

## PPI SYSTEMS INC. — TERMS & CONDITIONS OF SALE

**DEFINITIONS:** “PPI” means PPI SYSTEMS INC. a Canadian corporation; “the Buyer” means the person or company to whom this quotation is addressed, and, if the addressee notifies PPI upon acceptance of this quotation that it will lease the Products to an identified lessee, then “the Buyer” includes such lessee; and the term “the Product” shall mean the product or products proposed for sale by PPI.

1. **Acceptance.** PPI’s offer to sell the Product(s) specified in this quotation is expressly conditioned upon acceptance of the terms and conditions stated herein. PPI hereby objects to any additional or different terms and conditions contained in the Buyer’s purchase order, none of which shall be binding upon PPI unless specifically agreed to in writing signed by an officer of PPI. Failure by PPI specifically to object to provisions contained in the Buyer’s purchase order shall not in any way be deemed an alteration to or waiver of these terms and conditions. PPI’s acceptance of the Buyer’s purchase order must be made by written order acceptance.
2. **Prices & Shipments.** All prices are EXW at PPI’s shipping point for shipments within the U.S. or Canada, and FCA Free Carrier (Incoterms 2000) for international shipments. Buyer is responsible for all costs of transport and insurance. Prices do not include any goods or services, technical data or documentation, proprietary rights of any kind, qualifications, testing or process performance that are not specifically stated herein. Prices are valid for 30 days from the date on a quotation unless other stated on the face of the quotation. Prices for all Products are PPI’s published list price for the territory, unless otherwise specified on a quotation.
3. **Taxes & Other Charges.** Buyer is responsible for the ultimate payment of all federal, state, local, foreign or provincial taxes, fees or charges of any nature whatsoever imposed by any governmental authority that may be assessed or levied on materials sold hereunder. Unless otherwise stated, prices do not include such taxes which will be added to the sales price where PPI has a legal obligation to collect them. If Buyer is exempt, Buyer shall provide PPI with the documentation necessary to support such a claim and to allow PPI to document its decision not to collect such tax.
4. **Changes.** Buyer may request changes to the Products after PPI’s acceptance of Buyer’s purchase order, and PPI will quote any changes in price, time of delivery, or other terms associated with the requested change. The proposed change shall not become effective unless and until Buyer issues a purchase order recording the change and PPI has confirmed its acceptance in writing.
5. **Delivery Dates.** All delivery and shipment dates quoted are approximate and subject to PPI’s availability schedule. PPI will make reasonable efforts to meet the delivery date(s) quoted, however, PPI does not assume liability, consequential or otherwise, because of any delay or failure to deliver all or part of an order for any reason. All delivery promises are predicated upon prompt and timely receipt from the Buyer of all necessary information, material samples, documentation, etc., and should be reconfirmed at the time of PPI’s written order acceptance.
6. **Installation Services & Site Preparation.** In order to prevent avoidance of warranty, installation and initialization of the Product must be performed by PPI employees or PPI trained and authorized representatives. Installation services are not included in the purchase price of the Product sold hereunder, unless expressly so stated in this quotation. Details regarding installation services, conditions and rates, if applicable, are contained in a separate written enclosure. If Buyer has contracted with PPI for installation services or such services are included in this quotation, Buyer will complete all site preparation and operating environment requirements before installation begins. Buyer will coordinate PPI’s installation activities with those of Buyer’s personnel and any other contractors at Buyer’s facility. It is Buyer’s responsibility to identify and resolve all physical and procedural conflicts at Buyer’s facility without cost to PPI, and to request whatever information and drawings it requires.
7. **Credit & Payment Terms.** Unless otherwise stated on a quotation, payment terms are as follows: (a) 50% on submittal of the purchase order; (b) 40% factory acceptance, prior to shipment; and (c) 10% on the earlier of successful installation or 60 days from shipment. All payment terms are

conditioned upon approval of the Buyer’s credit and may be withdrawn or amended at any time by PPI at its discretion. PPI reserves the right to change the credit terms provided herein, refuse shipment or cancel unfilled orders at any time when, in its opinion, the financial condition or previous payment record of the Buyer so warrants. If delivery dates are delayed by Buyer or Buyer has not completed the required site preparation, payments are nevertheless due when PPI is prepared to make delivery according to the delivery schedule. No cash discounts for early payment will be granted unless specifically stated on PPI’s quotation. Buyer shall be delinquent if payment is not remitted according to the applicable terms. Interest shall accrue on delinquent invoices at the rate of 1.5 percent per month, subject to federal, state and local laws, on the amount of the unpaid balance from the original due date of the invoice. In the event PPI refers delinquencies to an attorney or an agent for collection, Buyer shall pay all costs of collection, including reasonable attorney’s fees. Should Buyer become delinquent in the payment of any sum due hereunder, all contractual obligations of PPI to the Buyer shall terminate.

8. **Security Interest.** Buyer agrees that PPI shall retain a security interest in the Products and any proceeds thereof to secure any portion of the purchase price not paid, and Buyer will, on request, execute a security agreement in such form as is required by PPI. PPI shall have all rights and remedies accorded by law or equity to a secured seller, including the right to enter upon the premises where the Products shall be located for purposes of removing or rendering them inoperative, and all such rights and remedies shall be cumulative. Buyer shall maintain insurance against all risks to cover full replacement value of the Products until PPI has been paid in full.
9. **Cancellation Charges.** Buyer agrees to pay to PPI a cancellation charge in the event it (1) cancels any order or portion thereof or (2) fails to meet any obligation thus causing cancellation. Such charges will be computed based on net invoice price as follows: twenty (20) percent for all standard component order cancellations prior to 30 days before scheduled shipment; thirty-five (35) percent for cancellations less than 30 days prior to shipment. Cancellation charges for orders involving custom or “special” Product will be 100% prorated by work completed on the order, unless otherwise stated in a quotation. Buyer agrees that this charge is a reasonable approximation of the damages that would result from its cancellation, and that the charge is not a penalty, but is used as a means to avoid the difficulty of proving the actual damages incurred by PPI. No order may be canceled after shipment has occurred.
10. **Acceptance Criteria & Documentation.**

**a) Standard Price List Products.** Buyer agrees to accept upon delivery Products which are items from PPI’s standard price list and for which Buyer has not required a performance test (see (b) below) upon demonstration to Buyer’s reasonable satisfaction that the Products are in material conformity to PPI’s published specifications in effect at the date of PPI’s acceptance of Buyer’s purchase order.

**b) Custom Products & Products Ordered With Particular Performance Criteria.** If Buyer requires criteria other than PPI’s published specifications to become conditions of Buyer’s final acceptance and payment for the Product, Buyer must specify the acceptance criteria to PPI to be included in the contract signed by PPI.

Buyer shall furnish or specify in writing the materials upon which the performance test will be performed, and, if material, any environmental conditions at Buyer’s facility under which the Product is expected to operate, but such conditions must be within those specified as minimum conditions by PPI. PPI will then devise and describe a performance test that will reasonably demonstrate the Product’s performance according to Buyer’s acceptance criteria; and prior to shipment of the Product, PPI will conduct the performance test at an authorized facility. An authorized representative of Buyer shall attend the performance test and, if the test is completed successfully, will accept the Product by executing PPI’s form of Performance Acceptance. Buyer shall then give its final authorization for any outstanding payments upon delivery to Buyer and demonstration that the Product materially complies with the agreed upon specifications. If the Buyer’s authorized representative fails to execute the Company’s form of

PPI SYSTEMS INC. — TERMS & CONDITIONS OF SALE

Performance Acceptance or the Buyer fails to give its final acceptance of the Products, acceptance shall be deemed to have occurred on the earlier of the date on which the Products are put into operation by the Buyer or seven (7) days following the date the Products have been shown to materially conform to the agreed upon specifications.

- 11. **Warranty.** PPI provides a limited warranty on the Product, the terms and conditions of which are contained in a separate written Warranty. **PPI DISCLAIMS ALL OTHER WARRANTIES EXPRESS OR IMPLIED.**
- 12. **EXCLUSIVE REMEDIES. THE REMEDIES PROVIDED HEREIN ARE BUYER'S SOLE AND EXCLUSIVE REMEDIES. NEITHER PPI NOR BUYER SHALL BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, WHETHER BASED ON CONTRACT, TORT OR OTHER LEGAL THEORY ARISING OUT OF THE SALE, INSTALLATION, SERVICE OR USE OF THE PRODUCTS, EVEN IF PPI HAS BEEN ADVISED OF THE LIKELIHOOD OF SUCH LOSSES, AND IN NO EVENT SHALL PPI'S LIABILITY EXCEED THE UNIT PRICE OF THE DEFECTIVE PRODUCT OR OF THE PRODUCT SUBJECT TO LATE DELIVERY. PPI NEITHER ASSUMES NOR AUTHORIZES ANY AGENT, EMPLOYEE, REPRESENTATIVE OR ANY OTHER PERSON TO ASSUME FOR IT ANY OTHER LIABILITY IN CONNECTION WITH THE SALE, INSTALLATION, SERVICE OR USE OF ITS PRODUCTS.**
- 13. **Patents.** PPI has no liability for any claim based upon the (a) operation or use of any Product supplied hereunder; or (b) combination, operation or use of any Product supplied hereunder with equipment, devices or software not supplied by PPI; or (c) modification or alteration of any Product supplied hereunder. Buyer shall defend and hold PPI harmless against any expense, judgment or loss for alleged infringement of any claim of a patent, which results from PPI's compliance with Buyer's designs, specifications, or instructions. The foregoing states the entire obligation of PPI with respect to infringement or the like.
- 14. **Authority to Export.** All orders accepted for export are subject to issuance of an export license by the Government of Canada or the USA, if required for export of the Product(s), and subject to the Buyer providing PPI with the relevant import certificate or any other document necessary to secure such export license and/or to permit the import of such goods into the country of destination.
- 15. **Miscellaneous.**

a) **Applicable Laws.** This contract shall be construed in accordance with the laws of the Province of Ontario, Canada.

b) **Computer Software License.** Computer software provided with this order, including any subsequent improvements or updates, is furnished to Buyer in object code only under a nonexclusive, nontransferable license solely for Buyer's own use with a single system on which the software is first installed. The software may only be copied as may be necessary and incidental for use on such systems, for archival and backup purposes or to replace a worn or defective copy; provided that all such copies always include PPI's copyright and other proprietary notices on the software. Buyer shall not (a) market, commercialize, sublicense or otherwise provide or make available the software or any part hereof in any form to any third party; or (b) reverse engineer, reverse compile or reverse assemble the software in whole or in part or do anything to produce source code. PPI has the right to terminate the software license if Buyer fails to cure any breach of these license terms within thirty (30) days after written notice from PPI. Buyer agrees, upon termination of the license, to immediately return or destroy the software and all portions and copies thereof, as requested by PPI.

c) **Confidential Data & Information.** If, in connection with the sale, purchase, use or maintenance of the Product(s), PPI is requested, required or deems it advisable to furnish data or information which it deems proprietary, confidential or both, PPI shall not, in any event, submit or be required to furnish such data or information until Buyer enters into an agreement concerning the handling, use, copying, retention and return of such information, the form of which agreement is available to Buyer upon request.

d) **Proprietary Rights.** PPI retains for itself all proprietary rights in and to all designs, engineering details, and other data and materials pertaining to all goods supplied by PPI and to all discoveries, inventions, patents and other proprietary rights arising out of the work done in connection with the goods or with any and all products developed as a result thereof, including the sole right to manufacture any such products. Buyer warrants that it will not divulge, disclose or in any way distribute or make use of such information, and that it will not manufacture or engage to have manufactured such products.

e) **Force Majeure.** PPI shall not be responsible for any failure to perform the contract formed hereunder due to causes beyond its control, including, but not limited to, acts of God, labor disputes or shortages, acts of government or judicial action, or inability or delay in securing parts or components, all whether foreseen or unforeseen.

f) **Assignment.** None of the rights, duties or obligations defined herein may be assigned, transferred or delegated by Buyer.

g) **Non-waiver.** PPI's failure to exercise any of its rights for any period shall not constitute or be deemed a waiver or forfeiture of such rights.

h) **Entire Agreement.** These terms and conditions in conjunction with any valid quotation provided by PPI constitute the entire agreement between the parties with respect to the subject matter hereof and expressly supercedes all proposals and previous negotiations and understandings, whether written or oral, between the parties with respect to the subject matter hereof.

\*\*\*\*\*

**PPI SYSTEMS INC.  
LIMITED WARRANTY**

**EQUIPMENT WARRANTY**

**Equipment Warranty:** PPI Systems Inc. ("PPI") warrants that the equipment sold to Buyer is free from defects in material and workmanship. This warranty expires at the end of the Warranty Period. PPI warrants that the equipment sold to the Buyer conforms to PPI's published specifications or to any agreed upon specifications between PPI and Buyer, at the time the Warranty Period begins and will continue to conform to such specifications throughout the Warranty Period. Unless otherwise specifically agreed to in writing, this warranty is nontransferable and creates no rights for any third party. If the equipment is to be incorporated into a system by Buyer or its contractors, this warranty is conditioned upon PPI's review and written approval of the plans for such application.

**Warranty Period:** The Warranty Period begins upon the earlier of, (i) first commercial operation of the equipment by Buyer or (ii) 30 days after shipment of the equipment to Buyer. The Warranty Period ends after the expiration of the period defined in the contract for the sale of the equipment or, if none, as provided in PPI's published specifications.

**Remedy:** As Buyer's exclusive remedy under this warranty, PPI will, (i) repair defective workmanship and will repair or replace defective parts with new or remanufactured parts if Buyer notifies PPI of a defect at any time within the Warranty Period; and (ii) PPI will repair or replace equipment which fails to meet PPI's published specifications if Buyer notifies PPI of such failure within 30 days after the Warranty Period begins. PPI may choose any method of repair or replacement at its option. PPI's obligation to repair or replace parts and equipment includes all costs of material, labor and travel of PPI personnel; except that if the equipment is shipped outside of North America, PPI's obligation does not include labor to install or replace parts or travel to the equipment's location. If removal of equipment from Buyer's premises for repair is necessary in PPI's opinion, Buyer shall pay shipping charges to the place of repair, and PPI shall pay return shipping charges. If this remedy fails in its essential purpose, PPI may elect at any time to fully discharge its warranty obligation by accepting return of the equipment and refunding the purchase price paid by Buyer.

**Exclusions:** PPI makes no express warranty and excludes all implied warranties with respect to: (i) systems into which PPI's equipment is incorporated (other than PPI's equipment itself), (ii) components manufactured and warranted by others and sold to Buyer by PPI as part of a system with PPI equipment and (iii) any part which is scheduled to be replaced during the Warranty Period or is listed as a spare part in the operating manual for the equipment. Manufacturers' warranties for parts and components not warranted by PPI will be transferred to Buyer, if possible, and PPI will provide reasonable assistance to Buyer in making claims under such warranties. Post start-up realignment, cleaning and recalibration is normal for new installations, and such services are not covered by this warranty. These specific exclusions are not intended to broaden PPI's warranty by failure to enumerate every excluded item.

**Voidance:** This warranty will become null and void in the following circumstances:

- (i) Initial energization of the equipment without supervision by an authorized technician from PPI's Customer Service, Field Service or Product Engineering staffs or by an individual trained and authorized in writing to Buyer by PPI.
- (ii) Improper disassembly, reassembly, repair or alteration of the equipment not performed by PPI's staff.
- (iii) Failure to maintain the equipment as provided in the relevant PPI operation manual.
- (iv) Accident, misuse or abuse or operation of the equipment in environments contrary to those specified by PPI.
- (v) Failure to provide specified services to the equipment.
- (vi) Damage during transportation.
- (vii) Defacement of the equipment's serial numbers.
- (viii) Removal and reinstallation of the equipment unless PPI's staff supervises disconnect, transport, reinstallation and re-energization of the equipment.
- (ix) Buyer's failure to pay the full purchase price for the equipment according to the payment terms of the contract for sale.
- (x) Incorporation of the equipment into a system without PPI's review and written approval of the application.

**Software and Firmware Warranty:** PPI warrants for the Warranty Period that the software and firmware sold to Buyer will conform to PPI's program manuals current at the time of shipment to Buyer when properly installed. PPI does not warrant that the software and firmware will operate uninterrupted or error free. Buyer's sole remedy for breach of this warranty is replacement by PPI of the nonconforming software or firmware with conforming or updated software or firmware.

**Disclaimer:** PPI shall in no event be liable for any indirect, incidental, consequential or special damages, whether sought for breach of contract, breach of warranty, express or implied or on account of tort or under any other legal theory, even if PPI has been advised of the likelihood of such losses.

**THIS WARRANTY IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESSED OR IMPLIED, WHETHER STATUTORY OR OTHERWISE, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.**

**ACCESSORIES / SPARE PARTS WARRANTY**

**Equipment Warranty:** PPI warrants for ninety (90) days from date of delivery (the "Warranty Period") that each product sold separately from a PPI system (e.g., spare part or laser accessory) (collectively, "Accessory") to Buyer is free from defects in material and workmanship. PPI warrants that each Accessory conforms to PPI's published specifications or to any other specifications agreed upon between PPI and Buyer at the time the Warranty Period begins and will continue to conform to PPI's published specifications or the agreed specifications throughout the Warranty Period. Unless otherwise specifically provided in the written contract for sale of an Accessory, this warranty is nontransferable by Buyer and creates no rights for any third party. If any Accessory is to be incorporated by Buyer or its contractors into any system for which it is specifically not intended (determined by reference to PPI's published specifications), this warranty is conditioned upon PPI's review and written approval of the plans for such application.

**Exclusive Remedy:** As Buyer's exclusive remedy under this warranty, PPI will repair defective workmanship and will repair or replace any defective Accessory with new or remanufactured parts if Buyer notifies PPI of a defect at any time within the Warranty Period. If this remedy fails in its essential purpose, PPI may elect at any time to fully discharge its warranty obligation by accepting return of the Accessory and refunding the purchase price paid by Buyer. Any defective Accessory must be returned to PPI, freight prepaid, after obtaining a Return Material Authorization number. PPI will pay return shipping charges. At Buyer's option, PPI will attempt to complete its warranty obligations at customer's location, at PPI's standard field service charge, travel and living expenses invoiced at cost.

**Exclusions:** PPI makes no express warranty and excludes all implied warranties with respect to optics external to the laser including, without limitation, focusing lenses.

**Voidance:** This warranty will become null and void in the following circumstances: (i) improper disassembly, reassembly, repair or alteration of an Accessory not performed by PPI's staff; (ii) failure to maintain an Accessory as provided in the relevant PPI operation manual; (iii) accident, misuse or abuse or operation of an Accessory in environments contrary to those specified by PPI; (iv) damage during transportation; (v) buyer's failure to pay the full purchase price for the Accessory according to the payment terms of the contract for sale; or (vi) incorporation of an Accessory into a system (other than PPI equipment) without PPI's review and written approval of the application.

**Disclaimer:** PPI shall in no event be liable for any indirect, incidental, consequential or special damages, whether sought for breach of contract, breach of warranty, express or implied or on account of tort or under any other legal theory, even if PPI has been advised of the likelihood of such losses.

**THIS WARRANTY IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESSED OR IMPLIED, WHETHER STATUTORY OR OTHERWISE, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.**

\*\*\*\*\*

Please contact PPI at +1-613-236-8359 for warranty assistance.