

MAGNELAB, INC.
Standard Terms and Conditions of Sales

1. **PRICES AND PAYMENT.** Magnelab prices and payment terms are subject to change without notice and those in effect at time of shipment shall apply. Shipments shall at all times be subject to approval of Magnelab credit department. Magnelab reserves the right to divide an order into separate shipments and invoice such shipments separately in which case each shipment shall be deemed a separate contract and payment therefore shall be due in accordance with these terms. Unless otherwise specified on the face hereof, invoices are payable net thirty (30) days from the date of shipment; provided however on export shipments an irrevocable letter of credit payable in United States dollars and issued by or confirmed by a Colorado Bank must be posted and confirmed prior to shipment. Unless other arrangements are agreed to in advance by Magnelab in writing. If Buyer fails to comply with terms of payment Magnelab may at its option suspend production and defer further shipments under the order for which payment is due and under any other orders of Buyer, revise its terms of payment or cancel the unshipped balance. Magnelab further reserves the right before making any shipments to require from Buyer satisfactory security for performance of Buyer's obligations.

2. **TAXES DUTIES DRAWBACKS.** Any taxes or duties which Magnelab may be required to pay or collect under any existing or future law, upon or with respect to the sale, purchase, delivery, storage, processing, use, consumption, or transportation of the goods, including taxes upon or measured by the receipts from the sale thereof, shall be for the account of Buyer and may be added to the price. Buyer shall promptly pay the amount thereof to Magnelab upon demand. Buyer shall execute and deliver to Magnelab any documents and do anything else reasonably required to enable Magnelab to obtain any and all duty drawbacks or refunds which may be payable as the result of any imports by Magnelab and export of the goods sold hereunder before or after further processing or of any articles fabricated therefrom.

3. **SHIPMENT.** Title and all risk of loss or damage to the goods passes to and is assumed by Buyer F.O.B. point of shipment for both domestic and export shipments. Buyer is responsible for filing timely and proper claims against carriers in the event goods are lost or damaged in transit. Buyers requested shipping dates stated herein are informational only and of no legal force and effect. Magnelab scheduled shipment date stated herein is approximate and subject to reasonable production scheduling changes made after the date of this Acknowledgement. Magnelab will use reasonable efforts to comply with Buyer's requests as to method of transportation, but Magnelab reserves the right. if such method of transportation is not available or is otherwise not reasonably satisfactory to Magnelab. to use an alternate method of transportation, whether or not at a higher rate. Magnelab reserves the right to ship loads of any quantity without charge to Magnelab. Including the right to ship in quantities greater than requested if such quantities will provide an economical manufacturing run and do not exceed the quantity order subject to clause 4 below. Charges for handling, storage, other accessorial services, and special packing of export shipments shall be for Buyer's account.

4. **QUANTITIES.** Magnelab reserves the right to over-ship or under-ship any order to the extent of ten percent (10%) of the total specified quantity. In determining the quantity of small parts shipped, weigh count is used, which is considered within five percent (5%) (generally accepted commercial tolerance on quantity) of the actual count. In case of a discrepancy in shipment greater than five percent (5%). the packing slip shall be returned immediately with necessary comment.

5. **DESCRIPTIONS, SAMPLES AND SPECIFICATIONS.** Any descriptions, samples and specifications in respect of goods offered for sale hereunder are not warranted by Magnelab to be accurate or complete but are the best which are readily available to the Magnelab at the time of the offering. The Magnelab shall not be responsible for the consequences of any inaccuracies, insufficiencies or omissions in such descriptions, samples and specifications.

6. **LIMITED WARRANTY AND LIMITS OF LIABILITY.** The sole and exclusive warranty which Magnelab makes with respect to the goods described and specified herein is that they shall be manufactured in accordance with Magnelab specifications and with Magnelab standard manufacturing practices. **NO IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE SHALL APPLY.** Magnelab warranty is conditioned upon proper handling, use, and storage of the goods and upon Buyer making a

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written claim for breach at warranty within the time limits prescribed in clause 7 below. Magnelab warrants title to the goods but does not warrant against infringement of any kind.

Buyer's exclusive remedy for claims arising from defective or nonconforming goods shall be limited to replacement thereof or refund of a portion of the purchase price therefor, at Magnelab option. Magnelab SHALL NOT BE LIABLE FOR ANY LOSSES, DAMAGES OR EXPENSES, WHETHER DIRECT, INCIDENTAL OR CONSEQUENTIAL, CAUSED BY OR RESULTING FROM THE USE OF DEFECTIVE OR NONCONFORMING GOODS OR FROM DELAY IN DELIVERING GOODS OR FOR ANY OTHER INCIDENTAL OR CONSEQUENTIAL DAMAGES. Magnelab's TOTAL LIABILITY WHETHER ARISING FROM OR BASED UPON BREACH OF WARRANTY, BREACH OF CONTRACT, TORT, INCLUDING Magnelab's NEGLIGENCE, STRICT LIABILITY, INDEMNITY OR ANY OTHER CAUSE OR BASIS WHATSOEVER, IS EXPRESSLY LIMITED TO THE PURCHASE PRICE OF THE GOODS INVOLVED.

7. CLAIMS. Claims for errors, shortages, defective goods and any other claims of Buyer relating to the goods, MUST BE MADE IN WRITING WITHIN THIRTY (30) DAYS AFTER RECEIPT OF THE GOODS and must refer to the date and number of the invoice. Magnelab must have a reasonable opportunity to investigate all claims. No allegedly defective goods maybe returned to Magnelab without Magnelab prior written consent and return of such goods must be made within fifteen (15) days of such written consent.

8. REPRESENTATIONS. The employees or representatives of the Magnelab are not authorized to make any statement or representation as to the quality, character, size, condition, quantity, etc. of the goods offered for sale Inconsistent with these Terms and Conditions of Sale. Any such statements made will not be binding on the Magnelab or be grounds for any subsequent claim.

9. TOOLS. Tools, dies, fixtures or machine setups expressly paid for by Buyer will be used for the production of goods for Buyer, and shall not be withdrawn without Magnelab's written consent. Items identified as partial tooling shall remain the property of Magnelab. Magnelab reserves the right to scrap any tool after two years during which time no order has been received from Buyer requiring the use of that tool. It shall be Buyer's responsibility to furnish new or rebuilt tooling to replace worn out or obsolete tooling previously paid for by Buyer or additional tooling as may be required to meet Buyer delivery requirements If tooling previously paid for by Buyer is inadequate. Alterations to tooling necessitated by a change in Buyer specifications shall be at Buyer's expense.

10. PATENT, TRADEMARK, AND/OR COPYRIGHT INDEMNITY. Buyer will, at its expense indemnify, defend and hold Magnelab and its affiliated corporations, successors and assigns free and harmless in respect to any claim, action or suit, or for any claim or action arising from any claim or suit, for infringement of any United States or foreign patent, trademark or copyright by the manufacture, use or sale of the goods or materials supplied by Magnelab pursuant to Buyers order and made in accordance with the design and specifications furnished to Magnelab, or for actively inducing infringement or for contributory infringement arising out of the performance of any act by the Buyer: provided, however, that Magnelab, may be represented In any such action or suit by attorneys of its own selection at its expense. Magnelab shall promptly notify the Buyer in writing of any such claim or the bringing of such action or suit and an opportunity shall be given to the Buyer to settle or defend the same in accordance with the indemnity obligations herein.

11. FORCE MAJEURE. Magnelab will not be responsible for delays or deficiencies in production or shipment, or defective goods caused in whole or in part by: acts of God, wars, riots, fires, explosions, breakdowns or accidents; strikes, lockouts or other labor difficulties; lack or shortages of labor, materials, utilities. energy sources or transportation facilities; delays of carriers, compliance with governmental rules, regulations, priorities, allocations or other governmental requirements; any other like causes; or any other unlike causes beyond Magnelab control. The foregoing shall be in addition to and not in limitation of any excuses for nonperformance available to Magnelab under the Uniform Commercial Code or any other applicable law. In the event Magnelab is excused from performance under and of the foregoing provisions or applicable law. Magnelab shall have the further right, notwithstanding any provision of the contract to the contrary, at its option. To either allocate its available goods between itself and

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its affiliated corporations and its customers in such manner as Magnelab may consider equitable, or cancel the remainder of the contract.

12. INSPECTION. Where source inspection of product is authorized by Magnelab, Buyer's inspector shall be deemed the agent of Buyer with authority to waive specified tests and details of test procedure and to accept goods as conforming to the contract with respect to all characteristics of such goods for which such inspection is made.

13. CANCELLATION. Accepted orders cannot be canceled, in whole or in part, without Magnelab Written consent. In the event Buyer requests cancellation of orders (i) for goods for which material has been specially ordered for production and/or (ii) for goods which have been manufactured in whole or in part, such cancellation shall be at Magnelab option and subject to charges determined by Magnelab so that Magnelab is fully indemnified and protected from all losses, cost and expenses including loss of profit.

14. GOVERNMENT REQUIREMENTS. Any provisions required to be included in a contract of this type by any applicable federal, state or local law or ordinance or governmental rule regulation, order or other governmental requirement shall be deemed to be incorporated herein.

15. WAIVER OR INVALIDITY. Waiver by Magnelab or Buyer of any provision or of the breach of any provision shall not be construed as a waiver of any other provision or of any other breach of time provision or of any other provision. The invalidity or illegality of any provision shall not affect the validity of the remaining provisions or of the contract as a whole.

16. APPLICABLE LAW AND JURISDICTION. Buyer and Magnelab agreed that interpretation of and performance under these contract terms and conditions as well as all other aspects of the transaction contemplated by these terms and conditions, shall be governed by the laws of the Colorado, including the Uniform Commercial Code: that any action at law, suit in equity or other judicial proceeding with respect thereto may be brought and maintained in the federal and state courts of record situate in the Colorado: and that the mailing to the last known address of the respective parties of any process by registered mail shall constitute lawful and valid service of process. The parties agree that all the costs and expenses, including but not limited to reasonable attorney's fees, incurred in respect of bringing or defending a lawsuit between the parties hereto concerning the goods to which this Acknowledgment relates must be paid by the non-prevailing party.

17. NO OTHER TERMS. No terms or conditions, other than those stated herein, and no agreement or understanding, oral or written. In any way purporting to modify these terms or conditions, whether contained in Buyers purchase or shipping release forms, or elsewhere. Shall be binding on Magnelab unless hereafter made in writing and signed by Magnelab authorized representative. All proposals, negotiations, and representations if any made prior hereto or concurrently herewith are merged herein.

18. CAPTIONS. The captions at the beginning of each of the numbered paragraphs herein are for reference purposes only and are of no legal force and effect.

19. EXPORT RESTRICTIONS. The goods covered by this Acknowledgement are subject to export under licenses issued by the United States Department of Commerce.