

INDUSTRIAL DISTRIBUTION POLICY

Adopted by the Board of Directors of
Mach III Clutch, Inc. January, 2006
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Mach III Clutch, Inc. ("Mach III") sells products through industrial distribution on a nonexclusive basis where economically practical and where the distributor can add benefits for the customer. Those benefits may include but are not limited to: educating the customer about the application and use of Mach III products, gathering information about customer applications, selection of Mach III products, working with the Mach III engineering department to determine the proper selection of products or to develop special product designs, scheduling orders, stocking and releasing product and field support.

General

The relationship between Mach III and the industrial distributor is that of seller and buyer, not of principal and agent. No industrial distributor shall have the power, right or authority to make any contracts or incur any obligations in the name or on behalf of Mach III. The industrial distributor shall make all sales in its name for its accounts and at its expense.

All products will be supplied in accordance with the laws of the State of Kentucky and the published Mach III product warranty. Mach III reserves the right to refuse sale to any industrial distributor who distributes the products of a competitor of Mach III or to any industrial distributor who supplies Mach III products to a competitor of Mach III.

Territory

Mach III does not grant exclusive trading areas to industrial distributors and no such area is implied by the acceptance of purchase orders from industrial distributors.

Sales Support

Mach III sales literature is available to all industrial distributors. Detail drawings (print and electronic) and other technical information are available upon request as required. Mach III will provide engineering support directly via telephone and electronic mail. Training seminars and in-field support are available upon request.

Use of the Mach III Website

Mach III's entire standard product catalog is available online at www.machiii.com. Links to the Mach III website are encouraged and it is recommended that distributors contact Mach III prior to establishing links so that a specific URL can be supplied for tracking purposes. Mach III does not recommend or authorize the practice of "cutting and pasting" portions of Mach III's website into the distributor's own website or publication. In the event a distributor elects to do so, the distributor does so at the distributor's own risk. On occasion, Mach III changes the specifications for its products, so it is recommended to establish a link in lieu of "cutting and pasting".

Purchase Orders

All orders for products received from the industrial distributor by Mach III are subject to acceptance by Mach III. Mach III will confirm acceptance with a print acknowledgment which will be transmitted via facsimile or email (determined by the distributor's preference). Mach III will fill the order in accordance with the quoted lead time and acknowledged shipment date subject, however, to delays caused by transportation conditions, labor or material shortages, strikes, fires, natural disasters or any other cause beyond the control of Mach III.

Freight & Delivery

All goods sold by Mach III are FOB the plant location in Walton, Kentucky. Orders will be shipped via ground transport with United Parcel Service or by a similar carrier of Mach III's choice. Freight charges will be prepaid and added to the invoice. Requests for variations from this freight and delivery standard will be approved when the purchase order is acknowledged.

Pricing

Industrial distributors may receive a discount off of the list prices established by Mach III. The discount multiplier varies according to distributor classification. Mach III classifies industrial distributors using the following definitions as guidelines:

RESELLERS

Industrial distributors who source Mach III products at the request of and as a convenience to their customers are considered Resellers. They do not stock Mach III products nor does their sales staff regularly and actively seek applications for Mach III products.

DISTRIBUTORS

An Industrial distributor whose sales staff regularly and actively seeks applications for Mach III products is considered a Distributor. The sales staff of a Distributor normally requires assistance from Mach III's sales and engineering staff to make proper product selections. Distributors stock product for customers when practical and necessary to meet customer's delivery demands.

MASTER DISTRIBUTORS

Industrial distributors who specialize in and concentrate on the application, design and sale of clutches, brakes and torque limiters are considered Master Distributors. Master Distributors have all of the characteristics of a Distributor as defined above, plus they are able to make proper Mach III product selections without the assistance of Mach III's sales and engineering staff.

Industrial distributors will be advised of their classification and discount percentage. Mach III will provide thirty days notice of any change to this classification or discount percentage. Mach III may immediately terminate discount multipliers and/or refuse sale to any industrial distributor who does not honor the credit terms that Mach III has established.

List prices may be adjusted at any time, however, special consideration will be given for specialized products supplied to OEM customers and every attempt will be made to give the industrial distributor thirty days notice before the price of an OEM product is increased.

Returns

Due to the specialized nature of many Mach III products, whether or not unsold stock can be returned for credit is determined on a case-by-case basis. Industrial distributors should consult Mach III prior to stocking an item or agreeing to accept the return of a Mach III product from their customer to determine if Mach III will issue credit for that item. Returns for repair or warranty consideration should be made according to Mach III's Return Policy.

Amendment

Mach III reserves the right to amend this policy as necessary.