
SALES TERMS & CONDITIONS

1. Controlling Provisions.

All the provisions of these Sales Conditions shall apply between the Buyer and RRC, except where explicitly agreed otherwise in writing by both parties. THE CONDITIONS CONTAINED HEREIN SHALL TAKE PRECEDENCE OVER ANY OTHER CONDITIONS AND NO CONTRARY, ADDITIONAL OR DIFFERENT PROVISIONS OR CONDITIONS SHALL BE BINDING ON RRC UNLESS EXPRESSLY ACCEPTED BY RRC IN WRITING. These Sales Conditions apply to the items set forth in a firm offer or a Confirmation (the "Goods"). In the case of sales outside of the United States of America, the Buyer and RRC expressly agree that the provisions of the U. N. Convention on the Sale of Goods (C.I.S.G.) are herewith excluded.

2. Quotation.

A quotation furnished by RRC does not constitute a firm offer and may be changed or revoked at any time. Such quotation, including calculations, descriptions, patterns, etc., made or supplied by RRC ("Quotation") shall remain RRC's property and Buyer agrees that such information contained in the Quotation is confidential and shall not be disclosed or otherwise used without RRC's express prior written consent.

3. Contract.

Any agreement to which these Sales Conditions apply shall become effective on the date a written confirmation of order ("Confirmation") is mailed or otherwise delivered by RRC, or by delivery of Goods ordered by Buyer. RRC shall be entitled to charge separately for any additional services in accordance with the then current price list and for any item or packaging provided by RRC at the request of Buyer in excess of the services and items explicitly set forth in the Confirmation.

4. Price/Taxes.

The price of the Goods is set forth in a firm offer or a Confirmation and shall be payable net cash (thirty) (30) days from date of invoice. Any tax or other governmental charge imposed upon the sale of goods shall be paid by the Buyer, and Buyer's failure to do so shall be a breach of this agreement. RRC reserves the right to restrict the terms of payment or to require payment prior to time of shipment if, in RRC's opinion, Buyer's financial conditions or other circumstances do not warrant shipment on the terms originally specified in the Agreement. For payments made after this stated (thirty) (30) day period, there will be a service charge of 0.75% of the total amount due for each month that payment is in arrears. RRC's acceptance of this service charge shall not be deemed a waiver of any rights RRC may have by reason of Buyer's non-payment.

5. Time of Delivery/Packaging.

RRC as well as its agents will use reasonable efforts to deliver the ordered Goods as promptly as possible. A delay in delivery time, regardless of cause, shall not entitle the Buyer to an offset against the purchase price or excuse any other payment or performance required by these Sales Conditions and RRC's Confirmation. RRC will not be liable under any circumstances for special, incidental or consequential damages resulting from delay in the time of delivery. RRC shall use its standard packaging and shall set forth on each package Buyer's order number and contents. If, at the request of Buyer, the Goods are being shipped with special packaging, Buyer will be responsible for the additional costs thereof, as provided by Section 3.

6. Costs/Identification and Risk of Loss/Passage of Title.

The costs for shipment of the Goods shall be borne by Buyer. The Goods shall be identified to the agreement and risk of loss shall pass to the Buyer when the Goods are placed in the hands of a carrier. Title to the Goods shall not pass to Buyer until all the amounts due to RRC in respect of the delivery, including any interest and costs, have been paid.

7. Warranties/Disclaimer.

RRC warrants that the Goods will conform to the description and specifications and be free from defects in material and workmanship for a period of twelve (12) months from delivery. Should any failure to conform with this warranty appear within twelve (12) months of delivery, RRC shall, on written notification, correct such non-conformity, including non-conformance with the specifications, at RRC's option, either by repairing any defective goods, or by making available a repaired or replacement item. THIS WARRANTY IS EXPRESSLY MADE IN LIEU OF ANY AND ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, EXCEPT OF TITLE AND AGAINST PATENT INFRINGEMENT. CORRECTION OF NON-CONFORMITIES, IN THE MATTER AND FOR THE PERIOD OF TIME PROVIDED ABOVE, SHALL CONSTITUTE FULFILLMENT OF ALL LIABILITIES OF RRC TO BUYER, WHETHER BASED ON CONTRACT, NEGLIGENCE OR OTHERWISE WITH RESPECT TO OR ARISING OUT OF SUCH SALE OF GOODS. Neither party shall be liable for special, indirect or consequential damages. The remedies set forth in these Sales Conditions are exclusive, and the liability of RRC with respect to any agreement or sale or anything done in connection therewith, whether in contract, in tort, under any warranty or otherwise, shall not, except as expressly provided herein, exceed the price of the Goods on which such liabilities are based.

8. Limitation of Liability.

Basis for the warranty set forth in Section 7 above, is the Buyer's operation of the delivered Goods in accordance with the manufacturer's or RRC's operation manuals. The warranty provided for in Section 7 shall not be applicable if Buyer is in arrears with any payments due with regard to the respective Goods. Buyer's exclusive

remedy in the event of non-conforming Goods shall be a replacement of the non-conforming Goods. Any notices of warranty claims or other communication relating to Goods as well as all Goods claimed to be non-conforming must be sent to: RRC Power Solutions, Inc., PMB#559, 20505 Yorba Linda Blvd., Yorba Linda, CA 92886-7109. Such Goods will be returned, repaired or replaced in a reasonable time period. RRC's acceptance of any Goods so shipped shall not be an admission that the Goods are non-conforming, and, if RRC finds that any Goods returned are not defective, such Goods will be re-shipped to Buyer and Buyer will be charged for the shipping costs incurred by RRC. Buyer shall not ship any Goods to RRC until the notice of the warranty claim has been reasonably evaluated by RRC, and RRC shall exert its best efforts to immediately advise Buyer with respect to return details, including return shipping address. It is acknowledged that the items sold are not so unique or the circumstances such that either party shall be entitled to the remedy of specific performance.

9. RRC's Agents.

Buyer acknowledges that it has been advised that no agent, employee, or representative of RRC has any authority to bind RRC to any affirmation, promise, representation or warranty concerning any of the Goods, and, unless such affirmation, promise, representation or warranty is specifically set forth in these Sales Conditions, it does not form the basis of the bargain between Buyer and RRC and shall not be enforceable against RRC.

10. Integration.

These Sales Conditions constitute the entire agreement and understanding by and between the parties with regard to the subject matter-except for the matters set forth in the Confirmation- and no other agreement, statement, promise or practice relating to the subject matter shall be binding for the parties. This agreement may be changed only by a written amendment signed by both parties.

11. Indemnification.

Each party agrees that it shall indemnify the other and hold the other harmless against any claim, cause of action, liability, damages or costs (including reasonable attorneys fees) arising from any claim that the indemnifying party or material provided by the indemnifying party has infringed, misappropriated or otherwise violated in any way the intellectual property, proprietary or contractual rights of any third party. A party seeking indemnity shall give the other prompt notice of any such claim, and allow the indemnifying party to assume control over the defense of any such claim. An indemnifying party shall be entitled to attempt to resolve any such claim and fulfill its obligations hereunder to the other by either: (i) modifying subject matter such that it is not infringing; or (ii) obtaining a license from the third party authorizing the use of material that otherwise may be infringing; or (iii) providing substantially comparable non-infringing material.

12. Force Majeure.

For purposes of these Sales Conditions, the term "Force Majeure" is defined as any and all circumstances beyond RRC's reasonable control, that permanently or temporarily prevents delivery of the Goods, including fire, flood, war, civil unrest, riots, strikes, lockouts, transportation delays, failure or curtailment in RRC's usual sources of supply, government decree or order, act of God and other material interruptions in the business of RRC or of RRC's suppliers.

13. Suspension and Cancellation.

13.1 In the event of the inability of either party to deliver Goods as a result of Force Majeure, RRC shall be entitled to suspend the delivery of the Goods for no more than six (6) months, or to cancel any pending order in full or in part, without being liable in damages and without judicial intervention being required. During the period of suspension, RRC shall be entitled, and at the end of such period shall be obliged, to decide on performance or on full or partial cancellation of any order then pending. In the event of cancellation in accordance with this Section 13.1, RRC shall refund to the Buyer all amounts paid to RRC in connection with the order being cancelled, plus any interest that has accrued with respect thereto.

13.2 If the Buyer, prior to delivery of the Goods, cancels an order after acceptance by RRC, or refuses or is unable to accept delivery of the Goods, or causes RRC to stop performance on delivery of the Goods, the Buyer agrees that RRC shall be entitled to retain the entire amount paid by the Buyer upon placement of the order as liquidated damages and not as a penalty. The retention of such amount shall not preclude RRC from recovering the amount of its actual damages in excess of the amount retained.

13.3 If the Buyer fails to perform any obligation arising pursuant to these Sales Conditions, or an agreement connected therewith, or fails to perform properly or in a timely fashion, or serious doubt arises whether the Buyer is capable of filling its obligations under these Sales Conditions, or in the event of bankruptcy, suspension of payment, closing down, winding up or full or partial transfer, whether or not as security, of the business of the Buyer, including the transfer of a major part of the latter's receivables, RRC shall be entitled, without notice of default and without judicial intervention being required, either to suspend delivery of the Goods for not more than six (6) months, or to cancel acceptance of any pending order, in whole or in part, without being liable in damages and without prejudice to its further rights. During the period of suspension, RRC shall be entitled, and at the end of such period shall be obliged, to decide on performance or on full or partial cancellation of the suspended order.

14. Governing Law/Jurisdiction/ Successors and Assigns.

All agreements to which these Sales Conditions apply shall be construed in accordance with the substantive laws of the Commonwealth of Virginia. The benefits

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and burdens of the parties shall bind and inure to their respective successors and assigns. The Buyer and RRC stipulate and agree that the court of competent subject matter jurisdiction for the city of Richmond, Virginia, shall have jurisdiction and both parties agree that such venue is proper in such courts for all actions or proceedings with respect to these Sales Conditions. If RRC prevails in an action or suit to enforce these Sales Conditions, RRC shall be entitled to recover from the Buyer its costs, including attorneys' fees, incurred in such connection.

15. Waiver.

Failure by either party at any time to require performance by the other party or to claim a breach of any provision of these Sales Conditions will not be construed as a waiver of any subsequent breach nor affect the effectiveness hereof, nor any part thereof, nor prejudice either party as regards any subsequent action.

16. Partial Invalidity.

Should any term, warrant, covenant, condition, or provision of these Sales Conditions be held to be invalid or unenforceable, the balance of these Sales Conditions shall remain in full force and shall stand as if the unenforceable part did not exist.

17. Headings.

Headings of these Sales Conditions are for reference only.