

## PROPOSAL TERMS AND CONDITIONS

1. **REJECTION OF ORDERS WITH CONTRADICTORY TERMS-** This Proposal made by HEIDENHAIN Corporation (hereinafter referred to as "Seller") and all orders submitted by buyer after acceptance of this Proposal are subject to the terms and conditions set forth herein. Orders submitted on buyer's own purchase order forms, which may contain statements, clauses, or conditions modifying, adding to, repugnant to, or inconsistent with the terms and provisions of the Seller herein contained are hereby rejected. Such orders will only be accepted by the Seller upon the condition and with the express understanding that notwithstanding any such statements, clauses, or conditions contained in any order forms of the buyer are void and have no effect and that the obligations and liabilities of the Seller and Buyer shall be determined solely by the terms and conditions of sale contained in this Proposal Terms and Conditions and the applicable HEIDENHAIN Proposal. To the extent that the terms set forth in the HEIDENHAIN Proposal directly conflict with these Terms and Conditions, the specifically conflicting terms of the Proposal shall prevail.

2. **PRICES AND TERMS OF PAYMENT-** An order is accepted subject to Seller's selling prices in effect as of date of shipment. All prices are FOB Seller's applicable manufacturing plant or warehouse located in Schaumburg, IL, Goleta, CA, Jamestown, NY, Miramar, FL or Londonderry, NH or such other of Seller's locations from which shipments to Buyer originate. Published prices and discounts are subject to change without notice. Remittances are to be made in funds collectible at par in Schaumburg, Illinois. Unless otherwise specifically agreed to by Seller in writing, the terms of sale shall be net thirty (30) days based on the date of invoice, except when an unexpired quotation provided by Seller expressly provides otherwise. All written quotations expire after ninety (90) calendar days from the date of quotation unless withdrawn, in writing, at an earlier date.

3. **TAXES-**Prices on the products ordered are exclusive of any tax, duty, custom or other fee of any nature imposed upon the products, their sale, transportation, delivery, use or consumption ("Taxes"), including without limitation, Federal, State or Municipal Taxes on manufacture, sales, receipts, gross income, occupation, use and similar taxes. Such Taxes are not included in either Seller's net catalog or the price quoted by Seller and will be added to the invoice as a separate charge and paid by Buyer. If Seller is required to prepay any Taxes, Buyer will reimburse Seller. No refund or adjustment to previously withheld taxes will be made by Seller sixty (60) days after the invoice date.

4. **CREDIT-**Buyer agrees to make prompt payment in accordance with terms hereof. Seller reserves the right to modify, change or withdraw credit terms at any time without notice and to require guarantees, security or payment in advance of the amount of credit involved.

5. **PACKAGING-**Seller reserves the right to select the manner in which the product is packaged. Special requirements from the Buyer for packing will be subject to extra charges to be paid by Buyer unless otherwise agreed to by Seller in writing.

6. **TRANSPORTATION-**All shipments are FOB Seller's applicable manufacturing plant or warehouse located in Schaumburg, IL, Goleta, CA, Jamestown, NY, Miramar, FL or Londonderry, NH or such other of Seller's locations from which shipments to Buyer originate. If Buyer prefers alternate transportation, expedited delivery or specialized service for shipments complete instructions must be given. In the absence of specific directions before date of shipment, products will be shipped by the method and by the carrier or delivered to a forwarding agent selected by Seller.

7. **DAMAGE OR DELAY IN TRANSIT-**Seller assumes no liability beyond delivery to the carrier or forwarding agent of the product in good order, and is not liable for loss damage or delay occurring thereafter. All claims for breakage and damage should be made to the carrier. Seller will cooperate with Buyer in securing satisfactory adjustment of such claims.

8. **SHIPPING SCHEDULE-**Upon reasonable and timely notice received from Buyer, Seller will establish planned delivery schedules as closely as possible in accordance with the Buyer's expressed needs, and will provide estimated delivery dates when requested. However, Seller shall not be liable for delays in the performance of any purchase order or default in delivery arising out of causes beyond the control and without the fault or negligence of Seller.

9. **FORCE MAJEURE-**Seller will not be liable for any delay in the performance hereof or for any damages suffered by the Buyer by reason of such delay if caused or arising directly or indirectly from fires, floods, earthquakes, substantial damage to its plant, accidents, riots, acts of God, open hostilities, declarations of national emergencies, war, governmental interference or embargoes, strikes, labor difficulties, shortage of labor, fuel, power, materials or supplies, or other causes (whether or not similar in nature to any of those hereinabove specified) beyond its control.

10. **CANCELLATION AND ALTERATION-**Orders accepted by Seller cannot be countermanded, and deliveries may not be deferred by Buyer, except with Seller's prior written consent and then only upon such terms as shall be acceptable to Seller. Orders for special items or for standard catalog items not normally produced or stocked in quantity may be cancelled or altered by the Buyer only upon payment of reasonable charges based upon expenses already incurred by Seller, including reasonable profit. Cancellation charges on such completed items will be 100% of the selling price. Seller reserves the right to manufacture ahead of the planned delivery schedule whenever it is deemed necessary and such advanced manufacture shall not void Buyer's responsibility for cancellation or alteration. If product is RENCO brand, Buyer may not modify dates or quantities of planned/scheduled material within four (4) weeks of acknowledged ship date.

11. **INSPECTION AND ACCEPTANCE-**The products covered hereby shall be deemed finally inspected and accepted within ten (10) days after receipt thereof unless notice of claim is given in writing to the Seller within that period.

12. **WARRANTY- EXCEPT AS EXPRESSLY PROVIDED HEREIN, SELLER MAKES NO REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESSED OR IMPLIED WITH RESPECT TO ANY PRODUCTS, PARTS OR SERVICES PROVIDED BY SELLER INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, APPLICATION OR USE.**

A. The warranties provided for in subparagraphs B, C, D and E of this section are subject to the following:

(1) Before purchasing product, buyer shall determine the suitability of the product for its intended use, and Buyer assumes all risk and liability therefore.

(2) In order to assert a warranty claim Buyer must (i) provide immediate written notice to Seller and (ii) return the product to Seller's factory or designated agent with transportation charges prepaid.

(3) Seller shall conduct an examination of the product to determine if the product is defective.

(4) No warranty shall apply if: (a) a product has not been properly installed or maintained; (b) a product has not been operated within the usual and customary limits of ratings for normal usage; (c) any repairs, alterations or other work has been performed by Buyer or others on such product, other than work performed with Seller's authorization and according to its approved procedures; or (d) the alleged defect is a result of abuse, misuse, improper maintenance, accident or the negligence of any party other than Seller. The warranty set forth herein is conditioned upon proper storage, installation, use and maintenance in accordance with applicable written recommendations of Seller. Any warranty furnished hereunder does not extend to damage to items purchased hereunder resulting in whole or in part from the use of components, accessories, parts or supplies not furnished by Seller.

(5) All recommendations and representations as to the working accuracy of a system or device are based upon tests and performance of the unit at Seller's factory. Such recommendations and applications are not applicable to any loss of performance of the unit resulting from misuse or any variation in the environment from the standard conditions at Seller's factory existing prior to shipment.

(6) Buyer shall provide labor for the removal of the defective component or item and installation of its replacement at no charge to Seller. Buyer shall bear all risk of loss or damage to returned goods while in transit and pay all expenses related to shipping and handling. In the event no defect or breach of warranty is discovered by Seller upon receipt of any returned item, the item will be returned to Buyer at Buyer's expense and Buyer will reimburse Seller for the transportation charges, labor and associated charges incurred in testing the allegedly defective item.

(7) All remedies provided in subparagraphs B, C, and D herein shall be the sole and exclusive remedies of the Buyer.

B. **WARRANTY FOR PRODUCTS DESIGNED AND MANUFACTURED BY HEIDENHAIN-** Seller warrants that all new products manufactured according to Seller's designs and specifications will, for a period of two (2) years from the date of shipment, be free from substantial defects in design, material and workmanship. If the foregoing warranty is breached, Seller shall, in its sole discretion, repair, replace, issue credit or refund the purchase price without charge to Buyer.

C. **WARRANTY FOR PRODUCTS DESIGNED BY BUYER AND MANUFACTURED BY HEIDENHAIN-**Seller warrants that all new products manufactured according to Buyer's designs and specifications will, for a period of two (2) years from the date of shipment, or within such other time as is specified by the Seller on the face hereof, under normal use and service, be free from substantial defects in material or workmanship. If the foregoing warranty is breached, Seller shall, in its sole discretion, repair, replace, issue credit or refund the purchase price without charge to Buyer.

D. **NO WARRANTY FOR PROTOTYPES-**If the product ordered by the Buyer is a prototype or pilot product it has not been built in the normal flow of Seller's production it has not been inspected and tested. Use of a such a product is at the sole risk of the Customer, according to whose specific instructions the product was delivered. It is Buyer's responsibility to ensure that such Product is not used in active production equipment, but only in a sufficiently protected test environment. **Such product is provided to Buyer "AS IS" and without any warranty, express or implied.**

E. **WARRANTY FOR RENCO PRODUCTS -** In accordance with the terms of the HEIDENHAIN "End of Life" letter dated July 8, 2009, Seller warrants that all new Renco end-of-life shipped prior to December 31, 2010 will be free from substantial defects in design, material and workmanship for a period of one (1) year from the date of shipment. If the foregoing warranty is breached, Seller shall refund the purchase price to Buyer. **All Renco end-of-life products shipped after December 31, 2010 are sold "as is" and without any warranty of any kind, express or implied.**

**13. LIMITATION OF SELLER'S LIABILITY-** Seller's liabilities shall in no event exceed the purchase price of the product. Notwithstanding anything to the contrary contained herein, Seller shall not be liable in any event to Buyer or any third parties for indirect, special, punitive, incidental or consequential damages (including any damage for lost profits), resulting from late delivery or non-delivery, or from use, sale, handling or possession of the product, or from any other cause whatsoever.

**14. PATENTS-**Subject to the terms and conditions listed below, and except for prototypes and products designed by Buyer, as described in 12 C or D below, Seller agrees to defend Buyer in any legal proceeding, lawsuit or other judicial action claiming that the products sold by the Seller infringe any United States patent. With regard to any claim of patent infringement for which Buyer has indemnification obligations hereunder, Buyer's obligations are subject to the following conditions: (i) Buyer shall promptly notify Seller in writing of such claim, but in no event later than within ten (10) business days of first being made aware of such claim; and (ii) Buyer shall have the sole and exclusive control of the defense and settlement of the claim.

Seller may at its own discretion and expense (a) procure for said Buyer the right to continue using and selling the product or part, (b) replace the product or part with non-infringing apparatus, (c) modify the product or part so it becomes non-infringing, or (d) remove the product and refund the purchase price, the transportation, and installation cost thereof. **IN NO EVENT SHALL SELLER BE LIABLE FOR SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES BASED UPON THE BUYER'S USE OF SELLER'S PRODUCTS, REGARDLESS OF THE THEORY OF LIABILITY. THE FOREGOING STATES THE ENTIRE LIABILITY OF SELLER WITH RESPECT TO INFRINGEMENT OF ANY THIRD PARTY'S PATENT.**

**15. COMPLIANCE WITH LAWS-**Seller will comply with all Federal and State laws and regulations governing Seller's performance. Seller hereby certifies that all products covered by this contract were produced in compliance with (a) all applicable requirements of Sections 6, 7 and 12(a) of the Fair Labor Standards Act of 1938 as amended, and of regulations and orders of the United States Department of Labor issued under Section 14 thereof, and (b) all non-discrimination provisions because of race, color, creed or national origin as set forth in Title VII of Civil Rights Act of 1964 and Executive Order 11246 to insure equality of opportunity in all aspects of employment.

**16. RETURNS-**No product may be returned for credit without the prior written authorization of the Seller. Authorized return shipments must be returned in good order to Seller's factory from which initially shipped, must be accompanied by a packing slip, and must have transportation charges prepaid. Correspondence concerning all returned products should be addressed to our Schaumburg, Illinois office. Seller reserves the right to deduct an adequate service charge to cover inspection, testing and handling from any credit.

**17. REPAIR-**All transportation charges on products returned for repairs are made on an FOB basis, and must be prepaid by the Buyer. Warranty period for all repairs is one (1) year from date of repair.

**18. WEIGHTS AND DIMENSIONS-**Published weights are actual or careful estimates but are not guaranteed. Dimensions in catalogs and quotations are normally accurate but are not to be used for construction. Upon specific request, details for construction purposes will be furnished.

**19. LITERATURE EXPIRATION-**The design and dimensions of a new product are described in the Seller's catalog descriptions. The basis for ordering standard products designed by Seller from Seller is the product catalog edition valid at the time the contract is made. However, design and dimensions information provided in quotations for products actually ordered takes precedence.

**20. SOFTWARE LICENSING-**If the product ordered by the Buyer includes software that was not created or modified by Seller (third-party software), the license requirements of the manufacturer of the third-party software shall apply. Seller will make the third-party software license information available to Buyer if it is not included with the software. The HEIDENHAIN General Conditions of Sale apply to this type of software regarding the delivery relationship between Seller and the Customer.

**21. GOVERNING LAW-**These terms and any dispute or claim relating to these terms or the sale of products ("Claim") shall be governed by and construed under Illinois law, notwithstanding its law of conflicts of law. Any Claim shall be heard, tried, and determined exclusively in the state or federal courts located in Cook County Illinois, USA.

**22.** Any required notices shall be given in writing, to the addresses set forth on the face of this document, or to such other address as either party may substitute by written notice to the other and shall be deemed given upon personal delivery, overnight delivery or three days following deposit in the mail.

**23.** Except as expressly provided herein, no changes or modifications to, or waiver of, any of these terms and conditions shall be valid or binding on either party unless in writing and signed by an authorized representative of each party. Seller's failure or delay to exercise or enforce any of its rights hereunder shall not constitute or be deemed to be a waiver of such rights or forfeiture of such rights, and Seller may, at its option, from time to time, exercise any of its rights or remedies.

**24.** These terms bind Buyer and its successors and permitted assigns.