



Ultra-Stereo Labs, Inc. ("Company")
Order Acknowledgement Terms and Conditions

1. Buyer's Acceptance of Conditions. The terms and conditions set forth herein apply to all purchases of goods by Buyer from Company. Company's willingness to enter into this sale is expressly conditioned upon the Buyer's assent to the terms set forth herein. Buyer's receipt of these terms and conditions without prompt written objection thereto or the acceptance of goods by Buyer shall be deemed an acceptance of said terms and conditions in their entirety.

2. Objection to Inconsistent Terms. Buyer is hereby notified of Company's objection to any terms inconsistent herewith or to any additional terms proposed by Buyer when ordering goods and such terms shall not become a part of this agreement unless accepted in writing by Company. Neither Company's subsequent lack of objection to any terms nor the delivery of goods shall constitute or be deemed an agreement by Company to any such terms; furthermore, no such action by Company shall be considered a course of performance, course of dealing, usage of trade or a waiver of any of the terms and conditions hereunder.

3. Delivery. Delivery of all goods shall be FOB place of shipment unless otherwise agreed in writing by Company.

4. Inspection and Returns. Buyer shall inspect all goods promptly upon receipt thereof and may reject any goods which fail in any significant respect to meet Buyer's written specifications. In its sole discretion, Company shall replace or credit Buyer's account for the invoice price of such goods. Credits against the purchase price will only be accepted on goods rejected on Buyer's initial inspection and provided Buyer delivers written notification to Company within thirty (30) days of its receipt of the goods. Buyer shall obtain a Return Material Authorization ("RMA") number and a shipping address from Company before returning any goods. The goods shall be shipped to Company prepaid at Buyer's expense. Warranty replacement items will be returned to Buyer via UPS Ground service at Company's expense. Buyer shall be charged Company's standard evaluation fee for all items determined by Company to be out-of-warranty or non-defective plus all transportation charges. Under no circumstances shall Company accept returns of non-defective custom designed products.

5. Advanced Placement Policy. USL may ship warranty replacement items to Buyer in advance of its receipt of the defective product. Buyers who do not return defective products within 30 days after receipt of warranty replacement items will be billed in full for all items plus the cost of all transportation charges.

6. Payment. Any invoiced amount which is not paid when due will bear interest at the maximum rate permitted by law. Buyer shall pay all costs and expenses incurred by Company in collection of any past due amounts, including collection agency and attorneys' fees. Company may suspend or terminate performance on any of Buyer's orders in the event of Buyer's failure to pay any amount when due. Returned checks will be assessed a \$25 service charge.

7. Taxes. Prices are exclusive of, and Buyer shall be responsible for, all federal, state, municipal and other taxes (such as sales, use, value added, or similar taxes) and similar charges.

8. Security Interest. Buyer grants Company a continuing purchase money security interest in the goods, and any proceeds thereof, until payment of the full purchase price is received by Company. Buyer shall perform all acts which may be necessary to perfect and assure retention of such security interest by Company. If Buyer fails to make any payment of or on account of the purchase price when due, Company may, at its option, take exclusive possession of the goods wherever found and remove the goods without legal process, and Buyer shall reimburse Company for all removal fees, expenses or costs of repossession and collection, including reasonable attorneys' fees.

9. Personal Guaranty. Company may require a personal guaranty to be executed by officers and/or owners of Buyer prior to the delivery of any goods, at Company's sole option.

10. Limitations of Liability. COMPANY SHALL HAVE NO LIABILITY FOR LOSS OF USE, INTERRUPTION OF BUSINESS, LOST PROFITS, LOST DATA OR ANY CONSEQUENTIAL, EXEMPLARY, SPECIAL, INDIRECT, INCIDENTAL OR PUNITIVE DAMAGES OF ANY KIND REGARDLESS OF THE FORM OF THE ACTION, WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY OR OTHERWISE, EVEN IF IT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, AND IN NO EVENT SHALL COMPANY'S TOTAL LIABILITY TO BUYER FOR DAMAGES OF ANY KIND EXCEED THE PRICE OF THE GOODS THAT GIVE RISE TO THE CLAIM.

11. Force Majeure. Company shall not be liable for delays in delivery or performance, or for failure to deliver or perform, due to (i) causes beyond its reasonable control, or (ii) acts of God, acts of Buyer, acts of civil or military authority, governmental priorities, strikes or other labor, disturbances, floods, epidemics, war, riot, delays in transportation or car shortages, or (iii) the inability on account of causes beyond the reasonable control of Company's suppliers to obtain

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necessary materials, components, services or facilities. In the event of any such delay, the date of delivery or of performance shall be extended for a period equal to the time lost by reason of the delay.

12. Proprietary Information. "Proprietary Information" shall mean all technology, concepts, product design, research and development data, formulae, methods, techniques, know-how, processes, information, trade secrets, inventions (whether or not patented or patentable) and similar information. Company shall have exclusive right, title and interest in and to all Proprietary Information of Company (whether or not paid for by Buyer in connection with the price of the goods or otherwise). Buyer shall not copy, reproduce, reverse engineer, transfer, assign, sublicense, loan, disclose or otherwise make available any Proprietary Information of Company to any person or other entity, without the prior written consent of Company. Any and all Proprietary Information which Company may provide to Buyer shall be in Buyer's possession pursuant only to a restricted nontransferable, nonexclusive license under which Buyer may only use such Proprietary Information for the purpose of installing, using, servicing and repairing the goods purchased hereunder.

13. Miscellaneous.

(a) Entire Agreement. This agreement constitutes the entire agreement between Buyer and Company concerning the subject matter hereof and any representation, promise, course of dealing or trade usage not contained herein will not be binding on Company. No modification, amendment, rescission, waiver or other change of this agreement or any part hereof shall be binding on Company unless agreed in writing by an authorized officer of Company.

(b) No Waiver. Failure on any occasion by either party to enforce any terms of this agreement shall not prevent enforcement on any other occasion.

(c) Governing Law. This agreement and each order is deemed made in, and shall be construed and interpreted in accordance with the laws of the State of California, without giving effect to any principles of conflicts of law. Any suit relating to this Agreement shall be instituted in a state or federal court in the County of San Luis Obispo, California, and the parties irrevocably consent and waive all objections to the jurisdiction of any such Court. In the event any proceeding is brought by a party hereto to enforce or for any breach of any of the provisions of this agreement, the prevailing party will be entitled in such proceeding to recover attorneys' fees together with the costs of such proceeding.

(d) Notice to Dealers/Distributors. It is the responsibility of dealers and distributors to inform their customers of the warranty and disclaimer policies of USL as described herein.

(e) Time Limit for Bringing Cause of Action. No action, whatever its form, which arises out of this agreement may be brought by either party more than one (1) year after the cause of action has arisen, or in the case of an action for nonpayment, more than two (2) years from the date the last payment was due.

LIMITED WARRANTY AND DISCLAIMERS

COMPANY warrants to Buyer that for a period of one (1) year from the date of original shipment of goods or materials to Buyer pursuant to this agreement such goods or materials shall comply with Buyer's written specifications and shall be free of defects in material and workmanship. Notwithstanding the foregoing, this warranty shall not apply to, and Buyer shall have the exclusive responsibility for, all materials furnished by Buyer. Furthermore, in instances where the goods or materials purchased by Buyer are custom made to Buyer's specifications, COMPANY shall warrant only the quality of the workmanship that is directly attributable to COMPANY. Any materials used in such goods which are not manufactured specifically by COMPANY shall carry no specific warranty from COMPANY; under such circumstances, COMPANY agrees to provide reasonable assistance to Buyer for the purpose of securing any warranty considered due the Buyer under the terms of any applicable manufacturer's warranty in effect for such material.

COMPANY's sole obligation under all warranties is limited to replacing or repairing, at COMPANY's option, any product found by COMPANY to be defective in accordance herein.

Warranty on replacement parts and materials for goods returned for repair after the expiration of the original one (1) year warranty is limited to ninety (90) days.

THIS LIMITED WARRANTY DOES NOT EXTEND TO ANY GOODS THAT HAVE BEEN SUBJECT TO MISUSE, ACCIDENT, IMPROPER STORAGE, IMPROPER INSTALLATION OR APPLICATION, OR TO ANY LABOR CHARGES OR PROPERTY DAMAGE FOR PHYSICAL REMOVAL OR REPLACEMENT OF THE DEFECTIVE GOODS OR MATERIALS. THIS LIMITED WARRANTY IS IN LIEU OF ALL WARRANTIES, EITHER EXPRESS OR IMPLIED BY OPERATION OF LAW, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, WHICH COMPANY EXPRESSLY DISCLAIMS.

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