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Standard Terms and Conditions of Sale

Product Development Laboratory, Inc. DBA "Auto ID Solutions"

1. SCOPE

The Terms and Conditions ("Terms") contained herein shall apply to all quotations and offers made by and purchase orders accepted by Auto ID Solutions. These Terms apply to all sales made by Auto ID Solutions except to the extent the Terms conflict with a Sales Agreement signed by Auto ID Solutions and Buyer. These Terms apply in lieu of any course of dealing between the parties or usage of trade in the industry. These Terms may in some instances conflict with some of the terms and conditions affixed to the purchase order or other procurement document issued by the Buyer. In such case, the Terms contained herein shall govern, and acceptance of Buyer's order is conditioned upon Buyer's acceptance of the terms and conditions herein, irrespective of whether the Buyer accepts these conditions by a written acknowledgement, by implication, or acceptance and payment of products ordered hereunder. Auto ID Solutions' failure to object to provisions contained in any communication from Buyer shall not be deemed a waiver of the provisions herein. Any changes in the Terms contained herein must specifically be agreed to in writing signed by an officer of Auto ID Solutions before becoming binding on either party.

2. PRICE, TAXES AND QUOTATIONS

Prices are subject to change on thirty days notice to Buyer. Any order that can be cancelled and rescheduled pursuant to paragraph 7(a) is subject to a price change immediately. All prices are exclusive of any present or future sales, revenue or excise tax, value added tax, turnover tax, import duty (including brokerage fees) or other tax applicable to the manufacture or sale of any product. Such taxes, when applicable, shall be paid by Buyer unless Buyer provides a proper tax exemption certificate. Unless otherwise agreed to in writing by the parties, prices quoted by Auto ID Solutions are those current at the date of quotation and shall be subject to variation by Auto ID Solutions.

3. DELIVERY

Unless otherwise agreed in writing, sales are FOB Minneapolis, MN. Auto ID Solutions may deliver products in one or more consignment and invoice each consignment separately. Auto ID Solutions reserves the right to ship product that is not subject to cancellation in advance of the agreed shipping date. Unless otherwise agreed in writing, delivery time is not of the essence. Except as specified in 8(b), Auto ID Solutions does not accept liability for any loss arising from delay in delivery of products.

4. RESERVATION OF OWNERSHIP

- (a) All goods delivered will remain our property (conditional goods) until all claims resulting from the business relationship in question have been settled, including especially any claims outstanding from previous transactions for: (i) The above also applies to payments made to settle specifically designated claims (ii) In the event of Customer's payments being delayed, we may demand the return of any goods delivered at Customer's expense.
- (b) Any repossession of goods and/or assertion of our right of ownership does not imply our withdrawal from the contract in question, unless such withdrawal is explicitly declared by us.
- (c) Customer will process any goods supplied in our name only. In the event of conditional goods being integrated in a product together with other goods, we thereby acquire a share in the products thus generated in proportion to the invoice value of our goods relative to the invoice value of the other objects included in the product at the time of manufacture.
- (d) In the event of our right of ownership expiring because the goods delivered have been amalgamated or blended with others, Customer hereby agrees providentially to transfer to us his right of ownership in the newly-generated article in proportion to the invoice value of our conditional goods, and to keep said articles safe for us without charge. The articles in which we thus may acquire rights of co-ownership shall be regarded as conditional goods within the meaning of Paragraph (a).
- (e) Customer may sell conditional goods only in the normal course of business, provided that customer is not in default with any payments, and provided that titles in any claims resulting from such resale is transferred to us in

conformance with Paragraph (f) and (g). Customer shall not be entitled to dispose of conditional goods in any other way.

(f) Customer providentially agrees to assign any claims from such resale of conditional goods to us. Such claims may be used as collateral to the same extent as conditional goods.

(g) In the event of conditional goods being sold by Customer together with other goods not supplied by us, any claims from such resale shall be assigned to us only in the amount of the invoice value of the conditional goods actually sold. Should goods be sold in which we retain a share in conformance with Paragraph (b) claims shall be assigned in proportion to the value of said share.

(h) Customer shall be entitled to collect any amounts outstanding from sales under Paragraph (e) and (f) unless and until we raise an objection.

5. PAYMENT TERMS

Unless otherwise agreed in writing, Payment terms shall be net thirty (30) days from the date of invoice. Buyer agrees to pay interest on any unpaid balance of 1.5% per month after 30 days of invoice date (18% per annum). For contracts in Europe, Auto ID Solutions may require payment to be secured by an irrevocable letter of credit or a bank guarantee acceptable to Auto ID Solutions. Where payment is made by letter of credit, all costs of collection shall be for Buyer's account. In the event that Auto ID Solutions is required to bring legal action to collect delinquent accounts, Buyer agrees to pay reasonable attorneys fees and costs of suit.

6. NON-CONFORMING DELIVERY AND RISK OF LOSS

Buyer shall notify Auto ID Solutions of any visible defects, quantity shortages or incorrect product shipments within seven (7) days of receipt of the shipment. Failure to notify Auto ID Solutions in writing of any visible defects in the products or of quantity shortages or incorrect shipments within such period shall be deemed an unqualified waiver of any rights to return products on the basis of visible defects, shortages or incorrect shipments, subject to Buyer's rights under Section 8. Seller shall retain a security interest in the products until Buyer's final payment to Auto ID Solutions for the products. Risk of loss and title shall pass to Buyer as soon as the products have been placed with a transport agent.

7. ORDER CANCELLATION

(a) Buyers Cancellation for Convenience: Buyer may cancel any order for convenience on the following terms: (i) For standard products, Buyer may cancel or reschedule a product without penalty if the cancellation is more than thirty (30) days from the Confirmed Shipping Date (as specified in Auto ID Solutions' Order Acknowledgement or other document); cancellations within thirty (30) days of a Confirmed Shipping Date must be approved in writing by a Auto ID Solutions sales manager and may be subject to special charges (ii) For electronic data files (E-Code .EPS bar code files) Buyer may not cancel order after order submission (iii) For nonstandard parts, custom products, or standard parts with minimum usage Buyer may cancel or reschedule more than ninety (90) days from the Confirmed Shipping Date, except that Buyer shall accept delivery of all such products which are completed at the time of cancellation or rescheduling. Those nonstandard products which are in the work-in-process inventory at the time of cancellation or rescheduling, shall be paid for by Buyer at a price equal to the completed percentage of the product multiplied by the price of the finished product. Buyer also shall pay promptly to Auto ID Solutions the costs of settling and paying claims arising out of the termination of work under Auto ID Solutions' subcontracts or vendors and any accounting, legal, and clerical costs arising out of the cancellation.

(b) Buyers Cancellation for Default: Upon written notice to Auto ID Solutions, any order may be canceled in whole or in part in accordance with the terms hereof, because of Auto ID Solutions' failure to deliver products by the Confirmed Shipping Date (this failure hereinafter called "Default"). Cancellation by Buyer for Auto ID Solutions' Default, which may entitle Buyer to procurement costs, shall be effective only upon Auto ID Solutions' failure to correct such Default within a reasonable period of time, but not less than thirty (30) days after receipt by Auto ID Solutions of written notice of such Default. Upon cancellation, Buyer, as its sole remedy, may recover from Auto ID Solutions as damages the difference between cost of procurement from another source (cover) and the contract price, less expenses saved as a consequence of Auto ID Solutions' breach. In no event shall these damages exceed ten percent (10%) of Auto ID

Solutions' product price multiplied by the number of products unconditionally (not subject to cancellation under 7(a)) ordered by Buyer which remain unshipped at the time of cancellation.

(c) Auto ID Solutions' Cancellation: Auto ID Solutions shall have the right to cancel any unfilled order without notice to Buyer in the event that Buyer becomes insolvent, adjudicated bankrupt, petitions for or consents to any relief under any bankruptcy reorganization statute, or becomes unable to meet its financial obligations in the normal course of business. Any order that can be cancelled or rescheduled by Buyer pursuant to paragraph 7(a) may be cancelled or rescheduled by Auto ID Solutions if notice is given to Buyer.

8. LIMITED WARRANTY

(a) All products except electronic data files - Except as specified below, products sold hereunder shall be free from defects in materials and workmanship and shall conform to Auto ID Solutions' published specifications or other specifications accepted in writing by Auto ID Solutions for a period of one (1) year from the date of shipment of the products. The foregoing warranty does not apply to any products which have been subject to misuse, neglect, accident or modification or which have been altered such that they are not capable of being tested under normal test conditions. Auto ID Solutions shall make the final determination as to whether its products are defective. Auto ID Solutions' sole obligation for products failing to comply with this warranty shall be, at its option, to either repair, replace or issue credit for the nonconforming product where, within fourteen (14) days of the expiration of the warranty period, (i) Auto ID Solutions has received written notice of any nonconformity; (ii) after Auto ID Solutions' written authorization, Buyer has returned the nonconforming product to Auto ID Solutions; and (iii) Auto ID Solutions has determined that the product is nonconforming and that such nonconformity is not the result of improper installation, repair or other misuse. **THE FOREGOING WARRANTY AND REMEDIES ARE EXCLUSIVE AND MADE EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESSED, IMPLIED OR OTHERWISE, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. AUTO ID SOLUTIONS DOES NOT ASSUME OR AUTHORIZE ANY OTHER PERSON TO ASSUME FOR IT ANY OTHER LIABILITY IN CONNECTION WITH ITS PRODUCTS.** Buyer shall pass this warranty to any third-party purchaser of Auto ID Solutions products.

(b) Electronic data files - Electronic data files, including E-code (Electronic Bar Code Files) are considered original artwork and as such must be inspected and approved by the Buyer and User of the artwork. Use of the file confirms acceptance of the artwork. Auto ID Solutions warrants that the material described herein is free from defects in material and workmanship. This warranty does not extend to, and Buyer hereby waives all claims and damages for, and any and all consequential damages. However occasioned, including but not limited to loss of use and lost profits. There are no warranties which extend beyond the description on the face hereof. The implied warranties of merchantability and fitness for a particular purpose are hereby disclaimed and Auto ID Solutions neither assumes nor authorizes any person to assume for Auto ID Solutions any additional liability in connection with the sales or use of the goods sold, and there are no oral agreements or warranties collateral to or affecting this agreement.

9. LIMITED LIABILITY

(a) All products except electronic data files - Neither Auto ID Solutions nor Buyer shall be liable for incidental or consequential damages, including but not limited to, the cost of labor, requalifications, rework charges, delay, lost profits, or loss of goodwill arising out of the sale, installation or use of any Auto ID Solutions product. If Auto ID Solutions has any liability for breach of contract, breach of any implied condition, warranty or representation, the aggregate liability of Auto ID Solutions to Buyer shall be limited in respect of any occurrence or series of occurrences to the contractual value of the products or services that are the subject of the contract. (b) Electronic data files – For all electronic data files, including E-code (Electronic Bar Code Files), Auto ID Solutions' liability and obligations under the foregoing warrant are expressly and exclusively limited to replacement of the material found to be defective at Auto ID Solutions place of business and Buyer assumes all risk and liability from the use of the material whether used singly or in combination with other goods. The implied warranties of merchantability and fitness for a particular purpose are hereby disclaimed and Auto ID Solutions neither assumes nor authorizes any person to assume for Auto ID Solutions any additional liability in connection with the sales or use of the goods sold, and there are no oral agreements or warranties collateral to or affecting this agreement.

10. CONFIDENTIAL INFORMATION

Except as required by law, neither party shall use (except for purposes connected with the performance of its obligations hereunder), divulge or communicate to any third party any information of the other it reasonably knows to be confidential.

11. INDEMNIFY INFORMATION

Buyer agrees to indemnify, hold harmless and defend Seller (and its employees, subsidiaries, affiliates, successors, suppliers and agents) from and against any and all claims (whether based on contract, tort, strict liability or otherwise), judgments, liabilities, damages, losses, expenses and costs (including, but not limited to, court costs and attorneys' fees) incurred or suffered by Seller, which relate to or arise out of (i) Buyer's or Buyer's customer use, handling, installation, sale, distribution or disposal of the products, or (ii) Buyer's breach of any representation, warranty or obligation hereunder. Buyer shall defend any such matter with counsel reasonably acceptable to Seller and shall not settle any such matter except with the consent of Seller which consent shall not be unnecessarily withheld. If Buyer fails to promptly and diligently investigate and defend or settle any claim, then Seller shall have the right, at Buyer's cost, expense and risk, from that time forward to have sole control of the defense of the claim and the terms of any settlement or compromise.

12. FORCE MAJEURE

Auto ID Solutions shall not be liable for any damage or penalty for delay in delivery or for failure to give notice of delay when such delay is due to the elements, acts of god, acts of the Buyer, act of civil or military authority, war, riots, concerted labor action, shortages of materials, or any other causes beyond the reasonable control of Auto ID Solutions. The anticipated delivery date shall be deemed extended for a period of time equal to the time lost due to any delay excusable under this provision.

13. EXPORT REGULATIONS

Buyer agrees to comply fully with all laws and regulations concerning the purchase and sale of products. In particular, Buyer agrees to comply with the Export Administration Regulations of the United States in so far as they apply to the sale of products. The products are licensed by the United States for delivery to the ultimate destination as shown on the shipment/invoice address and any contrary diversion is prohibited.

14. ASSIGNMENT AND SUBCONTRACTING

Auto ID Solutions shall be entitled at all times to assign its rights under the contract (in whole or in part) or to subcontract any part of the work or services to be provided under the contract as it deems necessary or desirable.

15. NOTICES

Any notice hereunder shall be deemed to have been given if sent by prepaid first class mail to the party concerned at its last known address. Notice to Auto ID Solutions shall be to 701 Decatur Avenue North, Suite 106, Minneapolis, MN 55427.

16. WAIVER

Failure by Auto ID Solutions to exercise or enforce any rights hereunder shall not be deemed to be a waiver of any such right nor operate so as to bar the exercise or enforcement thereof at any time or times thereafter.

17. APPLICABLE LAW

Unless otherwise agreed in writing, the terms and conditions contained herein shall be governed by and construed under the laws of the State of Minnesota, USA.