

General Terms and Conditions of Sale

I. Definitive conditions

1. These general terms and conditions of sale are an integral part of all contractual relationships between the parties, namely the Customer and **KOSTAL Industrie Elektrik GmbH & Co. KG** (the Supplier). If agreements deviating from these terms and conditions have been made in writing and signed by both parties, they shall prevail and replace in whole or in part, or supplement, the following terms and conditions.
2. Any of the Customer's terms and conditions not expressly accepted shall not form part of any contract, even if they have not been specifically rejected, or if orders are executed with knowledge of deviating terms and conditions.
3. Any modification or amendment as well as addition, waiver, acknowledgment, assignment, transfer, offsetting, representation, objection, withdrawal or notice of termination having an adverse impact on the Supplier shall not be legally effective unless made in writing. A unilateral legal act (e.g. notice of termination) requires only the handwritten signature of the appropriately entitled person at the end of the document, in his or her own hand. Otherwise, the signatures of both parties are necessary in order to conform with the requirement of the written form.

II. Confidentiality

1. The parties to the contract shall be obliged to treat as business secrets all commercial and technical information not generally available which becomes known to them through the business relationship.
2. Documents made available to the Customer, in particular drawings, models, templates, samples and similar items, must not be made available to unauthorized persons. They remain the property of the Supplier. Copying is permissible only to the extent that it is required for operational purposes and accords with copyright regulations. At the Supplier's request, all documents, items and copies thereof shall be surrendered or, if necessary, destroyed.
3. Objects which have been produced in accordance with data, drawings or models or with the aid of tools and manufacturing facilities paid for by the Supplier must not be offered, supplied as samples or delivered to third parties without the Supplier's written consent.
4. The Supplier reserves the right to file applications for intellectual property rights, and to exploit the rights of use for his items and information.
5. The Customer must not advertise his business connection with the Supplier without the Supplier's written consent.

III. Orders; delivery schedules

1. Orders, delivery schedules and any changes or additions thereto shall be sent in the form of written text by means of remote data transfer or on machine-readable data storage media. Verbal agreements must be confirmed in writing.
2. Delivery agreements become binding if the Supplier does not contradict the orders and/or delivery schedules within 2 (two) weeks of their receipt. During this period the Customer is bound to his order unless an earlier, final rejection is issued by the Supplier.
3. If remote data transmission has been agreed, the Customer is obliged to inform the Supplier's schedulers without delay in the event of changes to the order quantity, in addition to the remote data transmission.

If the Customer demands a change to the object to be delivered, in terms of design, execution or quantity, the effects must be negotiated by joint agreement, particularly regarding increases or reductions in costs and delivery times.

In the case of increases or reductions in quantities the Supplier's delivery scheduling requirements must be taken into account to a reasonable degree.

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4. The Supplier reserves the right to reject demands for changes in design and execution, in particular if the items to be delivered were not designed specifically under contract to the Customer and are not manufactured using tools paid for by the Customer.
5. If there is a good cause, the Supplier is entitled to make the delivery dependent on the opening of a letter of credit, payment in advance, the presentation of import licences or the establishment of suitable securities (such as surety, etc., for example).

IV. Delivery dates, deadlines, place of performance, transfer of risk

1. The Supplier shall comply to the best of his ability with agreed dates and deadlines.
2. Fulfilment in accordance with due dates is the point in time of transfer of the shipment to the shipping agent at the place of performance. Transfer of risk to the Customer takes place with this physical transfer. The place of performance is the supplier's shipping department, unless other arrangements have been made with the customer in accordance with INCOTERMS 2000.
3. The terms of INCOTERMS 2000 apply.

V. Packing, shipping, freight costs

1. The goods to be supplied are packed in an appropriate manner in customary packaging. Reusable packaging supplied with the goods must be returned free of charge to the Supplier.
2. Special freight costs must be borne by the party making them necessary.

VI. Acceptance, deviations in quantity, compliance with conditions

1. The Customer is bound to his framework contracts and orders. Quantities called off in the previous week and the first 12 (twelve) weeks are binding.
2. The Supplier is permitted to deviate from the ordered quantity in order to deliver in full packaging units. The Customer is not permitted either to claim costs or to refuse the delivery in whole or in part on the basis of these excess or short deliveries. Partial deliveries are permitted provided these are reasonable for the Customer.

VII. Payment

1. The agreed prices are fixed prices. They are exclusive of value-added tax, customs charges, freight, postage and insurance, as well as packaging where relevant.
2. Payment must be made net in EUROS within 30 days of delivery of the goods in accordance with the contract and receipt of the invoice, or by other special agreement. Payment is due immediately. Unless there are good grounds for cancellation, payment shall be made by the end of the specified payment period.
3. The agreed form of payment is by bank giro transfer. Cheques or bills of exchange are accepted only by special agreement and only in order to fulfil the contract. Until it is confirmed by the bank as accepted, the claim for payment remains in force and in full.
4. The date of the credit to the Supplier's account determines compliance with the payment period.
5. The place of performance for all payments is the principal office of the Supplier.
6. Withholding or reducing payments due to complaints is permitted only upon consent granted by the Supplier. Consent shall be considered granted if claims of the Customer have been recognized in writing or determined to be legally binding.
7. The Supplier is entitled to transfer his claims against the Customer and to have them collected by third parties.

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8. If the payment term is exceeded the Supplier is entitled to charge and invoice interest on the delay at a rate of eight (8) percentage points above the ruling base interest rate of the Central European Bank.
9. In the event of a delay in payment the Supplier is entitled, after giving advice in writing, to withhold compliance with his contractual obligations until payment is received.

VIII. Retention of title

1. Until payment has been rendered in full, the Supplier shall retain ownership of all goods he has supplied. All deliveries made shall be deemed to be a contiguous supply transaction. If the Customer has a current account, retention of ownership shall also be deemed to be collateral for the debit balance of all amounts owed in connection with the business relationship.

At the Customer's request, the Supplier shall release the collateral provided by the Customer to the extent that its value exceeds that of the secured receivables by more than 20% in total.

2. Within the framework of regular business operations the Customer is entitled to process the goods delivered and to sell them. Such processing and sale of goods shall be deemed to be on behalf of the Supplier.
3. If the goods delivered are mixed or processed inseparably with other items not belonging to the Supplier, the Supplier becomes co-owner of the resultant products in relation to the invoice value of the retained goods, up to the full value of the newly created products.

If the Customer sells the goods or the items manufactured with the goods, the claims arising from such operations shall be transferred for security to the Supplier, in part if appropriate.

To this extent the Customer transfers in advance the ownership of the goods, claims regarding their sale and claims for replacement, loss or damage to the Supplier as collateral, who hereby accepts such assignment.

The Customer shall provide information on this at any time on demand.

4. The Customer is entitled to collect the claims which have been assigned to the Supplier. He is not entitled to make use of the claims in any other way, for example by assigning them to a third party, allowing their seizure, giving them away, transferring them, etc.

If the Customer does not meet his contractual obligations (in particular payment obligations) the Supplier can cancel the Customer's authority to collect claims and can demand that the Customer advise the debtor of the transfer.

If items or rights which are covered by the Supplier's extended reservation of property rights are seized or if insolvency proceedings are launched in regard to the customer's assets, or if settlements and/or negotiations for deferment of payment are carried out, the Supplier must be informed without delay.

IX. Quality

1. The Supplier shall constantly maintain a quality assurance system to DIN / ISO 9001 ff (or the equivalent).

X. Notification of deficiencies and warranty

1. Obvious damage to packaging and goods, non-compliance of the items delivered with the delivery note and part-numbers or article descriptions, as well as differences in quantities must be reported by the customer at latest in 2 (two) days from receipt of the shipment. Further, the deficiencies in the shipment must be indicated with a fully traceable description of the defects, as soon as they are detected within the framework of normal business operations. The details of the deficiency must be transmitted by the Customer to the Supplier without delay and must always be made in writing.
2. Before the start of production (processing or installing the goods) the Supplier must be given the opportunity to sort or rework defective goods or to deliver fault-free goods in their place.

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3. The Customer is entitled to demand reimbursement for additional expenditure or consequential damages only if such reimbursement has been expressly agreed in writing with the Supplier.
4. The warranty period is 24 months from the date of transfer of risk.
5. Claims under warranty do not arise if the defect is the result of non-compliance with operating, maintenance and installation instructions, unsuitable or inappropriate use or storage, incorrect or negligent handling and natural wear and tear, as well as incursions by the Customer or third parties into the goods delivered.
6. Express warranties as to quality and durability must be explicitly agreed as such in writing in each individual case.

XI. Liability

1. Unless other liability arrangements have been agreed elsewhere in these General Terms and Conditions, the Supplier is obliged to compensate for damages solely in accordance with Section XI for damages incurred directly or indirectly by the Customer as a result of defective delivery, violation of official safety regulations, or any other legal grounds for which the Supplier bears responsibility. The Customer shall keep the damage and the costs for remedying the damage as low as possible. The parties shall agree on the action to be taken.
2. As a basic principle, the Supplier's obligation to pay compensation applies only if the Supplier is culpable for the damage in question. This principle shall not apply if, based on an imperative statutory regulation, the Supplier bears a liability regardless of fault and is therefore under a direct obligation to pay compensation to the Customer or to the person incurring the damage.
3. In the case of damages and/or deficiencies within the terms of the warranty, caused jointly by the Customer or third parties, for whose dealings or neglect the Customer must take responsibility, a settlement must be made between the parties to the contract for the costs to be paid. In this the relative blame attached to those involved must be taken into account to a reasonable degree. This also applies in the case of a direct claim against the Supplier by a third party.
4. The obligation to compensate shall be excluded or limited if and insofar as the Customer, for his part, has excluded or limited its liability toward its Customers with legal effect. The Customer shall endeavour to agree legally permitted limitations of liability which also operate in favour of the Supplier. The Customer is obliged to inform the Supplier accordingly.
5. Claims by the Customer are excluded to the extent that damages can be traced back to infringement of operating, maintenance and installation instructions, unsuitable and inappropriate use, defective or negligent handling, natural wear and tear or defective repair.
6. The Supplier is not liable for a stoppage of a production line or a break in operations.
7. If the Customer wishes to involve the Supplier in accordance with the above regulations, he must inform him comprehensively and without delay. He shall give the supplier the opportunity to examine the cause of the damages and the failed parts. The failed parts must be made available to the Supplier unopened.
8. The claims for compensation to be met by the Supplier are restricted in terms of the Customer to a level of 5% of the annual turnover of the defective article, provided the limitation of liability is legally permitted. The annual turnover is measured backwards for the relevant year from the date the damage was detected, for a period of 12 months.
9. Compensation and warranty costs in the form of a lump sum are paid only if they have been specifically agreed in writing. The Supplier has the right to demonstrate lower costs and to pay these instead of the agreed lump sum.

XII. Industrial property rights

1. The Supplier accepts liability for claims for compensation arising from the provable infringement of industrial property (IP) rights where the items delivered are used in accordance with the contract, where at least one of

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the set of relevant IP rights has been published either in the Supplier's home country or in one of the states of Austria, France, Germany, Great Britain, Liechtenstein, Switzerland or the USA. At the choice of the Supplier this liability is restricted to the provision of a licence to the Customer, free of charge, or a suitable replacement solution which is free from external IP rights.

2. If the Supplier has produced the items supplied in accordance with drawings, models or other equivalent descriptions or specifications submitted by the Customer, the Customer shall hold the Supplier free from all claims by third parties based on infringements of IP rights. The Supplier shall bear no liability in this respect. The same principle shall apply in the event that stipulations are made by the end-customer or the system supplier appointed by him.
3. The contracting parties are obliged to notify each other without delay of any infringement risks and cases of alleged infringement which come to their attention, and shall give each other the opportunity to counter jointly any associated claims which arise.
4. Where development work is carried out for the Customer, the Customer shall not acquire any new IP rights from the Supplier which arise from the order or are included in the result of said development work, even if the Customer bears all or part of the development costs. An explicit written agreement is required before rights of use may be granted.

XIII. Force majeure

1. Force majeure, work disputes, unrest, actions by public authorities and unforeseeable, inevitable and serious events release the parties to the contract from their performance obligations for the duration of the interference to the extent of their effect. This also applies if these events occur at a time when the party affected is in arrears.
2. Within the realm of what is possible, the parties to the contract are obliged to provide the necessary information without delay and to adapt their obligations to the changed circumstances in good faith.

XIV. Execution of work

1. Persons carrying out work on the Supplier's premises to fulfil a contract for the Customer shall comply with the working regulations stipulated by the Supplier. Regulations governing entering and leaving the premises must be complied with. The Customer bears full liability for all damage caused by such persons when carrying out their activities for the Customer. The Customer shall indemnify and hold harmless the Supplier and in particular his managers, employees and authorised agents, against any liability for damage that occurs to said persons on the Supplier's premises.

XV. General conditions

1. This agreement is governed exclusively by the laws of the Federal Republic of Germany. The application of the United Nations Agreement covering International Trade in Goods (CISG) dated 11 April 1980 is excluded.
2. The sole court of jurisdiction is Hagen (Westphalia), Germany. However, the Supplier is also entitled to take proceedings against the Customer at the location of his registered offices or at court with appropriate jurisdiction.
3. The language for correspondence is German or English.

Lüdenscheid, März 2010