

General Purchasing Conditions of the TQ Group

relevant for TQ-Systems GmbH, TQ-Components GmbH, TQ-Mechanics GmbH, TQ-Technology GmbH, TQ-Systems International GmbH & Co. KG and TQ-Systems International GmbH & Co.

§ 1 General – Area of validity

Our purchasing conditions shall apply exclusively; we shall not recognise any of the supplier's conditions which are contrary to or different from our own purchasing conditions unless our prior written consent has been given. Our purchasing conditions shall apply, even if we have knowledge of and unconditionally accept supplier conditions which are contrary to or different from our own purchasing conditions.

All agreements made between ourselves and the supplier for the purpose of executing this contract shall be set out in writing in this contract.

Our purchasing conditions apply only in respect of enterprises or public corporate bodies or public separate estates as defined in Section 310 Subsec. 1 German Civil Code (§ 310 Abs. 1 BGB) and they also apply to all future business transacted with the supplier.

§ 2 Tender – Tender documents

The supplier is obliged to accept our order within a maximum 2-week period by binding order confirmation.

We reserve the title and copyright to all diagrams, drawings, calculations and other documents; such documents must not be disclosed to third parties without our express written permission. They shall be used exclusively for the production process on the basis of our order and must be returned to us automatically upon its completion. Confidentiality must be maintained in respect of third parties.

§ 3 Prices – Conditions of payment

The price shown on the order is binding. Any price increases differing from agreed prices as shown on the order require our explicit confirmation in writing. In the absence of a differing written agreement, the price includes delivery (DDP production plant TQ according to INCOTERMS 2000) and packaging. Unless otherwise agreed, provided packaging may be returned at suppliers costs (EXW production plant TQ according to INCOTERMS 2000).

Supplier permanently conducts cost-saving programs targeted on a significant cost-diminishment for the supplied products. TQ and supplier shall benefit on a fifty-fifty basis of all cost saving effects achieved in this regard.

All prices include VAT, which is shown as a separate item at the rate valid on the invoice date.

Invoices can only be processed if they indicate the details stated on our order and the relevant order number; the supplier shall be responsible for any consequences arising as a result of non-compliance with this obligation. Any additional or reduced costs must be indicated as separate invoice item.

Unless otherwise agreed in writing, we shall pay the purchase price less 2% discount within 14 days of delivery and receipt of invoice or within 30 days net. We are entitled to offset and retain as permitted by law. Any payment by us cannot be interpreted as approval of conditions or prices. Date of payment shall be without any influence on Suppliers liability for defects and our respective claim entitlement.

§ 4 Delivery – Delivery Conditions – Quality Assurance

The delivery date shown on the order is binding and therefore guaranteed by the supplier. Supplier undertakes to notify us immediately in writing should any circumstances arise or become known to him which could jeopardise conditional delivery dates. In case of Suppliers responsibility for such delay Supplier must bear any and all suitable additional expenses for express delivery to keep conditional delivery dates.

We shall be entitled to claim legally permissible damages in the event of a delay in delivery. We shall be specifically entitled to claim compensation on the grounds of non-fulfilment if an adequately extended delivery deadline is not met.

Irrespective our preceding claims in case Supplier gets in default with delivery we are entitled to claim a contractual penalty to the amount of 0,5% for each purchase value per business day in delay, but not exceeding a maximum amount of 5% of the purchase value of the respective purchase order. Section 341 subsec. 3 German Civil Code (§ 341 Abs. 3 BGB) shall not apply insofar. Forfeited

penalty clause claims shall be credited against other damage claims in the event of a delay in delivery.

When using shipping advice, delivery or consignment notes, packing slips, invoices etc. Supplier must use and annotate respective order marks, reference numbers and all other declarations required in the order processing context as stipulated by us on all packaging units as well as on the outer packing. Any shipment unacceptable for us due to Suppliers failure to comply with the stated delivery and transport requirements will be stored at Suppliers sole costs and risks. We are allowed to assess contents and state of such shipments. We also reserve refusal of supplied item deliveries not clearly identifiable or wit a date code older than 18 months at Suppliers full risks and costs.

Supplier assures proper supply with spare parts for delivery items for their experiential life cycle. In case of occurring troubles within supply chain, particularly in case of EOL/PCN configurations regarding supplied items, Supplier is obliged to take suitable action in order to ensure proper supply and to duly and promptly inform us insofar. To this end, Supplier undertakes to keep us regularly informed also on any EOL/PCN procedures planned by its sub-contractors. Furthermore Supplier undertakes to inform us of possible substitute products and to provide us uncalled with respective data sheets, samples and any other suitable documentation. In Case of EOL/PCN procedures Supplier must offer to us a last call option on previously agreed commercial conditions.

Supplier must uncalled in due course of time and without additional costs provide us with respective documentation required for purposes of utilisation, assembly, installation, processing, stock-keeping, operation, service, inspection, repair and maintenance of supply items.

Supplier is solely responsible for the quality of all delivered products. This responsibility cannot be suspended by co-ordination of any quality-assuring measures between the Parties. Supplier is bound to the target of 100% error free product delivery and, thus, undertakes to comply with these quality standards by 100% goods issue inspection.

Supplier is fully equipped with a Quality Management System in accordance with ISO EN 9000:2001 or comparable and equivalent Quality Management Systems. Supplier shall provide respective evidence on our demand. Supplier warrants full compliance of the applied production and distribution methods with scientific and technical state-of-the-art as well as with the respective legal provisions. Supplier undertakes to duly inform us previous to changes in manufacturing procedures, material or vendor or drawing parts to enable us to verify harmful effects of such changes on the supply items.

§ 5 Transfer of risk

Unless otherwise agreed in writing, consignments shall be delivered free of charge (DDP production plant TQ according to INCOTERMS 2000).

We have ourselves provided suitable insurance cover against damages or loss in transit. Therefore we will not bear the costs of any transport insurance (Section 21 or 29 ADSp 2003) arranged the Supplier on our behalf. Supplier undertakes to give respective notice to any carrier We are entitled to deduct any unwanted transport insurance costs on this note from Suppliers invoices.

§ 6 Inspection - Warranty

We are obliged to inspect and examine the supplied items within the scope of our regular incoming goods inspection and proper routine for identity, quantity, compliance between single order and supply as well as readily identifiable outer transport damages. Our incoming goods examination for quantity and identity shall only be based on the delivery documentation at hand and the respective labelling on outer package. We are particularly not obliged to perform any technical inspection of incoming goods. We will immediately indicate defects of delivery items as soon as those were observed either by us or by our clients within proper routine. For the rest any applicability of Section 377 German Commercial Code (§ 377 HGB) is excluded.

Supplier undertakes to promptly, but not later than following our notification and respective demand, remove and remedy any

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detected or otherwise notified defect or fault for delivered products. Our statement on notified defects shall be treated in the first instance as sufficient within the scope of such claim. Our claims for deficient performance can be lodged in writing within 20 (twenty) business days – beyond after expiry of such time-limit in case of hidden defects - following transfer of risk.

Processing of claim reports shall be made via debit note to be addressed to the Supplier. Our authorisation for set-off or retain with claims noted on a debit note basis to Suppliers outstanding debits is agreed.

After receipt of our failure report Supplier undertakes to submit an incident statement on a 8D-report basis referring to failure causes, failure investigations, and chosen or implemented permanent corrective actions within a maximum period of 10 (ten) business days. Irrespective any advanced statutory compensation rights we are entitled to demand until full settlement of defects any loss or damages caused by delivery of defect items, in particular costs for appropriate measures in the field of averting danger, costs for handling, testing or sorting etc. – including costs for internal or external test reports issued or arranged by us within the scope of suitable failure investigation, as far as those defects or conformity failures are not demonstrably caused by our fault.

Following our failure report, all stock available at Suppliers and our premises must be inspected at Suppliers expenses. Supplier must bear all material and personnel costs arising from required additional inspections following reported failures; the same shall apply to material verification of vendor parts.

We are unconditionally entitled to all implied statutory warranty, irrespective of which we shall be entitled to opt for repair or new delivery or items demonstrably free of any defects or faults. Respective delivery documentation must, if required, also be promptly adjusted by the Supplier. After fruitless expiration of a fixed suitable period for repair of new delivery we are – at our option – entitled either to withdraw from the respective contract or purchase order or to make a covering purchase or to proportionally reduce the agreed reimbursement. In each and every case we are – inasmuch as legally provided even without a period allotted - entitled to claim refund for any fault-related costs, harms and unavailing expenses. We explicitly reserve all rights to claim compensation due to non-fulfilment.

We reserve the right to take samples according AQL procedures following DIN 2859 or DIN 3951. We are allowed to refuse complete delivery without compensation if the tolerable error rate should be demonstrably exceeded following such AQL procedures. Furthermore we are allowed to refuse complete delivery without compensation if the tolerable error rate of 10 dpm (defects per million) for standard items and 300 dpm (defects per million) for drawing items should be demonstrably exceeded.

Suppliers liability and warranty period is 36 (thirty-six) months, as calculated from transfer of risk, unless longer warranty periods are stipulated by law. In case of failure claims each warranty period shall be prolonged pro rata temporis be the period between our claim and Suppliers effective removal of defects by repair or new delivery. If we chose removal of defects by new delivery, each warranty period referred to the respectively supplied items. Shall re-spawn.

Suppliers liability for defects shall also be extended upon all delivered items supplied to us by its sub-contractors.

We are entitled to all claims according to Section 476 et. al. German Civil Code (§§ 476 ff. BGB) even if a purchase of consumer goods is not subject matter of the contractual relations between Supplier and TQ.

Suppliers liability for defects and other conformity failures remains unaffected by any acceptance of delivered products. In case of delivery of defect products we are entitled to retain payment of an appropriate partial value until full and proper delivery.

§ 7 Product liability – Liability insurance – Export Control – RoHS Compliance

Supplier shall be liable for all personal injury, material damage or loss of property and any other financial loss arising within the scope of proper fulfilment of its duties and being caused by himself or its employees and assistants.

To the extent to which Supplier or its sub-suppliers are found responsible for product damage particularly in terms of the German Product Liability Code (ProdHaftG) or Section 823 et. seq. German Civil Code (§§ 823 BGB), Supplier undertakes to exempt and hold us and our employees upon first request harmless from any claim, liability, loss, damage, judgement, expense and cost inasmuch the respective cause is founded within his domain and organisational procedures and for which Supplier is liable with regard to external agencies.

Under these terms, supplier is furthermore obliged to reimburse our demonstrably incurred necessary expenses as a result of or in

connection with call-back campaigns initiated either at official instigation or at our or our customers request, inasmuch such call-back campaigns have been necessarily carried out by virtue of law or circumstances able to prompt careful merchants to prevent pending losses. We shall notify the Supplier, whenever possible and reasonable, of the nature and extent of call-back campaigns to be carried out, thus giving him the opportunity to comment.

In order to ensure proper fulfilment of our possible compensation claims Supplier is obliged to take out sufficient public and product liability insurance with a suitable flat rate cover of not less than EUR 5.000.000 per claim for damage to persons or property and to maintain this coverage at least until the end of the warranty period of the last purchase order released by us, The insurance coverage must consider an extended product liability insurance (e.g. damage by assembly, blending, processing or finishing as well as installation or removal costs) and additionally and largely cover USA/Canada exporting risks.

Any further damage claims to which we are entitled shall remain unaffected.

Supplier is and remains solely responsible for the full compliance of delivered products or parts of products with national or international export restrictions. In case such export restrictions should apply on delivered products or parts of products, Supplier undertakes proper obtaining of necessary approvals for world-wide exports at its own costs. In case of proven violations of national or international export regulations due to suppliers fault, supplier undertakes to exempt and hold us harmless from any claim, liability, loss, damage, judgement and external responsibility, irrespective their legal ground, and to bear any and all harm, loss or damage arising to our disadvantage in the event of infringement.

Supplier is and remains solely responsible for the full compliance of delivered products or parts of products with the requirements of Directive 2002/95/EG (RoHS) as of 27 January 2003 and all further releases as well as all national regulations issued in execution of this Directive. Therefore all delivered products of parts of products must be suitable and fit for RoHS compliant production. In case of proven violations of national or international RoHS Compliance regulations due to suppliers fault, supplier undertakes to exempt and hold us harmless from any claim, liability, loss, damage, judgement and external responsibility, irrespective their legal ground, and to bear any and all harm, loss or damage arising to our disadvantage in the event of infringement. Supplier undertakes to duly notify us about the earliest possible disposability of RoHS compliant products. As far as products of parts of products cannot be supplied as traceable RoHS compliant after 30th June 2005 we reserve cancellation of blanket or single orders exempt from any charges at our expense.

§8 Copyrights – Industrial and Intellectual Property Rights

We reserve full ownership and all industrial or intellectual property rights, irrespective their legal ground, regarding all illustrations, technical drawings, calculations or any other documentation in relation to contracts or purchase orders and respective deliveries made available by us or otherwise arrived at Suppliers disposal. The aforementioned documentation must therefore not be used, duplicated or made available to third parties for other purposes than stated in the respective contract or purchase order without our prior written permission. Supplier undertakes to use this documentation exclusively for purposes of proper order or delivery processing and to promptly and uncalled return all received information after its completion without retaining any duplications.

Supplier guarantees that all contractually performed deliveries constitute no infringement of copyrights, patent, trademark or any other industrial or intellectual property rights or any other third party

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rights. Supplier therefore undertakes to exempt and hold us and our employees upon first request harmless from any third party claims, irrespective their legal ground. The aforementioned obligation covers all losses, damages, judgements, expenses and reasonably occurring cost arising from such third party claims.

If proper fulfilment of Suppliers obligations is hindered by such third party rights, Supplier must at its option either gather required permission for contractually proper use from the bailee at its own costs, unless such obtaining might result in unreasonable efforts or change replace the delivery product in such a way that third party rights may not be affected though still complying with Suppliers contractual obligations. If Supplier might not be able to find a suitable remedy by using one of the aforementioned alternatives, we are – at our option – entitled either to reduce the agreed compensation or to cancel the respective contract or purchase order and to claim sufficient compensation instead of delivery.

Supplier assumes full liability for all further consequential or incidental loss or damages resulting from any infringement of the aforementioned obligations by the Supplier or its employees or assistants. Suppliers liability is excluded insofar as the respective infringement results from customer-specific defaults or from additional services provided by us.

Supplier possibly possesses industrial or intellectual property rights or copyrights relevant for proper and legal use of the delivery products. With regard to putting into circulation, production and proper legal use of the supplied products, Supplier grants to us, without additional costs, a non-exclusive right of use and enjoyment, including the right of onward transfer to our customers and their respective customers. The aforementioned transfer of rights shall apply world-wide, without functional limitation and for the life-cycle period of the delivered products. Supplier undertakes to bind its

vendors and sub-suppliers to an transfer of rights in our favour equivalent to which has been defined above.

§ 9 Retention of title - Confidentiality

We acquire full ownership regarding each and any items delivered to us by Supplier upon complete payment at the latest.

We shall retain title and unreserved ownership to any parts provided for the Supplier. Supplier shall use and reorganise products on our behalf. Should our retained products be used with other objects which do not belong to us, we shall acquire co-ownership of the new item in line with the pro-rata value of our item in relation to the other objects used at the time.

Should the products we provide be irrevocably combined with other objects which do not belong to us, we shall acquire co-ownership of the new item in line with the pro-rata value of our item in relation to the other combined objects at the time of combination. Should the products be combined in such a way that the item belonging to the supplier is regarded as the main item, it is agreed that the supplier shall transfer co-ownership to us; the supplier shall safeguard sole ownership or co-ownership on our behalf. We shall retain the title to tools; the supplier is obliged to use the tools exclusively for the purpose of manufacturing the products we order.

We undertake to release, at Suppliers request, the securities due to us as far as the value of our securities exceed the purchase price of all unpaid items provided by us by more than 20%; the choice of the securities to be released shall be ours.

We shall retain title and unreserved ownership to any tools provided for the Supplier. Supplier is therefore obliged to insure the tools belonging to us for their replacement value against fire, water and theft at his own cost He is also obliged to carry out any necessary service and maintenance work at his own cost. We must be notified of any faults immediately; damage claims shall remain unaffected should the supplier culpably fail to meet this obligation.

Machinery, tools or any other items provided to us by Supplier on loan basis shall be insured against usual risks. Any further liability for loss or damage of those items, if not caused by intention or gross negligence, will be declined.

Supplier is obliged to treat all diagrams, drawings, calculations and other documentation or information that come into his possession as strictly confidential. They may only be disclosed to third parties with our express permission. Furthermore Supplier must consider all requests or orders as well as respective deliveries as trade secrets

in terms of Section 17 German Unfair Competition Act (§ 17 UWG) and treat accordingly as confidential information. This confidentiality obligation shall continue to apply unlimited also after completion of contracts or purchase orders; it shall lapse if and insofar as the product knowledge contained in the diagrams, drawings, calculations and other documents is in the public domain. Any use of confidential information for Suppliers own purposes beyond the agreed purposes of proper order processing is strictly forbidden. Supplier undertakes to publicise any promotional information, irrespective its nature, regarding our business connection not before our explicit written approval. This obligation particularly refers to any public notification of TQ as reference client. Supplier shall be liable for any and all loss or damages arising from non-compliance with the aforementioned confidentiality obligations.

§ 10 Other provisions

Insofar as the customer is an enterprise or public corporate body of public separate estate following Section 310 Subsec. 1 German Civil Code (§ 310 Abs. 1 BGB) , our principal place of business is the place of jurisdiction as not otherwise and obligatory stipulated by law. We are, however, also entitled to instigate proceedings against the Supplier at his local court.

Unless otherwise indicated in the respective order confirmation, our principal place of business is the place of fulfilment.

Any questions, claims, disputes or litigation arising from or relating to these General Purchasing Conditions will be governed by the substantive and procedural laws of the Federal Republic of Germany to the exclusion of International Private Law and CISG.

Should one or several of the aforementioned conditions be or become invalid, the validity of the remaining conditions will not be affected. The invalid condition shall be replaced by a valid condition which serves the economic purpose allotted to it as well as possible.