



**General Conditions of Sale and Purchase of
MOTORENFABRIK HATZ GmbH & Co. KG, Ruhstorf a.d. Rott
(hereinafter called: "Hatz")
Updated 1st May 2009**

To be applied upon conclusion of any contract with commercially acting companies (hereinafter called: "Purchaser").

DECISIVE STIPULATIONS

All deliveries and services of Hatz are based on these Terms and Conditions and - if appropriate - on separate contractual agreements. Any deviating, contrary or complementary purchasing conditions of the Purchaser shall not become part of the agreement, not even by acceptance of the order. Purchasing conditions of the Purchaser shall especially also not be applicable if the Purchaser refers to his/her terms and conditions in business transactions, e. g. in an order, and Hatz does not contradict explicitly in the specific case.

I. OFFERS

Offers are subject to confirmation and are normally submitted free of charge. Further offers and design work are only free of charge if a supply agreement is brought about and maintained in a legally effective fashion.

II. CONCLUSION OF CONTRACT

1. The contract shall come about upon the confirmation of the order by Hatz; this applies also if the confirmation deviates from the order in some items or defines additional items, unless the Purchaser objects to the order confirmation within 8 days after dispatch and if the Purchaser has been informed about the significance of its conduct.
2. The written order confirmation by Hatz shall especially be decisive for the type and scope of the delivery, of packaging and means of dispatch. This, as well as any subsequent agreements laid down in writing between the Parties, is/are assumed to be complete.



III. DELIVERY DATE AND DELIVERY PERIOD

1. Unless a certain delivery date (calendar day or calendar week) has been specified in the order confirmation, the delivery period specified there in weeks/months) shall commence with the date of order confirmation, not, however, before the submission of the documents, approvals, releases to be provided by the Purchaser, and before receipt of any down payment which may have been agreed upon. If nothing else is agreed, Hatz shall deliver as soon as possible.
2. The delivery date and the delivery period shall be considered as having been complied with if the item to be delivered has exited the works or the delivery warehouse of Hatz at the latest 14 days after expiry of the delivery period, or if Hatz have advised readiness for shipment.
3. The delivery date or the delivery period shall be extended reasonably in case of occurrence of unforeseeable obstacles for which Hatz cannot be held responsible, no matter if they have occurred at Hatz's or at Hatz's subcontractors' - e.g. operational breakdowns, delays in delivery of material by subcontractors, strikes, cases of Force Majeure etc.
4. If shipment of the item to be delivered is delayed at the Purchasers' request, he/she shall be invoiced, starting one month as of notification of the goods' readiness for shipment, for the reasonable costs incurred for storage in our factory or in the delivery warehouse. However, upon notification of the readiness for shipment and expiry without effect of a reasonable period for delivery call-off, Hatz shall also be entitled to dispose otherwise of the item to be delivered.

IV. TRANSFER OF RISK AND OBLIGATION TO RECEIVE THE GOODS

1. Unless otherwise agreed in the order confirmation, Hatz shall deliver ex factory and the Purchaser shall organize the transport, bear the transport costs and the risk of accidental deterioration, impairment or delay as of receipt by Hatz's forwarding agent of the item to be delivered; this shall apply no matter whether Hatz deliver ex Ruhstorf factory, ex external delivery warehouse or in parts, or whether Hatz have assumed additional services. At the Purchaser's request, delivery is insured at his/her costs against risks to be named by him/her.
2. If shipment is delayed due to circumstances for which Hatz shall not be held liable, the risk passes to the Purchaser as soon as Hatz have advised the goods' readiness for delivery.
3. Items delivered, even if they show not only negligible defects, must be received by the Purchaser.
4. Part deliveries are admissible.



V. PRICE AND PAYMENT

1. The agreed prices shall apply; failing such, the prices on the Hatz price list valid on conclusion of the contract shall apply.
2. The prices shall apply ex factory (if applicable, ex external delivery warehouse), packaging, transport, insurance and legal VAT not being included. The invoice amount shall be payable net without deduction within 30 days after the date of invoice, unless the Parties have stipulated a different due date; invoicing shall be effected simultaneously with delivery or notification of the readiness for delivery.
3. If the Purchaser gets into default, Hatz shall be entitled to invoice interest on arrears to the amount of the credit costs Hatz have to pay themselves or at a rate of 8% above the currently applicable base rate. Any costs incurred, including legal costs arising for Hatz from the collection of their claims, shall be borne by the Purchaser. This shall apply notwithstanding the right to claim further legal damages.
4. Retention and setoff on the part of the Purchaser are only admissible against claims which have either been acknowledged by Hatz or which are established with legal effect.

VI. RESERVATION OF TITLE

1. Hatz reserve the title to all deliveries until the Purchaser has paid all - also future - claims arising from the business relationship, especially also a possible current account balance. This also applies if the purchase price for certain deliveries of goods designated by the Purchaser has been paid.
2. The Purchaser shall be entitled, excluding any other right of sale, to resale of the reserved goods in the course of his/her regular business operations. In this case, the following shall apply:
 - 2.1 The reservation of title shall extend to the products generated by processing, mixing or connecting the items delivered by Hatz for their full value, with Hatz being considered as manufacturer. If in case of processing, mixing or connection with goods of third parties, the latter's right of ownership is maintained, Hatz shall acquire co-ownership in the ratio of the invoice amounts of the processed, mixed or connected item to be delivered. In all other respects, the product being generated shall be subject to the same provisions as the goods supplied subject to the reservation of title.
 - 2.2 The Purchaser shall assign to us at this time, as security, the claims against third parties arising from the resale of the item to be delivered or product in total or to the extent of any co-ownership of Hatz. Hatz accepts this assignment.
 - 2.3 The Purchaser shall remain entitled, in addition to Hatz, to collect the claim unless he/she gets into default.



2.4 At the request of Hatz, the assignments must be communicated to the third-party debtors, all information shall be given to Hatz which is required to assert the assigned claims, and the documents in question must be supplied. However, the right to resale only applies if it is ensured that the claim resulting from the sales contract pursuant to item 2.1 passes to Hatz.

3. The Purchaser shall inform Hatz immediately and in writing about any seizure of the product or of the assigned claims or of other demands asserted against him/her thereupon by third parties.

4. Hatz are under obligation to release the securities to which they are entitled according to sect. 1-2 at Hatz's choice to the extent that their value exceeds their claims by more than 10%.

5. The Purchaser shall be obliged to treat the product carefully and insure it against all the usual risks incl. the risk of loss of receivables outstanding from the resale. The Purchaser shall assign to Hatz at this time the claim to the insurance benefit versus the Insurer.

6. If the Purchaser does not fulfil his/her payment and other obligations resulting from the reservation of title punctually, if he/she ceases to pay or if court composition proceedings or bankruptcy proceedings are instituted against his/her assets, the entire residual debt shall become due, even to the extent that bills with a subsequent maturity are involved. If the entire residual debt is not paid immediately, the right granted to the Purchaser until this time to collect his/her claims assigned to us in his/her own name shall expire.

7. The costs resulting from assertion of the rights of reservation of title shall be borne by the Purchaser.

8. In the case of means of payment which are only credited subject to receipt or the right to revoke, or which charge Hatz on honouring with a contingent liability, Hatz's rights to a reservation of title shall remain until the reservation of title or the contingency liability ceases to exist.

VII. WARRANTY AND LIABILITY FOR DEFECTS

1. Hatz undertake to provide warranty for defects of the item to be delivered which exist at the time of transfer of risk, subject to the following provisions. There shall be no claims for damages due to only marginal deviations from the agreed quality or only marginal impairment of serviceability.



2. The Purchaser shall be obligated to inspect on receipt the items delivered for damage occurred in transport and - if applicable - to notify Hatz thereof immediately. In all other respects, Hatz shall also be notified in writing about defects in the items delivered immediately after their having been noticed. This also applies in case the

Purchaser installs the item delivered, and/or resells it to a final customer, as soon as the Purchaser has been informed by the final customer about such defects.

3. HATZ shall remedy defects at choice either by themselves, via their subsidiaries or via service stations (repair) or provide replacement for the faulty item to be delivered. This also applies to cases in which the customer resells the item to be delivered to a final customer directly or after installation. In these cases, Hatz shall be entitled to take over the Customer's warranty versus the final customer (= using the item to be delivered) and shall thus be exempted from its own obligations towards the Customer upon elimination of the defect. This applies accordingly if the Purchaser's final customer contacts Hatz or a service station directly with a claim for damages based on defect. The Purchaser shall surrender replaced parts to Hatz, or cause them to be surrendered. The parties agree at this time that the ownership in the replaced parts is to pass to Hatz.

4. Claims based on defects do not cover natural wear and tear and damage due to improper use of the item to be delivered, especially improper maintenance, or to external influences. This also includes excessive strain, incorrect installation conditions and inappropriate consumables, faulty assembly and / or commissioning, chemical, electrochemical, electrical, electromagnetic, electronic and corrosive effects. Hatz cannot be held liable for damage which is due to the use of parts which are not original Hatz parts.

5. To the extent that HATZ performs repair work on the item to be delivered and the Purchaser's request for elimination of defects proves to have been unjustified as there was no warranty case, the Purchaser shall bear the costs of the repair. The request for elimination of defects is unjustified if the Purchaser has recognized or has failed to recognize negligently that there is no fault, but that the reason for the symptom which suggests the defect is within his own scope of responsibilities.

6. The Purchaser shall grant Hatz the required time and opportunity to perform all repairs and deliveries of spare parts considered to be necessary to remedy the damage. If the period of time is too short, this shall be extended as is appropriate.

7. If interventions or modifications - also in terms of elimination of defects - are taken or caused to be taken by the Purchaser (self-action) without the approval of Hatz, all claims based on defects on the Purchaser's part shall become void. This shall not apply if the intervention of the Purchaser or of third parties only serves to determine the defect or if the defect has not been caused or aggravated thereby, and if the determination of the cause of defect and remedy by Hatz has not been aggravated substantially by this.



8. Claims for damages based on defects for Hatz products (new engines, reconditioned engines (= replacement engines), spare parts, components, assemblies, connecting rods) shall be time-barred after a period of 12 months after delivery. or - in the case of engines - after max. 2,000 operating hours, depending on which condition is met first, unless the Parties have agreed on different stipulations in writing in specific cases. In the case of spare part deliveries, only replacement deliveries can be claimed if defects occur on the spare part.

9. In case of defects on parts Hatz have received from third-party subcontractors, Hatz shall assign their warranty claims against the subcontractor to the Purchaser who can assert them against the subcontractor with priority. If the subcontractor does not acknowledge the claim as justified, Hatz shall be held subsidiarily liable.

10. If repair or replacement delivery fails altogether, the Purchaser is entitled, after setting an appropriate period of grace, to demand at his/her choice a reduction of the remuneration or to rescind the contract.

11. Further claims on the part of the Purchaser against Hatz in conjunction with defects are ruled out on principle, unless agreed explicitly in these Conditions of Sale and Purchase or in other individual agreements.

VIII. DELAY

1. If Hatz cannot comply with delivery dates and deadlines for reasons for which Hatz cannot be held responsible, Hatz shall inform the Purchaser and communicate to him/her a new delivery date. To the extent that performance is not possible within the new delivery period either, both Parties are entitled to rescind the contract. Hatz shall especially not be responsible for delayed deliveries if Hatz have not been supplied by a subcontractor in time or in cases of Force Majeure (such as strike, fire, acts of God).

2. If Hatz is responsible for the delay, Hatz shall pay compensation for damages to the Purchaser in accordance with the legal stipulations; however, claims for damages against Hatz shall be, in cases of slight negligence, limited to max. 0.5% of the value of the goods for each commenced week of delay in delivery. In all the other respects, item X.2, sentence 2, shall also apply for damage due to default.

IX. RIGHT TO RESCIND THE CONTRACT

1. The Purchaser can rescind the contract if in case of defects, subsequent performance fails finally, if the entire performance before the transfer of risk becomes finally impossible for Hatz or if in case of orders of uniform items, execution of a part of the delivery (quantity) becomes impossible and if the Purchaser has a legitimate interest in rejection of a part shipment; failing this, the Purchaser is entitled to reduce the remuneration accordingly. In all the other respects, item VII.10 shall apply.



2. In case the prerequisites for rescission of the contract exist, the Purchaser shall declare on Hatz's request within a reasonable period of time whether he/she rescinds the contract or insists on the performance.

3. Hatz shall be entitled to rescind the contract if the Purchaser infringes on essential contractual obligations despite a reminder or if unforeseeable events change the economic significance or the contents of the performance in an unreasonable fashion or prevent Hatz from performing.

4. Hatz are also entitled to limit rescission to a part of the contract.

X. CLAIMS FOR DAMAGES

1. Hatz shall only be liable for damages in case of intent or gross negligence of their owner, their legal representatives, their executives or vicarious agents.

2. In case of simple negligence, Hatz shall only be liable for damage which relates to effects on health, human injury or loss of life and for damage resulting from the infringement on an essential contractual obligation, however, limited to the foreseeable damage which might typically be expected; however, loss of profit and indirect damage shall not be eligible for compensation. In the case of slight negligence, claims for damages shall be limited to max. 5% of the order value, unless the foreseeable damage typical for such contracts exceeds this amount. These limitations of liability shall not apply in case of mandatory liability, in case of malice or on acceptance of a warranty (a warranty must be designated explicitly in writing as such in individual cases).

3. All cases of mandatory liability shall be subject to the legal period of prescription.

XI. PRODUCT LIABILITY

1. The Purchaser shall inform Hatz of all cases about which he/she is informed which might give rise to liability under the aspect of product liability, especially cases in which a Hatz product has caused bodily injury or property damage or in which damage has occurred in the use of a Hatz product according to its intended purpose. The duty to furnish information shall also apply with respect to all claims which may be asserted by third parties referring to product liability on account of Hatz products against the Purchaser himself/herself, regarding all statutory warnings or written notices directed to the Purchaser, and other knowledge of risks which might arise in the use of Hatz products.

2. At the request of Hatz, the Purchaser shall take all precautions to prevent or reduce any damage, and corrective action at the expense of Hatz to a reasonable extent, or cooperate in them. Hatz shall be required to decide which measures they consider to be adequate and necessary to comply with their obligations as manufacturer.



3. Costs for measures performed by the Purchaser without authorization shall only be refunded to him by Hatz if danger was ensuing and to the extent that Hatz would have been obligated due to product liability to take appropriate measures versus the final customer and the measures specifically performed had been necessary.

XII. USE OF SOFTWARE

1. To the extent that software is included in the scope of supplies, the Purchaser is granted the non-exclusive right to use the software supplied, including its documentation, to the extent that this is necessary for utilization of the item to be delivered and to permit his/her final customer's utilization thereof to the same extent. The Purchaser is not permitted to use the software independently of the item to be delivered nor to make modifications thereof, to grant appropriate rights of use to third parties, nor to perform reproductions.

2. The Purchaser undertakes not to remove or to change labels of the producer - especially copyright statements - without the prior explicit consent of the supplier.

3. All the other rights regarding the software and its documentation shall remain with Hatz or the software provider.

XIII. SECRECY

1. Hatz and the Purchaser are obligated to keep secret all commercial and technical information which is not in the public domain and which becomes known to them via the other Party in the scope of the business relationships. To the extent that staff or contractors must obtain such information mandatorily in order to be able to perform the contract, they must also be obligated in writing to keep it secret.

2. This obligation shall apply for the duration of the business relationships as well as after termination of the contract.

3. Documents, models, samples, tools, drawings, design drawings, material data and other objects and documents must not be surrendered or otherwise made accessible to unauthorized third parties. Reproduction of such objects is only admissible in the scope of the operational requirements and the copyright regulations.



XIV. PLACE OF PERFORMANCE AND VENUE

1. Place of performance of the mutual contractual obligations in the commercial course of business shall be Ruhstorf a.d. Rott.
2. Passau shall always be the legal venue for all disputes arising from the supply contract in business transactions in case of claims against Hatz; in case of claims against the Purchaser, legal venue shall be, at the choice of Hatz, either Passau or the place of residence/business of the debtor.

XV. FINAL PROVISIONS

1. The law of the Federal Republic of Germany shall apply (also in case of deliveries abroad), except the United Nations Convention on Contracts for the International Sale of Goods (CISG), Vienna, and the provisions of German international private law.
2. The possible invalidity of individual conditions shall not affect the validity of the remaining conditions. The Parties to the contract shall be obligated to replace the ineffective clause by a stipulation of as equivalent economic effect as possible.
3. If the Parties have not made any stipulations on individual questions or theme complexes, the gap is to be filled by a reasonable stipulation which is as close as possible, as far as legally feasible, to what the Parties would have intended had they considered this item at the time of concluding the specific delivery contract. If the supposed intent of the Parties cannot be ascertained, the legal provisions shall apply to the extent that they are not opposed by these Conditions of Sale and Purchase issued by Hatz.
4. To be valid, all agreements, amendments and supplements to this contract as well as collateral agreements shall be made in writing. This also applies to amendments and completions of this stipulation of written form as such. The requirement of written form shall be considered as satisfied by an email.
5. The Manufacturer's declaration in accordance with the Directive 98/37 EC Annex IIB is enclosed with these General Terms and Conditions as Annex 1. As of 29 December 2009 (date of effect of the Directive 2006/42/EC), the declaration for installation for incomplete machines within the meaning of Art. 13 of the Directive or the declaration of conformity within the meaning of Art. 5 I(e), Annex II, Part 1 Section A of the Directive shall be enclosed with the operating manual of the machine in question as Annex. The assembly instructions for the incomplete machine in acc. with Annex IV of the Directive 2006/42/EC shall be enclosed with the machines in the language of the contract/of negotiations which, at the same time, is one of the official languages of the EU (German, English or French).



ANNEX 1

MANUFACTURER'S DECLARATION WITHIN THE MEANING OF THE EC MACHINERY DIRECTIVE 98 / 37 / EC, ANNEX IIB

Hatz herewith declares that the engines are partially intended for installation into a machine / assembly with other machines to form a machine. In this case, commissioning thereof is prohibited until it has been ascertained that the machine into which these engines are to be installed corresponds to the stipulations of the EC Directive as amended 98 / 37 / EC.

MOTORENFABRIK HATZ GmbH & Co. KG, Ruhstorf a.d. Rott