



Enabling Your Ideas

**From:** Greg Jackson, President  
**To:** All Customers, Employees, and Suppliers  
**Date:** February 19, 2010  
**Subject:** Changes to Tormach Warranty

## **Warranty Term Extended**

Effective immediately, the warranty term for Tormach machines and accessories has been extended from 6 months to 12 months. This extension is retroactive to prior sales. In addition, the cost of a warranty extension will be dropped by 25%.

- Standard warranty of 12 months now applies to machines and accessories. General limitations and restrictions continue to apply; only warranty period has changed.
- There is a retroactive warranty extension on prior sales for the past 12 months. For example, anyone who purchased under the 6 month warranty 5 months ago now has 7 months remaining warranty period (total 12 months). As another example, someone who purchased 10 months ago now has 2 months warranty remaining.
- Credit or refunds will be sent to customers for any purchases of replacement parts after Feb 19, 2009 (12 months ago). This only applies to parts within normal warranty restrictions, it does not apply to wear parts.

### **Background:**

Years ago, when we began shipping machines, we set our warranty terms following the precedent set by Haas, the largest industrial machine tool company in the USA at that time. They do six months, so we did 6 months. Shortly after we began shipping machines we initiated a systematic process and procedures for continuous quality improvement. Part of that is the internal database system which tracks customer issues and resolution. Another part of our process is the quarterly review, wherein engineering, manufacturing, and customer support people convene to review all issues, including database information, sales of replacement parts, factory inspection reports, and more. While obvious problems identify themselves, our continuous improvement process has been successful in identifying less obvious issues as well as shortening the cycle. We identify issues sooner and resolve the problems quicker.

One result of this process has been the realization that our machine owners are having very few problems beyond the 6 month warranty period. Our sales of replacement parts, outside of standard wear parts, remains exceptionally low. Further analysis has concluded that the ongoing



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cost of machine operation is also reduced. This means that we can reduce the price of the renewable 12 month warranty extension. Initially the 12 month extended warranty was at \$745, later reduced to \$450, and now at \$335. I believe these reductions are a true reflection of the overall improvement in product quality, reduction of customer's cost of ownership, and an indicator of the success of our continuous improvement program.

This is a serious improvement and the result of a great deal of work. Results like this are only possible through the cooperation of our vendors, feedback from customers, and through the dedicated work of all Tormach employees. My thanks and congratulations go to everyone involved.

Yours Truly,

Greg Jackson  
President, Tormach LLC