

REGAL BELOIT CORPORATION ELECTRICAL GROUP TERMS AND CONDITIONS OF SALE

ALL QUOTATIONS ARE MADE AND ALL ORDERS ARE ACCEPTED BY REGAL BELOIT CORPORATION ELECTRICAL GROUP SUBJECT ONLY TO THESE TERMS AND CONDITIONS. THROUGHOUT THIS DOCUMENT, REGAL BELOIT CORPORATION ELECTRICAL GROUP SHALL BE REFERRED TO AS SELLER.

1. MODIFICATIONS OF SALES TERMS: Any Terms and Conditions contained in any purchase order or other form of communication from Seller's customers which are additional to or different from these Terms and Conditions shall be deemed rejected by Seller unless expressly accepted in writing by Seller. In general, no modification, amendment, waiver or other change of any of these Terms and Conditions and those contained on the reverse side hereof and/or in attachments hereto ("Terms and Conditions"), or of any of Seller's rights or remedies thereunder, shall be binding on Seller unless expressly accepted in writing by Seller's authorized officers. No course of dealing, usage of trade or course of performance shall be relevant to explain or supplement any of these Terms and Conditions. In case of conflict between the Terms and Conditions printed on this page and those contained on the face side or in attachments hereto, the latter shall control. If any document issued by any party hereto is sent by facsimile or another form of electronic document transmission, the parties hereto agree that (a) the copy of any such document printed on the facsimile machine or printer of the recipient thereof is a counterpart original copy thereof and is a "writing", (b) delivery of any such document to the recipient thereof by facsimile or such other form of electronic document transmission is authorized by the recipient thereof and is legally sufficient for all purposes as if delivered by United States mail, (c) the typewritten name of an authorized agent of the party sending such document on any such document is sufficient as a signature thereon on behalf of such party and the intent of such signature is to authenticate the writing, and (d) an electronically stored and reproduced copy of any such document shall be deemed to be legally sufficient evidence of the terms of such document for all purposes.

2. ACCEPTANCE OF ORDERS: Acceptance by Seller of Buyer's purchase order(s) is expressly conditioned upon Buyer's assent to these Terms and Conditions. Buyer will be deemed to have assented to such Terms and Conditions unless Seller receives written notice of any objections within fifteen (15) days after Buyer's receipt of this form and in all events prior to any delivery or other performance by Seller of Buyer's order.

3. QUOTATIONS: Quotations by Seller shall be deemed to be offers by Seller to sell the Goods described therein subject to these Terms and Conditions, and acceptance of such offers is expressly limited to acceptance by Buyer of all of these Terms and Conditions within thirty (30) days from the date of the quotation. Purchase orders submitted by Buyer for the Goods quoted by Seller shall be subject to and will be deemed to constitute acceptance of these Terms and Conditions. All purchase orders will be subject to approval by Seller.

4. PRICES; PRICE CHANGES: All prices are net F.O.B. shipping point and are subject to change without notice. In the event of a change in Seller's prices, the price for Goods unshipped will be the price in effect on the date of shipment.

If Seller's quoted price was based upon delivery to and acceptance by Buyer of a specified quantity of Goods, such price shall be subject to adjustment if Buyer does not accept the quantity at the times specified in Seller's quotation, and Buyer will be invoiced at Seller's standard price without quantity discounts, if any, for the quantity of Goods actually accepted by Buyer.

5. TAXES: In addition to any prices, Buyer shall pay the amount of any present or future manufacturer's tax, retailer's occupation tax, use tax, sales tax, excise tax, duty, custom, inspection or testing fee, or any other tax, fee or charge of any nature whatsoever imposed by any governmental authority, on or measured by the transaction between Seller and Buyer. In the event Seller is required to pay any such tax, fee or charge, Buyer shall reimburse Seller therefor; or, in lieu of such payment, Buyer shall provide Seller at the time the order is submitted with an exemption certificate or other document acceptable to the authority imposing such tax, fee or charge.

6. TERMS OF PAYMENT: All orders are subject to the approval of Seller. Terms of payment are cash in full no later than thirty (30) days from date of shipment, without discount. If, during the period of performance of an order, the financial condition of Buyer is determined by Seller not to justify the terms of payment specified, Seller may demand full or partial payment in advance before proceeding with the work, or satisfactory security or guarantees that invoices will be promptly paid when due, or, at its option without prejudice to other lawful remedies, may defer delivery or cancel this contract. If delivery is deferred, the Goods may be stored as provided in Section 9 hereof and Seller may submit a new estimate of cost for completion based on prevailing conditions. If Buyer defaults in any payment when due, or in the event any voluntary or involuntary bankruptcy or insolvency proceedings involving Buyer are initiated by or against Buyer, then the whole contract price shall immediately become due and payable upon demand, or Seller, at its option without prejudice to its other lawful remedies, may defer delivery or cancel this contract.

Prorata payments shall become due as shipments are made. If shipments are delayed by the Buyer for any cause, payments shall become due from the date on which Seller is prepared to make shipment and storage shall be the Buyer's risk and expense as provided in Section 9 hereof. If manufacture is delayed by the Buyer for any cause, a partial payment based upon the proportion of the order completed shall become due from the date on which Seller is notified of the delay.

7. DELIVERY; RISK OF LOSS: All sales are F.O.B. Seller's plant or other point of shipment designated by Seller. Shipping dates are estimates only which are not guaranteed and are based upon prompt receipt from Buyer of all necessary shipping and other information. Seller reserves the right to make delivery in installments, all installments to be separately invoiced and paid for by Buyer when due per invoice, without regard to subsequent deliveries.

Delivery of Goods to a commercial carrier at Seller's plant or other loading point shall constitute delivery to Buyer, and any risk of loss and further cost and responsibility thereafter for claims, delivery, loss or damage, including, if applicable, placement and storage, shall be borne by Buyer. When Goods are delivered by Seller's truck, unloading at Buyer's dock shall constitute delivery to Buyer. Claims for shortages or other errors in delivery must be made in writing to Seller within ten (10) days after receipt of shipment and failure to give such notice shall constitute unqualified acceptance and a waiver of all such claims by Buyer. Claims for loss or damage to Goods in transit by common carrier must be made to the carrier and not to Seller.

Freight and handling charges by Seller may not reflect actual freight charges prepaid to the carrier by Seller due to incentive discounts earned by Seller based upon Seller's aggregate volume of freight tendered to a carrier or when a carrier must be used which charges a rate which is different than the rate upon which Seller's freight and handling charges were based. When shipments are delivered in Seller's private trucks Buyer will be charged an amount approximating the prevailing common carrier rate.

8. EXCUSABLE DELAYS; FORCE MAJEURE: Seller shall not be liable for any ordinary, incidental, or consequential loss or damage as a result of Seller's delay in or failure of delivery or installation due to (i) any cause beyond Seller's reasonable control, (ii) an act of God, act of the Buyer, embargo or other government act, authority, regulation or request, fire, theft, accident, strike, slowdown or other labor disturbance, war, riot, delay in transportation, or (iii) inability to obtain necessary labor, materials, components, or facilities.

Should any of the aforementioned events of force majeure occur, Seller, at its option, may cancel Buyer's order with respect to any undelivered Goods or extend the delivery date for a period equal to the time lost because of delay. Notice of such election shall be given promptly to Buyer. In the event Seller elects to so cancel the order, Seller shall be released of and from all liability for failure to deliver the Goods, including, but not limited to, any and all claims on behalf of Buyer for lost profits, or any other claim of any nature which Buyer might have.

If shipping or progress of the work is delayed or interrupted by Buyer, directly or indirectly, Buyer shall pay Seller for all additional charges resulting therefrom.

9. STORAGE: If the Goods are not shipped within thirty (30) days after notification has been made to Buyer that it is ready for shipping, for any reason beyond Seller's control, including Buyer's failure to give shipping instructions, Seller may store the Goods at Buyer's risk and expense in a warehouse or on Seller's premises, and Buyer shall pay all handling, transportation and storage costs at the prevailing commercial rates promptly following Seller's submission of invoices for such costs.

10. WARRANTIES TO DISTRIBUTORS AND INDUSTRIAL OR COMMERCIAL CUSTOMERS: This warranty is extended only to Seller's distributors and industrial or commercial customers and does not apply to consumer purchasers.

Warranty Period - Motors

The Seller warrants motors manufactured by or for it to be free from defects in materials and workmanship and to conform to its written specifications for a period of twelve (12) months from date of first use or eighteen (18) months from date of manufacture, whichever period shall expire first.

Warranty Period - Generators

(a) The Seller warrants standby generators manufactured by or for it to be free from defects in materials and workmanship and to conform to its written specifications for a period of twenty-four (24) months from date of startup, thirty (30) months from date of shipment, or one-thousand (1,000) hours in use, whichever period shall expire first; (b) Seller warrants continuous duty generators manufactured by or for it to be free from defects in materials and workmanship and to conform to its written specifications for a period of twelve (12) months from date of startup or eighteen (18) months from date of shipment, whichever period shall expire first.

Certain Electrical Group Goods are warranted for different periods of time under specific conditions. Buyer must consult the current product catalog or internet site to confirm this warranty period.

Warranty Remedies - If, prior to expiration of the foregoing applicable warranty period, any of such Goods shall be proved to Seller's satisfaction to be defective or nonconforming, Seller will repair or replace such defective Goods or components thereof, F.O.B. Seller's plant or other destination designated by Seller, or will refund or provide Buyer with a credit in the amount of the purchase price paid therefor by Buyer, at Seller's sole option. Buyer's exclusive remedy and Seller's sole obligation under this warranty shall be limited to such repair or replacement, F.O.B. Seller's plant or other destination designated by Seller, or refund or credit by Seller, and shall be conditioned upon Seller's receiving written notice of any defect within a reasonable period of time (but in no event more than sixty (60) days) after it was discovered or by reasonable care should have been discovered. In no event shall Seller's liability for such defective or nonconforming Goods exceed the purchase price paid by Buyer therefor.

Exclusions - This warranty does not: (i) cover shipping expenses to and from Seller's factory or other destination designated by Seller for repair or replacement of defective Goods or any tax, duty, custom, inspection or testing fee, or any other charge of any nature related thereto, nor does it cover the costs of disassembling or removing defective Goods or reassembling, reinstalling, or testing repaired or replaced Goods or finishing the reinstallation thereof; (ii) apply and shall be void with respect to Goods operated in excess of rated capacity or otherwise not in accordance with installation, maintenance, or operating instructions or requirements, to Goods repaired or altered by others than Seller or Seller's authorized service agencies, or to Goods which were subjected to abuse, negligence, misuse, misapplication, accident, damages by circumstances beyond Seller's control, to improper installation (if by others than Seller), operation, maintenance or storage, or to other than normal use or service; and (iii) apply to equipment or components not manufactured by or for Seller. With respect to Goods or components not manufactured by Seller, Seller's warranty obligations shall in all respects conform and be limited to the warranty actually extended to Seller by its suppliers, but in no event shall Seller's obligations be greater than those provided under Seller's warranty set forth in this Section 10.

THE FOREGOING WARRANTIES ARE IN LIEU OF ALL OTHER EXPRESS AND IMPLIED WARRANTIES (EXCEPT TITLE), INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. NO EMPLOYEE, REPRESENTATIVE, OR AGENT OF SELLER OTHER THAN AN OFFICER OF SELLER IS AUTHORIZED TO ALTER OR MODIFY ANY PROVISION OF THIS SECTION 10 OR TO MAKE ANY GUARANTEE, WARRANTY, OR REPRESENTATION, EXPRESS OR IMPLIED, ORALLY OR IN WRITING, WHICH IS CONTRARY TO THE FOREGOING. Any description of the Goods, whether in writing or made orally by Seller or Seller's agents, specifications, samples, models, bulletins, drawings, diagrams, engineering sheets or similar materials used in connection with Buyer's order are for the sole purpose of identifying the Goods and shall not be construed as an express warranty. Any suggestions by Seller or Seller's agents regarding use, application or suitability of the Goods shall not be construed as an express warranty unless confirmed to be such in writing by Seller's authorized officer.

11. LIMITATIONS OF LIABILITY; CONSEQUENTIAL DAMAGES:

Nuclear Use Disclaimer - Goods sold by Seller are not intended for use in connection with any nuclear facility or activity. If so used, Seller disclaims all liability for any nuclear damage, injury or contamination, and Buyer shall indemnify and hold Seller, its officers, agents, employees, successors, assigns and customers harmless from and against any and all losses, damages or expenses of whatever form or nature (including attorneys' fees and other costs of defending any action) which they or any of them may sustain or incur, whether as a result of breach of contract, warranty, tort (including negligence) or otherwise, by reason of such use.

Consequential Damage Disclaimer - Seller's liability with respect to Goods proved to its satisfaction to be defective within the warranty period shall be limited to repair, replacement or refund as provided in Section 10 hereof, and in no event shall Seller's liability exceed the purchase price of the Goods involved. Seller shall not be subject to any obligations or liabilities, whether arising out of breach of contract, warranty, tort (including negligence) or other theories of law, with respect to Goods sold or services rendered by Seller, or any undertakings, acts or omissions relating thereto. Without limiting the generality of the foregoing, Seller specifically disclaims any liability for property or personal injury damages, penalties, special or punitive damages, damages for lost profits or revenues, loss of use of Goods or any associated Goods, cost of capital, cost of substitute products, facilities or services, downtime, shutdown, or slowdown costs, or for any other types of economic loss, and for claims of Buyer's customers for any such damages.

SELLER SHALL NOT BE LIABLE FOR AND DISCLAIMS ALL CONSEQUENTIAL, INCIDENTAL AND CONTINGENT DAMAGES WHATSOEVER. EVEN IF THE REPAIR OR REPLACEMENT REMEDY SHALL BE DEEMED TO HAVE FAILED OF ITS ESSENTIAL PURPOSE UNDER SECTION 2-719 OF THE UNIFORM COMMERCIAL CODE, SELLER SHALL HAVE NO LIABILITY TO BUYER FOR CONSEQUENTIAL DAMAGES, SUCH AS LOST PROFITS, LOST REVENUE, DAMAGE TO OTHER GOODS OR LIABILITY OR INJURY TO A THIRD PARTY.

12. INDEMNIFICATION BY BUYER: Buyer shall indemnify, hold harmless, and defend Seller and Seller's employees and agents from and against any and all damages, liability, claims, losses, and expenses (including reasonable attorneys' fees, court costs, and out-of-pocket expenses) arising out of or resulting in any way from claims by customers of Buyer or third parties against Seller alleging a breach of contract or warranty by Seller to the extent that such damages, liability, claims, losses, and expenses which may be payable by Seller to Buyer pursuant to and as limited by Seller's warranty and damage obligations as contained in Sections 10 and 11 hereof so as to effectively limit Seller's obligations to customers of Buyer or third parties to those set forth in Sections 10 and 11 hereof.

13. PATENT INDEMNIFICATION: Seller will, at its own expense, defend or settle any suits that may be instituted against Buyer for alleged infringement by the Goods of any United States patent, provided that: (a) such alleged infringements consist of the use of the Goods for any of the purposes for which such Goods were sold; (b) Buyer shall have made all payments for such Goods then due hereunder; (c) Buyer shall give Seller immediate notice in writing of any such suit and transmit to Seller immediately upon receipt of all processes and papers served upon Buyer; and (d) Buyer shall permit Seller through its counsel, either in the name of Buyer or in the name of Seller, to defend such suit(s) and give all needed information, assistance and authority to enable Seller to do so.

In case of a final award of damages in any such suit, Seller will pay such award but will not be responsible for any compromise or settlement made without its written consent. In case the Goods itself is in such suit held to infringe any valid patent issued in the United States and its use enjoined, or in the event of a settlement or compromise approved by Seller which shall preclude future use of the Goods sold to Buyer hereunder, Seller shall, at its own expense and at its sole option, either: (a) procure rights to continue using such Goods; (b) modify the Goods to render it noninfringing; (c) replace the Goods with non-infringing Goods; or (d) refund the purchase price paid by Buyer for the Goods after return of the Goods to Seller. Notwithstanding the foregoing, Seller shall not be held responsible for infringements of combination or process patents covering the use of Goods in combination with other Goods or materials not furnished by Seller.

The foregoing states the entire liability of Seller for patent infringement, and **IN NO EVENT SHALL SELLER BE LIABLE FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES ATTRIBUTABLE TO AN INFRINGEMENT** nor for infringement based on the use of the Goods for a purpose other than that for which sold by Seller. As to any Goods furnished by Seller to Buyer manufactured in accordance with designs proposed or furnished by Buyer or any claim of contributory infringement resulting from the use or resale by Buyer of Goods sold hereunder, Buyer shall indemnify Seller for any award made against Seller or settlement by Seller for any patent, trademark or copyright infringements including attorneys' fees and defense costs.

14. SECURITY AGREEMENT AND FINANCING STATEMENTS: To secure payment of the purchase price and of all monies which may be due hereunder, and performance of all of Buyer's obligations hereunder, Buyer hereby grants to Seller a security interest in all Goods sold by Seller, and agrees to execute such other Security Agreements and Financing Statements as Seller may reasonably request.

15. INSURANCE: Until payment in full of the purchase price, Buyer shall maintain insurance covering all Goods sold by Seller to Buyer in such amounts and against such risks as is customary by companies engaged in the same or similar business and similarly located, and shall, upon Seller's request, furnish evidence of such insurance satisfactory to Seller.

16. DRAWINGS; OTHER DESIGN DATA: All specifications, drawings, designs, data, information, ideas, methods, tools, gages, dies, fixtures, patterns and/or inventions made, conceived, developed or acquired by Seller in connection with procuring and/or executing Buyer's order will vest in and inure to Seller's sole benefit notwithstanding any changes therefor which may have been or may be imposed by Seller.

Buyer shall not give, loan, exhibit, sell or transfer to any person not then employed by Buyer and authorized to receive such information, or to any organization or entity, any drawing, photograph or specification furnished by Seller or reproduction thereof which may enable such person, organization or entity to furnish similar Goods or parts therefor.

17. RETURN OF GOODS: No Goods or part shall be returned to Seller without written authorization and shipping instructions first having been obtained from Seller.

18. ASSIGNMENT AND SUBCONTRACTING: None of the Buyer's rights under any order shall be assigned by the Buyer to any other person, whether by operation of law or otherwise, without Seller's prior written approval. Seller may, without the necessity of obtaining Buyer's prior written consent, subcontract the production of all or any portion of the Goods.

19. CANCELLATION: No order submitted to Seller may be cancelled by Buyer without the prior written consent of Seller, which consent will at all times be conditioned on Buyer's agreement to pay Seller's cancellation charge. For finished Goods which in Seller's judgement is readily resalable to others, the cancellation charge shall be 15% of the invoice price of the Goods. For all other cancellations, the cancellation charge shall amount to all cost and expenses incurred by Seller and arising out of or in connection with Buyer's order, net of recoverability, but in no event less than 10% of the invoice price of the Goods or more than the invoice price.

20. GENERAL:

Governing Law - These Terms and Conditions, and the contract of sale between Seller and Buyer, shall be governed by and construed in accordance with the laws of the State of Wisconsin. Seller and Buyer hereby agree that any legal action deemed necessary by either party hereto shall be brought in the Circuit Court in and for Seller County, Wisconsin and hereby consent to the personal jurisdiction of such court in any such action over the parties hereto. The rights and obligations of Seller and Buyer shall not be governed by the provisions of the United Nations Convention on Contracts for the Internal Sale of Goods.

Attorneys' Fees - Buyer agrees to pay all of Seller's costs and expenses of collection and related litigation, including but not limited to attorneys' fees and costs.

Severability - The invalidity, in whole or in part, of any of the provisions of these Terms and Conditions, shall not affect the enforceability of any of the other provisions thereof.

Applicability - The Terms and Conditions as stated herein are applicable as of the date of this printing and until such time as changed by Seller.