Terms of Purchase

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Our Terms of Purchase shall be exclusively authoritative; Terms of the supplier which conflict with or deviate from our Terms of Purchase shall not be recognized by us, unless these have been explicitly confirmed by us in writing. Our Terms of Purchase shall also be valid if we have accepted the delivery unconditionally, having been aware of terms and conditions of the supplier which conflict with or deviate from our Terms of Purchase. This shall also apply to future business transactions with the supplier.

1. **Order**

Orders are only valid if they have been made in writing. Verbal agreements require our additional written confirmation. According to the Code of Commercial law (§362 Sect. 1) orders have to be confirmed or rejected immediately, latest within 6 working days after placing order, as far as our orders contain no other commitment period.

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 reminder.

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 be limited to 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 unsuccessful reminder and an adequate extension for non-acceptance of the performance has expired, we are entitled to withdraw from the contract or to demand compensation for failure to fulfill obligations. Acceptance of delayed delivery or service does not constitute a waiver or compensation.

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. In order to avoid damage in transit due to deficient or unsatisfactory load safety, the supplier must instruct the haulage contractor to secure the goods when he picks them up.

The supplier shall be liable for all damage and costs that accrue due to unsatisfactory compliance with or failure to follow our instructions.

The risk shall first pass to us, even if the shipment has been agreed on, once the goods are delivered at the agreed place of destination. The supplier must take care of any damage that occurs in transit.

5. **Packaging**

All shipments must be packed in such a way that no damage is possible due to transportation 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 this, the payment periods shall be correspondingly extended by this delay period.

7. **Defects**

We shall merely carry out an inspection of the quantity, identity and damage in transit during receipt of goods unless expressly agreed otherwise in writing. We undertake to immediately report all defects to the supplier that are detected during the inspection. In addition, the supplier shall waive the objection of 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 this case, the supplier is obligated to bear all necessary costs in connection with the remedy of defects or the replacement. The right to compensation, particularly the right to compensation instead of the performance, remains expressly reserved.

If the supplier does not meet his obligations to make an immediate substitute delivery or does not carry out the necessary improvements immediately so that the delivery meets our quality requirements, we shall have the additional right to carry out the improvements ourselves or to commission a third party to carry out the improvements for us. The supplier shall have to bear the costs arising from this. This shall be without prejudice to the claims for damages due to non-performance.

If defects on the delivered goods should first come to light during the processing, we reserve the right to enforce claims for compensation also on grounds of the additional damage.

8. **Warranty**

The warranty period is 24 months as from the date of complete delivery. Upon receipt by the supplier of our written defect notification, the statutory limitation of warranty claims is suspended. The warranty obligation begins anew for replacement parts and for the remedying of defects unless, based on the behavior of the supplier, we have to assume that the supplier did not consider himself to be liable, but instead carried out the substitute delivery or correction of defects solely for reasons of maintaining goodwill. 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 the constant improvement of his processes and thus his products and
- for the partnership cooperation in all quality-related issues.

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. At the same time, special inspections fixed by us in written inspection instructions can be arranged and their compliance will be documented by the supplier. We are entitled to view these documents at any time. Sampling inspections must always result in zero, i.e. no defective part must be found. If this should be the case, however, our QA must be informed immediately. The goods must not be delivered under any circumstances without prior written consent to deviate.

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 deployment dates.

To the extent that the supplier is responsible for product damage, he shall hold us harmless from third-party claims for damages, at first demand, provided such claims are rooted in the area subject to the supplier's control and organization and provided the supplier himself is liable toward third parties. In this connection, the supplier is also obligated to reimburse any costs that arise from or in connection with one of the recall actions carried out by us.

10. **Property Rights**

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

If a third party accuses us in this connection, the vendor shall be obligated to hold us harmless from such claims at first written demand.

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 our property.

This also applies to 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 distributor and were manufactured using Framo Morat materials and parts, and that joint-ownership shall be in proportion to the value of the provisions.

They must be treated carefully and stored against and insured against catastrophes such as fire, water, theft, loss and insured against any other damage at the supplier's expense. Proof of the insurance is required.

These documents may only be placed at the disposal of third parties with our express, written consent and must be returned to us unasked 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 a business secret that become known through the business relationship. Subcontractors must be obligated accordingly.

13. **Services by Third Parties**

If, instead of providing the service himself (also tools), the supplier commissions third parties, our prior written consent is necessary for this.

14. **Force Majeure**

Exceptional events such as war, strikes (strike and lockout), plant interruptions as well as decline in business activities and similar cases that lead in a reduction of the consumption 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**

The price shall include delivery and packaging provided that nothing different is agreed in writing. VAT is not included. 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 withdraw from 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**

German law shall be authoritative, particularly provisions of the Civil Code and the Code of Commercial Law.

The provisions of the United Nations Convention on Contracts for the International Sale of Goods of April 11, 1980 (CISG) shall not apply.

The place of jurisdiction and place of performance for both parties is Freiburg.

Date: 05/2014