

**ROYAL SYSTEMS GROUP, INC.
TERMS AND CONDITIONS**

1. **Sales Conditioned Upon Assent to These Terms and Conditions.** Sales by Royal Systems Group, Inc., 18301 Napa Street, Northridge, California ("Seller" or "SELLER") to the purchaser of goods or Products ("Buyer" or "BUYER") shall be governed by these terms and conditions, and this document shall constitute the agreement of the parties. Issuance of a purchase order by Buyer will be considered an offer to purchase goods, Products or services identified therein. Any acceptance by Seller is made expressly conditioned upon Buyer's assent to these terms and conditions, inclusive of terms which are different from, in addition to, or vary the terms contained in Buyer's purchase order or request for quotation, if any. Such assent by Buyer shall be deemed to occur upon the failure of Buyer to object in writing specifically to such term or terms within five (5) calendar days from the receipt hereof. Any terms and conditions contained in Buyer's purchase order or request for quotation which are different from, in addition to, or vary Seller's terms and conditions shall not be binding upon Seller and Seller hereby objects thereto. Buyer's purchase order which is accepted by Seller may not be canceled, in whole or in part, unless and until Seller receives written notice of the cancellation, Seller has determined the cancellation charge to be applied, and Buyer has accepted and paid the cancellation charge of Seller.
2. **Quotations.** Price quotations issued by Seller shall be valid for thirty (30) calendar days from the date of the quotation. Unless otherwise expressly agreed in writing, all shipments are F.O.B. Royal Systems Group, Inc., 18301 Napa Street, Northridge, California. Unless otherwise expressly agreed by Seller in writing, crating charges are not included in quotations issued by Seller and such charges will be quoted separately upon presentation of shipping requirements by Buyer.
3. **Risk of Loss.** Risk of loss of the goods or Products shall pass to the Buyer on identification as defined by Uniform Commercial Code section 2501.
4. **Purchase Money Security Interest.** Until Buyer fully satisfies all of Buyer's obligations to Seller under this agreement, Seller retains and Buyer hereby grants to Seller, a purchase money security interest in any and all goods and Products sold by Seller to Buyer hereunder and all proceeds thereof. Upon Seller's request, Buyer shall execute and file such documents as are reasonably necessary to protect or perfect Seller's security interest in the goods.
5. **Disclaimer of Warranties.** Any description of the goods or Products contained in this agreement is for the sole purpose of identifying them, is not part of the basis of the bargain, and does not constitute a warranty that the goods or Products will conform to that description. The use of any sample or model in connection with this agreement is for illustrative purposes only, is not part of the basis of the bargain, and is not to be construed as a warranty that the goods or Products will conform to the sample or model. Except as otherwise provided herein, no affirmation of fact or promise made by Seller, whether or not in this agreement, will constitute a warranty that the goods or Products will conform to the affirmation or promise. Further, it is agreed that any opinions or statements of Seller as to the value or quality of the goods or Products sold under this agreement do not form a basis for this agreement, and unless the statements or opinions are specifically embodied in this writing, they do not, in any way, constitute a warranty. No agent, employee, or representative of Seller has any authority to bind Seller to any affirmation, representation, or warranty concerning the goods, Products or services sold under this agreement, and unless an affirmation, representation, or warranty made by an agent, employee, or representative is specifically included within this agreement, it will not be enforceable by Buyer.

In no event, whether bases on contract, indemnity, warranty, tort (including negligence), strict liability or otherwise, shall "Seller" be liable to the buyer for special, indirect, incidental, or consequential damages whatsoever including, without limitation, loss of profit or revenue. The included extended special limited warranty is buyer's exclusive remedy and "Seller" hereby expressly disclaims all other warranties, express or implied, including the implied warranty of merchantability and the implied warranty of fitness for a particular purpose.

SELLER MAKES NO WARRANTY THAT THE GOODS SOLD UNDER THIS AGREEMENT ARE FIT FOR ANY PARTICULAR PURPOSE.

In case the goods or Products covered by this agreement are secondhand, no warranty or representation is made as to the extent such goods or Products have been used.

6. **Limited Warranty For Assembly By Seller.** For purposes of this agreement the term "Product" or "PRODUCT" shall mean two or more independent goods that are assembled together by Seller to constitute a new good. Except as otherwise provided herein, Seller warrants Products sold hereunder which Seller assembles to be free from defects in assembly under normal use and service for a period of ninety (90) calendar days after shipment thereof to the original purchaser ("Seller's Limited Warranty" or "SELLER'S LIMITED WARRANTY"). SELLER'S LIMITED WARRANTY EXTENDS ONLY TO THE ASSEMBLY OF THE PRODUCT OR PRODUCTS BY SELLER AND IS, TO THE EXTENT PERMITTED BY LAW, IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND ANY PRIOR WRITTEN OR ORAL REPRESENTATIONS REGARDING SUCH PRODUCTS ASSEMBLED BY SELLER, ITS EMPLOYEES, AGENTS AND REPRESENTATIVES.

Seller reserves the right to inspect, either at Buyer or Seller's location; Products claimed defectively assembled which are under warranty. A Product claimed to be defectively assembled is not to be returned to Seller's facility unless authorized by Seller. Products authorized for return shall be returned by Buyer to Seller's principal location, freight prepaid. At Seller's option, Seller will without charge replace or repair, or issue a refund for the purchase price of, any Product proving defective due to faulty assembly within ninety (90) calendar days from the date of shipment. Seller assumes no liability and shall not be liable for labor charges incidental to the adjustment, repairs, removal, or replacement of the product or other costs, or for the repairs made by anyone other than Seller. Seller, at its option, may ship a replacement or replacements immediately under standard billing and make warranty adjustment after inspection of the defective product by means of credit memorandum.

In no event, whether bases on contract, indemnity, warranty, tort (including negligence), strict liability or otherwise, shall "Seller" be liable to the buyer for special, indirect, incidental, or consequential damages whatsoever including, without limitation, loss of profit or revenue. The included extended special limited warranty is buyer's exclusive remedy and "Seller" hereby expressly disclaims all other warranties, express or implied, including the implied warranty of merchantability and the implied warranty of fitness for a particular purpose.

GOODS OR PRODUCTS SUPPLIED BY ANY OTHER PARTY TO SELLER THAT ARE NOT ASSEMBLED BY SELLER ARE COVERED ONLY BY THE WARRANTY OF SUCH OTHER PARTY AND COPIES OF SUCH WARRANTIES WILL BE FURNISHED UPON REQUEST.

7. **Termination of Seller's Limited Warranty.** Any obligation of Seller under Seller's Limited Warranty shall automatically and immediately terminate, without notice from or any further action by Seller, and Seller shall have no responsibility for damages of any kind as a result of the occurrence of any of the following:
 - (a) accident, misuse, abuse or negligent use of the Product(s) or any component thereof;
 - (b) any adjustment, repairs, removal, or replacement of the Product(s) or any component thereof made outside the Seller's facility, except where such service is performed by an employee or authorized representative of Seller;
 - (c) improper installation or operation (including both mechanical and electrical) of the Product(s) or any component thereof, except where such installation or operation is performed by an employee or authorized representative of Seller; or
 - (d) failure to provide recommended, scheduled or normal maintenance for the Product(s) or any component thereof.
8. **Intellectual Property Rights.** All designs, patents, trade names, and trade secrets that are or may be supplied by Seller to Buyer under this agreement shall remain the property of Seller, or the respective lawful owners of such intellectual property.
9. **Confidentiality.** Buyer agrees that the prices, terms and conditions of this agreement are confidential information. Buyer will not disclose this confidential information to persons who are not parties to this agreement without the express written permission of Seller.
10. **Inspection Period and Acceptance.** As soon as the goods or Products are delivered to Buyer, Buyer shall inspect them. Notice in writing shall be given within 24 hours after receipt of goods or Products of any defects or omissions. Failure to give notice within 24 hours after receipt shall constitute an irrevocable acceptance of the goods and Products delivered. It is

agreed that the retention by Buyer for a period of 24 hours of any installment shipment of goods or Products sold under this agreement shall constitute an irrevocable acceptance of the goods and Products contained in the installment. Any attempt by Buyer to revoke acceptance for any reason whatever after Buyer has accepted any shipment shall constitute a breach of this agreement.

11. **Rejection of Goods or Products.** If Buyer rejects any tender of goods or Products under this agreement, Buyer shall reship the goods or Products to the Seller within 48 hours after rejection. If Buyer rejects any of the goods or Products sold under this agreement, Buyer shall notify Seller of this rejection in writing within 72 hours, and Buyer agrees that Buyer shall not resell or dispose of the rejected goods or Products in any manner, and shall hold the goods and Products without charge to Seller until Seller may reasonably arrange for transportation. Should Buyer sell any of the goods or Products, the sale shall be deemed an unequivocal acceptance of such goods and Products.
 12. **Payment Terms, Late Charges and Interest.** Buyer agrees to pay Seller's invoice(s) NET THIRTY (30) calendar days, unless otherwise expressly provided in writing, then according to those terms. For invoiced amounts that are past due, Buyer also agrees to pay Seller a late charge equal to \$50.00 for each past due invoice, in addition to interest at a rate not exceeding the higher of:
 - (a) 10% per annum, or
 - (b) 5% per annum plus the rate established by the Federal Reserve Bank of San Francisco on advances to member banks under Sections 13 and 13a of the Federal Reserve Act, as now in effect or as later amended. That rate is the rate prevailing on the twenty-fifth of the month preceding the date of execution of this agreement. If there is not such single determinable rate of such advances, the closest counterpart of such rate as shall be designated by the Superintendent of Banks of the State of California unless some other person or agency is delegated such authority by the California Legislature.
 13. **Taxes.** All applicable federal, state and local sales, use, or excise taxes are the responsibility of the Buyer and shall be in addition to the price or prices reflected in the quotations and invoices of Seller, unless otherwise expressly provided in writing. Seller shall have the right and the option to invoice separately and at a later time any such taxes as may be imposed. Applicable tax exemption certificates must accompany any order to which the same applies.
 14. **Buyer's Assurances to Seller.** Seller shall have the immediate right to demand assurance of full payment from Buyer if any of the following events occur:
 - (a) Buyer is more than fifteen (15) calendar days delinquent in making any payment hereunder;
 - (b) Buyer fails to meet Buyer's obligations with Buyer's other suppliers as they become due;
 - (c) a judgment is entered against Buyer in excess of \$5,000 in any court of competent jurisdiction, whether or not the judgment is stayed pending appeal; or
 - (d) by reason of a labor dispute or otherwise, there is a work stoppage of more than five (5) calendar days at Buyer's business.On proper demand for assurance by Seller, Buyer shall within fifteen (15) calendar days after receipt of that demand furnish, in an amount sufficient to secure the full payment of the balance due under this agreement on the purchase price, a penalty bond issued by any competent surety company, or shall post securities or other liquid collateral to be held in escrow by an escrow holder selected by Seller to secure payment of the purchase price.
 15. **Buyer's Representations to Seller.** Buyer represents and warrants that Buyer is able to pay Buyer's debts as they become due, is in fact now paying Buyer's debts in the ordinary course of business, and is not insolvent within the meaning of the Federal Bankruptcy Code or Uniform Commercial Code Section 1201(23). If Buyer becomes insolvent before delivery of the goods or Products, Buyer shall immediately notify Seller. A failure to notify Seller shall be construed as a reaffirmation of Buyer's solvency at the time of delivery. Buyer makes these representations with full knowledge that Seller is relying upon them in extending credit under this agreement. Upon the request of Seller, Buyer shall furnish to Seller a statement in writing at the time each delivery is tendered that Buyer is not insolvent as that term is defined in the Federal Bankruptcy Code and the Uniform Commercial Code section 1201(23). Seller shall not be obligated to deliver possession of the goods or Products to Buyer until Buyer has provided Seller with a statement of solvency as herein described.
 16. **Termination of this Agreement.** Seller shall have the right to terminate this agreement upon written notice to Buyer in the event that:
 - (a) Buyer breaches this agreement;
 - (b) Buyer fails to make any payment required under this agreement;
 - (c) Buyer files a voluntary petition under any Chapter of the Bankruptcy Code or similar insolvency law of any jurisdiction or proposes a dissolution or liquidation;
 - (d) Buyer has filed against it any petition under any Chapter of the Bankruptcy Code or similar insolvency law of any jurisdiction, which petition is not dismissed within ninety (90) calendar days; or
 - (e) in the event that any additional or increased import duty shall be imposed upon any of the goods or Products by the United States Government between the date of this agreement and the date of the arrival of the goods or Products at a port of entry into the United States.
 17. **Limitation of Damages.** If Seller breaches or repudiates this agreement or any provision of a related purchase order, Buyer's sole right to damages shall be limited to the purchase price of the contract covered by the purchase order between Seller and Buyer. Buyer shall have no right without Seller's consent to recover the cost of procuring substitute goods or products, or the labor associated with the installation of such substitute goods or products. In no event shall Buyer be entitled to recover incidental or consequential damages resulting from any alleged breach or repudiation of this agreement or any provision of a related purchase order.
- Aside from any limitation on warranty claims provided for hereinabove, in the event of any failure of any product or goods or negligence in services provided or supplied by Buyer, Seller's sole right to damages shall be limited to the purchase price of the contract covered by the purchase order between Seller and Buyer. In no event shall Buyer be entitled to recover incidental or consequential damages, including but not limited to business interruption, loss of profits, damage to Buyer's property or similar such damages.
18. **No Assignment or Delegation.** No right or interest in this agreement may be assigned by either Buyer or Seller without the written permission of the other party, and no delegation of any obligation owed by either Buyer or Seller may be made without the written permission of the other party. Any attempted assignment or delegation shall be wholly void and totally ineffective for all purposes.
 19. **No Waiver.** No claim or right arising out of a breach of this agreement can be discharged in whole or in part by a waiver or renunciation of the claim or right unless the waiver or renunciation is supported by consideration and is in writing signed by the aggrieved party.
 20. **No Modification or Rescission.** This agreement can be modified or rescinded only by a written agreement signed by both of the parties or their duly authorized agents.
 21. **Time For Commencing Legal Action.** ANY ACTION FOR BREACH OF THIS AGREEMENT MUST BE COMMENCED WITHIN ONE YEAR AFTER THE CAUSE OF ACTION HAS ACCRUED.
 22. **Entire Agreement.** This writing is intended by the parties as a final expression of their agreement concerning the matters contained herein, and is also intended as a complete and exclusive statement of the terms of their agreement. No course of prior dealings between the parties and no usage of the trade shall be relevant to supplement or explain any term used in this agreement. Acceptance or acquiescence in a course of performance rendered under this agreement shall not be relevant to determine the meaning of this agreement even though the accepting or acquiescing party has knowledge of the nature of the performance and opportunity for objection.
 23. **Venue, Jurisdiction, and Governing Law.** ALL DISPUTES AND MATTERS ARISING UNDER, IN CONNECTION WITH, OR INCIDENTAL TO THIS AGREEMENT SHALL BE LITIGATED, IF AT ALL, IN AND BEFORE THE SUPERIOR COURT, LOCATED IN LOS ANGELES COUNTY, STATE OF CALIFORNIA, USA TO THE EXCLUSION OF OTHER COURTS OF OTHER STATES, THE UNITED STATES, OR COUNTRIES AND TO THE EXCLUSION OF OTHER VENUES. THE PARTIES EXPRESSLY CONSENT TO THE EXCLUSIVE JURISDICTION OF THIS COURT and agree that this venue is convenient and not to seek a change of venue or to dismiss the action on the grounds of forum non-conveniens, and not to remove any litigation from that court to a federal court. This agreement will be governed by the internal substantive law of the State of California, including the California Uniform Commercial Code ("UCC"), as effective on the date of this agreement. Whenever a term defined by the UCC is used in this agreement, the definition contained in the UCC shall control.
 24. **Notice.** Any notice made under this agreement shall be in writing and shall be deemed to be given upon personal delivery or on delivery by tested facsimile or other electronic means

that produce readable copy; on delivery by overnight courier or commercial messenger; or five (5) calendar days after mailing, by certified or registered United States Mail, return receipt requested, postage prepaid, addressed to the party at the address first set forth above or such other address of which notice is so given.

25. **Captions and Headings.** This agreement's captions, paragraph headings, paragraph numbers and other section designations are for convenience only, and must not be used in any way to affect, explain, modify, amplify, interpret, construe, or otherwise determine the meanings or construction of any of the agreement's provisions, phrases, or words.
26. **Force Majeure.** Seller shall not be liable for any loss, damage, detention, delay or failure to perform in whole or in part, resulting from any cause, contingency, or circumstance not subject to its control that prevents or hinders the manufacture or delivery of the goods or Products, including, but not limited to, federal, state, or municipal action, statute, ordinance, or regulation; strike or other labor trouble; fire damage to or destruction in whole or in part of goods, Products or manufacturing plant; the lack of or inability to obtain raw materials, labor, fuel, or supplies; acts of God, war, insurrections, riots, embargoes, shortages; nondelivery or delays arising from fire, floods, droughts, accidents, insurrections, lockouts, breakdown of machinery, commandeering of vessels carrying goods or Products, or for loss, damage, or delay in transit; or refusal of any necessary license or government restrictions considered as "force majeure." Seller shall be released from its obligations under this agreement under any of the circumstances specified in this paragraph. In no event shall Seller be responsible after delivery of goods or Products in good order or condition to the carrier at the point of shipment.
27. **Exclusion of United Nations Convention on the International Sale of Goods.** The parties agree that the United Nations Convention on Agreements for the International Sale of Goods does not apply to this agreement.
28. **Other Products or Equipment.** Seller assumes no liability of any kind for any product or equipment that is damaged or caused to be damaged by seller's product or equipment under this agreement