

**MAGNETIC PRODUCTS, INC.**  
**SUPPLEMENTAL TOOLING AND EQUIPMENT TERMS**

**1. Applicability.**

These Supplemental Tooling and Equipment Terms apply to each Order for the purchase of Tooling and Equipment and are incorporated by reference in the Magnetic Products, Inc. Purchase Order Terms and Conditions. In the event of an inconsistency between these Supplemental Tooling and Equipment Terms and the Magnetic Products, Inc Purchase Order Terms and Conditions, these Supplemental

Tooling and Equipment Terms shall control as to all Tooling and Equipment. Capitalized terms used in these Supplemental Tooling and Equipment Terms, but not defined shall have the meanings given such terms in the Magnetic Products, Inc. Purchase Order Terms and Conditions.

**2. General.**

Seller agrees to retain all cost records for Tooling and Equipment for a period of three (3) years after receiving final payment or such longer period as may be required by Purchaser's Customer. All Tooling and Equipment is to be made to Purchaser's Specifications. Any exceptions must be authorized by Purchaser on the face of an Order or Order amendment or in a Signed Writing by Purchaser's Director of Operations.

**3. Specifications.**

Seller shall promptly inform Purchaser of any inconsistencies or ambiguities in Purchaser's specifications of which Seller is or becomes aware. After reviewing Purchaser's specifications, Seller must immediately notify Purchaser in writing of any questions that Seller has concerning whether the Tooling or Equipment that Seller is producing will meet Purchaser's needs. Seller shall provide Purchaser with a schedule for completion of the Tooling or Equipment so that Purchaser may monitor the ability and likelihood that Seller will meet its delivery requirements.

**4. Inspection, Rejection and Payment.**

A. Purchaser shall have the right to inspect and test all Tooling and Equipment at all times and places including, when practicable, during manufacture. If any such inspection or test is made on Seller's premises, Seller shall furnish all reasonable facilities and assistance for a safe and convenient inspection or test without additional charge to Purchaser. Purchaser's inspection of the Tooling or Equipment, no matter when occurring, shall not constitute acceptance of any work-in-process, finished goods or Tooling or Equipment.

B. Notwithstanding prior inspection, payment for, or use of the Tooling or Equipment, Purchaser shall have the right to reject any of such Tooling or Equipment that does not conform to the requirements of the Order.

C. No payment of funds for Tooling or Equipment shall be made by Purchaser until Seller transfers title to Purchaser to the Tooling or Equipment free and clear of all liens, claims or other encumbrances and completes all related services, or, at Purchaser's option, provides adequate assurance of continued performance in such form as requested by Purchaser.

**5. Acceptance.**

For purposes of each Order, acceptance of Tooling and Equipment shall be defined as receipt by Seller of a Signed Writing by Purchaser's Director of Operations of that acknowledges compliance of the Tooling and Equipment with all manufacturing specifications, including, without limitation, "run at rate," in a production environment at Purchaser's facility. Purchaser's manufacturing specifications are incorporated by reference. If so requested by Purchaser, Seller shall provide a preacceptance run-off to Purchaser at Seller's facility, at no cost to Purchaser.

**6. Warranty.**

A. Seller warrants to Purchaser, its successors, assigns and their respective Customers that all Tooling and Equipment purchased pursuant to each Order will, for a minimum period of two (2) years following the date of completion of the acceptance test for such Tooling or Equipment, conform to the applicable drawings, specifications and other descriptions furnished pursuant to each Order, and all applicable laws

and regulations, be free of defects in design (to the extent that Seller furnished the design), materials and workmanship, and be suitable for the purpose intended. Seller's responsibility under this warranty shall include, without limitation, all parts, labor and transportation costs in the event the Tooling and/or Equipment must be returned to Seller for repair or replacement. Furthermore, Seller shall require its suppliers of component parts of goods and/or equipment for Tooling or Equipment purchased pursuant hereto to provide a warranty equal to the warranties provided to Purchaser by Seller in the Order and shall assign to Purchaser all such warranties. Seller shall provide all necessary documentation to Purchaser to evidence that Seller has assigned such warranties from its suppliers to Purchaser. In the event that Seller fails to obtain or assign such warranties, Seller shall reimburse Purchaser for all loss, cost, liability or expense (including actual fees for attorneys, experts and consultants, settlement costs and judgments) related to such failure.

B. Seller warrants to Purchaser, its successors, assigns and their respective Customers that it shall, whenever possible, use parts of the highest industry quality, and shall supply a detailed bill of materials listing all parts. Seller further agrees that it shall comply with all specific product sourcing directions of Purchaser.

C. Seller also shall offer Purchaser an extended warranty on the Equipment on commercially reasonable terms at least as favorable to Purchaser as any extended warranty offered by Seller to any other purchaser of comparable equipment. Seller shall inform Purchaser in writing of the terms of the extended warranty prior to delivery of the Equipment to Purchaser. Purchaser shall have the option to purchase the extended warranty until sixty (60) days after acceptance of the Tooling and/or Equipment.

D. Seller warrants to Purchaser, its successors, assigns and their respective Customers that all Equipment supplied to Purchaser shall be equipped with approved or appropriate fail safe safeguarding and other safety systems as required by applicable law, regulation or industry standard.

#### **7. Installation.**

Seller agrees that without further charge it shall assist Purchaser in the installation of any Tooling or Equipment purchased under each Order. Purchaser shall specify and Seller shall comply with a written installation schedule that specifies the installation timetable and the roles of each party in the installation process.

#### **8. Preventative Maintenance.**

A. Seller agrees to provide Purchaser with a complete and comprehensive preventative maintenance plan for Equipment prior to final acceptance at Purchaser's facility. The preventative maintenance plan shall include, but not be limited to, one complete set of maintenance and operating manuals for all Equipment purchased by Purchaser (including one in a foreign language, if required by Purchaser), as well as a detailed bill of material.

B. Seller warrants to Purchaser, its successors, assigns and their respective Customers that the Equipment will operate safely at quoted production rate and/or cycle times for the stated expected useful life if Purchaser follows the preventative maintenance plan proposed by Seller.

C. Seller agrees to escrow, pursuant to an escrow agreement with a third party mutually acceptable to Purchaser and Seller, a complete copy of (i) the source codes for any software incorporated in the Equipment purchased by Purchaser from Seller along with any additional information reasonably necessary so that a trained programmer of general proficiency may maintain and support any such software and (ii) a running object code version of such software. The escrow agreement will provide Purchaser with full and immediate access to the foregoing items without charge in the event of a Seller Insolvency (as defined in Section 15 of the Magnetic Products, Inc. Purchase Order Terms and Conditions).

#### **9. Training.**

Seller shall provide any and all necessary training and training materials to Purchaser for the Tooling or Equipment at the initial stage of installation, at no additional cost to Purchaser. Seller shall provide training in the amount and on such schedule as shall be reasonably required by Purchaser.

Seller shall provide the training materials in a computerized format, if possible.

#### **10. Spare Parts/Service Discount.**

Upon the purchase of the Equipment, Seller agrees to provide a discount for any replacement and/or spare parts ordered by Purchaser as well as for any service for two (2) years after the expiration of Seller's warranty. The negotiated discount shall be a percentage reduction from Seller's price list published at the time of purchase of the Equipment, which shall be provided by Seller to Purchaser upon purchase of the Equipment, or as otherwise agreed upon in writing. In the absence of a published price list, Seller shall provide written certification of the price in effect for the replacement and spare parts at the time of delivery.

**11. Payment.**

Notwithstanding the particular payment terms applicable to an Order, in no event will Seller have a right to payment for Tooling before Purchaser is paid by its Customer for such Tooling.

**12. Destruction of Tooling.**

Seller shall not destroy any Tooling without obtaining prior approval of such destruction in a Signed Writing by Purchaser's Director of Operations.