

HARDINGE INC. TERMS AND CONDITIONS OF SALE FOR NEW PRODUCTS

All sales of Products are subject to the following Terms and Conditions of Sale ("Terms").

1. Definitions. The word "**Seller**" as used herein shall mean Hardinge Inc. and its subsidiaries and the word "**Buyer**" shall mean the Party to whom the Product is sold. Seller and Buyer are collectively the "Parties". The term "**Product**" means new machines, parts and any other new equipment sold by Seller to Buyer. The word "**Contract**" means collectively (i) these Terms, (ii) any additional "Supplement to Terms and Conditions of Sale" provided by Seller to Buyer from time to time, (iii) the Buyer's purchase order (but solely with respect to quantity and identity of Products ordered and expressly excluding all other terms), (iv) any written quotation provided by Seller to Buyer and (v) invoice(s) issued by Seller to Buyer and any documentation included therewith by Seller.

2. Contract Formation. No agreement between the Parties shall exist until the Contract has been accepted in writing by Seller. The Contract constitutes the only agreement between the Seller and the Buyer governing the purchase of Products. Any other terms and conditions originating with the Buyer (including but not limited to any terms and conditions of the Buyer in a purchase order or referenced on the Buyer's website or in any documentation or correspondence submitted by the Buyer or any terms implied by trade custom, practice or course of dealing) are all hereby expressly rejected and shall not become part of the Contract even if Seller effected delivery of Products or rendered services without reservation. The availability of Products identified in Seller's quotation is made subject to prior sales to third parties. In any event, said quotation will become void if not accepted by the Buyer by issuing a purchase order either (i) 30 days from the date of the quotation or (ii) the date for acceptance indicated in the quotation. Seller reserves the right to hold shipment of Products until a Contract has been entered into with the Buyer. The Buyer assumes full responsibility for inaccurate or incomplete data supplied in any Contract.

3. Prices. All prices in the Contract are subject to change by Seller without notice at any time and are based in part on the applicability of the Terms set forth herein. Should the Buyer desire other or different terms, the prices may be subject to adjustment by Seller in its sole discretion. All Prices are F.O.B. Seller's plants (either Elgin, IL 60123 or Elmira, NY 14902) for equipment boxed, crated or skidded for domestic shipment (export packing charges are extra). Prices are those in effect at the time the Contract is accepted by Seller. IF THE BUYER DELAYS SHIPMENT BEYOND THE ORIGINAL SHIPMENT DATE SPECIFIED IN THE CONTRACT, ALL OUTSTANDING AMOUNTS FROM THE BUYER UNDER THE CONTRACT ARE IMMEDIATELY DUE AND PAYABLE; THE BUYER WILL BE LIABLE FOR ALL COSTS OF STORAGE, INSURANCE, HANDLING AND OTHER COSTS AS DETERMINED BY SELLER; AND SELLER RESERVES THE RIGHT TO AMEND THE PRICES CHARGED UNDER THE CONTRACT TO MATCH THOSE IN EFFECT AT THE TIME THE SHIPMENT IS MADE. Seller reserves the right to cancel the Contract in the event that (a) any government price regulation, schedule or ceiling prescribes a price lower than Seller's price as set forth in the Contract, or in any way prevents Seller from purchasing or otherwise acquiring any commodity or service necessary to the performance of the Contract, or in any way prevents Seller from adjusting its prices when the cost of any such commodity or service is increased and, (b) in the event any major change in economic conditions renders Seller's performance of the Contract unprofitable.

4. Taxes. Prices do not include any sales, use, excise, property or other taxes that may be levied on the transaction by local, state, federal or foreign governments. Any taxes Seller is required to collect from Buyer will be added to the invoice or billed separately to the Buyer.

5. Terms of Payment (Domestic). Unless otherwise specified in the Contract, the terms of payment will be net cash seven (7) days from date of invoice and are subject to credit approval by Seller's credit department. Unless otherwise agreed in the Contract, the terms of payment will be forty percent (40%) upon Seller's written confirmation of its acceptance of the Contract with sixty percent (60%) upon shipment from the Seller's facility. If the Contract specifically provides for acceptance testing after shipment, the terms of payment will be thirty percent (30%) upon Seller's written confirmation of its acceptance of the Contract, sixty percent (60%) prior to shipment from the Seller's facility and ten percent (10%) upon acceptance as provided in Paragraph "9". The Seller reserves the right to file a Uniform Commercial Code (UCC) Financing Statement for all machine purchases not fully paid for prior to shipment from Seller's premises. Late charges at the rate of 1.5% per month (18% annually) may be charged on past due accounts.

6. Terms of Payment (Foreign). Unless otherwise specified in the Contract, the terms of payment shall be as stated herein for domestic purchases and all payments to be made in United States Dollars. Seller reserves the right to require the Buyer to post an irrevocable Letter of Credit to be established through and confirmed by a New York bank providing for payment against Seller's sight draft accompanied by a commercial invoice and Buyer's forwarding agent's receipt acknowledging pick up of shipment FOB location stated in the Contract. The Seller also reserves the right to file the applicable country equivalent of a United States Uniform Commercial Code (UCC) Financing Statement for all machine purchases not fully paid for prior to shipment from Seller's premises.

7. Production Estimates. Any projected production figures and performance data are estimates based on Seller's understanding of the machinability of material, amount of material to be removed, accuracy desired, available facilities, operator skill, and other specified factors affecting Production, and do not constitute a guarantee of production.

8. Delivery; Risk of Loss; Title. Any quoted delivery dates are approximate and only the delivery date specified in the Contract will be binding; provided, however, delivery dates are subject to revision at any time due to causes beyond the Seller's control (as notified to Buyer) including without limitation delay in receipt of Buyer's signature to the Contract or Buyer's complete specifications; fire, shortages of material, transportation delays, strikes, failure of suppliers or subcontractors to meet delivery schedules, war, riots, acts of God, epidemics, pandemics, any action by any government agency and any priority or rationing system imposed by authority of any government agency. Delivery to a common carrier or licensed trucker shall constitute tender of delivery, passing of risk of loss to the Buyer and all risk of loss or damage in transit shall be borne by the Buyer. Seller shall not be liable to Buyer for any costs, damages or expenses arising, in any way, from any late delivery or non-delivery. Seller reserves the right to stoppage in transit and to repossess equipment notwithstanding delivery to the carrier until payment in full has been made to Seller. Title to the Products will not pass to Buyer, and Buyer hereby grants a security interest to Seller in such Products (together with all of the rights and remedies of a secured party under the Uniform Commercial Code), until all Seller invoices have been paid in full. During the period of reservation of title, Buyer

must, at its own cost, maintain the Products and insure them for the benefit of Seller against all risks. No claim relating to quantity, condition, loss or damage to the Products made by Buyer will be accepted by Seller unless Seller is given written notice of said claim within thirty (30) days after date of shipment and Buyer establishes that such condition, loss or damages to the Products existed prior to shipment.

9. Acceptance. Where the Contract expressly provides for acceptance of the Product by the Buyer (whether at Seller's plant or Buyer's facility), Seller shall notify Buyer that the Product is available for acceptance testing and Buyer shall: (i) test where appropriate and evaluate the Product to determine whether it substantially conforms to the specifications and performance requirements specifically set forth in the Contract; and (ii) will provide a written notice to Seller of its acceptance of the Product, or provide a written notice of nonconformity specifying why and how the Product does not substantially conform to the specifications and performance requirements set forth in the Contract. Buyer will use commercially reasonable efforts to complete this acceptance testing within five (5) calendar days from Product being made available by Seller for testing, but, in any event, will provide written notice of its acceptance or rejection of the Product within ten (10) calendar days (unless another time period is specified in the Contract). If Buyer does not respond within the ten (10) calendar days' period, then the Product will be deemed accepted. If Seller receives a notice of nonconformity from Buyer, it shall promptly: (a) take such steps as are necessary to remedy the error or deficiency to ensure that the Product does substantially conform to the applicable description and criteria as set forth above; and (b) provide to Buyer a written notice of remedy. Upon receipt of a notice of remedy, Buyer may, within a subsequent ten (10) calendar day period, conduct such further tests and evaluations on the Product as necessary to determine whether the Product substantially conforms with the specifications set forth in the Contract and either finally accept or reject such Product as non-conforming. If the Product is rejected as non-conforming, Seller's maximum liability shall not exceed an obligation to either (a) repair or replacement of the defective part or Product, or, at the Seller's option, (b) accept the return of the Product and make a full refund of the amount paid by Buyer for the relevant Product. In either case, such remedy shall be the Buyer's sole and exclusive legal and equitable remedy for a Product that does not pass acceptance testing. Any return of the Product will be subject to the provisions of Paragraph "12".

10. Material sent for Repair. Buyer's material sent to Seller for modernization or repair or being returned pursuant to the provisions of these Terms will be delivered by Buyer, at its expense, to the repair or manufacturing plant designated by Seller where the work is to be performed. Title to the Buyer's material will remain at all times with Buyer. Risk of loss or damage to material will transfer to Seller upon its arrival at the repair or manufacturing plant and will transfer back to Buyer upon its delivery by Seller to the carrier at the repair or manufacturing plant after the work is performed. When repair work is performed by Seller at Buyer's site, title and risk of loss or damage to the Buyer's material and other property shall remain at all times with the Buyer.

11. Warranty, Disclaimer and Remedy. Subject to payment in full by Buyer in accordance with the terms of the Contract, Seller warrants to the original Buyer only that new Products manufactured by the Seller and sold directly by the Seller or through an authorized representative and used by the original Buyer within limits of rated and normal usage will be free from defects which are not commercially acceptable in material and workmanship for the following periods,

measured from the date of shipment: (i) six (6) months for repair parts purchased after the original machine warranty expires; and (ii) twelve (12) months for all new grinding machines. Wear parts such as bearings, bellows, belts, cables, contactors, perishable tooling (quills, wheels, etc.), relays, switches and the like are not covered. For vendor supplied Products on Hardinge Grinding Group Contracts, the warranty will be the vendor warranty or one year, whichever is shorter. This warranty shall apply only to new Products sold, installed and maintained in the forty eight (48) continental United States. Installation must take place no later than 3 months from the date of shipment. Any Product not so sold, installed and maintained shall be sold "as is" and any repairs or service shall be provided in accordance with Paragraph "15" unless otherwise expressly agreed to in writing by Seller. In no event shall the Buyer have any rights greater hereunder than if all components were manufactured by Seller. The terms of this warranty do not in any way extend to any Product or part thereof which has a life under normal usage inherently shorter than one year, secondhand Products or Products which were not manufactured by the Seller and not sold under the Hardinge Inc. trade name. Different terms and conditions are applicable to secondhand Products. Seller's obligation and liability with respect to components not manufactured by the Seller shall be limited to the extent of express warranties received by Seller from such component manufacturers unless said components are sold under the Hardinge Inc. trade name, in which case, the new machine warranty shall be applicable. This warranty is void and of no effect and Seller shall not be liable for any breach of warranty, express or implied, if the equipment or any part or component thereof shall have been repaired or altered by persons other than the Seller (unless expressly authorized in writing by Seller), or if the equipment is operated or installed contrary to Seller's instruction or subjected to misuse, negligence or accident. Written notice of any claimed defect within the warranty period must be presented to the Seller immediately upon Buyer's discovery of the defect. Seller shall have the option to inspect any parts claimed to be defective either at the Buyer's place of business or at the Seller's place of manufacture while the Product is in the claimed defective condition. No return shall be accepted unless Seller has had an opportunity to inspect the equipment or has expressly authorized the return. If the equipment defect constitutes a safety hazard, operation of the Product must be suspended until corrective action is completed. Seller, upon receipt of written notice of a claimed defect, will proceed without unreasonable delay to remedy any defect coming within the warranty which is found to exist. During the warranty period, parts found to be defective by Seller's inspection will be furnished free of charge, shipment F.O.B. Point of Origin. **THERE ARE NO OTHER WARRANTIES THAT EXTEND BEYOND THE WARRANTY HEREIN CONTAINED. THE WARRANTY STATED HEREIN IS IN LIEU OF ALL OTHER WARRANTIES EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO, ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE AND IS IN LIEU OF ANY AND ALL OTHER OBLIGATIONS OR LIABILITIES ON SELLER'S PART.** No statement, oral or written, inconsistent with this warranty is binding on the Seller. No agent, employee or representative of the Seller, other than a duly authorized officer, has any authority to bind the Seller to any confirmation, representation or warranty concerning the Product beyond that specifically included in the warranty contained herein. **UNDER NO CIRCUMSTANCES WILL THE SELLER BE LIABLE FOR ANY INCIDENTAL OR CONSEQUENTIAL DAMAGE OR EXPENSE OF ANY KIND, INCLUDING, BUT NOT LIMITED TO, PERSONAL INJURIES AND LOSS OF PROFITS, ARISING IN CONNECTION WITH ANY CONTRACT OR WITH THE USE, ABUSE, UNSAFE USE**

OR INABILITY OF BUYER TO USE THE PRODUCTS. Seller's maximum liability shall not exceed an obligation to either (a) repair or replacement of the defective part or Product, or, (b) at the Seller's option, accept the return of the Product and make a full refund of the purchase price. In either case, such remedy shall be the Buyer's sole and exclusive legal and equitable remedy. If the Buyer and the Seller agree that it would be in the best interest of both Parties to return the Product and refund the purchase price, the Buyer shall be liable for the rental cost of the Product for the period from the date of shipment to the date the Product is returned to Seller (the "Rental Period"). The rental cost of Product shall be based on the latest Seller rental price for renting a similar product as the Product being returned for the Rental Period. This cost shall be deducted from the purchase price refunded to the Buyer. The sole purpose of the stipulated exclusive remedy shall be to provide the Buyer with free repair or replacement of defective Products, or refund of the purchase price, in the manner provided herein. This exclusive remedy shall not be deemed to have failed of its essential purpose so long as Seller is willing and able to repair or replace defective Products, or to refund the purchase price, in the prescribed manner.

12. Returns Procedure. All Products returned to Seller require a Return Material Authorization (RMA) to be issued by Seller. The RMA number must be clearly printed on each returned container. Any container received by Seller without an RMA number shall be returned to sender collect. Made-to-order items, special collets, items with special bore sizes, batteries, altered or etched items are not accepted for return. Products which are returned in new and unused condition in the original package within thirty (30) days of the shipment date will be eligible for full refund less a ten percent (10%) restocking charge (minimum restocking charge of \$30.00). Returned parts must be shipped prepaid by Buyer. After thirty (30) days, new and unused parts will be accepted for return for up to three (3) months from the original shipment date with a thirty percent (30%) restocking charge applicable. After three (3) months from the original shipment date, Seller will not accept any returned Product. If the returned item is not what the Buyer ordered (as set forth in the RMA), Seller will replace the item, pay any additional shipping charges incurred and waive any restocking charge. If the seal is broken on returned printed circuit boards and the machine is out of warranty, or if the Seller's service technician did not perform the service, a two hundred dollar (\$200) testing fee shall be applicable. Before returning out of warranty printed circuit boards, Seller must be contacted for information. Not all circuit boards will be accepted for return. Seller reserves the right to inspect returned Products and to reject the return of Products in accordance with these policies. All rejected returns shall be reshipped to the Buyer at Buyer's expense. For all returns within the U.S., call 800-843-8801 Option 2 or 607-734-2281 or fax 607-734-3886. For all other returns, call 607-734-2281 or fax 607-734-3886.

13. Limitation of Liability. NOTWITHSTANDING ANY OTHER PROVISIONS OF THE CONTRACT AND TO THE EXTENT PERMITTED BY APPLICABLE LAW, SELLER, AND ITS SUBCONTRACTOR(S) AND SUPPLIERS AT ANY TIER, SHALL NOT BE LIABLE IN CONTRACT, IN TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY), OR OTHERWISE FOR ANY SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES WHATSOEVER INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS OR REVENUE, LOSS OF USE OF EQUIPMENT OR SYSTEM, COST OF CAPITAL, COST OF TEMPORARY EQUIPMENT, CLAIMS OF CUSTOMERS OF THE BUYER, PERSONAL INJURY OR DAMAGE OR LOSS OF PROPERTY OR EQUIPMENT NOT SUPPLIED BY SELLER UNDER THE CONTRACT. THE REMEDIES

OF THE BUYER SET FORTH HEREIN ARE EXCLUSIVE, AND THE TOTAL AGGREGATE LIABILITY OF SELLER, ITS AFFILIATES, AND ITS SUBCONTRACTOR(S) AND SUPPLIER(S) AT ANY TIER, WITH RESPECT TO THE CONTRACT, OR ANYTHING DONE IN CONNECTION THEREWITH SUCH AS THE PERFORMANCE, FAILURE TO PERFORM, OR BREACH THEREOF, OR FROM ANY ACTIVITY UNDERTAKEN BY SELLER WITH RESPECT TO THE PRODUCT BUYER'S MATERIAL, OR TECHNICAL ASSISTANCE, INCLUDING, BUT NOT LIMITED TO, THE MANUFACTURE, SALE, DELIVERY, RESALE, INSTALLATION, MAINTENANCE, FIELD ENGINEERING SERVICE, FIELD ADVISORY SERVICE, REPAIR OR USE OF ANY PRODUCT COVERED BY OR FURNISHED UNDER THE CONTRACT, WHETHER IN CONTRACT, IN TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY) OR OTHERWISE, SHALL NOT EXCEED THE PURCHASE PRICE FOR THE RELEVANT PRODUCT.

14. Indemnification. Buyer agrees to indemnify, defend and hold Seller harmless from any and all liability, loss or damages which Seller may suffer as a result of claims, demands, costs or judgments made against Seller arising out of any use whatsoever of the Products sold pursuant to the Contract, which liability, loss or damages, claims, demands or judgments are based upon or result from (a) any alteration or modification of the Product by Buyer, Buyer's officers, agents or employees; or (b) the failure of Buyer, Buyer's officers, agents or employees to follow manufacturer's instructions, warnings or recommendations which are communicated by Seller to Buyer in any form before, during or after the date of the Contract; or (c) the failure of Buyer, Buyer's officers, agents or employees to comply with federal, state, local or foreign laws or regulations applicable to the use of such machinery or equipment, including but not limited to, the 1970 Occupational Safety and Health Act as amended; or (d) the failure of Buyer, Buyer's officers, agents or employees to properly train and instruct anyone using the Product.

15. Repairs and Service Non-Warranty. The cost of all servicing of Products not provided for in preceding sections of these Terms may be charged for by the Seller at a per diem rate per worker per working day plus transportation and living expenses.

16. Cancellation. Upon written request from Buyer to cancel all or part of a Contract, the Seller will stop all work as promptly as possible. All cancellations shall be assessed a minimum cancellation fee of 15% of the quoted purchase price to cover the cost of order processing. In addition, Seller may recover a further cancellation fee based on percentage of completion of the Product with such further cancellation charge computed on the basis of the Seller's full cost plus 15% (for all engineering work, all work in process and raw materials, all supplies and commitments made by the Seller in connection with the Contract), less such allowances as the Seller may be in a position to make for any standard components and for the balance of the material as scrap. Products that are complete on date of notification in writing to stop work or cancel shall be invoiced and paid in full and Buyer shall promptly instruct Seller as to the disposition of the Product and the Seller, if instructed, shall hold the Product for Buyer's account. All costs of storage, insurance, handling, boxing or other costs in connection therewith shall be borne by the Buyer.

17. Property Rights. Seller retains for itself any and all intellectual property rights in and to all designs, engineering details and other data pertaining to any Product or materials designed in connection herewith and to all rights of discovery, invention or patent rights arising out of work done for Buyer. The Buyer expressly agrees that it will not assert any intellectual property rights therein, except the rights for itself and subsequent owners to use the Product. Any prints, brochures,

drawings or other information furnished to the Buyer by the Seller are intended solely for the confidential use by the Buyer and shall remain the property of the Seller and shall not be used by Buyer for any commercial purpose, including to the detriment of the Seller's competitive position.

18. Patent Indemnity. If any Product furnished by the Seller is rightfully claimed to infringe any United States Patent issued at the time the Contract is accepted, Seller agrees at its option: (1) to procure for Buyer the right to use the Product, or (2) to modify or replace the Product so as to avoid infringement, or (3) to accept redelivery of the Product and reimburse Buyer for the purchase price and any transportation expenses incurred by Buyer. Should any litigation be instituted against Buyer based on a claim that any Product in the condition as shipped by Seller infringes any United States Patent, Seller will undertake the defense thereof in Buyer's behalf and pay any damages and costs awarded therein against Buyer, provided Seller is given prompt written notice and is furnished with copies of all demands, process and pleadings and Buyer cooperates fully in giving Seller authority, information and assistance at Seller's expense for such defense, as well as control over the defense and any negotiations with regard to settlement. **THE FOREGOING REPRESENTS SELLER'S ENTIRE AND EXCLUSIVE OBLIGATION WITH RESPECT TO ANY CHARGE OF INFRINGEMENT AND IS IN LIEU OF ANY EXPRESS, IMPLIED OR STATUTORY WARRANTY RELATING TO INFRINGEMENT. SELLER SHALL HAVE NO RESPONSIBILITY INSOFAR AS ANY PRODUCT MODIFIED BY BUYER OR MADE OR MODIFIED BY SELLER IN ACCORDANCE WITH THE CONTRACT AND BUYER SHALL INDEMNIFY SELLER IN ACCORDANCE WITH THE INDEMNITY IN PARAGRAPH "14" ABOVE FOR ANY CLAIM WHICH ARISES OUT OF SELLER'S COMPLIANCE WITH BUYER'S SPECIFICATIONS. SELLER SHALL ALSO HAVE NO RESPONSIBILITY WITH REGARD TO ANY SETTLEMENT, ADMISSION OR PROMISE MADE BY BUYER WITHOUT SELLER'S PRIOR WRITTEN CONSENT, NOR SHALL SELLER BE LIABLE FOR ANY INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES OF ANY NATURE WHATSOEVER, INCLUDING LOSS OF PROFITS, CLAIMED TO HAVE BEEN SUSTAINED BY BUYER OR ANY USER OF THE PRODUCT ARISING OUT OF ANY CLAIM OF INFRINGEMENT.** Seller is entitled to indemnify from certain of its suppliers and the rights and options vested in Seller shall extend to such suppliers and may be exercised by them.

19. Confidentiality Agreement. Buyer agrees to treat in confidence any information that may be received from Seller in connection with this Contract and designated by Seller as confidential or proprietary. Buyer shall have the limited right to use such Seller proprietary information for system maintenance and operations purposes and agrees not to disclose such Seller proprietary information to any third party without prior written consent from Seller. Buyer further agrees to make such Seller proprietary information available to its employees only on a need to know basis. Where consent is granted by Seller for disclosure of any of its proprietary information, Buyer shall require the recipient to execute a confidentiality agreement approved in advance by Seller.

20. Reservation of Rights. Seller reserves the right to make subsequent improvements and changes in design in its Products without imposing any obligation to make such changes or improvements upon Products sold to the Buyer.

21. Limitation of Action. Any action based upon an alleged breach of warranty must be commenced within twelve (12) months from the date that Buyer knew or should have known of the alleged defect or breach. Any other action against Seller must be commenced within

twelve (12) months from the time the cause of action accrues unless the period for action shall be extended by Seller in writing. In the interpretation of this limitation of action for breach of Seller's warranty it is expressly agreed that there are no warranties of future performance of the equipment that would extend the period of limitation herein contained for bringing an action. IT IS EXPRESSLY UNDERSTOOD THAT ANY EFFORT BY BUYER, SELLER OR AGENTS TO REPAIR ANY PRODUCT SHALL NOT EXTEND THE TWELVE (12) MONTH PERIOD OF LIMITATION UNLESS SELLER AGREES IN WRITING. THE WARRANTY SET FORTH IN PARAGRAPH "11" APPLIES TO REPLACEMENT PARTS AS WELL AS PRODUCTS ORIGINALLY SOLD, AND NOTHING EXCEPT SELLER'S WRITTEN CONSENT SHALL EXTEND ITS OBLIGATION IN WARRANTY MORE THAN THE PERIOD SPECIFIED IN PARAGRAPH "11".

22. Installation Costs. All costs associated with Product installation and/or erection shall be borne solely by Buyer.

23. Unnecessary Delay. If the Buyer causes unnecessary delay to the Seller's turnkey, installation process or warranty service calls, the Buyer shall be liable for all costs associated with Seller's waiting time including, but not limited to, time and material costs, travel expenses and any other costs associated with Seller's requirement to wait due to unnecessary delay. This cost shall be charged at the standard service or turnkey rates and shall be added to the first invoice sent to the Buyer following the occurrence of the unnecessary delay.

24. Interpretation. The Contract shall be governed by and construed in accordance with the substantive and procedural laws of the State of Illinois, USA. The Parties agree to specifically exclude the application of the United Nations Convention on Contracts for the International Sale of Goods. All references to "Dollars" are to "U.S. Dollars."

25. Reformation. In the event that any provision of these Terms is held illegal or unenforceable under applicable law by a court of competent jurisdiction, the validity or enforceability of the remaining provisions will not be affected, provided that the fundamental terms and conditions of these Terms (including without limitation Paragraphs 2, 3, 5, 6, 8, 11, 13, 14, 18, 19, 21 and 24) remain legal and enforceable. To the extent that any non-fundamental terms and conditions of these Terms are determined by a court of competent jurisdiction to be unenforceable, the unenforceable provision or provisions may be reformed to as closely as possible effectuate the intent of Seller and Buyer.

26. Alternate Dispute Resolution. In the event a dispute between the Parties cannot be resolved, an appeal shall be made to a committee consisting of a corporate officer or other legal representative authorized to act on behalf of the respective Party under local law. The corporate officers or legal representatives authorized to act on behalf of the respective Party under local law shall negotiate in good faith to properly assign the disputed cost to or between the Party(s). If an amicable settlement cannot be reached after thirty (30) days, either Party may request that the issue be decided through mediation in accordance with the procedure set forth in the following Paragraph "27".

27. Mediation: The Parties agree that any dispute or controversy arising out of this Contract or any interpretation of this Contract which the Parties are not able to resolve themselves through negotiation shall be submitted to non-binding mediation before any other legal action is taken. The Parties shall mutually agree upon a single third party mediator. The costs and expenses of the mediation shall be borne equally by the Parties. Mediation shall take place at Elgin, Illinois, within two (2) weeks after notification by the aggrieved Party of a request for mediation unless extended by the mediator. If the mediation does not

result in an agreement acceptable to all Parties, any Party may take such other further action as it deems advisable under law or equity.

28. VENUE. WITHOUT LIMITING THE MANDATORY ALTERNATE DISPUTE RESOLUTION AND MEDIATION PROVISIONS CONTAINED IN PARAGRAPHS 26 AND 27 OF THESE TERMS, ANY LITIGATION BASED ON THE CONTRACT, TORT, OR ANY COURSE OF ACTIONS, CONDUCT, COURSE OF DEALING OR STATEMENTS (WHETHER ORAL OR WRITTEN) OF BUYER OR SELLER, SHALL BE BROUGHT AND MAINTAINED EXCLUSIVELY IN THE STATE COURTS OF THE STATE OF NEW YORK THAT ARE LOCATED IN CHEMUNG COUNTY, NEW YORK, AND FEDERAL COURTS IN THE WESTERN DISTRICT OF NEW YORK. BUYER AND SELLER EACH IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH LITIGATION BY THE MAILING OF COPIES THEREOF BY CERTIFIED MAIL, POSTAGE PREPAID, RETURN RECEIPT REQUESTED, TO SUCH PARTY'S ADDRESS SET FORTH IN THE CONTRACT, SUCH SERVICE SHALL BECOME EFFECTIVE 10 DAYS AFTER SUCH MAILING.

29. WAIVER OF JURY TRIAL. BUYER AND SELLER HEREBY EACH KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES TO THE EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING UNDER THE CONTRACT.

30. Assignment of Contract. Neither Party shall assign, transfer or convey the Contract or its rights, title, interest, obligations or responsibilities hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld.

31. Entire Agreement. The Contract replaces all previous agreements and any course of dealing between Seller and Buyer and embodies the entire agreement between Buyer and Seller. The Parties shall not be bound by or be liable for any statement, representation, promise, inducement or understanding of any kind or nature not set forth therein. No changes, amendments or modifications of any of the terms or conditions of the Contract shall be valid unless reduced to writing and signed by both Parties.

32. Canadian Sales. (1) Each reference to "United States port" could be deemed to be "Canadian port"; (2) Each reference to "Uniform Commercial Code" shall be deemed to be "Personal Property Security Act"; (3) Each reference to "forty eight (48) continental United States" shall be deemed to be "Canada"; (4) Each reference to "1970 Occupational Safety and Health Act" shall be deemed to be "applicable Canadian, Provincial, and Territorial occupational, safety, and health laws and regulations"; (5) Each reference to "United States Patent" shall be deemed to be "Canadian or United States Patents."

33. Mexican Sales. (1) Each reference to "United States port" shall be deemed to be "Mexican port"; (2) Each reference to "Uniform Commercial Code" shall be deemed to be "Codigo DeComerico"; (3) Each reference to "forty-eight (48) continental United States" shall be deemed to be "Mexico"; (4) Each reference to "1970 Occupational Safety and Health Act" shall be deemed to be "applicable Mexican, Territorial occupational, safety, and health laws and regulations"; (5) Each reference to "United States Patent" shall be deemed to be "Mexican or United States Patents."

34. European Sales. (1) Each reference to "United States port" shall be deemed to be a port in the relevant European country; (2) Each reference to "Uniform Commercial Code" shall be deemed to be a reference to comparable European legislation protecting the interests of creditors; (3) Each reference to "forty-eight (48) continental United States" shall be deemed to be a reference to the relevant European country; (4) Each reference to "1970 Occupational Safety and Health

Act" shall be deemed to be comparable European legislation regarding occupational, safety, and health laws and regulations; (5) Each reference to "United States Patent" shall be deemed to be to United States Patents or patents in the relevant European country (if applicable).

35. Asian Sales. (1) Each reference to "United States port" shall be deemed to be a port in the relevant Asian country; (2) Each reference to "Uniform Commercial Code" shall be deemed to be a reference to comparable legislation protecting the interests of creditors in the relevant Asian country; (3) Each reference to "forty-eight (48) continental United States" shall be deemed to be a reference to the relevant Asian country; (4) Each reference to "1970 Occupational Safety and Health Act" shall be deemed to be comparable legislation regarding occupational, safety, and health laws and regulations in the relevant Asian country; (5) Each reference to "United States Patent" shall be deemed to be to United States Patents or patents in the relevant Asian country (if applicable).

HARDINGE INC.

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