

# TERMS AND CONDITIONS OF SALE

**Cone Drive Operations Inc.**  
**240 E. 12<sup>th</sup> Street, P.O. Box 272**  
**Traverse City, MI 49685-0272**

**1. APPLICABILITY –**

1.1 These terms and conditions of sale (the "Terms and Conditions") are applicable to all quotations for the sale or orders for the purchase of gear boxes, gears, spare parts and other equipment or goods (the "Products") made by or for Cone Drive Operations, Inc., 240 E 12<sup>th</sup> Street, Traverse City, Michigan, USA ("Company").

1.2 Unless otherwise stated by Company, written quotations are valid for 30 days from the date of quotation. All price lists and discounts are subject to change without notice.

1.3 All orders placed by the Buyer are subject to written acceptance by the Company. No contract between Buyer and the Company shall exist prior to the time of such acceptance by the Company.

1.4 These Terms and Conditions supersede all prior written terms, understandings, purchase orders, assurances and offers. Any different or additional terms or conditions issued by Buyer in connection with any order, or request for quote are expressly rejected by Company. Company shall not be deemed to have waived these Terms and Conditions if it fails to object to the conditions appearing in or attached to any purchasing document issued by Buyer. Buyer's acceptance of the Products or services furnished by the Company shall constitute its acceptance of these Terms and Conditions.

**2. PRICE & SHIPPING DATES –**

2.1 All orders must be bona fide commitments showing a complete description of equipment, quantity, price, and shipping dates requested by the Buyer.

2.2 Timely performance by Company is contingent upon Buyer supplying to Company, when applicable, all required technical information and data, including drawing approvals, and all required commercial documentation. Shipping dates are subject to final confirmation or change by the Company and are based on prompt receipt of all necessary information regarding the order. Unless otherwise indicated, all delivery dates specified by the Company are estimated time frames and time is not of the essence in Company's performance of the sale of the Products.

2.3 If shipment is delayed for twenty-five (25) days or more from the delivery date accepted by the Company for reasons not attributable to the Company, Company may, in addition to and not in lieu of pursuing other available legal and equitable remedies, (a) invoice Buyer for such Products and Buyer shall remit payment thereon pursuant to these Terms and Conditions; and (b) place the Products in suitable storage at the sole risk and cost of Buyer, until such time as Buyer directs shipment of the Products.

3. **PAYMENT** – Terms of payment are net 30 days from the date of invoice unless otherwise agreed in writing. Late payments may be subject to interest on the unpaid balance at the greater of 2% per month or the maximum rate permitted by law. No deductions or set-offs are to be made by Buyer from amounts due unless specifically authorized by the Company in writing. Credit terms are subject to periodic review and adjustment by Company's Credit Department.

4. **TAXES** – The Company's prices do not include sales, use, excise taxes, tariffs, duties or value added or similar taxes or fees. The Company will add such taxes or fees to the invoice unless the Buyer provides the Company with a tax-exempt certificate acceptable to the applicable taxing authorities or arranges payment of such taxes or fees directly by the Buyer.

**5. WARRANTY –**

5.1 **New Product**

Company warrants the Products shall be free of defects in material and workmanship and meet the Product specifications for the period specified below, and beginning on the earlier of (a) the date of shipment; and (b) the date of shipment stated on the face of Company's order acknowledgement:

Product Type	Warranty
Cone Drive standard and modified standard products; Model HP, Model HP-A, Model RG, Series LE, P and W products, Duodrive, Extruderdrive, Cone Helical Worm and Stainless Steel Worm.	5 Years
Cone Drive Series B and Series S products, Slew Drives, Slew Bearings, Low and Zero Backlash Products.	2 Years
All stand alone gearsets, special or engineered products, or any products not specified as standard including any units with non-standard coatings for corrosion claims.	1 Year
Harmonic Solutions	1 Year

5.2 **Repair and Refurbishment - Cone Drive Product**

Company warrants the Products shall be free of defects in material and workmanship and meet the Product specifications for a period from the date of shipment as specified below:

Code	Cone Drive Product	Warranty
R1	Full Rebuild (Standard and Modified Standard) – Replace gearset, gearshafts, bearings, seals and shims.	5 Years
R2	Partial Rebuild (Standard and Modified Standard) – Replace gearset, bearings, seals and shims.	5 Years
R3	Preventative Maintenance – Replace bearings, seals and shims.	1 Year – Replaced components only.

R4	Conversion – Including but not limited to change model, hand of assembly, ratio, bore, motor frame.	Balance of Original Warranty.
R5	Full or Partial Rebuild of Low and Zero Backlash Products, special or engineered products or any products not specified as standard including any units with non-standard coatings for corrosion claims. Refurbishment of standalone gearsets.	1 Year

5.3 **Repair and Refurbishment - Non Cone Drive Product**

Company warrants that its services shall be carried out with reasonable skill and care. Company warrants only that product, parts and components of its manufacture or design shall be of merchantable quality at the time of shipment and free from defects in material, workmanship and fabrication for THREE YEARS from the date of shipment on overhauled drives and OEM parts. In cases of extreme duty applications, the warranty will be expressly defined by the Company in writing.

5.4 Repair or refurbishment by Company shall not imply that Buyer's equipment, parts or components conform to as-new assembly or performance conditions or tolerances or meet any requirement that the equipment was not originally designed and manufactured to meet. On repair orders, Company shall have no obligations, responsibility or liability for inspection or performance of any work, replacement or repair beyond that which is specifically directed by Buyer and confirmed by Company. On refurbishment orders, Company shall not be responsible for latent or other defects or deficiencies in Buyer's equipment. The scope of work, pricing and recommendations of Company in any proposal or quotation are subject to change upon inspection or disassembly of Buyers equipment. Failure of Buyer to follow the recommendations or instructions of Company for repair or refurbishment voids any warranty whatsoever by Company.

5.5 Notwithstanding the warranty periods listed above, the warranty on normal wear items such as oil seals is limited to one year. The warranties for motors, brakes, couplings and all other add on items shall be the warranties provided by, and shall be the responsibility of, the original equipment manufacturer. The Company is not responsible for and does not warrant (a) equipment, components and/or material furnished by the Buyer; (b) the sufficiency or functionality of any design specifications furnished by Buyer; nor shall Company be liable for defects or damages arising from the foregoing. Notwithstanding any other provision in these Terms and Conditions, none of the warranties given by the Company shall apply to products manufactured by others and sold by the Company. Buyer will at its own expense arrange for any dismantling and reassembly of any goods and equipment and the provision of all equipment (including without limitation lifting equipment and crane-age) to the extent that this is necessary to remedy the defect or facilitate re-performance of services.

Unless otherwise agreed, necessary transport of the Products and/or parts thereof to and from Company in connection with the remedying of defects will be at the risk and expense of Buyer. Buyer will follow Company's instructions regarding such transport.

Unless otherwise agreed, Buyer will bear any additional costs which Company incurs as a result of the Products being located in a place other than the place of delivery.

Defective parts which have been replaced will be made available to Company and will be its property.

5.6 Any claims under this warranty must be made in writing to the Company at the address set forth above within thirty (30) days of the discovery thereof. The Company's obligation under this warranty shall be limited to the repair or replacement, at the Company's option, of the Product, or any part thereof, when the Company has determined the Product is not as warranted; any Product or parts repaired or replaced pursuant to this warranty will be warranted for the remainder of the original warranty period. The Company shall not be responsible for any claims which the Company determines are due to improper installation, operation above rated capacity, operation at extreme conditions, normal wear and tear, accident, or because the Product has been used, adjusted, altered, handled, maintained, repaired or stored other than as directed by the Company.

5.7 This warranty shall not apply in the event of defects caused by: (i) physical abuse of the Products or any component, or acts of vandalism by any persons other than Company; (ii) alterations, modifications, additions, or repairs made during the applicable warranty period by anyone other than Company, and its authorized employees, agents or subcontractors; (iii) accidents or damage resulting from fire, water, wind, hail, lightning, electrical surge or failure, earthquake, theft or similar causes not caused by the sole negligence of Company; (iv) damage as a result of corrosion or other damage caused by Buyer's failure to protect and maintain the Products in accordance with Company's written instructions and warnings; or (v) design specifications furnished by Buyer.

5.8 Buyer shall not rely upon Company's skill or judgment to select or furnish Products for any particular purpose beyond the specific express warranties provided herein. Buyer has the responsibility to determine whether the Products and specifications are fit for Buyer's intended purpose. Company does not warrant the Products will comply with the requirements of any safety code or regulations, or with any environmental or other law or regulation. Buyer is responsible for the safe and lawful operation and use of the Products.

5.9 THE FOREGOING WARRANTIES ARE THE SOLE WARRANTIES PROVIDED BY COMPANY FOR THE PRODUCTS AND ARE IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, ALL OF WHICH ARE HEREBY DISCLAIMED AND EXCLUDED BY COMPANY, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. BUYER AGREES THAT ITS SOLE AND EXCLUSIVE REMEDY AGAINST COMPANY WILL BE LIMITED TO THE REPAIR AND REPLACEMENT OF NONCONFORMING OR DEFECTIVE PRODUCTS, PROVIDED COMPANY IS PROMPTLY NOTIFIED IN WRITING OF ANY DEFECT. THIS EXCLUSIVE REMEDY WILL NOT BE DEEMED TO HAVE FAILED OF ITS ESSENTIAL PURPOSE SO LONG AS COMPANY IS WILLING TO REPAIR OR REPLACE THE NONCONFORMING OR DEFECTIVE PRODUCTS.

**6. OWNERSHIP OF INTELLECTUAL PROPERTY** – Company retains ownership and all rights to its intellectual property. Buyer shall have no rights to Company's intellectual property. Any intellectual property developed by Company and arising in connection with the supply of Products hereunder shall be deemed property of Company, and Company shall have exclusive rights to the use and ownership of such intellectual property.

**7. THIRD PARTY INTELLECTUAL PROPERTY CLAIMS** – Company shall pay costs and damages finally awarded in any suit against Buyer by a third party to the extent based upon a finding that the design or construction of the Products as furnished infringes a patent or other third party intellectual property rights (except infringement occurring as a result of incorporating a design or modification at Buyer's request), provided that Buyer promptly notifies Company of any charge of infringement, and Company is given the right at its expense to settle such charge and to defend or control the defense of any suit based upon such charge. Company shall have no obligation hereunder with respect to claims, suits or proceedings, resulting from or related to, in whole or in part, (i) the use of software or software documentation, (ii) compliance with Buyer's specifications, (iii) the combination with other products, or modification of, the Products after delivery by Company, or (iv) the use of the Products, or any part thereof, in the practice of a process. THIS SECTION SETS FORTH COMPANY'S ENTIRE LIABILITY WITH RESPECT TO PATENTS OR OTHER INFRINGEMENTS OF INTELLECTUAL PROPERTY.

**8. RETURN OF PRODUCTS** – In the event that the Buyer does not accept the Products, the Buyer must apply for authorization from the Company before returning the Products to the Company for credit. The Company will advise the Buyer of the credit to be allowed and necessary restocking charges on unused materials, subject to the Company's inspection and acceptance when received. No material should be returned to the Company except upon receipt of written authorization. In addition to the usual restocking charges, the Buyer must pay the actual transportation expense of the Company, plus all return transportation costs. Motors and specially designed parts will not be accepted for return or credit.

**9. DELIVERY, TITLE AND RISK OF LOSS** – The Products will be delivered Ex Works – Cone Drive's facility (in accordance with Incoterms 2010) unless otherwise agreed in writing by Company. The Buyer will be responsible for making all shipping arrangements, and Buyer will provide sufficient notice and details of such arrangements to allow Company to prepare the Products for delivery. Title and risk of loss will remain with Company and not pass to Buyer until delivery to the Incoterm delivery point.

**10. FORCE MAJEURE** – Company will not be deemed to be in default or otherwise responsible for delays or failures in performance resulting from acts of God; acts of war, or civil disturbance, terrorism, epidemics, governmental action or inaction, fires, floods, earthquakes, tornadoes, labor disputes, or other events beyond Company's reasonable control (a "Force Majeure Event"). A Force Majeure Event affecting Company's vendors shall also be deemed as a Force Majeure Event affecting the Company. Company shall use commercially reasonable efforts to mitigate any delays caused by a Force Majeure Event; provided, however, that Company shall not be required to settle any strike, lockout or other labor dispute except in Company's sole and absolute discretion. Company shall give notice of any Force Majeure Event (including its anticipated duration) to the Customer promptly after becoming aware that it has occurred or will occur. In no event shall lack of finances or ability to pay as a result of the financial condition of either party be considered a Force Majeure Event.

**11. CANCELLATION** – Upon written acceptance of an order by the Company, Buyer may not cancel or terminate for convenience, or direct suspension of manufacture, except with Company's written consent and then only upon terms that will compensate Company for its engineering, fabrication and purchasing charges and any other costs relating to such cancellation, termination or suspension, plus a reasonable amount for profit and overhead.

**12. ETHICAL BUSINESS PRACTICES** – Company requires manufacturing and business practices that are compliant with all applicable laws and regulations, including, the need to conduct all transactions in compliance with ethical business practices. Both the Company and the Buyer agree that neither of them nor their employees, agents, representatives or other intermediaries will engage in any activity that may be construed to be in violation of their respective codes of ethical business practices or applicable law. Buyer acknowledges and agrees that it shall not, in regards to the sale or resale of the Company's products, make any payment or transfer of value to any third party (including through any or multiple intermediaries) that would cause either the Buyer, Company or any of Company's affiliates to violate either the U.S. Foreign Corrupt Practices Act or any other applicable anti-corruption laws. Buyer shall indemnify and hold Company and Company's affiliates harmless in the event of any breach of this paragraph by Buyer or any of its intermediaries.

**13. LIMITATION OF LIABILITY** – NEITHER COMPANY AND ITS AFFILIATES AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, INSURERS AND ATTORNEYS SHALL BE LIABLE, WHETHER IN CONTRACT, WARRANTY, FAILURE OF A REMEDY TO ACHIEVE ITS INTENDED OR ESSENTIAL PURPOSES, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY, INDEMNITY OR ANY OTHER LEGAL THEORY, FOR LOSS OF USE, REVENUE OR PROFIT, OR FOR COSTS OF CAPITAL OR OF SUBSTITUTE USE OR PERFORMANCE, OR FOR INDIRECT, SPECIAL, LIQUIDATED, INCIDENTAL OR CONSEQUENTIAL DAMAGES, OR FOR ANY OTHER LOSS OR COST OF A SIMILAR TYPE, OR FOR OTHER CLAIMS BY BUYER FOR ANY DAMAGES OR LOSSES. COMPANY'S MAXIMUM LIABILITY FOR ALL CLAIMS AND LOSSES ARISING OUT OF THE MANUFACTURE OR SALE OF THE PRODUCTS SHALL BE THE PRICE CONFIRMED BY THE COMPANY RELATING TO THE INDIVIDUAL SALE TRANSACTION WITH THE BUYER. BUYER AND COMPANY AGREE THAT THE EXCLUSIONS AND LIMITATIONS SET FORTH IN THIS SECTION ARE SEPARATE AND INDEPENDENT FROM ANY REMEDIES WHICH BUYER MAY HAVE HEREUNDER AND SHALL BE GIVEN FULL FORCE AND EFFECT WHETHER OR NOT ANY OR ALL SUCH REMEDIES SHALL BE DEEMED TO HAVE FAILED OF THEIR ESSENTIAL PURPOSE.

**14. GOVERNING LAW** – The terms of the sale of the Products shall be governed and controlled in all respects by the laws of the State of Michigan and all disputes, including interpretation, enforceability, validity, and construction, shall be determined under the law of the State of Michigan without regard to any conflict of law provisions. Any dispute arising between the parties will be finally resolved in the state or federal courts of Michigan. Each party consents to personal jurisdiction in the state and federal courts of the State of Michigan for any and all matters related to or arising out of the sale, attempted sale, delivery, warranty, maintenance or use of the Products, and agrees that personal jurisdiction in any such court will be deemed proper. Buyer shall be liable to Company for any attorney fees and costs incurred by Company in enforcing any of its rights hereunder.

**15. STATUTE OF LIMITATIONS** – To the extent permitted by applicable law, any lawsuit for breach of contract, including breach of warranty, arising out of the transactions covered by this Purchase Order, must be commenced not later than twelve (12) months from the date the cause of action accrued.

**16. CHANGES IN LAWS AND REGULATIONS** – Company's prices and timely performance are based on all applicable laws, rules, regulations, orders, codes, standards or requirements of governmental authorities effective on the date of Company's proposal. Any applicable change to the forgoing shall entitle Company to an equitable adjustment in the prices and time of performance.

**17. COMPLIANCE WITH EXPORT LAWS AND REGULATIONS** – Certain Products manufactured by the Company, as well as technical data related thereto, may be subject to export licensing controls under the U.S. Export Administration Regulations and/or the U.S. International Traffic in Arms Regulations, which require licensing for and/or prohibit the export or diversion of the Company's products to certain countries. If Buyer is responsible for obtaining export approvals, Buyer warrants that it will not assist or participate in any export of the Company's products or related technical data without first obtaining the required export license and will not knowingly assist or participate in any such diversion or other violation of applicable U.S. laws and regulations. If Company is responsible for obtaining export approvals, Buyer shall assist the Company, as necessary, in obtaining such approvals. Buyer shall indemnify and hold the Company and its affiliates harmless from any losses or claims arising out of or related to Buyer's failure to comply with applicable export control laws and regulations.

**18. GOVERNMENT CONTRACTS** – In the event any Company quote is placed in support of a United States Government prime contract, or higher-tiered subcontract, such quote is expressly conditioned on Buyer's award to Company of a firm fixed-price, commercial item subcontract, subject to these Terms and Conditions, as well as those applicable Federal Acquisition Regulation (FAR), and Department of Defense FAR Supplement (DFARS) clauses that are required for commercial item subcontracts under FAR clause 52.244-6, Subcontracts for Commercial Items, and DFARS clause 252.244-7000, Subcontracts for Commercial Items. Company may also accept a minimal number of additional FAR and DFARS clauses that Buyer identifies as necessary for it to comply with its contractual obligations under its prime contract, or higher-tiered subcontract, which additional clauses are to be negotiated and agreed between the parties. All other FAR and DFARS clauses are expressly rejected by Company.

**19. COMPLIANCE WITH LAWS** - Buyer agrees to comply with all applicable local, state, Federal and foreign laws, orders, directives and regulations at any time in effect, including, but not limited to, (a) those found in 41 CFR 60 requiring equal opportunity and affirmative action without regard to race, color, religion, sex, national origin, presence of a disability or status as a special disabled veteran or Vietnam era veteran, and (b) global anticorruption laws, including without limitation the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, all of which are specifically incorporated herein by reference. If Buyer fails to comply with the provisions of this paragraph, Company may, by written notice to Buyer, terminate any Order for Buyer's default in addition to exercising any other rights or remedies provided by law.

**20. RELATIONSHIP OF THE PARTIES** – Buyer and Company are independent contractors, and nothing in the contract makes either party the agent or legal representative of the other party for any purpose. Neither party has authority to assume or to create any obligation on behalf of the other party.

**21. WAIVER** – The failure of Company to enforce any right or remedy provided in contract or by law on a particular occasion will not be deemed a waiver of that right or remedy on a subsequent occasion or a waiver of any other right or remedy.

**22. SEVERABILITY** – A finding that any provision of these Terms and Conditions or an accepted purchase order is invalid or unenforceable in any jurisdiction will not affect the validity or enforceability of any other provision of these Terms and Conditions or an accepted purchase order or the validity or enforceability of that provision in any other jurisdiction.

**23. ASSIGNMENT and DELEGATION** – No right or interest in the sale of Products hereunder shall be assigned by the Buyer without the written permission of the Company. No delegation of any obligation owed, or the performance of any obligation by the Buyer, shall be made without the written permission of the Company. Any attempted assignment of delegation shall be wholly void and totally ineffective for all purposes unless made in conformity with this section. Company shall have the right to assign its obligations to any affiliate of the Company or any successor to substantially all of the business or assets of the Company.

**24. THIRD PARTY RIGHTS** – Notwithstanding any provision of law, no third party (including Buyer's customer) shall have any right to enforce these Terms and Conditions or any other contractual rights against Company or its affiliates.

**25. HEADINGS** – The headings of the various paragraphs of these Terms and Conditions have been inserted for convenient reference only and shall not to any extent have the effect of modifying, amending or changing the expressed terms and provisions hereof.

**26. ENTIRE AGREEMENT** – These Terms and Conditions, including any attachments hereto, constitutes the entire understanding and agreement between the parties and supersedes any prior oral or written agreements with respect to the subject matter hereof. No course of prior dealings between the Company and Buyer, and no usage of the trade shall be relevant to supplement or explain any term used herein. Acceptance or acquiescence in a course of performance rendered hereunder shall not be relevant to determine the meaning of these Terms and Conditions even though the accepting or acquiescing party has knowledge of the performance and opportunity for objection. Whenever a term defined by the Uniform Commercial Code is used herein, the definition contained in the Uniform Commercial Code shall control.