



TERMS AND CONDITIONS OF PURCHASE

1. DEFINITIONS.

For purposes of these Terms and Conditions of Purchase, the following capitalized terms shall have the meanings set forth below. Defined terms may be used in the singular or plural, as the context requires.

"Agreement" means these Terms and Conditions of Purchase, together with any purchase order, release, specification, drawing, statement of work, or other written instruction issued by Buyer and accepted by Vendor, whether such acceptance is express, implied, or evidenced by performance, and any written amendments executed by an authorized officer of Buyer.

"Buyer" means Lufkin Mfg., including its divisions, affiliates, successors, and permitted assigns.

"Confidential Information" means all information disclosed by or on behalf of Buyer, whether before or after issuance of a Purchase Order, that is confidential, proprietary, or not generally known to the public, including without limitation pricing, forecasts, specifications, drawings, designs, tooling, processes, technical information, business plans, and customer information.

"Products" means all goods, materials, equipment, components, parts, and related items supplied by Vendor to Buyer, together with any associated documentation.

"Purchase Order" means any written or electronic purchase order, release, or authorization issued by Buyer that references or incorporates these Terms.

"Vendor" means the supplier selling Products to Buyer, including its successors and permitted assigns.

"UCC" means the Uniform Commercial Code as adopted in the State of Texas.

Headings are for convenience only and shall not affect interpretation. The words "including" and "includes" shall be deemed to be followed by the phrase "without limitation."

2. ENTIRE AGREEMENT; ACCEPTANCE; REJECTION OF BUYER TERMS. This Agreement constitutes the complete, final, and exclusive statement of the terms governing the purchase of Products by Buyer from Vendor and supersedes all prior or contemporaneous agreements, negotiations, representations, or communications, whether oral or written, relating to such Products. Buyer's issuance of a Purchase Order constitutes an offer expressly conditioned upon Vendor's acceptance of this Agreement in its entirety. Buyer expressly rejects, and objects to as material alterations under the UCC, any additional, different, or inconsistent terms or conditions contained in any quotation, acknowledgment, invoice, confirmation, specification, electronic transmission, or other communication from Vendor, whether or not Buyer specifically objects thereto. No such Vendor terms shall become part of this Agreement by implication, performance, or otherwise. Vendor shall be deemed

to have accepted this Agreement upon the earliest of the following: commencement of performance, shipment of Products, delivery of Products, or failure to object in writing within five business days after receipt of the Purchase Order. Vendor's acceptance is expressly limited to the terms of this Agreement. No amendment, modification, waiver, or supplement shall be binding unless set forth in a written instrument signed by an authorized officer of Buyer. No course of dealing, course of performance, or usage of trade shall modify or supplement this Agreement.

3. PRICING. Prices stated in the Purchase Order are firm and fixed and shall not be increased for any reason without Buyer's prior written consent. Vendor warrants that the prices charged to Buyer are no less favorable than those charged to any other customer for comparable products, quantities, and delivery terms. Unless expressly stated otherwise in writing, prices include all costs and expenses incurred by Vendor, including without limitation packaging, labeling, inspection, testing, certifications, duties, tariffs, taxes other than taxes on Buyer's net income, insurance, and freight. No fuel surcharges, material surcharges, or other cost adjustments shall apply without Buyer's express prior written approval.

4. PAYMENT TERMS; SETOFF; AUDIT RIGHTS. Unless otherwise stated in the applicable Purchase Order, payment terms shall be two percent (2%) discount if paid within ten (10) days; otherwise, the full amount shall be due net sixty (60) days, measured from the later of Buyer's receipt of a correct and complete invoice or Buyer's acceptance of the Products. Any early payment discount shall apply only to undisputed amounts. Buyer may withhold payment for any Products that are nonconforming or subject to a good faith dispute. Buyer expressly reserves all rights of setoff, deduction, and recoupment against amounts owed to Vendor. Payment shall not constitute acceptance of Products, a waiver of Buyer's rights, or a release of Vendor from any obligation or liability. Upon reasonable notice, Buyer may audit Vendor's records to verify pricing, invoicing accuracy, and compliance with this Agreement.

5. DELIVERY; RISK OF LOSS. Time is of the essence with respect to Vendor's performance. Vendor shall deliver Products strictly in accordance with the delivery schedules specified in the applicable Purchase Order. Unless otherwise expressly agreed in writing, delivery shall be FOB Buyer's designated delivery location, and title to and risk of loss shall pass to Buyer only upon Buyer's acceptance of the Products. Buyer may reject late deliveries without liability. Vendor shall be liable for all damages arising from late delivery, including expedited freight costs, production delays, line shutdowns, and cover costs.

6. INSPECTION; ACCEPTANCE; REJECTION. All Products are subject to inspection and acceptance by Buyer, notwithstanding prior payment or delivery. Acceptance shall occur only after Buyer has had a reasonable opportunity to inspect the Products. Buyer may reject any Products that are

nonconforming, defective, or otherwise fail to comply with this Agreement, whether or not such nonconformity is discovered prior to acceptance. At Buyer's option, Vendor shall promptly repair, replace, or refund the purchase price of any rejected Products, at Vendor's sole expense, including transportation and handling costs.

7. LIMITED WARRANTY; DISCLAIMER.

Vendor represents and warrants to Buyer that all Products:

- (a) strictly conform to all specifications, drawings, samples, descriptions, and requirements provided or approved by Buyer;
- (b) are new, of merchantable quality, and fit for their intended purpose;
- (c) are free from defects in material, workmanship, and design;
- (d) comply with all applicable federal, state, and local laws, regulations, and industry standards; and
- (e) do not infringe or misappropriate any intellectual property, proprietary, or other rights of any third party.

All warranties shall survive inspection, acceptance, payment, and delivery and shall extend for a minimum period of two years from the date of acceptance or such longer period as may be required by law or specified by Buyer.

8. REMEDIES; CUMULATIVE RIGHTS. Buyer's rights and remedies under this Agreement are cumulative and in addition to any rights or remedies available at law or in equity. In the event of Vendor's breach, Buyer may, at its option, repair, replace, reprocure, or obtain a refund for the affected Products, without limiting any other remedies.

9. TOOLING; INTELLECTUAL PROPERTY; WORKS MADE FOR HIRE. All tooling, dies, molds, fixtures, patterns, materials, and manufacturing aids paid for by Buyer or developed specifically for Buyer shall be the exclusive property of Buyer, regardless of possession, and shall be clearly marked as such upon request. All intellectual property, designs, data, and work product developed specifically for Buyer in connection with the Products shall be deemed a work made for hire to the fullest extent permitted by law. To the extent not deemed a work made for hire, Vendor hereby irrevocably assigns to Buyer all right, title, and interest therein.

10. INDEMNIFICATION. Vendor shall indemnify, defend, and hold harmless Buyer, its affiliates, and their respective officers, directors, employees, agents, and customers from and against any and all claims, demands, damages, losses, liabilities, costs, and expenses, including reasonable attorneys' fees, arising out of or relating to: (a) any actual or alleged defect or nonconformity in the Products; (b) Vendor's breach of this Agreement; (c) infringement or alleged infringement of any intellectual property right; or (d) Vendor's negligence, gross negligence, or willful misconduct. Vendor shall not settle any claim without Buyer's prior written consent if such settlement imposes any obligation or liability on Buyer.

11. LIMITATION OF LIABILITY. Neither party shall be liable for any incidental, consequential, indirect, special, or punitive damages, including lost profits, loss of business, or loss of goodwill, regardless of the theory of liability.

12. INSURANCE. Vendor shall maintain commercially reasonable insurance coverage, including commercial general liability and product liability insurance, with limits sufficient to

cover its obligations under this Agreement. Upon request, Vendor shall provide certificates of insurance naming Buyer as an additional insured.

13. CONFIDENTIALITY. Vendor shall maintain the confidentiality of all Confidential Information and shall use such information solely as necessary to perform under this Agreement. Vendor shall not disclose Confidential Information to any third party without Buyer's prior written consent. These obligations shall survive termination or expiration of this Agreement indefinitely.

14. TERMINATION. Buyer may terminate this Agreement or any Purchase Order, in whole or in part, for convenience at any time upon written notice. Buyer's sole obligation in such event shall be payment for conforming Products accepted prior to termination. Buyer may terminate immediately for cause upon written notice if Vendor breaches this Agreement, becomes insolvent, files for bankruptcy, or fails to meet delivery, quality, or compliance requirements.

15. ASSIGNMENT. Neither party may assign, delegate, or subcontract any portion of this Agreement without the other's prior written consent. Any attempted assignment or delegation in violation of this provision shall be void and of no force or effect.

16. GOVERNING LAW; VENUE. Any dispute, claim, or controversy arising out of or relating to these Terms, including any questions regarding its existence, validity, or termination, shall be governed by and construed in accordance with the laws of the State of Texas, without regard to its conflict of law principles. The parties agree that the exclusive jurisdiction and venue for any legal action arising out of or relating to these Terms shall be the state or federal courts located in Harris County, Texas. Each party irrevocably submits to the personal jurisdiction of such courts and waives any objection based on improper venue or inconvenient forum. The United Nations Convention on Contracts for the International Sale of Goods is expressly excluded.

17. SEVERABILITY; SURVIVAL. If any provision of this Agreement is determined to be invalid, illegal, or unenforceable, such provision shall be enforced to the maximum extent permitted by law or judicially modified to reflect the parties' original intent, and the remaining provisions shall continue in full force and effect. The invalidity of any provision shall not impair the enforceability of any other provision or defeat the essential commercial purpose of this Agreement. All provisions that by their nature should survive termination or expiration shall so survive.