

Terms and Conditions of Purchase

PART 1 – GENERAL TERMS AND CONDITIONS APPLICABLE TO FIXED PRICE ORDERS

Clause – 1- Acceptance: This order becomes a contract subject to the terms and conditions set forth on this purchase order and this Argo-Tech Corporation (“Buyer”) Form ARG-2945, Rev. 06/06, and those documents and terms and conditions incorporated herein by reference when acknowledgement has been signed and returned by Seller or upon commencement of performance by Seller. Any additions to, changes in, modifications of, or revisions of this order proposed by Seller are rejected unless expressly agreed to in writing by Buyer.

Clause - Delivery: Time is of the essence on this order and deliveries are to be made both in quantities and at times specified herein. If Seller’s deliveries fail to meet schedule, Buyer, without affecting its’ other rights or remedies, may direct expedited routing and any excess costs incurred thereby shall be debited to Seller’s account. Goods which are delivered in advance of schedule may, at Buyer’s option, (i) be returned at Seller’s expense for proper delivery or (ii) have payment therefore withheld by Buyer until the date that goods are actually scheduled for delivery, or (iii) place goods in consigned storage for Seller’s account until the delivery date specified herein.

Clause 3 – Inspection and Tests:

(a)All work (which term throughout this order includes, without limitation, raw materials, procedures and processes, components, intermediate assemblies and end products) or services shall be subject to inspection and test by Buyer and any of Buyer’s customers up the contractual chain (“Customer” or “Customers”), to the extent practicable at all times and places (including at Seller’s suppliers) including the period of manufacture, and in any event, prior to acceptance. Seller is responsible for, and shall upon Buyer’s request furnish evidence of, compliance with all requirements of the order: Inspection and test by Buyer or Customers of any work, or approval of designs, drawings, samples, test results, procedures, processes or schedules by Buyer or Customers does not relieve Seller from any responsibility to meet order requirements.

(b)In case any work is defective in material or workmanship or otherwise not in conformity with the requirements of this order, Buyer shall have the right either to reject it (with or without instructions as to its disposition) or to require correction. Work which has been rejected or required to be corrected shall be removed, or if permitted or required by Buyer, corrected in place by and at the expense of Seller promptly after notice, and shall not thereafter be tendered for acceptance unless the former rejection or requirement of correction is disclosed. If Seller fails promptly to remove such work which is required to be removed or promptly to replace or correct such work as specified by Buyer, Buyer may either, (i) by contract or otherwise replace or correct such work and charge to Seller the cost occasioned Buyer thereby, or (ii) terminate this order for default as provided in the clause of this order entitled “Cancellation – Termination – Suspension – Rejection”. Unless Seller corrects or replaces such work within the delivery schedule Buyer may require the delivery of such work at a reduction in price, which is equitable under the circumstances.

(c)If any inspection or test is made by Buyer and/or Customers on the premises of Seller or a lower-tier supplier, Seller, without additional charge, shall provide all reasonable facilities and assistance for the safety and convenience of Buyer and/or the Customers’ representatives in the performance of their duties. If Buyer’s and/or Customers’ inspection or test is made at a point other than the premises of Seller or a lower-tier supplier, it shall be at the expense of Buyer except as otherwise provided in this order; provided that, in case of rejection, Buyer shall not be liable for any reduction in value of samples used in connection with such inspection or test.

d)All inspections and tests by Buyer and/or Customers shall be performed in such manner as not to unduly delay the work. Buyer reserves the right to charge to Seller any additional costs of Buyer’s and/or the Customers’ inspection and test when work is not ready at the time such inspection and test is requested by Seller or when re-inspection or retest is necessitated by prior rejection.

(e)Acceptance or rejection of the work shall be made as promptly as practicable after delivery, except as otherwise provided in this order; but failure to inspect and accept or reject work shall neither relieve Seller from responsibility for such work as is not in accordance with the order requirements nor impose liability upon Buyer therefore. Except as otherwise provided in this order, acceptance shall be conclusive except as regards latent defects, fraud, or such gross mistakes as amount to fraud.

(f)Inspection and test requirements specifically required by this order are for the convenience of Buyer and/or Customers and do not relieve Seller of its responsibility to provide a high-quality product which meets order requirements. If during the period specified in the clause of this order entitled “Warranty” any failure to meet order requirements is uncovered (including any uncovered by Buyer’s and/or Customers’ own tests), Seller shall be responsible in accordance with the provisions of said warranty clause for correcting the condition. This requirement applies regardless of the extent of testing or inspection specifically required by this order.

(g) Seller shall provide and maintain and require its lower-tier subcontractors to provide and maintain an inspection and quality control system acceptable to Buyer covering the work hereunder. Records of all inspection and quality control work by Seller and its lower-tier suppliers shall be kept complete and available to Buyer and/or Customers during performance of this order and for such longer period as may be specified by laws, regulations or elsewhere in this order.

(h) Any goods delivered under this order containing specialty metals as that term is defined in the current version of Defense Federal Acquisition Supplement (DFARS) clause 252.225-7014 or any successor clause, shall only contain specialty metals melted in the United States or a qualifying country identified in DFARS, or incorporated into an article manufactured in a qualifying country. Seller shall flow the requirements of this paragraph (h) down to all suppliers providing either specialty metals or articles manufactured with specialty metals. Supplier's flow down of this paragraph (h) shall mandate that the requirements of this paragraph be further flowed down to suppliers at every level in the contractual chain.

Clause 4 – Changes: The Buyer shall have the right at any time, by formal purchase order amendment, to unilaterally make changes within the general scope of this order in any one or more of the following: (a) drawings, design specifications; (b) method of shipment or packaging; (c) place of delivery; (d) quantities of articles ordered; (e) the delivery schedule; and nothing in this clause shall excuse the Seller from proceeding without delay in the diligent pursuit of performance of this order as changed. If any such change results in an increase or decrease in the cost or time required for performance, the Seller shall, within five (5) days after receipt of the change order, submit a detailed cost breakdown comparing original with the revised requirements and the respective costs, or detailed reasons for the effect on the established schedule, or both, as the case may be. The Seller's submission of a claim, as above required, shall provide the foundation for agreement on an equitable adjustment in price, delivery schedule, or both and this order shall be modified in writing accordingly. Where the cost of property made obsolete or excess as a result of a change is included in Seller's claim for adjustment, Buyer shall have the right to prescribe the manner of disposition of such property. Any claim for adjustment under this clause must be made in writing and shall be deemed waived by the Seller unless asserted within the time as above set forth, provided however, that the Buyer may, in its discretion, receive and act upon any such claim so made or made thereafter at any time prior to final payment under this order. Notice is herewith given and Seller agrees that Buyer's employees have no authority to direct any change except by formal purchase order amendment signed by Buyer's authorized purchasing representative or an officer of Buyer's corporation.

Clause 5 – Drawings and Specification Review: If, during the term of this order, Buyer's or Customers' representatives review drawings, specifications or other data developed by Seller in connection with the order and make suggestions or comments or approve such documents and data, such action is only an expression of opinion by Buyer or Customers and shall not serve to relieve Seller of any responsibility for the reliability, quality, rate of output, cost, delivery, performance or any other requirements of this order.

Clause 6 – Drawings and Data: Seller shall keep confidential all information, drawings, specifications or data furnished by Buyer or prepared by Seller specifically in connection with the performance of this order and shall not divulge or use such information, drawings, specifications or data for the benefit of any other party. Except as required for the efficient performance of this order, Seller shall not make copies or permit copies to be made without the prior written consent of Buyer. Seller shall thereafter make no further use, either directly or indirectly, of any such data of any information derived therefrom without obtaining the Buyer's prior written consent. The obligations under this clause will survive the cancellation, termination, or completion of this order.

Clause 7 – Use of Information: Seller agrees that all information heretofore or hereafter furnished or disclosed to Buyer by Seller in connection with the placing or filing of this order is furnished or disclosed as a part of the consideration for this order and that such information is not, unless otherwise agreed to by Buyer in writing, to be treated as confidential or proprietary and the Seller shall assert no claims (other than for patent infringement) by reason of the use or disclosure of such information by Buyer, its assigns or Customers. No employee of Buyer has the authority to make an agreement providing for the confidential treatment of, or limiting the use or disclosure of information so furnished or disclosed, unless such agreement is made in writing and signed by Buyer's authorized purchasing representative or an officer of Buyer's corporation.

Clause 8 – Disclosure of Information: Seller shall not in any manner advertise or publish the fact that it has furnished or contracted to furnish Buyer the goods or services herein mentioned without prior written consent of Buyer. Seller shall not disclose any details in connection with this order to any party except as may be otherwise provided. This purchase order contains technical data whose export is restricted by the Arms Export Control Act (Title 22, U.S.C., Sec.2751 et seq.) or the Export Administration Act (Title 50, U.S.C., App 2401-2420). Violation of these export laws is subject to severe criminal penalties.

Clause 9 – Cancellation – Termination – Suspension – Rejection:

Buyer shall not be liable for Seller's commitments or production arrangements in excess of the amount or in advance of the time necessary to meet Buyer's delivery schedule.

(a) Time is of the essence for this order. As a result, Buyer reserves the right, at its option and without liability to the Seller, to at anytime by notice of default in writing, either cancel, terminate, or suspend this order, in whole or in part, in the event of a breach of any material condition of the Seller's performance hereunder that is not cured with ten (10) days after receipt of such notice or such longer period as may be authorized in writing by Buyer. The occurrence of any one or more, but not limited to, the following circumstances shall be considered breach of material condition: (1) failure to strictly comply with the terms, specifications or delivery schedule set forth herein; (2) Seller becomes the subject under state or federal law for relief of debtors, or makes an assignment for the benefit of creditors; (3) failure to comply with applicable federal, state and local laws and all regulations and orders issued hereunder; and without limiting or excluding other applicable laws, in the event this order is placed under a Government contract or subcontract, failure to comply with those federal regulations identified as Federal Acquisition Regulation ("FAR") and Department of Defense Acquisition Regulation Supplement ("DFARS") clauses that are incorporated by reference herein. In the event rights reserved under this clause are

exercised, Buyer may procure similar articles or services elsewhere and Seller assumes the financial liability for any excess cost associated with such procurement; provided, however, that Seller shall not be liable for excess costs where the failure to perform is excusable as provided for in Clause 10 hereof. In the event that the rights reserved to Buyer under this paragraph (a) are exercised without cause, Buyer shall reimburse Seller the Seller's expenses resulting directly therefrom, which amount shall not exceed the lower of the contract price or Seller's direct labor, direct material and indirect costs incurred for finished goods or goods in process, less their reasonable salvage value.

(b)Buyer may for any reason and at any time cancel or suspend this order, or any part thereof, by serving written notice upon Seller specifying the extent and effective date of such cancellation or suspension. Seller shall continue all work not terminated or suspended. Upon termination, in accordance with Buyer's written direction, Buyer Seller will immediately (i) cease work; (ii) order all affected suppliers to cease work to the extent applicable; (iii) prepare and submit to Buyer an itemization of all completed and partially completed deliverables and services; (iv) deliver to Buyer deliverable satisfactorily completed up to the date of termination at the purchase order prices; and (v) deliver upon request any work in process.

(c)Buyer's acceptance of performance, other than that specifically called for herein, with or without objection or reservation, shall not waive the right to claim damages for such breach nor constitute a waiver of the requirement for timely performance of any obligation remaining to be performed by Seller.

(d)Failure of Buyer to enforce any right under this clause shall not be deemed a waiver of any subsequent right hereunder. The Buyer's rights and remedies reserved under this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under this order.

Clause 10 – Excusable Delays: Neither party shall be liable for damages for delay in delivery arising out of causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy, acts of the Government in either its sovereign or contractual capacity, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes and unusually severe weather (an "Excusable Delay"). If the delay is caused by the delay of a subcontractor (at any tier) of Seller and if such delay arises out of causes beyond the control of both Seller and said subcontractor and without the fault or negligence of either of them, Seller shall not be liable to Buyer in damages unless the materials or services to be furnished by the said subcontractor were unobtainable from other sources in sufficient time to permit the Seller to meet the required delivery schedule. Seller will notify Buyer in writing within 48 hours after the beginning of any such cause. Seller may terminate this order without liability to Seller should an Excusable Delay reasonably be expected to or actually exceed thirty (30) days.

Clause 11 – Invalidity – Remedies - Survival:

(a)The invalidity in whole or in part of any provision herein shall not affect the validity of any other provision.

(b)The rights and remedies herein reserved to Buyer shall be cumulative and in addition to any other or further rights and remedies provided in law or equity. Buyer's failure to enforce any provisions of this contract shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this agreement or any part thereof or Buyer's right thereafter to enforce each and every such provision, which shall remain in full force and effect.

(c)If this order expires, is completed, or is terminated, the rights and obligations of the parties under this order that by their nature should survive, shall survive. This includes, without limitation, Clause 6 – Drawings and Data; Clause 7 – Use of Information; Clause 8 – Disclosure of Information; Clause 11 – Invalidity – Remedies; Clause 12 – Compliance with and Governing Law; Disputes; Clause 17 – Patent Indemnification; Clause 19 – Warranty; Clause 20 – Indemnification; and Part II if this order is issued under a Government contract or subcontract.

Clause 12 – Compliance with and Governing Law; Disputes:

(a)Seller covenants that, in performance hereof, it will comply with all applicable laws, rules, regulations or orders of the United States Government, or of any state or political subdivision thereof, including, without negatively implying exclusion of others, the applicable provisions of the Fair Labor Standards Act of 1938 (29 U.S.C. 201-219) as amended. Seller shall certify in each invoice that it has complied with the provisions of the Fair Labor Standards Act. Seller shall indemnify and save Buyer harmless against any claims, suits, demands, and all costs, damages and expenses arising out of its failure to fulfill this covenant.

(b)If this order is issued under a Government contract or subcontract it shall be construed, interpreted and applied in accordance with the Federal law of Government contracts as enunciated and applied by Federal judicial bodies and boards of contract appeals. To the extent that the Federal law of Government contracts is not dispositive, or if this order is not issued under a Government contract or subcontract, the laws, excluding choice of state law rules, of the State of Ohio apply.

(c)All disputes under this order which are not disposed of by mutual agreement may be decided by recourse to an action at law or in equity. Until final resolution of any dispute hereunder, Seller shall diligently proceed with the performance of this order as directed by Buyer.

Clause 13 – Taxes: Seller's prices shall be exclusive of any Federal, State or local Sales, Use or Excise taxes levied upon, or measured by the sale, the sales price, or use of goods required in the performance of this order. Seller shall list separately on its invoice any such tax lawfully applicable to any such goods and payable by Buyer with respect to which Buyer does not furnish to Seller lawful evidence of exemption.

Clause 14 – Buyer Owned Equipment: If the price to be paid is stated in this order to include special dies, tools, jigs, fixtures, patterns, or other equipment, or if Buyer furnishes any such materials to Seller, such materials shall become and remain the property of Buyer. Seller shall keep all property to which Buyer acquires title by virtue of this order segregated and clearly marked and will maintain complete inventory thereof. Seller agrees that it will use such property only in the performance of the requirements of this order and that performance in strict accordance with specifications shall not be excused in the event of any inaccuracy in such property. Buyer agrees that all materials, tooling and equipment which it is required to furnish the Seller under this order shall be delivered in sufficient time to enable Seller to meet its delivery schedule. In the event Buyer fails to so deliver, the resulting and direct consequence of which is Seller's failure to deliver to Buyer, Seller's failure to deliver shall be treated as "excusable" but without liability on the part of Buyer to Seller. While such property is in Seller's possession, Seller shall keep it in good condition and repair and bear all risk of loss and damage thereto beyond normal wear and tear. Seller shall insure for the benefit of Buyer against fire, water damage and other insurable risks customary in the trade and in such amounts as will fully protect Buyer. In the event of loss or damage Seller shall promptly notify Buyer. All such property shall be identified "Property of Argo-Tech Corporation" or as otherwise directed by Buyer; shall not be commingled, attached to or otherwise identified with property (whether real or personal) of Seller or that of a third party; shall not be removed from Seller's premises without prior written authority of Buyer, and shall, upon Buyer's request, be immediately returned to Buyer in as good condition as received. Seller agrees that Buyer shall, at all reasonable times, have access to any premises upon which Buyer's property is located for the purpose of inspection.

Clause 15 – Assignment: This order, or any interest therein, including any claims or monies due or become due with respect thereto, may only be assigned upon the written consent of Buyer. Any payment to any assignee of any claim under this order, in consequence of such consent, shall be subject to set off recoupment or other reduction for any claim which Buyer may have against Seller.

Clause 16 – Notice of Labor Disputes: Whenever Seller has knowledge that any actual or potential labor dispute is delaying, or threatens to delay, the timely performance of this order, Seller shall immediately give written notice thereof, including all relevant information with respect thereto to Buyer. Seller agrees to insert the substance of this clause, including this sentence, in any subcontract hereunder.

Clause 17 – Patent Indemnification: Seller shall indemnify and save harmless Buyer, its successors, assigns, customers or users of its products, from and against any and all loss, liability and damage, including costs and expenses resulting from any claim that the manufacture, use, sale or resale of any goods supplied under this order infringe any patent or patent rights, and Seller shall, when notified, defend any action or claim of such infringement at its own expense. Indemnification shall not apply to goods manufactured in accordance with Buyer's detailed design or any infringement based solely upon the use of the goods supplied hereunder in combination with other goods not furnished by Seller. In the event the sale and/or use of such goods is enjoined, Seller shall, at its own expense, either procure for Buyer the right to continue using such goods or replace them with equivalent non-infringing goods or remove same and refund the purchase price, including transportation, installation, removal and other charges incidental thereto as mutually agreed upon between Buyer and Seller.

Clause 18 – Subcontracting: Seller agrees to obtain Buyer's approval before subcontracting this order or any substantial portion thereof, provided however, that this limitation shall not apply to the purchase of standard commercial supplies or raw material.

Clause 19 – Warranty:

(a) In addition to its obligation under other provisions of this order (including those concerning inspection and acceptance) Seller warrants material and workmanship and that the items furnished under this order will be manufactured in accordance with the order requirements and fit for its particular purpose and, if Seller is responsible for design, will meet all design requirements set forth in this order. The term of this warranty is for a period of five years after delivery or as otherwise agreed by the parties in writing but in no case will the warranty period be less than the period of Buyer's warranty obligations to Customers.

(b) Buyer shall give Seller notice of any defect or lack of conformity with order requirements within a reasonable time after delivery. Seller shall promptly thereafter (without cost to Buyer) either correct or replace such defective or nonconforming item, component thereof or service, and correct or replace all appropriate drawings, procedures and manuals or, if Buyer does not require correction or replacement of the defective or nonconforming item or component thereof, Seller, within a reasonable amount of time after the notice, shall repay such portion of the order price of the item as is equitable under the circumstances. If Seller fails to proceed with reasonable promptness to make any correction or replacement in accordance with the provisions of this clause Buyer reserves the right to cause such correction or replacement to be made and Seller agrees to reimburse Buyer for the costs incurred thereby. Unless otherwise agreed, correction or replacement of defective or nonconforming services, items or components thereof shall be performed subject to and in accordance with the provisions of this order. Buyer has the right to require Seller to correct in place any defective or nonconforming item or component thereof delivered under this order or to return such item or component to Seller for correction in which case Seller shall be responsible for packing and packaging charges and shipping costs for items or components returned for correction. In exercising this right Buyer will notify Seller which alternative it proposes to take. In the event that Seller is required to correct in place, Seller shall not be responsible for removal or reinstallation of the items or structural parts not furnished by Seller under this order. In the event that any defective item is returned by

Buyer to Seller's plant for correction, Buyer shall be responsible for removing the defective item from the system and Seller shall, upon completion of correction, make delivery as directed by Buyer.

(c) The warranty with respect to a corrected or replaced item, components thereof or service, shall be subject to the same terms as the warranty provided for in paragraph (a). The original warranty for other than the corrected or replaced item, items, or components thereof or service shall continue until the expiration of the period prescribed in paragraph (a), plus a period equal to the time elapsed between the discovery of the defect and correction or replacement of the defective item, items or components thereof.

(d) Approval of designs, drawings, samples, test results, procedures processes or schedules by Buyer or Customers shall not in any way limit or diminish Seller's warranties hereunder.

Clause 20 – Terms of Payment: The Seller's right to payment is contingent upon Buyer's acceptance of articles delivered or services rendered in accordance with the terms and specifications called for by this order, but payment of the stipulated price is not evidence of Buyer's final acceptance of that which is called for by this order. Payment shall be subject to subsequent adjustment for shortages and allowances for articles rejected. Unless otherwise stated on the face of the order, all NET INVOICES will be paid on or about the forty-fifth (45th) day, following the Buyer's receipt of a proper invoice. Unless otherwise stated on the face of this order, DISCOUNT INVOICES may be honored in accordance with discount terms offered. The date for calculation of any cash discount offered by the Seller shall commence as of the date of receipt of a proper invoice.

Clause 21 – Indemnification: To the extent that Seller's agents, employees or subcontractors enter upon premises occupied by or under the control of Buyer, or any Customer, or suppliers in the course of the performance of this order, Seller shall take all reasonable precautions to prevent the occurrence of injury (including death) to any persons, or of any damage to any property, arising out of acts or omissions of such agents, employees, or subcontractors, and except to the extent that any such injury or damage is due solely and directly to Buyer's negligence, shall indemnify, defend and hold Buyer, its officers, employees and agents harmless from any and all costs, losses, expenses, damages, claims, suits, or any liability whatsoever, including attorney's fees, arising out of any act or omission of Seller, its agents, employees or subcontractors. Seller shall maintain and require its subcontractors to maintain (i) public liability and property damage insurance including contractual liability (both general and vehicle) in amounts sufficient to cover obligations set forth above, and (ii) worker's compensation and employer's liability insurance covering all employees engaged in the performance of this order for claims arising under any applicable Worker's Compensation and Occupation Disease Acts. Seller shall furnish certificates evidencing such insurance, which expressly provides that no expiration, termination or modification shall take place without thirty (30) days written notice to Buyer.

Clause 22 – Subcontract under Government Prime Contracts

If this order states a U.S. Government contract number or otherwise indicates that it is a U.S. Government subcontract, ARG-2945, Rev. 06/06, Part II "Additional General Terms and Conditions Applicable to Orders Issued Under Government Contracts" apply to this order. , ARG-2945, Rev. 06/06, Part II "Additional General Terms and Conditions Applicable to Orders Issued Under Government Contracts" is available at www.argo-tech.com.