

General Conditions of Sale

Excluding installation

KSB/CA/01/RevB

1. GENERAL

1.1 The Definitions

Buyer: Shall mean the corporation or person purchasing the Equipment and shall include that party's heirs, executors, administrators, successors and permitted assigns.

Conditions: Shall mean the general conditions of sale contained herein.

Contract: Shall mean the agreement between KSB and the Buyer in connection with the purchase of the Equipment.

Contractual Point of Delivery: Shall have the meaning associated thereto in clause 6.1 hereof.

Equipment: Shall mean the goods and/or services to be supplied by KSB pursuant to the Contract.

KSB: Shall mean KSB Pumps Inc.

Product: Shall have the meaning ascribed thereto in clause 4.2.2 hereof.

Quotation: Shall mean the offer made by KSB to the Buyer.

1.2 Validity of these Conditions

These Conditions form part of any Contract or Quotation in which they are referred to or to which they are attached.

1.3 Paramountcy

If there is any inconsistency between any provision of the Quotation or Contract and any provision of these Conditions, then the provision of the Quotation or Contract, as applicable, shall prevail.

1.4 Variation of Conditions

Notwithstanding any acceptance by KSB of any order from the Buyer that may contain any provision inconsistent with or purporting to vary or delete any of these Conditions, any contract arising from any such acceptance shall be subject to these Conditions unless and to the extent only that KSB expressly agrees in writing to any variation or deletion thereof.

1.5 Additional documentation or verbal matter

No documentation, correspondence, verbal agreement or conversation shall form part of or affect or modify any aspect of the Quotation or Contract unless accepted or confirmed by KSB in writing.

1.6 Separable portions

The provisions of these Conditions shall apply to the supply or delivery of all or any part of the Equipment.

1.7 Governing Law

In the absence of any written agreement to the contrary between KSB and the Buyer, the Contract, the Quotation and these Conditions shall be governed by and construed in

accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

1.8 Force Majeure

KSB shall not be responsible or liable for any loss, damage, detention or delay caused by war, invasion, insurrection, riot, the order of any civil or military authority, or by fire, flood, weather or other act of God, breakdown, lockouts, strikes or labour disputes, the failure of KSB's suppliers to meet their contractual obligations or without limiting any of the foregoing, any other cause beyond the reasonable control of KSB.

1.9 Joint and Several Liability

If more than one Buyer is named in the Contract, the liability of each shall be joint and several.

1.10 Severability

In the event that a provision of these Conditions is held to be unenforceable by a court of competent jurisdiction, the validity of the remaining provisions shall not be affected and the rights and obligations of the parties hereto shall be construed and enforced as if the Conditions did not contain the particular provisions held to be unenforceable.

1.11 Successors and Permitted Assigns

These Conditions shall be binding upon the heirs, executors, successors and permitted assigns of the Buyer and shall enure to the benefit of the successors and assigns of KSB.

2. QUOTATION, VARIATIONS OF CONTRACT AND RETURN OF EQUIPMENT

2.1 Quotations

Unless otherwise specified in the Quotation itself, a Quotation is not a binding offer but an invitation to Buyer to submit a binding offer. Where a Quotation is expressly stated to be binding, it shall remain, binding upon KSB for the period stated in the Quotation or, where no such period is indicated, for thirty (30) days from the date of the Quotation.

2.2 Quoted prices

The quoted price is based upon the quantity of Equipment and other assumptions referred to in the Quotation. In the event that there is any variation in the total quantity of Equipment ordered or the assumptions upon which the Quotation is based, KSB reserves the rights to amend the price accordingly.

2.3 Cancellation, variation or suspension

A Contract may be cancelled, varied or suspended by a Buyer only upon notice in writing is acknowledged and accepted in writing by KSB. In the event of such cancellation, variation or

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suspension the Buyer shall compensate KSB for any costs, expenses or loss incurred by KSB including, but not limited to, loss of profit resulting from such cancellation, variation or suspension.

2.4 Equipment returned for credit

Returned equipment will be accepted for credit only by prior agreement between KSB and Buyer or to the extent that it has been wrongly or over supplied. Returned Equipment shall be delivered to KSB free of charge, in good order and condition, unused and accompanied by a dispatch from the Buyer stating the original invoice number, date of supply and reason for return. In case of Equipment normally stocked by KSB, a restocking fee of 15% will be levied to cover handling costs. Equipment made or imported to special order cannot be returned by a Buyer or credited to the Buyer's account unless it does not meet the agreed specifications or has otherwise not been supplied to the Buyer in accordance with any terms of the Contract.

3. SPECIFICATIONS AND DRAWINGS

3.1 Not part of Contract

All descriptive and shipping specifications, drawings, dimensions and weights submitted with the Quotation are approximate only. Descriptions, illustrations and data contained in any catalogues, price lists or other advertising materials prepaid by KSB are intended only to present a general idea of the work described therein and none of the information contained therein shall form part of the Contract.

3.2 Certified drawings

Unless otherwise specified in the Quotation, certified drawings will only be supplied at extra cost to the Buyer.

3.3 Approval of drawings

Drawings, specifications or other information requiring the Buyer's approval shall be approved, amended or rejected and returned to KSB within fourteen (14) days following the date of receipt of such drawings or other information by the Buyer or within such other period as may be agreed upon in writing between the parties. Any delay in response by the Buyer shall constitute grounds for extension of the completion/delivery date as provided for in clause 5.3 hereof.

3.4 Incorrect Information

The Buyer shall be responsible for and shall bear the costs of any alteration or modification to the Equipment arising from any discrepancy, error or omission in any drawing, specification or other information supplies or approved by the Buyer.

3.5 Responsibility for approvals

In the absence of an agreement to the contrary and subject to clause 14 hereof, it is the Buyer's responsibility to obtain and provide KSB with any approvals, licence or permits as necessary for performance of the Contract.

3.6 Operating Instructions

Unless otherwise specified in the Quotation, KSB will supply one set of standard operating instructions to the Buyer. Additional copies of standard instructions or any special instructions required by the Buyer will only be supplied at extra cost to the Buyer.

4. PERFORMANCE AND TESTS

4.1 Performance

Any performance figures given by KSB are based solely upon KSB's experience and the anticipated results of the performance test to be conducted on the Equipment at KSB's premises. Subject to recognized levels of tolerance and allowances applicable to such figures, KSB shall not be liable for any failure to attain such performance figures unless they have been specifically guaranteed in writing by KSB. Where KSB has guaranteed performance figures but fails to achieve such figures, KSB shall make good on any such failure but only to the extent required to comply with clause 11 hereof, and KSB's liability, if any, shall be limited as provided for in clause 12 hereof.

4.2 Inspection and Tests

4.2.1 The inspections and tests contained in the Contract

shall be conducted in accordance with KSB's standard practices and instructions and will be carried out at the place of manufacture of the Equipment or at some other place as KSB may designate. The costs of these tests shall be charged to the Buyer unless otherwise specified in the Contract. Any additional tests or witnessed tests required by the Buyer will only be carried out at Buyer's expense and subject to KSB agreeing to perform these further tests.

After seven (7) days from the date of notification of KSB's readiness to carry out any witnessed tests required by the Contract, such tests may proceed even in the absence of the Buyer or its authorized representative and shall be deemed to have been conducted in their presence. KSB shall not be responsible for any expenses incurred by the Buyer in respect of the presence of the Buyer or its authorized representative at such witnessed tests.

If during any such test or inspection, the Equipment shall be found to be defective due to faulty design, material or workmanship or shall be found to not comply with the Contract, KSB shall remedy such defect or failure but only to the extent required to comply with clause 11 hereof.

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4.2.2 Buyer's supplied product

Any materials, parts, accessories or the like (hereinafter referred to as "Product") which are to be incorporated in the Equipment must conform with KSB's quality and inspection standards and be first class quality. The Buyer shall provide KSB with all installation and operating data necessary to enable the Product to be properly incorporated into the Equipment. Until it has been incorporated into the Equipment, the Product shall remain the property of the Buyer and the Buyer shall insure the Product and indemnify KSB against all claims, demand actions and proceedings arising out of the presence of the product at KSB's premises. Upon incorporation of the Product in the Equipment, all ownership in the Product shall vest in KSB until payment is made.

5. TIME/DATE OF COMPLETION

5.1 Base date

All delivery or completion dates shall be calculated from the date KSB receives an order or sufficient information to allow KSB to proceed with uninterrupted manufacture of the Equipment.

5.2 Delivery time/completion date

All delivery times and completion dates are not to be construed as fixed or guaranteed by KSB in any way unless expressly stated in the Quotation.

5.3 Extension of time

In the event of any delay caused by the Buyer or, by industrial dispute including strikes and lockouts, circumstances such as fire, war, mobilization, requisition, embargo, currency restrictions, insurrection, import restrictions, shortage of transport, general shortage of materials, inclement weather, restrictions in the use of power or by any cause beyond the reasonable control of either KSB or any of KSB's subcontractors or as provided for in the subcontractor's conditions, the completion date or delivery date shall automatically be extended by a correspondingly equal amount of time.

5.4 Late delivery

Where the Buyer indicates at the time the Equipment is ordered that late delivery of Equipment could result in potential loss to the Buyer, KSB may accept the imposition of a mutually agreed pre-estimated and liquidated damages clause in the Contract. Unless otherwise provided for in the Contract, liquidated damages for late delivery shall be limited to a maximum amount of 5% of the agreed upon Contract price excluding any further damage caused by late delivery. The receipt of the Equipment by the Buyer shall constitute a

waiver of all claims against KSB or its agents for loss or damage due to delay.

5.5 Time shall not be of the essence

Time shall not be of the essence for the performance of the Contract, except for those provisions contained the Contract relating to payments by the Buyer to KSB whether such payments are in respect of the Equipment or otherwise.

6. POINT OF DELIVERY

6.1 Delivery FCA

Unless otherwise stated in the Quotation, the Equipment is supplied FCA KSB's premises (according to Incoterms 2010) and delivery to a carrier shall constitute delivery to the Buyer (the "Contractual Point of Delivery").

6.2 Delivery beyond KSB's premises

If delivery is required other than FCA KSB's premises (according to Incoterms 2010), KSB may, at KSB's discretion, agree to act as agent for the Buyer provided that all costs for carriage, delivery and insurance during carriage and delivery shall be at extra costs to the Buyer.

6.3 Shortages in delivery

Claims by the Buyer alleging shortages in a delivery shall only be accepted by KSB if KSB is notified in writing by the Buyer within ten (10) days of receipt of the Equipment.

6.4 Shortage Pending Delivery

If after a period of fourteen (14) days from the date of notification of readiness for dispatch, delivery of the Equipment is delayed for any reason beyond KSB's reasonable control, KSB, at its option and acting as agent for the Buyer, shall be entitled to arrange suitable storage at KSB's premises or elsewhere and shall take commercially reasonable measures to protect the Buyer's interest in the Equipment. The Buyer shall accept all costs of storage, insurance, demurrage, handling and other charges in accordance with clause 10 hereof as set out in invoices for payment issued by KSB to the Buyer.

6.5 Partial deliveries

KSB reserves the right to make partial deliveries, even if that right is not specifically stated in the Contract, and to invoice the Buyer separately in respect of same unless otherwise agreed in writing. Payment thereof will fall due in accordance with clause 10.1.

6.6 Loss or Damage in Transit

KSB shall not be responsible for any loss, damage or pilferage sustained to the Equipment while in transit provided that KSB shall have obtained "in good order" receipts from the carrier.

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Claims of such nature should be made promptly by the Buyer against the carrier. If KSB is notified in writing of such claims, KSB will lend commercially reasonable assistance to the Buyer to secure an adjustment to their account.

7. INSURANCE OF EQUIPMENT AND PASSAGE OF RISK

7.1 Insurance

While acting as agent to the Buyer in accordance with clauses 6.2 and 6.4 hereof, KSB will, unless otherwise directed by the Buyer, insure the Equipment for the price specified in the Contract plus an amount equal to 10% of the price specified in the Contract. The cost of such insurance will be for the Buyer's account. In any event, KSB's liability shall be limited to the insurance coverage.

7.2 Risk

Risk in the Equipment shall remain with KSB only to the Contractual Point of Delivery and thereupon risk of damage, loss or deterioration of the Equipment from any cause whatsoever shall pass to the Buyer.

8. TITLE

8.1 Notwithstanding the passage of risk in the Equipment to the Buyer pursuant to Clause 7.2 hereof, title and ownership in the Equipment shall remain with KSB until such time as payment in full is made to KSB in respect of all amounts owing by the Buyer to KSB. The Buyer hereby hypothecates and grants a security interest to KSB in the Equipment and proceeds from the sale thereof to secure payment for the Equipment. Until title and ownership is transferred to the Buyer, the Buyer shall do no act to lien, charge or encumber the Equipment in any way and shall maintain markings on the Equipment at all times to indicate that the Equipment is the property of KSB.

8.2 In the event that the Buyer fails to pay for the Equipment in accordance with the Contract, KSB shall have, in addition to any other right or remedy available to it under the Contract or at law, the right to resell or otherwise dispose of the Equipment without any consent, approval or other action by the Buyer.

8.3 If any of the Equipment is incorporated into or used by the Buyer as parts, components or materials in respect of any other product of the Buyer before payment in full has been made for the Equipment, then ownership in the whole of the product into which the parts, components or materials have been incorporated shall be and become that of KSB and shall remain the property of KSB until such time as payment in full in respect of the Contract has been made by the Buyer.

8.4 Notwithstanding these Conditions and in particular clause 10 hereof, payment shall become due immediately upon the Buyer (being a natural person) committing any act of bankruptcy or if the Buyer (being a company) commits any act which entitles any person to apply to wind up the Buyer or if a Receiver or Receiver-Manager of the Buyer is appointed.

8.5 The Buyer acknowledges that until all indebtedness to KSB is discharged, it holds the Equipment as bailee of KSB and a fiduciary relationship exists between KSB and the Buyer with respect to the Equipment.

8.6 In the event that the Buyer sells the Equipment to its customers before its indebtedness to KSB has been repaid, then the Buyer, in a position of fiduciary to KSB, shall: assign to KSB the benefit of any claim against such customer(s), account fully to KSB in respect of the proceeds of the sale of the Equipment or any part thereof until the Buyer's indebtedness to KSB is repaid.

9. PRICES AND CONTRACT PRICE ADJUSTMENT

9.1 Adjustments in Price

KSB reserves the right to make any adjustment to prices quoted by KSB to the Buyer as a result of variations in the cost of labour, materials, transport, customs duty, sales tax, insurance, any other costs and the fluctuation of currency exchange rate. This clause 9.1 shall only apply in respect of invoice values exceeding \$150.00.

9.2 Price basis

Unless otherwise stated in the Quotation, all prices quoted include a charge for KSB's standard domestic packing for delivery within Canada. Any special packing required by the Buyer will be at extra cost to the Buyer.

9.3 Taxes

Where prices listed in a Quotation include taxes, they are in accordance with laws and regulations in effect at the date of the Quotation. Such prices are subject to increase as a result of any increase in taxes or duties levied by Governments made prior to delivery of the Equipment.

9.4 Cost of delay or variation

If manufacture or delivery of the Equipment is delayed or varied by any act or omission of the Buyer, its agent, or any contractor for whom the Buyer is responsible, KSB shall notify the Buyer of any additional costs which may be incurred as a result of such delay or variation. Such additional costs shall be borne by the Buyer.

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9.5 Cost of complying with regulations

If after confirmation of acceptance of the Buyer's order by KSB the cost to KSB of performing any obligation under the Contract is increased as a result of the making or amendment of any law or of any order, regulation or by-law having the force of law applicable to KSB, the amount of such increase shall be added to the Contract price.

9.6 Minimum billing

The minimum billing for any one order shall be \$125 net.

10. PAYMENT

10.1 Payment due

The extension of credit facilities to a Buyer is made at the sole discretion of KSB and is subject to written confirmation by KSB on the receipt of an order. In any event, KSB reserves the right to withdraw any credit facilities or any offer of credit facilities at any time prior to delivery upon written notice to the Buyer. Unless otherwise stated in the Quotation, the price offered is strictly net. Any payment due to KSB shall be made in full not later than thirty (30) days from the date of invoice.

10.2 Payment when delivery delayed

If delivery of the Equipment or related items is delayed by any instructions or lack of instructions from the Buyer, then payment of the full Contract price or item thereof shall be made within thirty (30) days after notification to the Buyer by KSB that the Equipment is ready for delivery.

10.3 Delay or default with payment

Should the Buyer default in the payment of any amount due to KSB, KSB shall have the right, in addition to all other rights and remedies available to KSB at law, to charge interest on the overdue amount at a rate equal to 4% per annum in excess of the interest rate on overdrafts prescribed by KSB's bankers calculated from the date of invoice to the actual date of payment. In the event of such default, KSB may defer any of its obligations under the Contract until such payment has been made in full.

11. WARRANTY

11.1 With the exception of the conditions, warranties, rights and remedies expressly referred to herein, all conditions and warranties (and rights and remedies relating to the breach thereof) whatsoever which would, but for this sub-clause, have been implied into any Contract between the Buyer and KSB are hereby negated and excluded.

11.2 Certain laws of the Province of Ontario and the federal laws of Canada applicable therein have the effect of implying

certain conditions and warranties into an agreement of purchase and sale and of granting certain rights and remedies to the parties thereto. Notwithstanding such legislation, the liability of KSB for breach of any such implied conditions or warranties shall, to the extent permitted by law, be limited at the option of KSB to:

11.2.1 replacement or repair of the relevant Equipment or payment of the cost thereof or,

11.2.2 supply of equivalent Equipment or payment of the cost of obtaining such Equipment.

11.3 KSB shall not be liable to the Buyer for any loss or damage to any property or persons (including any injury or death) caused by any act or omission (including negligent acts or missions) of KSB, its employees or its agents.

11.4 The Buyer acknowledges and agrees that neither KSB nor any person acting or purporting to act on KSB's behalf has made any representation or warranty with respect to the Equipment and its supply which is not set forth in writing.

11.5 The Buyer warrants to KSB that the Equipment is not of a kind ordinarily acquired for personal, domestic or household use or consumption and it is not of a kind commonly bought or ordinarily purchased for private use or consumption.

11.6 The Buyer has the responsibility for ensuring that the Equipment is not used for any purpose for which it is not suitable.

11.7 KSB guarantees that the Equipment manufactured by KSB shall be of first class materials and of sound workmanship and that KSB will make good or replace any defects or defective part therein which, under proper use, may appear –

11.7.1 In the case of standard manufactured pumps parts or accessories within 12 months of the date of dispatch from KSB's premises, or

11.7.2 In the case of custom manufactured pump assembly within the earlier of (i) 18 months from the date of dispatch from KSB's premises and (ii) 12 months of the date of commissioning; and which are proved to be solely the result of defective materials or faulty workmanship provided that such defective parts are promptly returned to KSB (at KSB's costs unless otherwise arranged), and any defective parts are forfeited to KSB. The repaired or new parts will be delivered free by KSB to the point of original delivery. Any goods not of

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KSB's own manufacture included in this offer are sold only under the warranty extended by the manufacturer.

12. LIMITATION OF LIABILITY

To the extent permissible by law, the liability of KSB, KSB's employees and agents for any loss or damage suffered by the Buyer in any way related to the supply or use of the Equipment shall, subject to clause 11 hereof, be limited at KSB's option to the repair or replacement of the Equipment or the supply of equivalent Equipment or refund of the purchase price and shall not extend to any indirect or consequential loss suffered by the Buyer whether caused by KSB's negligence or otherwise.

13. START UP RESPONSIBILITY

Unless specifically included in a Quotation, the commissioning and starting up of the Equipment is the sole responsibility of the Buyer. In the event that the Buyer requires KSB to commission or start up the Equipment, then all charges and costs incurred by KSB in relation to the commissioning and starting up of the Equipment shall be charged to the Buyer.

14. PATENTS AND DESIGN RIGHTS

14.1 The Buyer warrants that the use by KSB of any design or instruction furnished to KSB by the Buyer shall not cause KSB to infringe any patent, registered design, trademark or copyright or constitute the unauthorized disclosure of confidential information in the execution of the Buyer's order. The Buyer agrees to indemnify KSB, its employees and agents from and against any action for infringement or threatened action for infringement or allegation of unauthorized use of patents, trademarks, registered designs, copyright or confidential information by any third party arising out of the manufacture or use of the Equipment.

14.2 Copies of drawings, plans, specifications and any other written or printed matter submitted to the Buyer shall remain the property of KSB and the information contained therein shall be treated as strictly confidential and shall not be used to the advantage of the Buyer or the detriment of KSB and it is specifically agreed that the sale and purchase of the Equipment does not confer on the Buyer any licence or rights under any patents, registered designs, trademarks, copyright or confidential information which is the property of KSB. KSB shall be under no obligation to disclose the methods or techniques used for production or manufacture of the Equipment.

15. BANKRUPTCY, LIQUIDATION

If the Buyer:

being a person, dies or commits any act of bankruptcy; or being a company, (i) ceases to carry on business, (ii) commits any act of bankruptcy, (iii) takes or shall have taken against it any action for the winding up of the company or the placing of the company under receivership then KSB at KSB's option and without prejudice to any other rights or remedies which KSB may have under the Contract or at law, shall give notice in writing to the Buyer and after fourteen (14) days from such notice may, unless otherwise prohibited by law, terminate the contract or suspend manufacture or delivery of any Equipment then outstanding, retain any security given or monies paid by the Buyer and apply this against the assessed loss and damages incurred by KSB in the performance of the Contract.

16. WAIVER

Failure by KSB to insist upon strict performance of any term, warranty or condition of these Conditions shall not constitute or be deemed to be a waiver thereof or of any right or remedies that KSB may have and no express waiver shall be deemed to be a waiver of any subsequent breach of any term, warranty or condition of these Conditions.

17. SERVICE OF NOTICES

For the purpose of service of any document or notice in connection with the Quotation, the Contract or these Conditions, such notice shall be given in writing and shall be addressed to the party in question at the address set forth in the documentation. Notices may be delivered in person, by courier or registered mail, or transmitted by facsimile.