

HYDAC TECHNOLOGY CORP. AND HYDAC CORP.

TERMS AND CONDITIONS OF SALE

1. General Terms

HYDAC: For all purposes hereof, "HYDAC" shall mean, collectively, HYDAC CORP., and HYDAC TECHNOLOGY CORP., both Pennsylvania corporations.

Buyer: For all purposes hereof, "Buyer" shall mean the direct purchaser of the Goods.

Goods: These TERMS AND CONDITIONS OF SALE ("Sale Terms") shall apply to any and all sales of goods ("Goods") by HYDAC.

Payment Terms: All payments shall be due and payable within thirty (30) days of the invoice date. Any amounts payable to HYDAC hereunder, which are not paid within thirty (30) days of the invoice date shall thereafter bear interest at the rate of one and one-half percent (1.5%) per month or the maximum amount permitted by law, whichever is less. Interest on overdue amounts shall be calculated from the original payment due date.

Delivery And Packing: All delivery dates are approximate and are subject to change and extension as HYDAC shall deem necessary and all Goods shall be packaged as separately agreed to by the parties.

Ex-Works: Except as otherwise agreed, delivery of all Goods shall be "Ex-Works" at HYDAC's designated facility. Buyer shall be solely responsible for all transportation costs, insurance and risk of loss.

Routing: Each purchase order shall specify Buyer's preferred routing. Buyer will be solely responsible for all freight charges. Buyer will pay all freight charges in accordance with the terms of Buyer's designated freight carrier, including without limitation, any advance payments required by Buyer's designated freight carrier.

Returned Goods (Warranty Claim): See Section 2 of these Sale Terms for the return of Goods resulting from a warranty claim.

Cancellations: Buyer shall not be permitted to cancel any purchase orders submitted to HYDAC except as follows: (1) HYDAC, in its sole discretion, provides prior written approval of the cancellation to Buyer; and (2) Buyer pays a cancellation charge of at least 25% of the original purchase price of the canceled Goods (as determined by HYDAC, in its sole discretion).

Warranty and Liability: Please refer to the "HYDAC Limited Warranty and Limitation of Liability" and the "HYDAC Intellectual Property Terms and Conditions", respectively Section 2 and Section 3 of these Sales Terms.

Limitation of Actions: Any action for any loss or damage with respect to the Goods or services covered hereunder must be commenced by Buyer within one year after Buyer's cause of action has accrued.

Material Costs: If raw material costs increase by more than ten percent (10%), HYDAC reserves the right to deliver notice of such cost increase to Buyer and to renegotiate the product sales prices within a thirty (30) day period from the date of such notice; provided that in the event that HYDAC and Buyer do not agree on the renegotiated sales price within such thirty (30) day period, HYDAC shall have the right to cancel the applicable purchase order(s) and be released from any and all obligations and liabilities under such purchase order(s), including without limitation any obligation to manufacture, deliver and supply the Goods referenced therein, without penalty, payment, premium or other obligation or liability of any kind.

Taxes: HYDAC's prices for the Goods do not include any sales, use, excise, or any other taxes, or any other charges imposed by federal, state, local or foreign governments on the manufacture, sale, shipment, import, export or use of the Goods or service (other than income taxes) all of which shall be paid by Buyer unless Buyer provides to HYDAC a tax-exemption certificate acceptable to the relevant taxing authorities. Buyer shall defend, indemnify and hold HYDAC harmless from and against all liabilities for such taxes or charges and all attorney's fees or costs incurred by HYDAC in connection therewith.

2. HYDAC Limited Warranty and Limitation of Liability

For the limited purpose of this Limited Warranty and Limitation of Liability, HYDAC CORP., and HYDAC TECHNOLOGY CORP., both Pennsylvania corporations, are hereinafter referred to collectively as "HYDAC". However, HYDAC CORP. and HYDAC TECHNOLOGY CORP. provide this Limited Warranty and Limitation of Liability in their individual capacity, on their own behalf and separate from the other corporation. Each corporation is solely responsible for its products and warranty, and any other obligation pursuant to any agreement or otherwise. HYDAC CORP. or HYDAC TECHNOLOGY CORP. will not be responsible for the obligations of the other company.

For purposes hereof, "Warranty Period" shall mean: the shorter of: (a) eighteen (18) months from the date of HYDAC's shipment of the Goods to the Buyer or (b) twelve (12) months from the date the product is first placed in operation; provided that with respect to repairs made by HYDAC to Goods or any replacement Goods provided by HYDAC pursuant to the limited warranty set forth herein, the Warranty Period shall be the longer of: (i) any remaining portion of the original Warranty Period applicable to such Goods as set forth above or (ii) three (3) months from the repair date or replacement date.

HYDAC warrants that the Goods shall be free from defects in material and workmanship, under normal use and service, during the Warranty Period.

HYDAC will, at its option, refund the purchase price, repair or replace any product, which under normal conditions proves to be defective in material or workmanship during the Warranty Period. No charge will be made for parts or for labor provided by HYDAC with respect to defects covered by this warranty. However, this warranty does not cover any costs, expenses or damages related to the removal and reinstallation of any Goods, whether or not proven defective.

To obtain protection under this warranty, Buyer must provide HYDAC with immediate written notice of the alleged defect in the Goods along with the purchase receipt or other proof that the Goods are within the Warranty Period.

HYDAC shall have no obligation for any defective Goods unless and until: (1) HYDAC has completed an inspection of the Goods; (2) HYDAC has determined the existence of a defect during the Warranty Period; and (3) HYDAC has issued a RGA # for the return of the Goods. Buyer shall be obligated for all costs, expenses, charges and risk of loss for shipment of the non-conforming product to HYDAC. However, shipping charges will be credited to Buyer if and to the extent that HYDAC accepts the warranty claim.

Specifically excluded from this warranty are any claims arising as a result of improper application, use, neglect, abuse, or unauthorized service of parts or Buyer's failure to comply with all installation, operation and maintenance requirements and specifications set forth in any operating manual for the Goods and other documentation related to the Goods provided to Buyer by HYDAC.

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HYDAC and/or any affiliate or related company will not be liable under any circumstances for any consequential, incidental, special, punitive, exemplary or other damages (including, but not limited to, damages resulting from commercial or economic loss) or costs and expenses (including, but not limited to, attorneys' fees and litigation costs), incurred as a result of any claim whether based on breach of warranty or otherwise.

In no event shall HYDAC's liability exceed the cost of repairing or replacing the Goods which give rise to any claim or refunding the purchase price of the Goods which give rise to any claim.

THE WARRANTY SET FORTH HEREIN IS IN LIEU OF ALL OTHER WARRANTIES, WHETHER EXPRESSED, IMPLIED OR STATUTORY, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

ANY USE, SALE, RESALE, LEASE, ASSIGNMENT OR OTHER TRANSFER OF GOODS IS EXPRESSLY SUBJECT TO THE ABOVE STATED HYDAC LIMITED WARRANTY AND LIMITATION OF LIABILITY.

No attempt to alter, amend or extend this warranty and limitation of liability shall be effective unless in writing and signed by an executive officer of HYDAC.

3. HYDAC Intellectual Property Terms and Conditions

Trademarks: All trademarks, trade names, or other identifying marks (collectively referred to as the "Marks") now or hereafter registered or used by HYDAC are its property and Buyer's use of these Marks must be approved in advance in writing by HYDAC and shall be limited to use on or in connection with HYDAC's products. HYDAC reserves the right to review, approve or restrict the use of all printed materials bearing any HYDAC Marks. Buyer shall, under no circumstances use any HYDAC Marks as part of a corporate name. If Buyer is required to register under any statute for registration of a fictitious business name bearing any HYDAC Marks, Buyer shall register in a form approved by HYDAC. Any use of any HYDAC Marks shall inure to the benefit of HYDAC.

Copyrights: Any written materials supplied by HYDAC are its property and Buyer's use of these materials must be approved in writing by HYDAC. HYDAC at all times reserves the right to review, approve or inspect the use of all supplied written materials.

Patents: HYDAC, at its sole discretion, may prosecute any infringement of HYDAC patents. In the event that HYDAC elects to prosecute alleged patent infringements, Buyer shall render such assistance to HYDAC as may be reasonably necessary to carry out such prosecution. Furthermore, Buyer shall immediately inform HYDAC of any known infringements of HYDAC's patents and of any and all known or claimed patent infringements relating to Goods supplied or manufactured by HYDAC.

Warranties and Limits of Liabilities: HYDAC MAKES NO WARRANTY WITH RESPECT TO AND SHALL NOT BE LIABLE TO BUYER FOR ANY DAMAGES RELATING TO ANY TRADEMARK, PATENT AND/OR OTHER INTELLECTUAL PROPERTY INFRINGEMENT ARISING FROM: (i) GOODS MANUFACTURED ACCORDING TO BUYER'S DESIGN OR SPECIFICATIONS; AND (ii) USE OF THE GOODS IN CONJUNCTION OR COMBINATION WITH ANY OTHER GOODS NOT FURNISHED BY HYDAC WHERE INFRINGEMENT WOULD NOT HAVE OCCURRED BUT FOR SUCH USE. With respect to any claimed infringements arising out of (i) or (ii) above, Buyer shall indemnify HYDAC for any and all losses and damages incurred by HYDAC as a result thereof. **HYDAC SPECIFICALLY DISCLAIMS ANY LIABILITY WITH RESPECT TO PROCESS PATENTS OF OTHERS INVOLVING THE MANNER IN WHICH THE GOODS MAY BE INSTALLED, APPLIED OR USED.**

Where HYDAC Goods are adjudged by a court of competent jurisdiction to infringe upon any trademark, patent or other intellectual property right, or where HYDAC written materials are adjudged to infringe upon any copyright, HYDAC shall have the right to repair, replace or otherwise remove the patent, trademark, copyright or other intellectual property infringement. In such circumstances, HYDAC's liability is limited to the refund of the cost of the Goods or the written materials. In any and all circumstances, HYDAC shall not be responsible for any consequential, incidental, special, punitive, exemplary or other damages.

4. Prohibited Uses of Goods

Without the prior written consent of an authorized HYDAC executive officer, Buyer shall not use, sell, lease, assign or otherwise transfer any Goods, or otherwise permit any Goods to be used, for purposes of, or in connection with, any of the following applications (hereafter "Excluded Applications").

1. Manufacturing, assembling or production of aircraft products including, but not limited to:
 - a. Aircraft (including missile or spacecraft), and any ground support or control equipment used therewith;
 - b. Any product used in or connected with, or incorporated into aircraft, aircraft parts, aircraft equipment or aircraft accessories including ground handling tools or equipment; and
 - c. Any products used at an airport for the purposes of guidance, navigation or direction of aircraft.
2. Nuclear Energy applications including, but not limited to:
 - a. Any furnishing of materials, parts or equipment in connection with maintenance, operation or use of any nuclear facility; and
 - b. Furnishing products that will be used in any facility that handles, processes, uses, stores, transports or disposes of nuclear material including spent nuclear fuel or waste.

Buyer is encouraged to contact HYDAC to evaluate any potential use of HYDAC Goods for any Excluded Applications. Buyer shall indemnify, defend and hold HYDAC harmless from and against any and all claims and damages incurred as a result of the use of HYDAC Goods for any Excluded Applications unless Buyer receives the prior written approval of a HYDAC executive officer authorizing the use of Goods for any Excluded Applications.

5. Security Agreement: Credit and Collection

To secure payment of all sums due HYDAC hereunder or otherwise, HYDAC shall retain a security interest in the Goods delivered hereunder and this contract shall be deemed a security agreement under the Uniform Commercial Code. Buyer authorizes HYDAC as its attorney to execute and file on Buyer's behalf all documents HYDAC deems necessary to perfect such security interest. HYDAC is relying upon Buyer's representation of solvency and if HYDAC at any time reasonably believes that Buyer is insolvent or that Buyer's credit is impaired, Buyer shall be in material breach hereof and HYDAC may, without liability to Buyer, withhold performance hereunder, change the payment terms and/or repossess Goods heretofore delivered. Title to the Goods covered hereby shall remain in HYDAC until full payment is received. HYDAC may charge Buyer finance, service, or late charges in an amount no greater than allowed by law, and if Buyer fails to make payment when due, Buyer shall be liable to HYDAC for all costs of collection including attorney's fees.

6. End User Responsibility

Except as otherwise provided in these HYDAC Sales Terms, Buyer shall be solely responsible to all end-users of the Goods for any and all claims and actions related to the use of the Goods. Buyer shall indemnify, defend and hold HYDAC harmless from and against any and all such claims and actions.