

### **General Terms of Sale and Delivery**

1. The business relations between FRENCO Verzahnungslehren GmbH and the buyer (hereinafter: customer) are completely based on the following terms of sales and delivery. Any diverging provisions of the customer will not be repudiated. Any agreements made verbally, by phone, telegraph or telex or facsimile require a confirmation in writing by FRENCO. The order confirmation in writing is the criterion for the scope of delivery.
2. Any documents related to a quotation, such as illustrations, drawings, indications of weights and dimensions are only roughly applicable, unless they have been expressly declared as binding. FRENCO owes goods of normal quality and in standard version considering the dimensional tolerances customary in the trade and related to production. The material only meets special requirements in so far as this has been expressly stipulated.
3. The delivery period begins once the order confirmation has been sent, however, not before the customer has provided the necessary documents, approvals, releases and not before the stipulated down payment has been effected. In case FRENCO should not receive deliveries from its suppliers properly and in time, it is entitled to withdraw from the contract or to extend stipulated delivery periods accordingly. The same applies to cases of force majeure or industrial action. In such cases customers' claims for damages are excluded. The customer has the right to withdraw from the contract providing that a belated delivery or partial delivery are not of interest to him. The customer must provide evidence of lacking interest in the belated or partial delivery.
4. FRENCO has the right to adapt the stipulated prices to increased wage costs, material and raw material costs, providing that there is a period of more than two months between the conclusion of the contract and the date of delivery and providing that the increase of cost occurred after the contract was concluded. FRENCO invoices Value Added Tax at the rate which was valid on the day of delivery.
5. Unless otherwise expressly agreed, all deliveries are carried out by FRENCO ex works. In the absence of agreement to the contrary, FRENCO separately invoices normal commercial packing, duly selected according to its discretion. Unless otherwise agreed, FRENCO takes out a policy for a transport insurance which is separately invoiced, and the risk of transport damages goes in so far to the account of FRENCO as the transport insurance taken out and paid by FRENCO indemnifies for the damage. Unless no other stipulations were made with the customer, it is incumbent on FRENCO to determine the mode of dispatch, the means of transport and the transport route. FRENCO is not responsible for the freight rates being favourable and delivery being carried out quickly.
6. In case any defects occur which FRENCO is responsible for, it initially has the right to touch up defective parts free of charge or to make a new delivery to the customer. Should more than two touch up attempts fail or if the touch up is unacceptably delayed, the customer has the right to demand reduction of payment (abatement) or cancellation of the contract (rescission). The same applies if the re-delivery is also defective. In case of commission orders, no liability is accepted for the delivered goods being intact. In case the goods have been faulty processed by FRENCO or if they have become unusable, the processing is repeated free of charge, however, any liability for the actual goods is excluded. Any claims beyond this are excluded. This does not apply if FRENCO is charged with acting at intention or grossly negligent.  
Before using any gages or master gears and splines the customer is liable to make sure that

the supplied gages or master gears and splines conform with the drawing specifications by carrying out an incoming goods inspection. This also applies to test reports supplied with goods. This liability is omitted if test certificates with indication of the individual form variations including follow-back for the gage or master gears and splines have been provided.

Complaints for wrong deliveries, incomplete deliveries or defects must be filed with FRENCO in writing within one week after receipt, giving specific details. After this period has expired, only hidden defects must be warranted. This liability ends six months after the passage of risk, at the latest. All liabilities under guarantee have terminated if the customer or a third party have made amendments to the goods or have treated them improperly. Before commencing series production the customer is obliged to ensure that the goods supplied by FRENCO are correct and according to dimension by producing some sample parts. If the customer violates this obligation, no claims can be asserted against FRENCO.

7. FRENCO's demands for payment can only be set off against an undisputed or legally binding claim. Apart from that, any rights of retention by the customer are excluded.
8. Unless otherwise agreed, invoices issued by FRENCO are due for payment immediately. Until they have been cashed, bills and cheques are considered accepted as conditional payment. After a period of 30 days FRENCO is entitled to charge interest for default at the rate valid for a loan in current account. In case of the customer's default, he is not entitled to sell any goods that are under FRENCO's reservation of ownership. If demanded by FRENCO, these goods must be handed out immediately. If no specific terms of payment have been stipulated, orders for goods are payable within 10 days less 2 % discount of the goods' value or within 30 days net. Invoices for repairs and commission orders as well as for orders for the supervision of inspection equipment are payable immediately, net without any deductions.
9. Until FRENCO's demands including subsidiary claims (such as fees for bills, financing cost, interest) have been fully settled, the goods supplied remain the property of FRENCO. In the course of regular business the customer is entitled to resell goods which are FRENCO's property. In this case he assigns his claims against his customer deriving from the resale, with the customer being entitled to collect the claim assigned to FRENCO. The customer is not entitled to resell the goods that are the property of FRENCO, if there is a covenant not to assign within the business relation between him and his customer. Transfer of ownership by way of security, pledging or any other disposals are prohibited to the customer. During processing and after the final product has been finished the reservation of ownership remains valid. FRENCO's ownership continues during processing of the parts and the final product. FRENCO acquires reservation of ownership of the relevant semi-finished and finished goods. The customer must immediately notify FRENCO of reserved property being seized by a third part, otherwise he will be made liable for any damage occurring for FRENCO.
10. In the event of disputes deriving from the contractual relationship including any suits on cheques or bills, the courts in Nuremberg shall have jurisdiction. The place of performance shall be Altdorf near Nuremberg. Contractual relationships between FRENCO and the customer shall be exclusively based on German law.
11. For profiled gages, masters and master gears the acceptance conditions according to agreement B, as described in the FRENCO OFD 10 leaflet, page 18 are valid. This agreement is in accordance with ISO 14253.
12. In case a provision of these general terms of sale and delivery should be or become invalid, this does not effect the validity of the other provisions.

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