TERMS AND CONDITIONS OF PURCHASE

EFFECTIVE FROM: DECEMBER 2010

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I.I.Conclusion and scope of the contract

1. These terms and conditions solely apply to all purchase orders, unless otherwise explicitly agreed. The Vendor's conditions from their terms and conditions of business or order confirmations are hereby expressly excluded. The unconditional acceptance of order confirmations or deliveries does not imply acknowledgement of such conditions.
2. All purchase orders must be placed in writing Purchase orders placed verbally, by telephone or telex need to be confirmed in writing. The same applies to any amendments or additions to purchase orders.
3. If statements are given in more than one language, the type and scope of supply will be determined by the German text in case of doubt.
4. Order confirmations are to be issued immediately upon receipt of our purchase orders; if this does not happen within 14 days, we are entitled to cancel the order.

II. Terms of payment

1. Agreed prices are maximum prices; reductions in price, which occur between placing of the order and invoicing, accrue to us.
2. Regardless of any fluctuations in exchange rates, we always pay the invoice amount based on the purchase order in the specified currency. We are not bound by any clauses to the contrary in the order confirmation or in any other correspondence from the Vendor that relate to exchange rates.
3. Invoices are to be issued in a timely fashion in duplicate after goods are shipped, quoting our order number so that remittance can be made by the due date.
   Remittance is made within 30 days of receipt of the invoice (stamped with the date of receipt at AZO) allowing a 3% discount for early settlement or within 60 days net.
   Remittance is made at our discretion in cash or with discountable bills of exchange.
4. Remittance is made subject to proper delivery and providing that the invoice is correct in terms of price and accounting accuracy. Complaints lodged about the shipment entitle us to hold back outstanding payments until warranty obligations have been discharged.
5. The Vendor is only entitled to set off its claims against uncontested claims or claims that are legally enforceable.
   Claims made against us may only be assigned to a third party with our consent.

III. Delivery times

1. Agreed delivery times or deadlines are binding and refer to delivery at the place of performance. We are to be notified of any delays that occur immediately after the circumstances have been determined and reasons for delays must be given.
2. If the goods ordered are not delivered on the agreed date or if it has been determined that they cannot be delivered on time, we have the right to cancel the contract in its entirety or in part or to demand compensation. There is no requirement for prior formal notice or granting a grace period. Acceptance of late deliveries does not imply a waiver of claims we may be entitled to lodge under these terms and conditions or in accordance with the law.
3. If punctual delivery is not possible due to force majeure (such as fire, flood, earthquake, strike and lockout, for example), the delivery times will be extended appropriately by mutual agreement, provided that we are notified in writing without delay in the occurrence of such events and relevant confirmation from the appropriate chamber of commerce is submitted. After a period of four weeks, however, we are entitled to cancel the contract in its entirety or in part, This does not confer any entitlement to compensation from us.
4. If a penalty has been agreed for a delay in delivery, the entitlement to the penalty remains even if the entitlement is not explicitly claimed upon acceptance of the delivery. Further entitlements similarly remain in effect without any particular provisos for acceptance.

IV. Shipping

1. Delivery is made in accordance with the purchase order or, if specific conditions have not been stated on the purchase order, delivery at Osterburken works, including freight and packing.
   The Vendor bears the risk of accidental loss and accidental deterioration until shipments arrive at the place of performance. If an acceptance test is provided for by law or has been agreed, the Vendor bears the risk until the acceptance test.
2. Regardless of what pricing arrangements have been agreed and of any shipping arrangements that differ from subsection 1, the Vendor shall ensure that the contract for carriage is concluded and delivery is made to the receiving point stipulated, which corresponds to our shipping address, and ensure all the advantages of punctual and low-cost shipping. However we reserve the right to choose the haulage firm, freight forwarder or ship owner.
3. The Vendor undertakes to give notification of shipping. Shipping advice notes are to be sent in good time so that they reach us before the shipment is delivered.
4. The scope of delivery must be sufficiently clear from the shipping advice note; accordingly, we require an exact description of the shipment, the amount (number of articles, dimensions, weights, etc.), details of shipping and our order number.
5. If shipments have to be expedited through the fault of the Vendor, the additional costs thus incurred are to be borne by the Vendor.

V. Statutory warranty

1. The Vendor guarantees that supplies and services exhibit the agreed properties, conform to current engineering principles and generally accepted technical practice, correspond to the description in the contract, the technical specifications and the other provisions of this contract and that there are no flaws, which nullify or diminish the value or the fitness for purpose in normal use or the use presumed when the order was placed. All supplied parts must be factory-new. The equipment being supplied may only be based on designs proven in actual practice.
2. Machinery and equipment being supplied must comply with accident prevention regulations applicable at the time of delivery.
3. The warranty expires 36 months after the plant has been commissioned.
4. If, during the warranty period, contractual items are damaged or become unfit for use or exhibit other faults, once notified the Vendor shall rectify the faults without delay at their expense; it is at our discretion whether this is done by replacing or repairing the faulty or damaged parts, unless the faults are demonstrably not caused by the Vendor as a result of flawed design. faulty workmanship, use of faulty materials or faulty assembly. Rectification of the fault shall be performed at the place, where the faulty contractual item is located, unless otherwise agreed as an exception. In the event of a claim under the guarantee, costs for shipping and assembly will be borne by the Vendor. The guarantee period for the repaired or replacement parts also amounts to 36 months and commences upon return to service. Faulty parts that are replaced are only returned upon express request by the Vendor and at their expense. The Vendor undertakes to rectify the faults in contractual items within a reasonable time, at the latest however within four weeks.
5. If the Vendor fails to rectify the faults within a reasonable time set by us, we have the right to have the faults rectified at the Vendor's expense using our own resources or by third parties. We have the same entitlement even sooner, if the Vendor expressly refuses to carry out rectification of the fault. Whatever the circumstances, we can have urgent warranty work performed with the utmost care by ourselves or by third parties at the Vendor's expense. The Vendor's obligation under the guarantee is not affected by this.
6. Even if the Vendor has not been instrumental in the assembly or commissioning of the supplied objects and associates a fault with the assembly or commissioning, the above-mentioned warranty provisions apply, unless we or our customer have demonstrably not performed assembly and commissioning in accordance with the Vendor's instructions. If it is impossible to rectify faults, which concern the functioning of the contractual item or the plant as a whole, we are entitled to terminate the contract or to demand an appropriate reduction in the price.
7. The Vendor is also responsible for ensuring that neither patents nor other property rights of third parties are violated by the acceptance and use of the objects that have been ordered. The Vendor holds us harmless for all claims by third parties, which are lodged against us on account of faults, infringement of third-party property rights or damage to the product(s) supplied by the Vendor, as is proportionate with the Vendor's contribution to the damage.

VI. Liability

1. The Vendor is liable for any consequential or direct damages that we suffer in the case of supply of faulty goods or plant. In particular, the Vendor shall reimburse us for costs that we incur as a result of a fault in the plant we supply, if the fault in our plant is due to a fault in the goods or plant supplied by the Vendor (supplied component).
2. If a customer or third party lodges a claim against us for damages for whatever reason, the Vendor undertakes to hold us harmless insofar as the damages that the customer or third party has suffered are attributable to a faulty supply or other breach of contractual obligations by the Vendor or if the Vendor's liability arises from no-fault liability. This applies in particular in cases where faulty goods supplied by the Vendor are incorporated in the product, which we manufacture and in turn sell, and where these goods subsequently are the cause of the liability action.
3. The afore-mentioned entitlements lapse in accordance with statutory limits, at the earliest however 12 months after transfer of the goods or plant to us.

VII.Obligation to notify

If technical developments are made known while the contractual items are being manufactured, the Vendor shall notify us of this and provide us with the relevant documents in duplicate without charge, so that developments, which, after consulting with our customers, are deemed expedient, can still be taken into account if our customers so wish.

VIII. Drawings

1. Drawings, sketches and samples, which are enclosed with our purchase orders, in addition to tools, devices or replicas made for us, remain our property and may not be made available to third parties. This also applies to parts which are made with these tools and devices. If no order is placed, all supplied materials are to be returned promptly.
2. If the Vendor wants to make a new drawing based on our engineering documents in order to fulfil the order, they are only permitted to do so provided that the new drawing is clearly marked as follows: design by AZO GmbH+CoKG, Osterburken. Sharing of the engineering documents or new drawings, either in the original or in duplicate, with third parties is only allowed if it is necessary in order to perform the contract. If our engineering documents are made use of by the Vendor or third parties without proper permission, the Vendor shall pay us, subject to assertion of claims for greater damages, a penalty equal to the sales price of the objects produced in accordance with these documents for each infringement. The Vendor shall pass on these afore-mentioned obligations with the same wording when placing orders with sub-contractors. The Vendor is jointly and severally liable to us for any violations of our rights by sub-contractors. Moreover we are entitled to terminate all our orders and to hold the Vendor liable for any damages resulting from this, if the Vendor or a sub-contractor violate our interests by reproducing and distributing plants or sections of plants, which are produced in accordance with our documents or in accordance with documents made available by us, without due authorisation.

IX. Monitoring of production and deadlines

We reserve the right for our staff to conduct continuous monitoring of production and deadlines. It must be possible for us to inspect any materials we have commissioned at reasonable times before, during and after manufacture at all possible sites. We must be notified in good time, if possible 10 days in advance, of readiness for the acceptance test. Performance of an inspection or our failure to perform such an inspection do not release the Vendor from their obligation to supply in accordance with the drawings and specifications, neither can this be interpreted to mean that we have accepted the materials. We may not be denied the right to mark items that are destined for our order.

X. General

1. The place of fulfilment for both parties' obligations from the contractual relationship is the place specified by us in each instance; if there are errors in such specifications, it is always our Osterburken works.
2. Jurisdiction for all disputes arising indirectly or directly in connection with the contractual relationship, which also applies to actions on bills of exchange, is the German court with local and objective jurisdiction for Osterburken. However we are also entitled to bring a claim against the Vendor in their court of competent jurisdiction. All orders are governed solely by the provisions of German law; the UN convention on the contracts of the international sale of goods (CISG) is expressly excluded.
3. If for any reason an individual provision or several provisions of this contract is/are null and void, the validity of the remaining provisions is not affected.