

MANN+HUMMEL USA, INC.

MANN+HUMMEL Purolator Filters LLC.

Terms and Conditions of Purchasing



1. Relevant Regulations

These Terms and Conditions of Purchasing and associated documents are issued on behalf of the MANN+HUMMEL USA, INC. / MANN+HUMMEL Purolator Filters LLC. identified on the face of a Scheduling Agreement, Purchase Order, and/or Releases ("Purchase Orders") as "MANN+HUMMEL" and apply to all orders issued to Supplier for parts and materials for production and non-production goods and services ("Supplies"). Purchase Orders and other associated purchasing documents as identified by MANN+HUMMEL including but not limited to MANN+HUMMEL's quality assurance agreement, terms of use of MANN+HUMMEL's supplier portal and management manual will be valid without signature by Supplier or MANN+HUMMEL if issued by MANN+HUMMEL through its computer system or other electronic means. MANN+HUMMEL hereby gives notice of its objection to and rejection of any additional terms and conditions of MANN+HUMMEL, whether or not conflicting with these Terms and Conditions of Purchasing.

2. Offer and Acceptance

2.1. A Purchase Order is an offer to Supplier by MANN+HUMMEL to enter into the purchase and supply agreement it describes. Supplier's commencement of performance or preparation to perform or Supplier's Acknowledgement of Purchase Order will constitute acceptance of the offer. Supplier's quotation is not an offer. MANN+HUMMEL may cancel a Purchase Order for cause if at any time Supplier fails to immediately provide an unconditional written acceptance of a Purchase Order upon MANN+HUMMEL's written request.

2.2. Once accepted, such Purchase Order together with these Terms and Conditions of Purchasing will be the complete and exclusive statement of the purchase agreement. Any modifications proposed by Supplier are not part of the agreement in the absence of MANN+HUMMEL's written acceptance.

3. Modifications

3.1. MANN+HUMMEL, at any time, by way of written notice to Supplier, may change the design (including drawings, materials and specifications), processing, method of packing and shipping, and the date or place of delivery of the Supplies and Supplier shall provide prompt firm written offers and advice as to the effect of any proposed or required changes on the Supplies, deliveries and other obligations of Supplier.

3.2. If any such change affects cost or timing, MANN+HUMMEL shall adjust the purchase price and delivery schedules equitably upon written request by Supplier made prior to the making of the change.

3.3. Supplier shall not make any change in the design, processing, packing, shipping or date or place of delivery or otherwise of the Supplies, unless done pursuant to MANN+HUMMEL's written change order approval. Any performance by Supplier without a written change order is a waiver of any right to an equitable adjustment.

4. Quality, Environment and Documentation

4.1. Suppliers of parts and materials for production shall provide Supplies in accordance with MANN+HUMMEL's quality standard, a current, valid version of ISO9001 and/or ISO/TS16949 and/or its applicable supplements and/or VDA 6.1. The following regulations shall apply for the delivery of production material. Changes to these regulations in individual cases must be made in writing from MANN+HUMMEL.

4.2. Supplier shall maintain or develop a quality management system based on a current, valid version of ISO/TS 16949 in the version as applicable from time to time. Certificates from an accredited office or second party certification and equal QM systems, such as VDA Volume 6, Part 1, may be approved after prior review on MANN+HUMMEL's part. Supplier shall provide MANN+HUMMEL with a copy of the current certificate and after expiry of the validity date of such certificate shall send MANN+HUMMEL a new certificate with further requests. Supplier must promptly notify MANN+HUMMEL if the certificate is revoked.

4.3. Prototyping shall be performed by Supplier in accordance with "Quality Assurance of Supplies" (VDA Document, Volume 2) and/or according to AIAG PPAP (Edition 4) in their most current versions. In addition to prototyping, Supplier shall enter all material data in the material database IMDS (International Material Data System: <http://www.mdssystem.com>); the approved and accepted IMDS entry of all relevant material data is part of and prerequisite for approval of the prototypes.

4.4. Regardless of a successful test based on sampling, Supplier must constantly check the quality of delivery items and must perform re-qualification tests on a regular basis. Supplier shall keep MANN+HUMMEL informed of the possibilities of further quality improvement.

4.5. Supplier shall comply with any and all applicable environmental protection laws. Continuous improvement of operational environmental protection and the avoidance of environmental pollution by Supplier shall be ensured by systems installed and maintained according to generally accepted industry practices and law.

4.6. When making deliveries within the European Union, Supplier shall be obligated to comply with the requirements of Regulation (EC) No. 1907/2006 of the European Parliament and of the Council dated December 18, 2006, concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH). Supplies that do not fully comply with the requirements of REACH must not be supplied to us.

5. Bailed Property

Supplier bears all responsibility for loss of and damage to any property owned by MANN+HUMMEL and possessed by Supplier for use in performing a Purchase Order, including responsibility for loss and damage which occur despite Supplier's exercise of reasonable care, but excluding normal wear and tear. Supplier shall properly house and maintain such property on Supplier's premises, prominently mark it property of MANN+HUMMEL, refrain from commingling it with the property of Supplier or with that of a third party, not use such property for any purpose

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other than the performance of MANN+HUMMEL's Purchase Orders, not move such property from Supplier's premises without MANN+HUMMEL's prior written approval and adequately insure such property against loss or damage. MANN+HUMMEL has the right to enter Supplier's premises at reasonable times to inspect such property and Supplier's records pertaining thereto. Where permitted by law, Supplier waives any lien that Supplier might otherwise have on any of MANN+HUMMEL's property for work done thereon or otherwise. Supplier shall assign to MANN+HUMMEL any claims Supplier has against third parties with respect to MANN+HUMMEL's property. Upon request, Supplier immediately will deliver such property at MANN+HUMMEL's option F.O.B. Carrier Supplier's facility (Ex Works Loaded) or F.O.B. MANN+HUMMEL's premises (CIF MANN+HUMMEL's Plant/Delivered MANN+HUMMEL's Plant), properly packed and marked in accordance with the requirements of the carrier and MANN+HUMMEL.

6. Delivery Dates and Releases

With respect to Supplier's performance under the Terms and Conditions of Purchasing, time is of the essence. If delivery dates are not specified in a Purchase Order, Supplier shall procure materials and fabricate, assemble, and ship Supplies or provide services only as authorized in shipment releases issued to Supplier by MANN+HUMMEL. MANN+HUMMEL may return over shipments to Supplier at Supplier's risk and expense for all packing, handling, sorting, and transportation. MANN+HUMMEL, at any time may change or temporarily suspend without cost to MANN+HUMMEL shipping schedules specified in a Purchase Order or shipment release or other written instructions issued by MANN+HUMMEL pursuant to this Section. Should Supplier not meet the agreed-upon delivery dates and deadlines, Supplier shall be deemed in default without a reminder being required, provided that a certain date has been directly or indirectly stipulated within the scope of such agreed-upon delivery dates or deadlines. In case of default, MANN+HUMMEL shall be entitled, after the expiry of a reasonable grace period set by MANN+HUMMEL, to have the service owed by Supplier rendered by a third party at Supplier's cost and expense, or to rescind the contract, or to demand compensation for the damages incurred. Supplier shall be obligated to reimburse MANN+HUMMEL for any and all extra costs incurred as a result of delayed delivery. In the event of a culpable deviation from the delivery and packaging provisions, or in the event of early delivery or excess delivery, MANN+HUMMEL shall be entitled at its option to claim additional expenditure for logistics in the amount of \$200.00 (which right shall not affect MANN+HUMMEL's right to prove even higher damages in individual cases).

7. Packing, Marking and Shipping

7.1. Supplier shall pack, mark and ship Supplies in accordance with all applicable packaging standards of MANN+HUMMEL and, as appropriate, the carrier transporting such Supplies. MANN+HUMMEL's packaging standards for Supplies shipped to all destinations are available upon request. Supplier shall ensure that any third parties that supply packaging for MANN+HUMMEL's Supplies shall comply with such standards. Supplier shall reimburse MANN+HUMMEL for all expenses incurred by

MANN+HUMMEL as a result of improper packing, marking, routing, or shipping.

7.2. Upon request, Supplier shall consult with MANN+HUMMEL with regard to packing, marking, routing, and shipping to help MANN+HUMMEL to secure the most economical transportation rates.

7.3. Supplier shall not charge separately for packing, marking, or shipping, or for materials used therein unless MANN+HUMMEL specifies in writing that it will reimburse Supplier for such charges.

7.4. MANN+HUMMEL may require shipment of any of the Supplies by a more expeditious method of transportation if Supplier fails to meet the shipping requirements of a Purchase Order and Supplier will bear the cost difference of such transportation unless such failure is solely due to the fault of MANN+HUMMEL.

8. Shipping Documents

8.1. Supplier shall conform in all respects to MANN+HUMMEL's applicable shipping requirements.

8.2. Applicable delivery terms and title transfer are defined in the Purchase Order. The delivery terms applying to each Purchase Order will be stated thereon and on any other such documents as are referenced on the relevant order. If they are not so defined each shipment shall be made DDU destination with risk of loss passing upon receipt at the final destination.

8.3. For Supplies shipped to North American destinations, Supplier shall obtain a straight bill of lading from the carrier of the Supplies and will include on each packing slip and bill of lading the number of the relevant Purchase Order and the destination address.

Supplier shall include a numbered master packing slip with each shipment. For shipments of less than a full carload or truckload, the slip will be included in one of the packages, which will be marked "Packing Slip Inside." In full carload and truckload shipments the master packing slip will be enclosed in an unsealed envelope that is affixed near the door on the inside of the freight vehicles. Supplier shall retain the original bill of lading for three years from the date of shipment unless otherwise directed by the traffic manager at the destination facility.

8.4. For each international shipment, Supplier shall comply with the customs invoicing and documentation requirements of the destination country. Supplier shall include a priced invoice (if required), the master packing slip, and proof of origin, and upon request will furnish all other documentation required for export from Supplier's country or import into MANN+HUMMEL's country. Any and all benefits or credits resulting from a Purchase Order with MANN+HUMMEL including but not limited to trade credits, export credits, customs drawbacks, rebate of taxes, fees, etc., shall belong to MANN+HUMMEL (unless otherwise stated on a Purchase Order or a country's practice is to let credits remain with Supplier). Supplier upon request shall furnish all documents required to obtain the foregoing benefits and credits and shall identify the country of origin of the materials used in the Supplies

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- and the value added thereto in each country. Additional customs information is available upon request from MANN+HUMMEL's customs department in the destination country.
- 9. Inspection**
- 9.1. MANN+HUMMEL at its option may reject and return at Supplier's risk and expense, or retain and correct, Supplies that fail to conform to the requirements of a Purchase Order even if the nonconformity does not become apparent until the manufacturing or processing stage. If MANN+HUMMEL elects to correct the Supplies, it shall consult with Supplier prior to MANN+HUMMEL's decision on the method of correction. Supplier shall reimburse MANN+HUMMEL for all reasonable expenses resulting from rejection or correction.
- 10. Invoices and Payment**
- 10.1. Supplier shall perform in accordance with all applicable payment guidelines provided by MANN+HUMMEL which cover invoiced items.
- 10.2. Payment terms will be as specified in the relevant Purchase Order. Subject to timely receipt of invoices and required documentation, unless otherwise stated, payment terms are Net 60 after receipt of conforming Supplies.
- 10.3. All Supplier's accounts with MANN+HUMMEL will be administered on a net settlement basis and that MANN+HUMMEL may set off debits and credits against any of Supplier's accounts regardless of the Purchase Orders or contracts from which such debits or credits arise.
- 11. Supplier's Master Data**
- 11.1. The prerequisite for entering into a business relationship with a Supplier is that such Supplier has a DUNS number. An order can only be placed with Suppliers who, at the time of ordering, are registered with MANN+HUMMEL's supplier portal with Supplier's DUNS number.
- 11.2. The master data of MANN+HUMMEL's Suppliers is managed through the supplier portal. Supplier shall keep its data in the portal always up to date. The Supplier shall verify its datasets at least once per year.
- 12. Service and Replacement Parts**
- At MANN+HUMMEL's request, Supplier shall sell to MANN+HUMMEL the Supplies of a Purchase Order for production parts or components necessary to fulfill MANN+HUMMEL's current model service and replacement requirements for such Supplies for ten years after mass production at the prices specified in the Purchase Order plus any actual cost differential for packaging.
- 13. Applicable Taxes**
- 13.1. The total price specified for Supplies on a Purchase Order includes all elements of freight, duty and tax as specified in the relevant delivery term with the exception of value added tax (VAT), if applicable, which will be shown separately on Supplier's invoice.
- 13.2. For Supplies to be provided to U.S. destinations by U.S. suppliers, most purchases will be covered by Sections 13.3 and 13.4. If not covered by such provisions, Supplier shall include sales or use tax if Supplier is licensed to do so by the tax authorities of the destination state. Supplier must identify the sales or use tax on Supplier's invoice as a separate item.
- 13.3. For production Supplies shipped to U.S. destinations or services to be provided in the U.S., Supplier shall not charge to MANN+HUMMEL state or local sales or use taxes on such production Supplies and services. MANN+HUMMEL shall use such Supplies for resale or in industrial processing or manufacturing or will attach them to taxable goods for sale.
- 13.4. Supplier shall not charge to MANN+HUMMEL sales or use taxes on purchases of prototype, experimental or non-production Supplies that are delivered to MANN+HUMMEL in states in which MANN+HUMMEL has a direct pay permit.
- 14. Warranty**
- 14.1. Supplier warrants that Supplies shall, during the warranty period specified conform to the applicable drawings, specifications, or other description furnished pursuant to the Purchase Order, comply with law and regulations in force in jurisdictions where the Supplies or vehicles or other end products equipped with the Supplies are to be sold, be free of defects in design (to the extent that Supplier furnished the design), materials, and workmanship and be merchantable and suitable for the purpose intended.
- 14.2. In case of delivery of non-conforming or defective Supplies, Supplier shall be obligated to either, at MANN+HUMMEL's own option and notwithstanding MANN+HUMMEL's other legal remedies, promptly remove the defect or non-conformity free of charge or deliver Supplies that are free of defects or non-conformities (including in each case incidental and consequential expenses), or to grant a reasonable discount. Should Supplier be unable to do so, or should Supplier fail to promptly comply with such obligation, MANN+HUMMEL may rescind the contract and return the Supplies to Supplier at Supplier's own risk and cost. Moreover, Supplier shall perform reasonable analyses and corrections to remove the cause of the defect or non-conformity in order to prevent such defect from reoccurring. In urgent cases, MANN+HUMMEL is entitled to remove or have the defects or non-conformities removed at Supplier's cost and expense, notwithstanding MANN+HUMMEL's other claims. The costs incurred in acting under this Section shall be borne by Supplier. Should Supplier repeatedly deliver defective Supplies or should he repeatedly provide effective services, MANN+HUMMEL shall be entitled, after a written warning, to rescind the contract even in respect of deliveries that have not yet been made if Supplier continues to make defective deliveries or provide defective services. In addition, Supplier shall be obligated to reimburse any and all pertinent costs for repairs or for the replacement of defective Supplies (including transportation, handling, sorting, installation, demounting, material, and labor costs). For each handling of a warranty case, Supplier

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- shall be obligated, in addition to damages to which MANN+HUMMEL may be entitled to under these Terms and Conditions of Purchasing or applicable law, insofar as Supplier is responsible for the defect, to pay liquidated damages in the amount of \$200.00.
- 14.3. Supplier shall be obligated to pay for the damages, including any consequential damages, incurred directly or indirectly as a result of a defective delivery or for any other reasons attributable to Supplier. Supplier shall defend, indemnify and hold MANN+HUMMEL harmless in respect of the cost of recall campaigns and other corrective service actions that, in MANN+HUMMEL's reasonable judgment, are required to rectify nonconformities in the Supplies that are the result of a breach of the foregoing warranty.
- 14.4. The warranty period for Supplies installed on new vehicles produced by MANN+HUMMEL will continue for the same period as the new vehicle warranty period in the country in which the vehicle is sold. For Supplies purchased by MANN+HUMMEL as service and replacement parts, the warranty period will be the greater of twelve months from delivery to end customer or the remainder of the warranty period on the vehicle on which the part is installed as a service or replacement part. MANN+HUMMEL will provide the list of applicable warranty periods to Supplier upon request. The minimum warranty period for production and replacement of Supplies is 12 months.
- 14.5. The warranty period for non-production and replacement Supplies shall be the greater of one year after final acceptance by MANN+HUMMEL or the period specified on MANN+HUMMEL's Purchase Order.
- 14.6. Should MANN+HUMMEL assume any obligation vis-à-vis MANN+HUMMEL's customers in MANN+HUMMEL's capacity as supplier, which obligation would result in a longer or further liability for defects or warranty, Supplier shall be obligated to have such regulation also apply to Supplier after prior written notification and as of the time of such notification.
- 15. Defense and Indemnity**
- 15.1. At MANN+HUMMEL's request, Supplier shall defend all claims (including lawsuits, administrative claims, and other proceedings to recover for personal injury or death, property damage, or economic losses) that are related in any way to Supplier's performance or obligations under a Purchase Order, including claims based in whole or in part on Supplier's breach of warranty, claims arising out of or related to work performed by Supplier, its employees or subcontractors on MANN+HUMMEL's premises and claims for any related violations of any law, ordinance or regulation. To the full extent permitted by applicable law, Supplier shall indemnify MANN+HUMMEL, its directors, officers and employees and authorized dealers for all expenses (including attorney fees, settlements, and judgments) incurred by MANN+HUMMEL in connection with such claims. Supplier's obligation to defend and indemnify under this Section shall apply regardless of whether the claim arises in tort, negligence, contract, warranty, strict liability or otherwise except for claims that arise as a result of the sole negligence of MANN+HUMMEL.
- 15.2. If Supplier provides services to MANN+HUMMEL on MANN+HUMMEL's premises, Supplier will examine the premises to determine whether they are safe for such services and will advise MANN+HUMMEL promptly of any situation it deems to be unsafe. Supplier's employees, contractors and agents will not possess, use, sell or transfer illegal drugs, medically unauthorized drugs or controlled substances, or unauthorized alcohol, and will not be under the influence of alcohol or drugs on MANN+HUMMEL's premises.
- 15.3. Supplier shall furnish and maintain for itself and/or its subcontractors at all times during the course of the performance of the Purchase Order policies of insurance as the following. Covering the legal liability of Supplier and/or its subcontractors under the Workmen's Compensation and Occupational Disease Law of the state in which the work is to be performed, including coverage where required by statute for employer's liability in an amount of not less than \$500,000 each accident. Comprehensive General Liability insurance with bodily injury limits not less than \$1,000,000 each occurrence/\$2,000,000 aggregate, including coverage for the Supplies/completed operations hazard and contractual liability. Comprehensive General Liability insurance with property damage limits not less than \$1,000,000 each occurrence/\$2,000,000 aggregate, including coverage for the Supplies/completed operations hazard and contractual liability. Complete operations/product liability coverage on an occurrence basis and recall liability on an occurrence basis.
- 15.4. Before starting work on MANN+HUMMEL's premises, Supplier shall furnish to MANN+HUMMEL two copies of a certificate from Supplier's insurance carrier acceptable to MANN+HUMMEL, that policies of insurance have been issued by it to Supplier providing for the insurance listed above in Subsection 15.3 and that such policies are in force. If such certificate recites that it is subject to any exceptions contained in the policy of insurance, such exceptions shall be stated in full in said certificate and MANN+HUMMEL may in its discretion require Supplier before starting work to obtain policies of insurance which are not subject to any exceptions which MANN+HUMMEL finds objectionable.
- 16. Title, Engineering Drawings and Specifications**
- 16.1. Any documents produced or acquired by Supplier under a Purchase Order shall belong to MANN+HUMMEL. Any engineering drawing that Supplier is required to prepare and furnish to MANN+HUMMEL shall conform to the requirements of the computer aided design standards of MANN+HUMMEL. Supplier shall transfer all such rights to MANN+HUMMEL.
- 16.2. All drawings, know-how, and confidential information supplied to Supplier by MANN+HUMMEL and all rights therein shall remain the property of MANN+HUMMEL and will be kept confidential by Supplier in accordance with Section 18.6. Supplier is licensed to use MANN+HUMMEL's drawings, know-how, and confidential information only for the purpose of fulfilling its obligations under a Purchase Order. In addition to the obligations of Section 18.6, Supplier shall not disclose such drawings to

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third parties unless this is required for Supplier to fulfill its duties under a Purchase Order. Supplier shall inform MANN+HUMMEL in writing of any third parties to whom Supplier subcontracts any of the work required under a Purchase Order specifying in detail the work, which has been subcontracted to such third party. Supplier shall ensure that any third party to whom Supplier subcontracts any of the work hereunder is bound by all the terms and conditions relating to such work to which Supplier is bound under a Purchase Order.

17. Infringement and Proprietary Rights

17.1. Supplier at its expense shall defend, indemnify and hold MANN+HUMMEL harmless with respect to every claim that may be brought against MANN+HUMMEL or others that use the Supplies of a Purchase Order on behalf of MANN+HUMMEL, for any alleged infringement of any present or future patent, copyright, industrial design right or other proprietary right based on Supplier's activity under a Purchase Order, or the manufacture, sale, or use of the Supplies either alone, in combination by reason of their content, design or structure or in combination in accordance with Supplier's recommendations. Supplier shall investigate and defend or otherwise handle every such claim, and at MANN+HUMMEL's request, assist MANN+HUMMEL in MANN+HUMMEL's investigation, defense, or handling of any such claim. Supplier will pay all expenses and damages or settlement amounts that MANN+HUMMEL and others selling MANN+HUMMEL's Supplies or using the Supplies of a Purchase Order on behalf of MANN+HUMMEL may sustain by reason of each such indemnified claim. Supplier's obligations shall apply even though MANN+HUMMEL furnishes all or any portion of the design and specifies all or any portion of the processing used by Supplier.

17.2. Supplier shall neither assert nor transfer to another a right to assert against MANN+HUMMEL or customers or suppliers thereof, any intellectual property right of Supplier that is applicable to any works of authorship furnished to MANN+HUMMEL in the course of Supplier's activity hereunder.

17.3. Supplier shall not sell or otherwise dispose of any product that incorporates any trademark, patentable invention, copyright work, industrial design or other matter the subject of any intellectual property right of MANN+HUMMEL to any party other than MANN+HUMMEL except where specifically authorized by MANN+HUMMEL in writing.

18. Information and Data

18.1. Supplier shall furnish to MANN+HUMMEL, or another party designated by MANN+HUMMEL, without restrictions on use or disclosure, all information and data Supplier acquires or develops in the course of Supplier's activities under a Purchase Order. At MANN+HUMMEL's request, Supplier also shall discuss with MANN+HUMMEL or another party designated by MANN+HUMMEL, without restrictions on use or disclosure, any potential design, quality, or manufacturing problems with Supplies Supplier worked on or produced pursuant to a Purchase Order.

18.2. At MANN+HUMMEL's request, Supplier shall furnish to MANN+HUMMEL all other information and data of

Supplier which MANN+HUMMEL deems necessary to understand the operation and to maintain the Supplies delivered under a Purchase Order, and to understand and apply the information and data of Section 18.1 hereof, with no restrictions on use other than Supplier's patent rights.

18.3. With respect to inventions which Supplier conceives or first reduces to practice in the course of Supplier's activities under a Purchase Order, Supplier grants to MANN+HUMMEL a permanent, paid-up, nonexclusive, worldwide license, with a right to sublicense others, to make, have made, use, have used and sell manufactures, compositions and machines, and use and have used processes, covered by patents on such inventions.

18.4. Supplier grants to MANN+HUMMEL a permanent, paid-up, nonexclusive, worldwide license, including a license to any operating software incorporated into the Supplies to make, have made, use, have used and sell the Supplies of a Purchase Order or derivatives thereof under any other patents now or hereafter owned or controlled by Supplier which are deemed necessary by MANN+HUMMEL to exercise the license of Section 18.3 in the manufacture, use or sale of vehicles manufactured by or for MANN+HUMMEL.

18.5. Supplier grants to MANN+HUMMEL and agrees to grant to any affiliate of MANN+HUMMEL designated by MANN+HUMMEL a nonexclusive license, on reasonable terms and conditions, to make, have made, use, have used and sell under any other patents now or hereafter owned or controlled by Supplier which cover any application of the technology embodied in the information or data Supplier acquires or develops in the course of Supplier's activities under a Purchase Order.

18.6. Unless otherwise indicated in writing by MANN+HUMMEL, Supplier shall use reasonable care to prevent disclosing to others and shall use only for the benefit of MANN+HUMMEL the technical information and data furnished by MANN+HUMMEL or developed or acquired by Supplier in its performance under a Purchase Order, prior development agreement or early sourcing agreement for Supplies related to or using such technical information or data and information relating to any portion of MANN+HUMMEL's business that Supplier may acquire in the course of Supplier's activities under a Purchase Order, prior development agreement or early sourcing agreement. This obligation shall continue so long as any Purchase Order for Supplies related to or using such technical information or data is in effect and for a period of two years thereafter. This obligation shall not apply to information that is or becomes publicly known through no fault of Supplier. Nevertheless, Supplier may disclose the information and data of this Subsections to third parties if required for Supplier to fulfill its duties under a Purchase Order and such third parties have agreed in writing for the benefit of MANN+HUMMEL and Supplier to conditions at least as stringent as those contained herein.

18.7. All technical information and data disclosed heretofore and hereafter by Supplier to MANN+HUMMEL in connection with Supplies of a Purchase Order are disclosed on a non-confidential basis.

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19. Copyrights

- 19.1. Any work of authorship created by Supplier or Supplier's employees under a Purchase Order which is specially ordered or commissioned by MANN+HUMMEL shall be considered as a "work made for hire" and all copyrights for such works of authorship will belong to MANN+HUMMEL.
- 19.2. In the event any portion of any work of authorship created by Supplier in performing the services under a Purchase Order does not qualify as "work made for hire", Supplier hereby assigns or, if Supplier has failed to previously secure ownership of all copyrights in such portion, shall obtain title and assign all copyrights to such work to MANN+HUMMEL.
- 19.3. All such works of authorship will bear a valid copyright notice designating MANN+HUMMEL as the copyright owner, for example, "Copyright © 20XX, MANN+HUMMEL USA, INC."
- 19.4. Supplier hereby grants to MANN+HUMMEL a permanent, nonexclusive, paid-up, worldwide license, with a right to grant a sublicense to any affiliate of MANN+HUMMEL, under each copyright it owns and controls or has the right to license, in each work of authorship fixed in any tangible medium of expression furnished by Supplier to MANN+HUMMEL or its designee pursuant to a Purchase Order, to use such work, to reproduce such work, to prepare derivative works, to distribute copies of such work to the public, and to perform and display such work publicly.

20. Subcontracts

In each subcontract of Supplier's performance of obligations pursuant to a Purchase Order, Supplier shall obtain for MANN+HUMMEL the rights and licenses granted in Sections 15,17, and 18, and, if applicable, Section 29.

21. Advertising

Any reference to MANN+HUMMEL or any of its affiliates or use of MANN+HUMMEL's trademarks or logos by Supplier in Supplier's advertising or publicity materials shall comply with MANN+HUMMEL's Publicity/Advertising Guidelines.

22. Audit Rights

MANN+HUMMEL shall have the right at any reasonable time to send its authorized representatives to examine all pertinent documents and materials in the possession or under the control of Supplier relating to any of Supplier's obligations under a Purchase Order or any payments requested by Supplier pursuant to a Purchase Order. Supplier shall maintain all pertinent books and records relating to a Purchase Order for a period of two years after completion of services or delivery of Supplies pursuant to that Purchase Order.

23. Assignment

Supplier shall not assign all of its substantive duties under a Purchase Order without MANN+HUMMEL's written approval. Supplier will provide MANN+HUMMEL with reasonable advance written notice of any assignment of Supplier's right to receive payment under a Purchase

Order. Any such assignment shall not prohibit MANN+HUMMEL from enforcing any of its rights against the assignee. MANN+HUMMEL shall have the right to assign any benefit or duty under a Purchase Order to any third party upon notice to Supplier.

24. Excusable Delays

Neither MANN+HUMMEL nor Supplier shall be liable for a failure to perform that arises from causes or events beyond its reasonable control and without its fault or negligence, including labor disputes of their subcontractors. The party claiming the excusable delay shall give notice in writing as soon as possible after the occurrence of the cause relied on and after termination of the condition. In the event of an excusable delay in performance, MANN+HUMMEL at its option may acquire possession of all finished Supplies, work in process, and parts and materials produced or acquired for the performance under a Purchase Order, and Supplier shall deliver such articles to MANN+HUMMEL, at MANN+HUMMEL's option, Supplier's facility (Ex Works Loaded) or F.O.B. MANN+HUMMEL's facility (CIF MANN+HUMMEL's Plant/Delivered MANN+HUMMEL's Plant). MANN+HUMMEL may also obtain the Supplies covered by a Purchase Order elsewhere for the duration of the impediment and a reasonable period thereafter. Prior to the expiration of any directly related labor contract of Supplier, Supplier at its expense will take such actions as Supplier may reasonably determine to ensure the uninterrupted production of Supplies for a period of 60 days for MANN+HUMMEL during any anticipated labor disruption or slowdown at Supplier or its subcontractors resulting from the expiration of the labor contract.

25. Remedies and Waiver

The individual remedies reserved in a Purchase Order are in addition to any remedies provided by law. No waiver of any breach of any provision of a Purchase Order shall constitute a waiver of any other breach of such or any other provisions.

26. Termination

26.1. Unless a Purchase Order specifically states otherwise, MANN+HUMMEL may terminate its purchase obligations under a Purchase Order, in whole or in part, at any time by a written notice of termination to Supplier. MANN+HUMMEL will have such right of termination notwithstanding the existence of an excusable delay of Section 24.

26.2. Upon receipt of the notice of termination, Supplier, unless otherwise directed by MANN+HUMMEL, shall terminate promptly all work under a Purchase Order, transfer title and deliver to MANN+HUMMEL the finished work, the work in process, and the parts and materials which Supplier produced or acquired in accordance with a Purchase Order and which Supplier cannot use in producing Supplies for itself or for others, verify/settle all claims by subcontractors for actual costs that are rendered unrecoverable by such termination and provided the recovery of materials in Supplier's possession is ensured and take actions reasonably necessary to protect property in Supplier's possession in which MANN+HUMMEL has an interest until disposal instruction from MANN+HUMMEL has been received.

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26.3. Upon termination by MANN+HUMMEL under this Section, MANN+HUMMEL's obligation to Supplier shall be the Purchase Order price for all finished work and completed services which conform to the requirements of a Purchase Order, Supplier's actual cost of the work in process and parts and materials transferred to MANN+HUMMEL in accordance with Subsection 26.2 hereof, Supplier's actual cost of settling the claims by subcontractors and Supplier's actual cost of carrying out its obligations, but MANN+HUMMEL's obligations shall not exceed those MANN+HUMMEL would have had to Supplier in the absence of termination.

26.4. Supplier shall furnish to MANN+HUMMEL, within one month after the effective date of termination, Supplier's termination claim, which must consist exclusively of the items of MANN+HUMMEL's obligation to Supplier that are listed in Subsection 26.3 hereof. MANN+HUMMEL may audit Supplier's records, before or subsequent to payment, to verify amounts requested in Supplier's termination claim.

26.5. MANN+HUMMEL will have no obligation to Supplier under Subsections 26.1, 26.2, 26.3 or 26.4 above if MANN+HUMMEL terminates its purchase obligations of a Purchase Order because of default by Supplier.

27. Applicable Law and Arbitration

27.1. A Purchase Order shall be governed by the law of MANN+HUMMEL's principal place of business without regard to conflict of laws provisions thereof, and litigation arising under or related to a Purchase Order shall be brought only in that jurisdiction. For MANN+HUMMEL USA, INC., a Michigan corporation and any U.S. subsidiary, joint venture or other operation located in the U.S., the principal place of business will be deemed to be Michigan. The U.N. Convention for the International Sale of Goods is expressly excluded.

27.2. If either party initiates litigation on such contractual causes, the other party shall have the right to initiate mediation and binding arbitration in accordance with the Model Procedure for Mediation of Business Disputes of the Center for Public Resources and, in the case of arbitration, the CPR Rules for Non-Administered Arbitration of Business Disputes ("CPR"). Each party will bear equally the costs of the mediation and arbitration.

27.3. The parties shall jointly appoint a mutually acceptable mediator or arbitrator, seeking assistance in such regard from CPR, as appropriate, if they have been unable to agree upon such appointment within 20 days.

27.4. The parties shall participate in good faith in the mediation and negotiations related thereto for a period of 30 days. If the parties are not successful in resolving the dispute through the mediation, then the parties shall submit the matter to binding arbitration by a sole arbitrator in accordance with the CPR Rules for Non-Administered Arbitration of Business Disputes.

27.5. Unless otherwise agreed by the parties in writing, mediation or arbitration involving MANN+HUMMEL USA, INC. and any U.S. subsidiary, joint venture or other

operation located in the U.S. shall take place in English in the City of Dearborn, Michigan and this Section 27 is subject to the Federal Arbitration Act, 9 U.S.C.A. §1 et seq., and judgment upon the award rendered by the arbitrator, if any, may be entered by any U.S. court having jurisdiction thereof.

27.6. Equitable remedies shall be available in any arbitration. Punitive and exemplary damages shall not be awarded.

Supplemental Provisions Applicable to Tooling and Machines

28. Order

If MANN+HUMMEL issues a Purchase Order for tooling or machines, Supplier will design and fabricate, rework, or acquire from such sources as MANN+HUMMEL has given prior approval, ship to MANN+HUMMEL, and install the machines, tools, dies, fixtures, molds, or patterns, described in such Purchase Order, subject to the terms and conditions contained herein. Technical specifications and/or guidelines are to be provided Supplier. Supplier must conform to these provided specifications unless deviation approval is provided to Supplier in writing from MANN+HUMMEL. Supplier is to provide documented acknowledgement of Purchase Orders within three working days of receipt.

29. Samples and Status

Supplier shall, at its own expense, manufacture a reasonable number of sample parts on the Capital Equipment for inspection anchor testing by MANN+HUMMEL to ensure the capability of the Capital Equipment to produce parts which meet MANN+HUMMEL's quality standard. In addition to all other Supplier's obligations, to the extent technically feasible, the Capital Equipment shall be designed and fabricated to be sufficiently durable to support the manufacture of all production and service requirements through the production lifetime of the part and also permit the production of MANN+HUMMEL's subsequent service-only requirements. The Capital Equipment shall be deemed to be completed when the necessary samples have been submitted and approved by MANN+HUMMEL. MANN+HUMMEL may request Supplier to furnish semi-monthly (or more frequently at MANN+HUMMEL's option) status reports on the manufacture and acquisition of the Capital Equipment. Each status report shall identify the Capital Equipment, identify the subcontractors working on the Capital Equipment, and designate the percentage of completion of the work. Supplier shall notify MANN+HUMMEL immediately upon becoming aware that the Capital Equipment may not be completed by the completion date specified on the Capital Equipment Purchase Order and Supplier shall furnish to MANN+HUMMEL a schedule of the actions that Supplier will take, at Supplier's expense, to achieve completion on the specified completion date.

30. Terms of Acceptance

Acceptance of Capital Equipment shall be based primarily on demonstration that the purchased Supplies meet all requirements including safety, capacity, capability, repeatability, reliability and quality as outlined in the equipment statement of requirements developed and

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agreed upon prior to business award. Acceptance criteria will be coordinated and tied to the payment milestones and encompassed in four main project stages design approval, proof of receipt of major components required for the project, function equipment trial and final acceptance

31. Title and Identification

All right, title, and interest in and to any part of the Capital Equipment shall pass to MANN+HUMMEL as soon as it is acquired or fabricated in accordance with a Capital Equipment Purchase Order. All Capital Equipment in the possession of Supplier shall be deemed to be bailed property of MANN+HUMMEL. Supplier shall properly house and maintain such property on Supplier's premises, prominently mark it "Property of MANN+HUMMEL", refrain from commingling it with the property of Supplier or with that of a third party and adequately insure it against loss or damage. Supplier shall indemnify MANN+HUMMEL against any claim adverse to MANN+HUMMEL's ownership of the Capital Equipment, except as such claims may result from any acts or omissions of MANN+HUMMEL. To the extent permitted by law, Supplier waives its right to object to the repossession of the Capital Equipment by MANN+HUMMEL in the event Supplier is involved in bankruptcy proceedings. While in its possession, Supplier, at Supplier's expense, shall maintain the Capital Equipment in first class condition and immediately replace any items which are lost or destroyed or become worn out. All repaired or replaced Capital Equipment shall be the property of MANN+HUMMEL. Correction and repair of the Capital Equipment is Supplier's responsibility. Capital Equipment shall not be removed from Supplier's premises without MANN+HUMMEL's written consent. Supplier shall keep such records in relation to the Capital Equipment as MANN+HUMMEL may reasonably require. None of the Capital Equipment shall be used in the production, manufacture or design of any goods or materials except to the order of MANN+HUMMEL. Supplier shall not sell or otherwise dispose of any product using MANN+HUMMEL's Capital Equipment to any party other than MANN+HUMMEL except where specifically authorized by MANN+HUMMEL in writing. Supplier's responsibility continues beyond the expiry date of the related Purchase Order for Supplies. If the Capital Equipment is not utilized to produce any Supplies for MANN+HUMMEL for a period of two years, Supplier shall so notify MANN+HUMMEL and request instructions as to the disposition of the Capital Equipment. If Supplier subcontracts all or any portion of the manufacture of the Capital Equipment, Supplier shall so notify MANN+HUMMEL in advance and obtain for MANN+HUMMEL all of the rights contained in this Section 30 from each such subcontractor used by Supplier.

32. Invoices and Payment

32.1. Payment for Capital Equipment will be made in accordance with MANN+HUMMEL's standard/normal payment terms unless stated otherwise on the Purchase Order. Supplier agrees to transfer of ownership of capital equipment based on the following payment milestones as set forth in the following progress payment structure. Standard payment terms for Capital Equipment are listed in Subsections below.

32.1.1. Fifteen (15%) percent of the total cost of the order on completion of designs and surface files approval. Design files with all 3-D data in an agreed upon commercial CAD format and bill of materials must be supplied to MANN+HUMMEL prior to release of funds.

32.1.2. Twenty (20%) percent of the total cost of the order upon supplier's providing proof of receipt of major components and materials that include but are not limited to, hot runners, mold or machine bases, PLC and other high value components and materials corresponding to a specific order. All components for use in M+H capital equipment must be kept in accordance to section 30 (Title & Identification).

32.1.3. Twenty-five (25%) percent of the total cost of order upon successful functional equipment trials as specified in the statement of requirements.

32.1.4. Forty (40%) percent of the total cost of order upon final acceptance, run at rate or completion of parts to print requirement as set forth in the statement of requirements for that project.

32.2. If a Purchase Order designates that it is noncompetitively placed or based on affordable targets, MANN+HUMMEL's payment obligation shall be no more than the specified maximum, if any, for Supplier's actual cost for purchased materials and services (including purchased tooling and portions thereof) and Supplier's actual cost for direct labor and overhead. Supplier shall establish a reasonable accounting system that enables ready identification of Supplier's cost. Penalty for non-fulfillment applies should the final acceptance be after the agreed due date, MANN+HUMMEL is entitled to deduct one percent (1%) for each entire week of delay, however, not exceeding five percent (5%) of the total selling price.

32.3. An incentive of one-half percent (0.5%) applies for each entire week delivery and final acceptance occurs prior to the agreed date(s), not exceeding two and one-half percent (2.5%) of the sell price minus shipping, etc. This Subsection 32.3 applies only if specifically included on the Purchase Order.

33. Warranty and Production Equipment

The warranty period for the Capital Equipment ordered is 9,000 hours, maximum 24 months, calculated from the date of final acceptance. For the duration of the warranty, a correct operating availability of ninety-eight percent (98%) is required based on a time frame of a calendar month. Should this availability not be achieved, Supplier shall take measures to reach this guaranteed value. If the measures taken are unsuccessful, the following mode will apply. For each one-half percent (0.5%) short fall of the guaranteed values, guarantee time will be extended for three months, but not to exceed a maximum of 12 months.

34. Service Guarantee

Supplier is to respond to requests for service assistance on Capital Equipment in a timely manner. Unless otherwise agreed Supplier's representative must arrive within four hours in the time when contacted between Monday 8:00a.m. and Saturday 12:00p.m. If the

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request for service assistance is received between Saturday 12:00p.m. and Sunday 24:00p.m. or on holidays, Supplier's representative must arrive no later than 8:00a.m. on the following work day.

35. Tooling Audits

Tooling costs will be submitted to MANN+HUMMEL's customer for approval within their guidelines. Payment may be delayed pending receipt of such approvals. MANN+HUMMEL USA, INC. / MANN+HUMMEL Purolator Filters LLC. reserves the right to perform audits to verify actual Capital Equipment costs.