

GENERAL PURCHASING CONDITIONS SCHUHMACHER TECHNOLOGIES & HYDRAULICS GMBH

I. Prevailing Conditions

In supplementation to the individual contractual agreements, these Purchasing Conditions shall apply exclusively to all business transactions with suppliers or other contractors (hereinafter collectively referred to as "Supplier"). These Conditions shall also apply to all future supply relationships. Other Terms & Conditions shall not become the subject of the contract, either through the unconditional acceptance of deliveries or services, or through payment of the same by us. Modifications or additions to all contractual agreements must be made in writing and must be agreed by us. If the Supplier's creditworthiness or supply capability should deteriorate to such a degree as to put the fulfilment of the contract at risk, or if the Supplier suspends his payments, or if insolvency proceedings are initiated on his assets, we have the right to withdraw, which may also be exercised only partially. Transferring an order to third parties without our consent is not permitted and entitles us to withdraw or to claim compensation. The assignment of claims against us is excluded.

II. Offer

Any deviations from the request must expressly be declared in the offer. The Supplier is bound to his free offer for at least three months. Prices are to be displayed in euros plus VAT carriage paid, including packaging and insurance. With respect to

documents that we submit to the Supplier for tendering, we reserve all property rights and copyright. Upon failing to provide an offer or upon completion of the order, these must be returned to us immediately and free of charge.

III. Ordering

1. An order shall only be deemed valid when placed in writing and signed by an authorised signatory. Orders placed verbally or by telephone shall only be binding if we subsequently confirm the order in writing, or if we have waived an undertaking of this kind in the order placed verbally or over the phone. In individual cases, drawings specified by us including tolerance specifications and inspection plans shall be binding. Upon accepting the order, the Supplier acknowledges that by inspecting the existing plans he has obtained information about the type of design and scope of performance. In the event of obvious mistakes, typing errors and miscalculations, or those recognisable to the Supplier, in the documents, drawings and plans submitted by us, there shall be no obligation upon us. The Supplier is obliged to inform us of any such errors, so that we can correct our order. This also applies to missing documents or drawings.

2. Order acceptances must be confirmed to us within one

week of the order being placed and by means of a written order confirmation stating a binding delivery time and the prices we specified, otherwise we are entitled to revoke the order. Delivery schedules are binding, unless objected to within one week after receipt. Blanket orders entitle us only to procure primary material to the extent necessary. Parts may be produced up to a maximum of one month in advance from receipt of the order; the raw material may be set aside for a maximum of two monthly call-offs. If the Supplier produces beyond the monthly time limit, there is no longer any obligation for Schuhmacher to accept. The Supplier shall then proceed with manufacturing at his own risk. The production of parts for call-off orders is only permissible upon receipt of a call notice. If the Supplier makes changes to drawings or shapes, he shall do so at the risk of non-acceptance of goods as well as at the risk of all defects and caused incurred thereby.

3. Deviations from the quantity and quality specified in the text and content of our order and any subsequent amendments to the contract shall only be considered valid if expressly confirmed in writing.

4. Drawings, tools, measuring equipment, patterns, models, brands and layouts or similar, as well as finished products

and semi-finished products relinquished by us or manufactured on our behalf shall become or remain our property, and may only be supplied to third parties with our express written consent. Unless otherwise agreed in individual cases, these must be returned to us immediately upon completion of the order without special request. Products made and/or priced using such manufacturing resources, tools, brands or layouts may only be supplied to third parties with our express written consent.

IV. Delivery dates

1. The delivery periods and dates set by us are binding and constitute fixed dates. They run from the date the order was placed. The goods must be received at the address we indicate within the delivery period and/or by the delivery date. Partial deliveries are only permissible by agreement with us. The Supplier must supply the goods punctually, taking into consideration the customary time for loading and shipping. He is to inform us immediately of any difficulties that may prevent him from delivering on time and in the agreed quality, and obtain our decision as to the continuation of the order. He shall be held liable for failure to supply notification or delayed notification. In respect of a delay in delivery, we are entitled to exercise our statutory rights. Setting a time limit is then unnecessary if our own deadline commitments require this because our customer is likely to refuse to fulfil the contract. An exclusion or

limitation of liability on the part of the Supplier is excluded. Withdrawal from the contract entitles us to retain partial deliveries against credit. If the Supplier repeatedly and permanently misses the deadline, we are entitled to terminate the contract. If a deadline is missed through no fault of one's own, we have the right of extraordinary termination, if the time by which the deadline was missed is considerable and the urgency of the delivery demands such action due to our own deadline commitments. If we are unable to accept on time due to force majeure or due to other unforeseen obstacles or those beyond our control, which affect the acceptance of the goods, then the acceptance period will be reasonably extended and there will be no default in acceptance. In other cases, claims for compensation due to culpable delayed acceptance will be limited in any case to 50% of the value of the delivery for which acceptance has been delayed.

2. If the Supplier enters into default, then, following a reminder, we are entitled to demand a contract penalty of 0.5% of the net order value per each week started, up to a maximum of 5% of the net order value and/or delivery, and/or to withdraw from the contract. The contract penalty paid will be charged against any claim for compensation.

3. We are not obliged to accept delivery prior to the delivery date.

V. Delivery/Packaging

1. The delivery shall be made free of charge to the reception location specified by us at the expense of the Supplier. If, exceptionally, we must bear the cost of the freight, the Supplier must select the mode of transport prescribed by us, or the mode of transport and delivery method that is most favourable to us. In this, the selection of a favourable mode of transport must not be to the detriment of transport safety. Before executing the order, in consultation with the Supplier, we are entitled to demand changes to the construction, delivery quantity and delivery time. Any effects caused by such changes must be regulated appropriately and by mutual settlement. If no consensus can be reached, we have the right of termination. In this case, the Supplier shall receive an appropriate reimbursement of expenses. The Supplier is not entitled to undertake changes to construction or design compared with earlier, similar deliveries and services without consulting us. The Supplier shall arrange sufficient transport insurance for his deliveries.

2. The risk only passes to us upon acceptance through our reception location. Until the time of shipment, the goods shall be stored free of charge and at the Supplier's risk on our behalf.

3. The packaging is included in the price. If, in exceptional cases, it is agreed otherwise, the packaging must be calculated at cost price. Unless the

packaging is prescribed by us, the Supplier must select suitable packaging and ensure that the goods are protected against damage through the packaging. In the event of a return, at least two thirds of the invoiced value will be credited.

4. Additional costs for the expedited transport of goods ordered, arising from non-compliance with shipping or packaging stipulations or a failure to meet a delivery deadline, must be borne by the Supplier.

VI. Documentation

1. Invoices, delivery notes and packing slips must be enclosed in duplicate in each shipment. These documents must contain: order number; quantity and quantity unit; gross, net and, if applicable, charged weight; the Supplier's and our item description with item numbers; residual amount in permissible partial deliveries. Index and revision status as well as index date must be attached to the packaging, both in written form and in the form of a barcode.

2. For freight deliveries, a dispatch notification must be sent to us separately on the day of dispatch.

3. Concerning the parts particularly identified in the technical documentation or designated by separate agreement, for instance with "D", the Supplier is, moreover, required to keep special records as to when, in what manner, how and by whom the delivery items have been checked with regard to the characteris-

tics requiring documentation, and which results were obtained through the quality tests. The inspection documents must be kept for 15 years and must be provided to the Purchaser on request. Within the limits of what is legally permissible, the Supplier shall apply the same requirements to his own preliminary suppliers.

4. For the first order or in the event of a change to hazardous materials, the Supplier must enclose an EU safety data sheet with the shipment free of charge.

VII. Prices

1. The price displayed in the order shall be considered the maximum price. It can be lower, but not higher. Value Added Tax is included in the price, but must be displayed separately.

2. The Supplier shall not grant us less favourable prices and conditions than other customers, if and insofar as the latter are offering him similar or equivalent conditions in the specific case.

VIII. Quality assurance and environmental protection

1. With regard to the shipments, the Supplier must comply with the recognised rules of the technology and the agreed (technical) data, in particular the quality regulations and protective legislation as well as other safety and environmental provisions. He is obliged to maintain a quality management system based on the international standard DIN EN ISO 9000 ff, with the

obligation of achieving a zero-fault target and the continual improvement of his service. The Supplier shall oblige his subcontractors to maintain a comparable quality management system, which ensures the fault-free nature of the purchased parts and/or externally processed parts. Details must be regulated in writing in the individual quality agreements between the parties.

2. The contracting partners shall inform one another regarding possibilities for improving quality.

3. The Supplier warrants that the delivery item meets the legal regulations for restricted, toxic and hazardous substances. The Supplier is obliged to observe the prevailing conditions for environment, electricity and electromagnetic fields in the buyer's country.

4. By accepting the order, the Supplier automatically acknowledges a quality assurance agreement that can be viewed in its current version at www.schuhmacher-tech.de.

5. On 1 June 2007, a new EU regulation came into force known as REACH (EC 1907/2006). REACH stands for "Registration, Evaluation and Authorisation of Chemicals" and fundamentally reforms the existing EU chemicals legislation. Through REACH, the legislator intends to increase the standard of knowledge on the dangers and risks posed by chemicals, in order to achieve an increased level of protection for people and the environment.

In accordance with the coordinated procedure, Schuhmacher, as a "downstream user", demands that its Suppliers pre-register all substances in the products that they supply to us, or to register them fully according to the provisions set out by REACH. Should Suppliers not have materials pre-registered, we ask them to name these substances and the affected products at once.

If no such communication is received, Schuhmacher shall assume that the Supplier has carried out a full registration. All necessary substance registrations must be carried out fully and in a timely manner, in order to ensure a seamless supply by Schuhmacher.

6. Radioactivity: Our most important task is to safeguard the health of our employees and customers. For this reason, we must assure ourselves that no radioactively contaminated materials are produced and dispatched in the entire supply chain. This applies to all purchased goods e.g. raw materials, coatings, packaging of any kind.

By accepting the order, the Supplier confirms that all measures will be taken to examine the entire supply chain for the dispatch of radioactively contaminated material.

This applies not only to the items that are procured directly from Japan.

It shall be confirmed that the materials supplied have not been radioactively contaminated, and will not be so in future either.

7. The Supplier shall ensure the absence of cracks and check the supplied goods in accordance with the state of technology.

8. All supplied parts must be free of grinding burn, decarburisation or newly hardened zones.

It is the responsibility of the Supplier to establish a safe measure for detecting and remedying the fault. By accepting the order, the Supplier confirms that the products are free of this fault.

9. Cracks must be detected with suitable measures during the straightening process.

It is the responsibility of the Supplier to establish a safe measure for detecting the fault. By accepting the order, the Supplier confirms that the products are free of cracks.

IX. Invoicing/Payment

1. Invoices must be issued separately for each order. Payment shall be settled only after the complete receipt of goods that are free of defects or, respectively, the complete receipt of flawless service, and upon receipt of the invoice. This applies accordingly in the event of permissible partial deliveries. Delays resulting from incorrect or incomplete invoices do not adversely affect discount periods. In this case, one must pay particular attention to stating the tax number. When a discount is given, payment shall be effected in accordance with the discount agreement, but at least

– up to the 25th of the month following delivery less 3% discount

– up to 90 days net.

The determining factor in this time limit is the day of the delivery or subsequent invoicing. A default in payment by us is excluded in the case of simple negligence. Incidentally, claims for compensation are limited to typically occurring damages.

2. Payment claims made against us by the Supplier may only be assigned to third parties with our consent. Payments are made only to the Supplier.

X. Guarantee / Warranty / Complaints

1. The Supplier accepts the obligation to ensure that the goods correspond to our specifications, including in presentation and price marking. Our order or, respectively, our commission, are to be carried out in an expert and proper manner in accordance with the current state of technology. The Supplier shall ensure the contractual characteristics of the delivery item and agrees to accept liability for all defects and consequential damages arising from the absence of the assured characteristics.

2. We are entitled to demand that the Supplier, at our option, remedy the defect, make a replacement delivery or issue compensation. The Supplier is obliged to bear all costs required for the purposes of remedying defects, making a substitute delivery or rectifying damages. At the expense of the Supplier, we can remedy the defect ourselves, if danger is imminent or there is an especially ur-

gent necessity. If there are no arrangements in quality assurance agreements, we will examine the deliveries for obvious quality or quantity discrepancies within an appropriate period. A notification of defect issued by us is considered timely if it is received by the Supplier within a period of 10 working days, from the date the delivery was received or, in the case of hidden defects, from the date of their discovery. In the case of transit business, consideration must be given to the customer's notice. In the event of complaint, we reserve the right to charge the Supplier with the costs resulting in connection with the notification of the defect. The Supplier shall bear the costs and risk of returning defective delivery items. If the Supplier fails to remedy the defects or supply replacements within a reasonable period, or if this undertaking fails, we can claim a reduction or cancellation.

3. For the product manufactured or delivered by the Supplier and/or for the order executed by him, the guarantee shall end after 36 months following delivery of the Schuhmacher products manufactured using the delivery products. The Supplier shall agree with his company liability insurer the inclusion of this guarantee period and the resulting consequential damage in the business liability insurance.

XI. Manufacturer liability

For defects in goods and the resulting damage incurred at our end or at third party premises, and for which we are at fault or is irrespective of culpability with-

in the framework of product liability, the Supplier shall release us from the resulting liability to the extent that he himself would be directly liable. The Supplier shall agree with his insurer the joint insurance of this indemnification as part of his company liability insurance. The Supplier shall release us from responsibility for product damage regarding claims from third parties, insofar that the cause resides in his area of control and organisation. He is obliged to reimburse expenses for any recall action carried out to avoid personal injury, which has become necessary due to the product damage caused by the Supplier. The Supplier is obliged to maintain company and product liability insurance with a flat-rate cover of at least one million euro for personal injury and material damage. The scope of this insurance must extend to include the forms of coverage of the so-called extended Product Liability Insurance (ProdHV), including the insurance of personal injury and material damage due to the absence of assured characteristics of the delivered product, Subsection 4.1 ProdHV; combination, mixing or processing of the delivery products, Subsection 4.2 ProdHV; further processing pursuant to Subsection 4.3 ProdHV; costs of dismantling and installation pursuant to Subsection 4.4 ProdHV as well as reject products through machines pursuant to Subsection 4.5 ProdHV. The total cover for damages pursuant to Subsection 4.1-4.5 ProdHV must likewise amount to at least one million euro. On request, the Supplier shall provide the Purchaser with a corresponding confirmation from the insurer (certificate of insurance).

XII. Property rights

The Supplier shall guarantee that the delivery item and its packaging comply with the provisions that exist for the operation or use of such items, irrespective whether these provisions are based on European law, statute, official regulations or commercial customs. He shall thus indemnify us against any public and private claims resulting from infringements of these regulations. The Supplier is responsible for ensuring that no patents or other protective rights are injured as a result of his supply and its packaging. He shall indemnify us and our customers against any claims resulting from the use of such property rights. This does not apply insofar as the Supplier has manufactured the supplied goods in accordance with the drawings or models provided by us, or other equivalent descriptions or directives, and the Supplier does not know, or cannot know in connection with the products manufactured by him, that property rights are being violated thereby. If the property rights of third parties are used on account of licence contracts concluded by the Supplier, he must ensure that the use of the delivery product is permitted in all countries in which corresponding property rights exist. We hold a right of free joint use in the scope of the supplied product. The Supplier's duty of indemnification relates to all expenses that we may incur as a result of, or in connection with, the claim made by a third party.

XIII. Force majeure

War, civil war, export restrictions and/or trade restrictions caused by a change in political circumstances as well as strikes, lock-outs, disruptions in operations, restrictions in operations and similar events that make it im-

possible or unreasonable for us to fulfil the contract, are considered elements of force majeure and release us from the obligation to take punctual delivery for the duration of the occurrence. The contracting partners shall be obliged to adapt their obligations in good faith to the changed contractual conditions after receiving our information.

XIV. Storage / Ownership

Insofar as the order includes an acceptance of tool costs or other costs, it is agreed that tools and items are our property. The Supplier is obliged to deploy these materials exclusively for the manufacture of the goods ordered by us. He is obliged, at his own expense, to insure the materials belonging to us at their original value against damage caused by fire, water, storms, theft and vandalism. At the same time, the Supplier already now assigns to us the claims for compensation from this insurance; we hereby accept this assignment. He is obliged to carry out any required maintenance and inspection works as well as all servicing and repair work on our items, at his expense. Insofar as we provide items ourselves, we reserve ownership rights to the same. Contractually agreed processing or transformation by the Supplier is performed on our behalf. If our reserved goods are processed, blended or mixed with other items that do not belong to us, we shall acquire co-ownership of the new product proportionally to the value of our item to the other items at the time of processing, blending or mixing. If the processing, blending or mixing occurs in such a way that the Sup-

plier's item is to be regarded as the main item, it is agreed that he shall assign proportional co-ownership to us. This regulation also applies if we refuse acceptance due to late or defective delivery or if we refrain from further orders. In such cases, the items supplied are to be made available to us free of charge. Offsetting is excluded.

XV. Trade Secrets

The Supplier is obliged to treat our orders and all associated commercial and technical details as trade secrets. The Supplier is obliged to maintain confidentiality on documents and information, even after the contract is completed. Disclosure to third parties requires our written consent.

XVI. Minimum Wage Law (MiLoG)

1. The Supplier is obliged to pay his employees the statutory minimum wage on the due date set out in Article 2 Para 1 of MiLoG. The Supplier shall guarantee that he will fulfil all other obligations arising from the Minimum Wage Law without exception, in particular record-keeping obligations as well registering in writing as an employer with headquarters abroad pursuant to Art 16 MiLoG, which must be presented in German to the competent authorities for customs administration before the start of works or services, in the economic sectors pursuant to Article 2a SchwarzArbG (Illegal Employment Law).

2. If requested by the contracting party, the Supplier

shall verify within 14 days that he has fulfilled this obligation throughout the entire contractual period, up to six months after concluding the present contractual relationship, by presenting the relevant documents (in particular documents pursuant to Article 17 Para 1 MiLoG, clearance certificate of the responsible social security fund and/or holiday pay fund, etc.).

3. The Supplier shall indemnify the contracting party at first request against all third-party claims (in particular the employees of the contractor, Federal Employment Agency (Bundesagentur für Arbeit), customs authorities) in connection with the breach of the obligation to pay the statutory minimum wage.

4. The Supplier is obliged to apply the same conditions to any possible subcontractor as to the demonstrable payment of the statutory minimum wage and exemption of the contracting party that he himself is subject to according to Articles 1 and 2. If the subcontractor, in turn, uses a subcontractor, the Supplier must ensure that all subcontractors are also correspondingly obliged.

5. The Supplier is liable to the contracting party for all third-party claims arising from the violation of the subcontractor's obligation to pay the statutory minimum wage.

6. The deployment of further subcontractors is only permitted by written consent from Schuhmacher. Should there be any doubt that the subcon-

tractor is not paying his employees the minimum wage, Schuhmacher may refuse consent.

7. The Supplier must inform the contracting party immediately if he or a subcontractor is pending preliminary proceedings due to suspicion of minimum wage violations or if fines are being imposed on him.

8. For each case of violation, the Supplier must pay a con-

tractual penalty of 500.00 EUR. The contractual penalty is incurred per each employee employed per each commenced month in which the employee is employed. The assertion of any further claims for damages shall remain unaffected by this.

XVII. Miscellaneous Conditions

1. If one provision of these Conditions is invalid, the re-

maining provisions shall remain valid.

2. For all legal issues between the Supplier and us, even when the former has its registered office abroad, German law alone shall apply, excluding the law concerning the International Sale of Goods.

3. The place of performance is Spaichingen. Another location may be agreed upon for delivery.