

Terms of Purchase

Framo Morat Inc.
9440-L San Mateo Blvd., NE
Albuquerque, New Mexico 87113

Our Terms of Purchase shall be exclusive. Terms of the supplier which conflict with or deviate from our Terms of Purchase shall not be void, unless explicitly confirmed by us in writing. Our Terms of Purchase shall also apply and take precedence if we have accepted the delivery unconditionally, having been aware of terms and conditions of the supplier that conflict with or deviate from our Terms of Purchase. Our Terms of Purchase shall apply to all future business transactions with the supplier.

1. Orders

Orders are only valid if they have been made in writing. Verbal agreements require our additional written confirmation. Orders must be accepted in writing. Acceptances that are received by us later than 6 days of the date of our order shall be ineffective, unless subsequently confirmed by us in writing.

2. Delivery Date

The agreed delivery date shall be binding for the receipt of the goods. If a calendar week is agreed as the delivery date, the last working day of the confirmed calendar week shall be deemed as the latest date for the receipt of the goods. If goods are delivered later than this, the supplier shall automatically be in default without any further notice.

The supplier shall be obliged to inform us immediately without undue delay if circumstances indicating that the agreed date cannot be complied with occur or become evident to the supplier. We are entitled to refuse acceptance of goods delivered prior to the delivery date specified in the order and to return the goods delivered too early to the supplier at his expense and risk or to have them stored with a third party at his expense and risk. The supplier is not entitled to make partial deliveries.

3. Delay

A penalty of 5% of the order value shall be payable for breach of contract for each working day of the delay of the delivery. The order value shall be calculated on the basis of the specified order volume and the respective article price of the delivery. The amount of penalty for breach of contract, however, shall not exceed 5% of the order volume. Additional costs for shipments, which have to be delivered faster due to the fault of the supplier, shall be borne by the supplier.

The enforcement of further legal claims for compensation shall remain unaffected by shipping costs and penalty for breach of contract. If the agreed delivery deadlines are not met after notice and the expiration of a reasonable extension, if any, performance has expired, we are entitled to terminate the contract and/or demand compensation for failure to fulfill the contractual obligations. Acceptance of delayed delivery or service shall not be deemed to be a waiver of any claims to which the Purchaser is entitled due to late delivery.

4. Shipment

If we have to fully or partially bear the costs for freight charges, the supplier must transport shipments at the most favorable rates or according to our forwarding instructions.

The supplier shall be liable for all damages and costs arising in shipment of the goods, and bear all risk of loss until the goods are delivered at the agreed place of destination. The supplier must cure any damage that occurs in transit.

5. Packaging

All shipments must be packaged to avoid damage in transit and during the handling of the goods. The supplier must take back the packaging at his own expense on our request.

6. Delivery Notes and Invoice

A delivery note that includes all essential features of the order must be enclosed with every shipment. The invoice must contain the same information. If information is missing and the processing is delayed by us as a result of the lack of such information, the payment periods shall be correspondingly extended by the delay period.

7. Defects

Upon receipt, and unless otherwise agreed in writing, we shall only inspect the goods for quantity, identity and damage in transit. We undertake to immediately report all defects to the supplier that are detected during the inspection. The supplier waives any objection to delayed notification of defects.

Unrestricted legal warranty claim rights fully apply; regardless of that, we have the right to ask for repair or replacement from a supplier of our choice. In such case, the supplier is obligated to bear all necessary costs in connection with the remedy of defects or the replacement of the goods. We expressly reserve a right to damages, including a right to damages instead of performance.

If the supplier does not promptly deliver substitute goods or does not promptly perform necessary repairs so that the delivery meets our quality requirements, we shall have the additional right to carry out the repairs ourselves or to commission a third party to perform such work for us. The supplier shall be liable for the expense of such repairs, without prejudice to our claims for damages due to non-performance.

Failure to reject upon receipt, however, does not relieve Seller of liability for latent or hidden defects subsequently revealed when goods are put to use or tested. If latent

defects are found, Seller is responsible for replacing the defective goods within the delivery time originally stated in the solicitation and is liable for any resulting expenses Buyer incurs.

8. Warranty

The warranty period shall be 24 months. The warranty obligation begins anew for replacement parts and for the remedying of defects. If the supplier is in default with the fulfillment of the warranty obligation, we are entitled either to remedy the defect ourselves, to get the defect corrected or to provide for the replacement at the expense of the supplier.

9. Quality Assurance/Product liability

The supplier undertakes to monitor his processes continuously with statistical methods for purpose of constantly improving the supplier's processes and products.

The supplier shall allow representatives of our company to carry out a product-related process audit before the start of production in order to assess the supplier's quality assurance measures. During such audit, we may establish requirements for the maintenance of compliance documentation by the supplier. We shall be entitled to review the compliance documents at any time. Sampling inspections must always result in zero, i.e. no defective part must be found. If this should not be the case, however, our QA must be informed immediately. Goods that deviate from our specification must not be delivered under any circumstances without our prior written consent.

Complaints regarding deliveries shall be made in writing. The supplier must comment in writing about the complaint within 48 hours, in which he must specify improvement measures with effective dates.

To the extent that the supplier is responsible for product damage, he shall indemnify and hold us harmless against third-party claims for damages. The supplier shall also reimburse us for any costs that arise from or in connection with a recall by us caused by a defect in the supplier's goods.

10. Property Rights

The supplier warrants that its deliveries do not breach third-party rights in connection with the delivery, unless he proves that he is not responsible for the breach of duty.

If a third party asserts liability against us in this connection, the supplier shall, upon demand therefor, indemnify and hold us harmless from all expense arising from such claims.

The indemnity bond of the supplier relates to all costs that necessarily arise for us from or in connection with the claims made by the third party.

11. Tools

Tools, designs, calipers, drawings and other documents that we provide or have made by the supplier for manufacturing our article are and shall remain our property, as shall materials provided by us, parts, containers and custom special packaging. It is hereby agreed, that Framo Morat has joint-ownership of the finished products that are stored by the supplier and that were manufactured using Framo Morat materials and parts, and that joint-ownership shall be in proportion to the value of the materials and work incorporated into such products.

Products shall be treated carefully and stored against and insured against fire, water damage, theft, and other loss, and insured against any other damage at the supplier's expense. The supplier shall provide proof of insurance to us.

Designs, drawings and similar documentations may only be revealed to third parties with our express, written consent, and must be returned to us after carrying out the order.

12. Non-disclosure

The contracting parties undertake to treat all business and technical details not known to the public as business secrets that become known only through the business relationship. Subcontractors must be obligated accordingly.

13. Services by Third Parties

The supplier shall not employ subcontractors without our prior written consent.

14. Force Majeure

Exceptional events such as war, strikes, lockouts, and plant interruptions, as well as declines in business activities and similar circumstances that lead in a reduction of the consumption shall entitle us to withdraw partially or fully from the contract. The supplier shall be informed immediately about the occurrence of such events.

15. Prices and Price Changes

Except as otherwise agreed in writing, the price shall include delivery and packaging. Subsequent price changes of any kind, even if they arise from a change of the order handling requested by us, require our express approval. If no agreement is reached, we have the right to terminate the contract.

16. Payment

We shall pay, under reservation of proper delivery, in 30 days with 3% discount or after 60 days strictly net calculated as from the date of receipt of the invoice.

17. Choice of Law

The contract shall be governed by the law of the Federal Republic of Germany. The provisions of the United Nations Convention on Contracts for the International Sale of Goods of April 11, 1980 (CISG) shall not apply.

All disputes shall be adjudicated in Freiburg im Breisgau.