

Terms and Conditions of Purchase Order

THIS PURCHASE ORDER (HEREINAFTER THE "ORDER") SHALL BE SUBJECT TO THE TERMS AND CONDITIONS STIPULATED IN THE CLAUSES INDICATED BELOW AND NECESSARY FOR ITS VALIDITY THE ACCEPTANCE OF THE "SELLER" BY SIGNING ACCORDINGLY THE COPY OF THE SAME, ANY CHANGES IN THE TERMS AND CONDITIONS MUST BE MADE IN WRITING AND SIGNED BY THE AUTHORIZED REPRESENTATIVE OF THE "BUYER".

1.- Legal effects of the Order.- For all legal purposes this Order will be considered as a Contract of

Buy-Sell between **Marmon Keystone of Mexico S.A. de México S.A. de C.V.** (hereinafter referred to as buyer) and Seller. Such contract is concluded at the time seller accepts this Order, either expressly or topically and will be governed by the provisions of the Commercial Code and additionally by those of the Federal Civil Code.

2.- Acceptance of the Order.- The Seller shall be deemed to accept this Order as well as all its terms and conditions when the Purchaser receives a copy of such Order, duly signed by the Seller or when the Seller delivers in whole or in part the goods to which the Order itself refers.

3.- Deliveries;- The Seller acknowledges that the delivery of the goods edified by this Order precisely in the quantities and dates indicated by the Buyer is essential for the Buyer's business and is therefore a determining element of the Buyer's willingness to issue this Order. Accordingly, Seller undertakes to fill the parts armed in this Order in accordance with **buyer's** Delivery Program that is delivered to Seller. Notwithstanding the foregoing, Buyer may anticipate Buyer's potential future needs so that Seller may take such precautions as it deems appropriate to meet Buyer's requirements. Seller may at any time modify or suspend buyer's Delivery Program, without en empowering Seller to modify the prices of goods or services covered by this Order. In the event that no quantity or date of delivery has been specified, Seller undertakes to confirm with Buyer such quantities and delivery dates. Deliveries of materials must be made at the Buyer's address indicated in this Order, unless Buyer specifies some other place. Seller agrees that if the delivery of goods is at the Buyer's plant or offices, delivery shall be made within the hours indicated in this Order. However, the buyer reserves the right to collect or withdraw directly the goods in question in the Seller's warehouses or establishments, if desired. Seller acknowledges and agrees to have all deliveries of goods after the requested date canceled if required by Buyer.

4.- Shipments.- The Seller undertakes to ship the goods edified by this Order precisely in the form established therein. Seller undertakes to notify buyer in writing of the goods concerned and to send the corresponding heels and shipping documents (commercial invoice, b/l, awb, quality certificate, certificate of origin, packing list, etc.) within the same day of boarding. If, for lack of such notice or for lack of shipment of the heels or boarding documents, the goods cannot be received in a timely manner by the Buyer, all charges caused by delays in the withdrawal or receipt of the goods shall be on seller's sole expense.

5.- Partial deliveries.- The Purchaser of his choice may accept partial deliveries of goods in terms or deadlines other than those established in its material delivery program.

6.- Deliveries of Excess Goods.- If the Seller delivers goods in excess of the quantities specified in the Buyer's delivery program, the Buyer shall have no obligation to receive them and if he receives them he may at any time return them to the Seller understanding that all shipping and transport costs incurred for such return will be at seller's expense. Seller shall at all times be responsible for all risks and damages that may be suffered by the excess goods it delivered to Buyer.

7.- Special Deliveries.- If the Seller does not comply with buyer's material delivery program, Buyer shall have the right to demand the same delivery by means of a different and more agile transport than originally agreed and the Seller shall reimburse the Purchaser of any costs incurred by such carriage, unless the Seller's failure is in the event of fortuitous or force majeure. If Seller does not comply with a delivery firmly scheduled by Buyer, Buyer shall have the right to require seller's reimbursement of additional expenses at the price agreed with Seller caused by purchasing a domestic or foreign substitute product. Seller shall also cover Buyer's damages caused by its non-compliance. Buyer is authorized to deduct from any payment to Be made to Seller any expenses or costs referred to in this paragraph.

8.- Packaging and Identification.- Seller agrees that all packaging charges for the goods covered by this Order will be solely on its own, unless expressly stated otherwise in this Order. The Seller undertakes to pack to deliver the goods or work covered by this Order in any way as necessary to prevent damage to such goods. Also, Seller undertakes to mark or label packaging in accordance with Buyer's instructions. Unless otherwise provided, the labelling of the goods must be done in accordance with the official Mexican standard [corresponding to the material purchased, in the absence of an applicable standard, shall contain at least the following information:

- a)- Schaeffler part number identification.
- b)- The quantity and unit of measurement containing the pallet, bag, roll, basket, box drum, etc. shall be indicated.
- c)- Instructions for handling and storing goods.
- d)- In the case of chemical materials, the safety sheet of the product shall be essential.

9.- Risks of Loss or Damage.- All risks of loss or damage that may be suffered by the goods referred to in this Order during the transport or handling thereof, will be borne by the Seller until the moment the goods have been delivered at the place of delivery agreed with the Buyer. Seller undertakes to reimburse Buyer for any amount buyer has to pay in the result of the indicated loss or damage.

10.- Quality of the Goods. - Seller undertakes that the goods it supplies to Buyer shall agree and fully comply with the drawings and technical specifications previously provided by buyer, and shall be free from any defects in material and workmanship and shall serve precisely for the purpose intended to be given by Buyer

11.- Inspection of the Goods.- The Seller agrees that the goods or work edrained by this Order shall be delivered subject to inspection by the Purchaser and that such goods shall not be deemed accepted by the Purchaser until the Purchaser has inspected them and issued the corresponding acceptance report. Buyer reserves the right to return such goods if they do not comply with the requirements referred to in paragraph 10, incurring no liability for such return and not having any obligation to pay any amount to Seller as a price or for any other concept.

12.- Rejections of goods.- In the event that the goods or works covered by this Order are not accepted by the Purchaser because they do not comply with the requirements referred to in paragraph 10, the Seller shall be obliged to replenish the same according to the Buyer's specifications. If Buyer accepts and pays the price of goods that subsequently result from defects or that do not conform to Buyer's acceptance specifications, in no event shall it be deemed a waiver of its rights to return the goods or work in question and shall not relieve Seller of its obligation to replenish them if the Purchaser at its option so requests. All expenses arising from the inspection, shipment and delivery to seller of the goods or work returned to him by buyer shall be on seller's sole expense.

13.- Rejections of goods in production process. - In the event that the goods or works covered by this Order are rejected during their incorporation into the Seller's production process (machined, stamped, heat treatment, assembly, etc.) the costs arising in the process (time, machine-operator) will be exclusively borne by the Seller. In the case of castings, the parties acknowledge that the cost is \$2.60 (two dollars 60/100 U.S. legal tender) (hereinafter "USD") per part. This cost will proceed when the defective material exceeds 2% of the total purchase of the calendar month, and has been found during the machining of the parts. Buyer will notify Seller of the amount of these costs through its **Non-Quality Cost report**. Seller's payment of such costs shall not relieve Seller of the obligation to replace the goods, if required by Buyer.

14.- Correction Measures .- In the event that the goods or works eligible for this Order present correctable defects, the Purchaser may at his option:

- a. Ask the Seller to re-perform such work or goods with its own staff.
- b. Perform the same locks or goods, charging the Seller the corresponding costs (at a rate of USD 20.00 per hour of work).
- c. Reject work or goods if deemed appropriate, without freeing Seller from the obligation to replenish them within the acceptance specifications.

15.- Goods Owned by Buyer.- Seller agrees that all tooling, devices, materials, equipment, drawings, technical specifications, etc. provided by Buyer shall be kept by seller at its address indicated in this Order, as a comodato and shall continue to be the property of Buyer, unless otherwise agreed in writing. Such goods shall be described (trade mark, model, serial number, quantity, etc.) in an annex to be signed by both parties. Such goods must be identified as "PROPERTY OF SCHAEFFLER MEXICO S. DE R.L. DE C.V.". Seller will not use such goods if not to perform the work requested by the Purchaser. While Buyer's assets are in Seller's possession or control, will be kept in good condition under the sole responsibility and risk of Seller who in case of loss or damage will cover its cost to buyer immediately, even in case of force majeure or fortuitous case. Seller shall be obliged to return goods owned by Schaeffler México S. de R.L. de C.V. at the time the goods have been delivered as the reason for the purchase, or at the time the Purchaser so requests.

16.- Insurance.- The Seller agrees to allow the Buyer at all times access to the documentation of the first, which proves that the Seller himself has covered in authorized insurance institutions the risks that his company or the goods matter of this Order may take in compliance with this Order. Seller also undertakes to indemnify and protect Buyer against any claim, complaint, loss or damage that Buyer itself or third parties may suffer as a result of the manufacture or defective performance of the goods or work without this Order.

17.- Changes.- The buyer may at any time through a written notice make changes within the general guidelines of this Order in the following lines:

- a. Material drawings, designs and specifications, and
- b. Packaging or shipments .

In the event that any changes requested by Buyer affect the cost of the materials or works covered by this Order, Seller undertakes to notify Buyer in writing within a maximum period of 3 (three) business days for its analysis and authorization

18.- Prices.- Any price change intended by the Seller will require to be justified by means of a cost structure showing the sale price of the elements that make up the goods, accompanying copies of the invoices corresponding to the impacted elements. Requests for price change shall be submitted to Buyer in writing at least 30 days in advance of the date on which they are intended to take effect for study, accompanied by the justification for such change. Seller is obliged not to suspend deliveries of goods in accordance with Buyer's material delivery schedule until an agreement or cancellation is reached where applicable. Arrears to Buyer's Material Delivery Program in case of price modification will be paid at a previous price.

19.- Cancellation of the Purchase Order.- The Purchaser reserves the right to cancel this Order and therefore to terminate the contract that it constitutes without any liability on its part, in the following cases:

- a). If the goods are not delivered to you precisely in the place, form and other conditions set forth in this Order, in which case the Seller will also be liable for any damages caused by its non-compliance to the Buyer.
- b). In the event that any part of the goods or works covered by this Order do not comply with the quality, specifications and other requirements established therein.
- c). In the event of a Contest, suspension of payments or bankruptcy of the Seller.
- d). In the event that the Purchaser is to suspend all or part of its operations due to strikes, stoppages, closures, interventions and in general any fortuitous or force majeure case, or for reasons beyond buyer's control.

20.- Labor Disputes.- Seller agrees to immediately inform Buyer of any actual or potential conflicts that threaten to delay the delivery times set forth in this Order including any important information in this Order. In these cases, Buyer may choose to cancel this Order without liability.

21.- Trademarks, Trade Names, Patents and Copyright. - By accepting or executing this

Order the Seller:

- a) Agrees to defend, indemnify and bring in peace the Purchaser, its assignees, successors and clients against any claims and lawsuits, as well as any damages a resulting from lawsuits or claims for actual, alleged, direct, contributed, or induced violation, relating to any patent or copyright, Mexican or foreign, or any other right protected by Industrial Property Law , on the occasion of the manufacture, use or sale of the goods or work ordered.
- b) You agree not to initiate any claim against Buyer on the basis of the Commercial Code or otherwise, as well as to defend, indemnify and hold buyer, its assignees, successors and customers for any claim, damage or damage, similar in any way related to any claim brought against Seller or Buyer for violation of patents or copyrights or any other rights protected by Industrial Property Law.
- c) Seller agrees that any liability for violations or misuse of trademarks or trade names or any other right protected by Industrial Property Law, whether from the Mexican Republic or abroad that may arise from the manufacture or sale by the Seller or from the purchase and use or resale by the Purchaser of the goods or works covered by this Order and should be defended , indemnify and bring out in peace the Purchaser, its assignees, successors, customers and users of its products against any judgment, claim, damage, damage or demand that they face or suffer for this purpose.
- d) It hereby grants Buyer a non-exclusive, royalty-free, irrevocable license to repair and

have it repaired, to rebuild or have the goods ordered herein rebuilt. Seller hereby assigns to Buyer all right, title and interest in and to copyright in any copyrighted material created or produced by Seller under this Order. The provisions of this Clause shall survive at all times.

22.- Store of Goods by seller.- Buyer reserves the right to ask Seller to postpone the physical delivery of the goods or work covered by this Purchase Order when deemed appropriate and for up to 30 days from the date on which the Seller informs the Purchaser that the goods or work are ready to be delivered. In this case the Seller shall be deemed to be a depository of the goods or work in question as long as the Purchaser does not dispose of or requests the delivery thereof without the Seller having any right to remuneration.

23.- Seller's liability - Seller undertakes to comply with all laws, regulations and governmental provisions of any kind that apply to the

manufacture, sale or transport of the goods or works covered by this Order and agrees that any sanction or liability for violation of such laws, regulations or provisions and any liability arising from the worker-patronial relations with its workers and employees and the contractual relations with subcontractors or suppliers of the Seller will be on its sole account. Likewise, Seller shall be solely liable for any damage or injury to property or persons caused by the personnel at its service

24.- Transfer or Assignment of this Order.- Except for the express written consent of the Purchaser, the Seller may not assign or transfer in whole or in part this Purchase Order and if it does so, the transfer or assignment in question will be null and void and will not produce any legal effect

25.- Jurisdiction.- With regard to the interpretation, compliance and execution of this Purchase Order The Buyer and seller expressly submit to the competent courts of the Mexico City, D.C., waiving any jurisdiction that may correspond to them by any other current or future domicile or for any other reason.

26.- Billing Instructions.- Seller agrees to send to Seller's Accounts Payable care duplicateinvoices, together with the Bill of Lading or any other shipping document for each shipment, stamped and/or signed by our Material Receipt Department in accordance with the instructions made by buyer.

27.- Quality system.- The Seller's quality assurance system must be based on the current QS9000 requirements.

28.- Separation of Provisions.- The provisions of this Agreement are divisible and separable, so in the event that any provision of this Order is declared invalid in accordance with the applicable provisions, the validity and compliance with the remaining provisions shall not be affected or impaired in any way.

29.- Failure to comply with the implied consent with respect to a breach.- Buyer's failure to at any time require Seller to comply with its obligations under this Order shall in no way affect Buyer's right to subsequently claim such compliance from Seller, nor does Buyer consent to a breach of a particular provision of this Order shall constitute Buyer's consent to any further breach of it or any other provision.

30.- Full Understanding.- This Order, together with its Annexes and any other documents referred to in the same Order, constitute the full understanding between Seller and Buyer, and supersede any prior or contemporaries of any prior or contemporaries between the parties hereof in relation to the subject matter thereof, whether verbal or written.

31.- Headings and Titles.- The headings and titles of the various Clauses and subsections of this Order are for the purpose of mere reference and in no way may modify or affect the meaning or interpretation of any of the terms or provisions of this Order.

32.- Other.- If there is no special arrangement with the Seller, the goods will be received only from 7:30 to 15:00 hours from Monday to Friday.