

NOL-TEC SYSTEMS, INC.
TERMS AND CONDITIONS OF PURCHASE

This agreement is entered into effective as of _____, between Nol-Tec Systems, Inc. (“Buyer”) and _____ (“Seller”).

Recitals:

Seller has the ability to provide certain products and services, and Buyer might wish to order such products or services subject to the terms and conditions of this Agreement.

Now, therefore, the parties agree as follows:

1. **DEFINITIONS.** The following words, terms and phrases, where written with an initial capital letter will have the meanings assigned to them below:

1.1 “Confidential Information” will mean (i) all blueprints, schematics and other the information relating to the Products, and (ii) all other information that is disclosed by Buyer, or to which Seller has access, that Seller knows or should reasonably be expected to know is confidential to Buyer.

1.2 “Developments” will mean all (i) concepts, ideas and inventions developed by or for Seller in the course of performance under this Agreement, and (ii) designs, blueprints, schematics, and other written materials and works of authorship authored or created by or for Seller in the course of performance under this Agreement.

1.3 “Products” will mean the products and services ordered by Buyer under this Agreement.

1.4 “Specifications” will mean the Product specifications used by Seller as approved by Buyer, and as amended or supplemented in Buyer’s purchase orders under this Agreement.

2. **PRODUCT SALES.**

2.1 Subject to the terms and conditions of this Agreement, Seller will sell to Buyer the Products that Buyer orders from time to time under this Agreement. Buyer is not committed to order or purchase any Products except for the quantity specified in individual purchase orders issued by Buyer.

2.2 In the assembly, manufacture, testing, handling, packaging and shipment of Products, Seller will maintain quality assurance systems and methods consistent with the Specifications, and as necessary to identify and recall any Products or components Product components that do not conform to the Specifications.

3. **PRODUCT ORDERING.**

3.1 Buyer will order Products during the term of this Agreement by means of written orders, which will set forth (i) an identification of the Products ordered, (ii) quantity, (iii) delivery dates, and (iv) shipping instructions and delivery address.

3.2 Seller will confirm each order in writing within twenty-four (24) hours of receiving the order. The written confirmation must include: (i) order origin and number, (ii) date of receipt of order, (iii) unit prices and total order price, and (iv) scheduled shipment date.

4. **ORDER CHANGES.**

4.1 At Buyer’s option, Buyer may at any time cancel any order for Products in whole or in part. Seller will immediately take all actions reasonably necessary or useful to reduce all costs incurred with respect the cancelled order or cancelled portion of an order, including but not limited to cancelling orders for parts, components and materials. Within thirty (30) days of Seller’s acceptable invoice therefore, Buyer will remit to Seller the reasonable costs incurred by Seller prior to Buyer’s notice to the extent the costs cannot be mitigated or otherwise recovered.

4.2 At Buyer’s option, Buyer may make changes in the Specifications, method of shipment, or time or place of delivery for any ordered Product. If Buyer’s change in an order causes an increase or decrease in the cost of, or the time required for Seller’s performance under the changed order, an equitable adjustment will be made in the contract price, or delivery date or schedule, or both.

4.3 No cancellation or change in any order will be binding on Buyer unless issued by an authorized officer of Buyer.

5. **SHIPMENT, DELIVERY AND ACCEPTANCE.**

5.1 All Products must be packaged and labeled in accordance with Buyer’s instructions and all applicable laws, including but not limited to all domestic and international transportation, occupational safety, and environmental protection laws and regulations. Prior to shipment, Seller must provide Buyer with current Material Safety Data Sheets as required under applicable law and regulations for each Product.

5.2 Seller will ship all Products in conformity with Buyer’s shipment instructions. Unless Buyer is responsible for shipment, Seller shall be liable for any Product lost, damaged, delayed or destroyed while in the possession or custody of Seller or its agents, or employees, or any carrier or freight consolidator designated by Seller. Seller is liable for all damages caused by improper packaging and loading by Seller.

5.3 Seller's fees for packaging, loading and handling the product must be included in the price of the Products and not charged as an additional fee on product or freight invoices. When Seller selects the carrier, Buyer will reimburse Seller for actual freight costs incurred by Seller, subject to Seller providing with its invoice documentation of those charges that is reasonably satisfactory to Buyer. Freight discounts granted to Seller must also be documented. Unless accounted for in Seller's invoice, Buyer will offset the amount of such discounts against the amounts payable to Seller.

5.4 Method of shipment, and time and rate of delivery are of the essence for this Agreement. Seller will notify Buyer in writing of any delay or anticipated delay affecting delivery date specified in Buyer's purchase order within two business days of identification of delay.

5.5 All clerical errors of Buyer and Seller are subject to correction.

5.6 All Products must conform strictly to the applicable Specifications and no deviation or substitution will be permitted or accepted without the express written agreement of Buyer. There will be no substitutes or shipment of more or less than the quantity specified by Buyer without the prior written approval of Buyer.

5.7 All Product deliveries will be subject to Buyer's right to inspect, and to accept or reject Products that are not strictly in conformity with all of the requirements of this Agreement or the Specifications.

5.8 Buyer also reserves the right to inspect all work in process and completed but undelivered Products, and to accept or reject Products and work in process not strictly in conformity with all of the requirements of this Agreement or the Specifications.

5.9 Neither any acknowledgment of delivery or receipt, nor any Buyer payment will be a waiver of Buyer's right of inspection and rejection. The costs for removal, storage or return of rejected Products will be at Seller's sole cost and expense.

6. CERTIFICATION OF ORIGIN. When requested by Buyer, Seller must accurately identify the country or countries of origin for all Products, and will provide such certification of the applicable identify the country or countries of origin as required under applicable law.

7. ENVIRONMENTAL COMPLIANCE. Seller must take all of the necessary precautions to prevent the release into the environment of any hazardous materials or substances supplied under this Agreement.

8. WARRANTIES.

8.1 Seller warrants to Buyer and to all parties to whom Buyer has provided the goods including Buyer's customers and end-users as follows: a) The goods shall be free from

defects in material, workmanship and design, and will conform in all respects to specifications, drawings and samples, and Seller will promptly repair or replace or correct, at Buyer's option, all portions of the goods having such a defect or non-conformity at Seller's own expense upon being notified of its existence. b) The goods will be free and clear of any liens, claims, or encumbrances, and Seller will promptly remove same at Seller's own expense. c) Neither the sale of the goods nor the use thereof will infringe any patent, copyright, or trade secret, and Seller will at Seller's own expense defend, indemnify, and hold harmless Buyer and Buyer's customers and end-users from and against any claim, suit, demand, or judgment in connection with any claim of such infringement. d) Unless expressly required by the terms of our Purchase Order, no portion of the goods (including without limitation paint, lubricant, or packing) will contain or include lead or asbestos or any material which is or may be harmful, toxic, or hazardous to persons. e) The warranty period means one (1) year from date of Buyer's customers acceptance at the project site unless otherwise specified in Buyer's purchase order. Any repaired or replaced part shall be warranted for a period of one (1) year from the date such warranty repair or replacement work was completed.

8.2 In addition to the foregoing, Seller shall cause all warranties from Seller's suppliers to any portion of the goods to be extended to Buyer and Buyer's customers and end-users.

8.3 Buyer shall have the right to inspect any portion of goods prior to delivery to Buyer, Buyer's customers and end-users or completion, but such inspection shall not release Seller from any of Seller's obligations hereunder.

8.4 Buyer's approval of Seller supplied drawings, manufacturing procedures, calculations, and other documents shall not relieve the Seller of any responsibility for the goods delivered or services performed hereunder or any requirements or warranties under this agreement.

9. PRODUCT SUPPORT. During the warranty period set forth in Section 8.2 above, in addition to remedying all breaches of warranty under this Agreement, Seller will provide technical support and service for all Products at the same level as provided at the time of order.

10. CONFIDENTIAL INFORMATION. Seller will hold all Confidential Information in the strictest confidence and will not disclose any Confidential Information without Buyer's prior written consent. Seller will use Confidential Information for only the performance of Seller's obligations under this Agreement. Confidential Information must be promptly returned to Buyer upon request.

11. INTELLECTUAL PROPERTY.

11.1 Seller hereby acknowledges that Seller does not have, and will not acquire, any interest in any of Buyer's products, technology or intellectual property rights as a result of this Agreement or the performance of any obligations hereunder.

11.2 For custom developed adaptations of existing products, or newly developed products specifically made for Buyer's requirements, Seller hereby assigns to Buyer all right, title and interest in all Developments. At Buyer's request at any time during or after the term of this Agreement, Seller will execute any additional documentation reasonably requested by Buyer to give effect to such assignment.

12. PRICE AND PAYMENT.

12.1 Buyer will pay Seller for the Products at the times and in the amounts described in the applicable order. The cost of packaging, loading and handling Products must be included in the price of the Products and not charged as an additional fee on product or freight invoices.

12.2 Any payments made by Buyer in advance of receipt of completed, conforming Products are trust funds solely for the benefit of material suppliers and laborers.

12.3 Upon notice to Seller, Buyer may deduct damages for breach of warranty or any other breach of this Agreement from the amount shown due Seller on any invoice, whether or not the deduction and invoice are related to the same order or series of orders.

13. AUDIT AND INSPECTION.

13.1 The provisions of this article shall pertain only to purchase orders issued from Buyer to Seller which note the requirement of audit of sub-suppliers under Buyer's contract with its customer.

13.2 Seller must maintain books and records evidencing services performed pursuant to this Agreement and the cost of materials, parts and components of Products, including without limitation, all records of contracts entered into by Seller, all expenses incurred (whether reimbursable or not, and all hours spent on performing services for Buyer.

13.3 During the term of this Agreement and for five (5) years thereafter, Buyer will have the right to examine the books and records described in Section 13.1 above. During the term of this Agreement and for two (2) years thereafter, Buyer will have the right to access such other information, records, production facilities, equipment and personnel of Seller as may be reasonably requested by Buyer from time to time for purposes of monitoring Seller's obligations under this Agreement. All such access will occur during normal business hours, at Buyer's expense, and through its authorized employees or its independent certified public accountants and other Buyer representatives. Buyer will give Seller reasonable notice in advance (but not less than 24 hours).

14. INDEMNIFICATION.

Seller will defend, indemnify and hold Buyer harmless with respect to any and all costs, claims, liabilities, diminution in

value, damages or expenses (including reasonable attorneys' fees) incurred which relate in any way to or are caused by Seller's breach of this Agreement or Seller's performance or nonperformance of its duties under this Agreement including, without limitation, any claim or demand of any kind or nature on account of (i) an actual or alleged infringement or contributory infringement of any patent, copyright, trademark, trade secret or other proprietary right of any third party, (ii) an actual or alleged defect in any Product, (iii) an actual or alleged breach of any applicable warranty, (iv) a failure of Seller to deliver Products on a timely basis, or (v) laborer, material man, mechanics, or other liens arising from or associated with Seller's performance or nonperformance under this Agreement.

15. TERM AND TERMINATION.

15.1 This Agreement will take effect as of the date first above written and, unless earlier terminated as provided in this Section 15, will continue in force until modified by Buyer with fourteen (14) days prior notice to Seller.

15.2 Either party hereto may terminate this Agreement at any time by giving notice in writing to the other party, which notice will be effective upon dispatch, should the other party file a petition of any type as to its bankruptcy, be declared bankrupt, become insolvent, make an assignment for the benefit of creditors, go into liquidation or receivership, or otherwise lose legal control of its business.

15.3 Either party may terminate this Agreement by giving notice in writing to the other party in the event the other party is in material breach of this Agreement and will have failed to cure such breach within thirty (30) days of receipt of written notice thereof from the first party.

15.4 Buyer may terminate this Agreement at any time, without cause, upon thirty (30) days written notice to Seller.

15.5 Upon the termination of this Agreement for any reason (i) neither party will be released from the obligation to make payment of all amounts then or thereafter due and payable, (ii) Buyer may, in its discretion, cancel or require performance under any then outstanding orders, in whole or in part, and (iii) the provisions of Sections 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 16 of this Agreement will remain in effect in accordance with their terms.

16. GENERAL.

16.1 This Agreement does not make either party the employee, agent or legal representative of the other for any purpose whatsoever. Neither party is granted any right or authority to assume or to create any obligation or responsibility, express or implied, on behalf of or in the name of the other party. In fulfilling its obligations under this Agreement each party will be acting as an independent contractor.

16.2 Buyer will have the right to assign or otherwise transfer its rights and obligations under this Agreement

without the prior written consent of Seller. Seller will not have the right to assign or otherwise transfer its rights or obligations under this Agreement without the prior written consent of Buyer. Any prohibited assignment will be null and void.

16.3 Notices permitted or required to be given hereunder will be deemed sufficient if given by registered or certified mail, postage prepaid, return receipt requested, addressed to the respective addresses of the parties written below. Notices so given will be effective upon the earlier to occur of (i) receipt by the party to which notice is given, or (ii) on the fifth (5th) business day following the date such notice was posted, whichever occurs first.

16.4 This Agreement together with the orders submitted by Buyer under this Agreement, constitutes the entire and fully integrated agreement between the parties with respect to the subject matter hereof, and supersedes any and all other agreements between the parties related thereto, as well as all proposals, oral or written, and all negotiations, conversations or discussions between the parties related thereto. Except as provided in Buyer's orders, no product or service specifications, or terms and conditions that are additional or contrary to the terms of this Agreement, whether contained in any order confirmation or other communication from Seller or any third party, will be construed as, or constitute a waiver of these terms and conditions, or acceptance of any such additional terms, conditions or specifications. Buyer hereby rejects and objects to such additional or contrary terms, conditions or specifications.

16.5 This Agreement will not be deemed or construed to be modified, amended, rescinded, cancelled or waived, in whole or in part, except by written amendment signed by the parties hereto.

16.6 No failure by either party to take any action or assert any right hereunder will be deemed to be a waiver of such

right in the event of the continuation or repetition of the circumstances giving rise to such right.

16.7 This Agreement may be executed in two or more counterparts, and each such counterpart will be deemed an original hereof.

16.8 This Agreement is confidential and no party will issue press releases or engage in other types of publicity of any nature dealing with the commercial and legal details of this Agreement without the other party's prior written approval, which approval will not be unreasonably withheld. However, approval of such disclosure will be deemed to have been given to the extent such disclosure is required to comply with governmental rules, regulations or other governmental requirements. In such event, the publishing party will furnish a copy of such disclosure to the other party.

16.9 If any of the terms of this Agreement are in conflict with any rule of law or statutory provision or otherwise unenforceable under the laws or regulations of any government or subdivision thereof, such terms will be deemed stricken from this Agreement, but such invalidity or unenforceability will not invalidate any of the other terms of this Agreement and this Agreement will continue in force, unless the invalid or unenforceable provisions comprise an integral part of, or are otherwise inseparable from, the remainder of this Agreement.

16.10 This Agreement will be governed by and construed in accordance with the laws of the State of Minnesota. All disputes, claims and controversies regarding, or arising out of or relating to this Agreement will be resolved in the state or federal courts located in the state of Minnesota. The parties hereby submit themselves to the jurisdiction of such courts.

BUYER:

NOL-TEC SYSTEMS, INC.

425 Apollo Drive

Lino Lakes, MN 55104

By _____

Name Jim Anderson

Title Executive Vice President / COO

Date _____

SELLER:

By _____

Name _____

Title _____

Date _____