE OF THE PARTS, AS DESCRIBED BELOW. The total cumulative collective liability of E Craftsmen, its employees, officers, directors, representatives and agents (hereinafter collectively called the "Group") under or for breach of this Purchase Agreement (or provision of Products or Services in any other manner) for costs, losses or damages from all claims, actions or suits, howsoever caused or arising relating to Products or Services provided under the Purchase Agreement, shall not exceed the aggregate amounts paid by Buyer to E Craftsmen during the twelve (12) months preceding the accrual of such damage or loss. In no event, whether as a result of breach of contract, warranty, tort (including without restriction negligence) or otherwise shall the Group or any members or member thereof be liable for any indirect, special, punitive, consequential or incidental damages or loss of profits, loss of use, or loss of data howsoever caused or arising, regardless of the form of action, whether in contract, tort (including negligence), strict liability, product liability or otherwise, even if the Group or E Craftsmen individually has been advised of the possibility of such damage or loss. In no event will E Craftsmen be liable for costs of procurement of substitute products. The foregoing limitations of liability shall not apply to damages for personal injury or death caused by the negligence of the Group or any members or member thereof while on the premises of Buyer for the purposes of providing services pursuant to this Purchase Agreement.

**SEVERABILITY.** Each covenant and provision contained in this Purchase Agreement shall be severable, separate and distinct and the unenforceability in whole or in part of any covenant or provision hereof shall be deemed not to affect or impair the validity or enforceability of any other covenant or provision hereof.

**SURVIVORSHIP.** This Purchase Agreement shall endure to the benefit of, and shall be binding upon, each of the Parties hereto and their respective heirs, executors, administrators, legal personal representatives, successors and assigns.

**FORCE MAJEURE.** Neither party shall be liable for delay or failure to perform its obligations hereunder (except for payment of sums due by one party to another under this Purchase Agreement) to the extent caused by an event beyond the reasonable control of such party, including, but not limited to, acts of God, acts of war, warlike hostilities, riot, fire, flood, epidemic, or other disaster, acts of government, strike, lockout, communication line, power failure or any other similar cause or causes, provided that such Party promptly notifies the other in writing of such occurrence and makes its best efforts to promptly eliminate the effect thereof.

**GOVERNING LAW.** This Purchase Agreement shall be governed by and construed in accordance with the domestic laws of the province of Ontario and applicable Canadian federal law, without reference to "conflict of laws" provisions or principles, excluding the International Sale of Goods Act (Ontario). The United Nations Convention on Contracts for the International Sale of Goods shall not apply to any transactions under this Purchase Agreement. Jurisdiction and venue of any dispute or legal action brought by either party arising out of or relating to the Purchase Agreement, the Products or Services or the commercial relationship between the Parties shall lie exclusively in, or be transferred to the Courts of the Cities of Kitchener and Waterloo, Province of Ontario. The Parties hereby submit, consent and agree not to contest such jurisdiction and venue.

**ENTIRE AGREEMENT.** The Purchase Agreement constitutes the entire agreement between the Parties pertaining to the subject matter of this Purchase Agreement and completely supersedes and negates any other related prior or contemporaneous representations, understandings, agreements, negotiations and discussions between the Parties, whether oral or written. There are no conditions, warranties, representations or other agreements between the Parties in connection with the subject matter of this Purchase Agreement (whether oral or written, express or implied, statutory or otherwise) except as specifically set out in this Purchase Agreement. This Purchase Agreement may be altered, amended or modified only by another written instrument, dated and signed by the Parties and by no other means. Any such amendments, if permissible under the terms of this Purchase Agreement, may be executed and delivered by facsimile transmission and each of the parties hereto may rely on such facsimile signature as though such facsimile signature were an original signature. Both Parties hereby waive the future right to claim, contend or assert that this Purchase Agreement was modified, cancelled, superseded or changed at any time and in any respect by any other means, including but not limited to an oral agreement, course of conduct or by estoppel. Other than the provisions of this Purchase Agreement relating to Product or Service price and discount, this Purchase Agreement shall be deemed to apply to all sales of Products or Services by E Craftsmen to the Buyer. E Craftsmen will only ship ordered Products pursuant to a Purchase Order once in possession of a duly executed hard copy of the Purchase Agreement and a Purchase Order received from the Buyer.