



MD Division

Cancellation, Hold and Change Order Procedure for Customers

PURPOSE

The purpose of this document is to provide customers (each, a Buyer) of the Motors and Drives Division of Toshiba International Corporation (TIC) those requirements with which they are required to comply when requesting cancellations, holds, and changes to purchase orders (each, a PO) accepted by TIC for low and/or medium voltage motors, adjustable speed drives, power apparatus & components (PAC) products as well as related field services (FS). Any specific cancellation schedule included in an accepted PO takes precedence over any schedule(s) provided in this document.

GENERAL

A PO may not be terminated by Buyer unless TIC has received a revised PO or other written notice of termination. Verbal requests shall not be considered sufficient for TIC to terminate a PO.

STOCK PRODUCTS

PO Termination/Cancellation

Per TIC's standard terms and conditions of sale, Buyer may terminate a PO for its convenience upon payment of application cancellation charges. Applicable cancellation charges are those set forth in the cancellation schedule included in or referenced on a PO or, if no cancellation schedule is included in or referenced on a PO, TIC may charge Buyer reasonable and proper termination charges, including but not limited to all costs incurred prior to the notice of termination and all expenses incurred by TIC attributable to the termination, plus a fixed sum of 10% of the PO to compensate for disruptions in scheduling and planned production and other indirect costs.

Applicable cancellation charges with respect to stock products are as follows:

Except as otherwise provided for below, if a PO is cancelled after the PO has been acknowledged, TIC will charge 10% of the net value of the unit(s) being cancelled or a minimum of \$150.00, whichever is greater.

In the event that Buyer orders a stock product that is not in inventory, if such order is cancelled, cancellation charges shall be subject to the schedule below -

- 50% due if PO is cancelled after PO acknowledgment on TIC's standard acknowledgment form and before release to manufacturing
- 80% due if PO is cancelled after release to manufacturing and before packaging of applicable products
- 100% due if PO is cancelled after packaging of applicable products and before shipment

Products, including PAC and FS parts, that have already shipped at time of TIC's receipt of Buyer's written cancellation notice shall be invoiced in full and are subject to TIC's General Return Program and Procedure.

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PO Hold

POs for stock products may be placed on hold; however, POs may not be placed on hold after a product has been shipped. In such event, Buyer shall be responsible for applicable freight charges per TIC's General Return Program and Procedure.

In addition, per TIC's standard terms and conditions of sale, if a PO is suspended at Buyer's request and such suspension exceeds an aggregate of 60 days, TIC has the option of immediately terminating the PO and treating the suspension as a termination for Buyer's convenience subject to applicable cancellation charges OR electing to charge Buyer for engineering or other costs as incurred by TIC, retaining the right to terminate the PO and assess applicable cancellation charges if such suspension continues.

MODIFIED STOCK PRODUCTS

PO Termination/Cancellation

Per TIC's standard terms and conditions of sale, Buyer may terminate a PO for its convenience upon payment of application cancellation charges. Applicable cancellation charges are those set forth in the cancellation schedule provided in the PO or, if no cancellation schedule is included in or referenced on a PO, TIC may charge Buyer reasonable and proper termination charges, including but not limited to, all costs incurred prior to the notice of termination and all expenses incurred by TIC attributable to the termination, plus a fixed sum of 10% of the PO to compensate for disruption in scheduling, planned production and other indirect costs.

If there is not a cancellation schedule provided in or referenced on the PO, except with respect to Products subject to the Fast Track Low Voltage Motor Modification Program (*see below*)(Fast Track Motor Mod Program), the following cancellation schedule shall apply:

- 25% due if PO is cancelled after PO acknowledgment on TIC's standard acknowledgment form and before modification work is started.
- 100% due if PO is cancelled after work order release to production and before shipment.

The following cancellation schedule shall apply to Products subject to the Fast Track Motor Mod Program:

- 100% due if PO is cancelled after work order release to production and before shipment.

Products subject to the cancellation schedules above, including PAC and FS parts, that have already shipped at time of TIC's receipt of written cancellation notice shall be invoiced in full and would then be subject to TIC's General Return Program and Procedure.

PO Hold

POs for modified stock Products may be placed on hold with the following exceptions:

- POs for Products subject to the Fast Track Motor Mod Program may not be placed on hold; and

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- POs for any modified stock Products may not be placed on hold POs for any modified stock Products may not be placed on hold after a work order for such Product(s) has been released to production.

In such events, Buyer shall be responsible for applicable freight charges per TIC's General Return Program and Procedure.

However, per TIC's standard terms and conditions of sale, if a PO is suspended at Buyer's request and such suspension exceeds an aggregate of sixty (60) days, TIC has the option of immediately terminating the PO and treating the suspension as a termination for Buyer's convenience subject to applicable cancellation charges or electing to charge Buyer for engineering or other costs as incurred by TIC, retaining the right to terminate the PO and assess applicable cancellation charges if such suspension continues.

CUSTOM PRODUCTS

PO Termination/Cancellation

Per TIC's standard terms and conditions of sale, Buyer may terminate a PO for its convenience upon payment of application cancellation charges. Applicable cancellation charges are those set forth in the cancellation schedule provided in the PO or, if no cancellation schedule is included in or referenced on a PO, TIC may charge Buyer reasonable and proper termination charges, including but not limited to, all costs incurred prior to the notice of termination and all expenses incurred by TIC attributable to the termination, plus a fixed sum of 10% of the PO to compensate for disruption in scheduling, planned production and other indirect costs.

If no cancellation schedule is included in or referenced on a PO, the following cancellation schedule shall apply:

- 15% due if PO is cancelled after PO acknowledgment on TIC's standard acknowledgment form and before customer receipt of submittal package
- 35% due if PO is cancelled after customer receipt of submittal package and before release to manufacturing
- 80% due if PO is cancelled after release to manufacturing and before packaging of applicable products
- 100% due if PO is cancelled after packaging of applicable products and before shipment

PO Hold

POs for custom/modified Products may be placed on hold; however, POs may not be placed on hold after a Product has been shipped. In such event, Buyer shall be responsible for applicable freight charges per TIC's General Return Program and Procedure.

In addition, per TIC's standard terms and conditions of sale, if a PO is suspended at Buyer's request and such suspension exceeds an aggregate of 60 days, TIC has the option of immediately terminating the PO and treating the suspension as a termination for Buyer's convenience subject to applicable cancellation

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charges or electing to charge Buyer for engineering or other costs as incurred by TIC, retaining the right to terminate the PO and assess applicable cancellation charges if such suspension continues.

If TIC elects to charge Buyer for engineering costs, such costs would be assessed as 35% of the price or \$850 per product rating, whichever is greater.

CHANGES TO PO

With respect to an accepted PO, any changes requested to such PO must be communicated in writing to TIC and approved in writing by an authorized TIC representative before TIC is deemed to have accepted such changes. TIC must also receive a revised PO showing such changes. Any changes accepted by TIC shall be subject to all terms of sale that are in effect at the time of the approved change. Changes made to POs already released to engineering or manufacturing shall be subject to reprocessing and/or reengineering charges as well as any charges for changes and/or rework that may be required with respect to the applicable product.