SONNEN, INC.

General terms and conditions for the sale of Products and Services

1. Scope of Application

1.1 The following terms and conditions of sale (hereinafter the "Terms") of sonnen, Inc. (hereinafter "sonnen") shall apply to all business transactions between sonnen and its contracting party (hereinafter the "Customer"). Acceptance by Customer of sonnen’s performance of services or delivery of products shall constitute Customer’s acceptance of these Terms.

1.2 All offers by sonnen will be made, and all contracts will be concluded exclusively on the basis of these Terms, which shall control over any inconsistent or additional terms or conditions proposed by Customer in any purchase order or other document.

1.3 No modification of these Terms (including changes in scope, specifications, price or delivery schedule) shall be of any force or effect unless made in writing and signed by sonnen. Sonnen hereby rejects any additional or inconsistent terms or conditions contained in or incorporated by reference in any purchase orders or other documents of Customer that already have been or hereafter may be proposed to sonnen, unless sonnen has expressly consented to such inconsistent terms or conditions in writing and signed by sonnen. Delivery of products or performance of services without express reservation that inconsistent terms or conditions have not been accepted by sonnen shall not be deemed acceptance of such inconsistent terms or conditions by sonnen.

2. Binding Contracts

2.1 Unless expressly stated otherwise in writing, all offers by sonnen, including without limitation any product or service descriptions in marketing materials, are non-binding, subject to change and without obligation. Sonnen reserves the right to revise and change any and all product and service descriptions at any time.

2.2 Receipt of a written order from Customer ("Customer Order(s)") by sonnen constitutes a binding offer from Customer to enter into a binding agreement with sonnen.

2.3 Sonnen may accept or reject any Customer Order in its sole discretion. Any acceptance of a Customer Order requires written communication from sonnen within two weeks after receipt ("Acceptance"). Sonnen’s issuance of an invoice referencing specific Customer Order(s) within two weeks after receipt of such order shall be deemed Acceptance of such Customer Order(s). Any Customer Order shall be deemed rejected by sonnen, unless sonnen delivers an Acceptance to Customer within two weeks after sonnen’s receipt of such Customer Order.
2.4 Unless otherwise expressly stated in an Acceptance, or in technical product
descriptions or data sheets referenced in any Acceptance, or in separate written
communication from sonnen signed by an authorized representative subsequent to
Acceptance, any and all information regarding properties and characteristics of
products or services are for illustrative purposes and not binding. Likewise, public
statements, recommendations or advertisements do not constitute contractual
statements of the nature or quality of any product or service.

2.5 All terms relating to product quantities and time of delivery set forth in an A

2.6 Any performance or profitability calculations available to Customers from sonnen
websites or other marketing materials or documents, or derived from software
provided by sonnen, are illustrative in nature and not binding upon sonnen. Customer
acknowledges, agrees and understands that any results derived from such calculations
may substantially deviate from actual performance or profitability.

2.7 sonnen may assign, in whole or in part, the fulfillment of any Customer Order to any
third party in sonnen’s sole and absolute discretion in whole or in part and may
instruct third parties with the execution. No consent by the Customer is required
therefor.

3. Submitted documents
Subject to any third party rights, sonnen reserves all right, title an interest, including,
without limitation all intellectual property rights, patent rights, copyrights and
trademark rights, in and to all documents, technical information, images, drawings,
calculations and other information provided to Customer and any and all intellectual
property embedded therein. Without sonnen’s express written consent, Customer shall
not copy any document, technical information, image, drawing or calculation provided
by sonnen, reverse engineer any product delivered by sonnen, or otherwise attempt to
circumvent sonnen’s right, title or interest in any of the foregoing.
4. Prices; Terms of payment; Cancellation fee

4.1 Unless otherwise stated in an Acceptance, prices to be paid by Customer for products or services are those set forth on sonnen’s general price list in effect on the date of Acceptance.

4.2 All prices quoted in an Acceptance are net of delivery charges, tax, customs or other governmental charges, and quoted as payable in United States dollar at sonnen’s place of business. All prices are EXW (Incoterms 2010), excluding packaging and transport. Packaging and transport will be charged separately. Any applicable taxes and other governmental charges, including, without limitation value added taxes, sales or use taxes, other local, state, provincial or federal taxes arising from the sale or delivery of the Products will be stated separately on the invoice for products and services and will be payable in United States Dollars together with the purchase price, unless Customer provides a current and valid exemption certificate.

4.3 sonnen may adjust the prices in accordance with any cost increases which occur between the Acceptance date and product delivery or performance of services.

4.4 Unless agreed by the parties otherwise, terms of payment for products are (i) thirty percent of the purchase price within five days after receipt of Acceptance by Customer, (ii) fifty percent of the purchase price immediately prior to delivery, and (iii) twenty percent of the purchase price net 30 days following product delivery at the Destination.

4.5 Unless agreed by the parties otherwise, terms of payment for services are (i) thirty percent of the service fee within five days after receipt of Acceptance by Customer, (ii) fifty percent of purchase price immediately prior to commencement of service performance, and (iii) twenty percent of service fees net 30 days following conclusion of service performance.

4.6 All prices are quoted, and must be paid, in United States dollars, or as otherwise specified in the Acceptance. Acceptable forms of payment include check (from U.S. based bank only), ACH, wire transfer, or credit card (U.S. issued only). Payment made via credit card is subject to a 3% convenience fee per transaction. Any refund on orders paid with a credit card will be refunded only to the credit card that was originally presented at the time of purchase.

4.7 If Customer fails to make any payment or pay any invoice according to its terms, or upon such credit terms as expressly agreed to in writing by sonnen, then, in addition to all other rights and remedies available to sonnen under applicable laws, contract or in equity: (a) Customer shall be responsible for any and all commercially reasonable charges, expenses or commissions incurred by sonnen to stop delivery, transportation
and storage of any product or performance of any service, and in connection with the return or resale of any product; (b) sonnen shall have the right to terminate its Acceptance and the underlying agreement or suspend further performance thereunder and any other agreement with Customer; and (c) Customer shall be liable to sonnen for all reasonable costs of collection, including reasonable attorneys’ fees.

4.8 Past due amounts are subject to service charges of the lesser of 1½% per month of any outstanding or the highest permissible rate allowed under applicable laws.

4.9 Customer shall have no right to withhold payment due to sonnen or any portion thereof, or to off-set any counter-claim that Customer may have against any payment due to sonnen, unless such counterclaims have been established as final and absolute, are undisputed and have been acknowledged by sonnen in writing, and directly relate to the product or service for which Customer is obligated to pay.

4.10 Notwithstanding any other directions by the Customer, and except as otherwise agreed upon by sonnen in writing, sonnen will apply any payment received from Customer first to any outstanding interests and costs, if any, and then to principal, in the order of oldest claims first.

4.11 In the event of Customer Orders from outside the United States, payments in immediately available funds denominated in United States Dollar shall be made to the paying agent specified by sonnen. Any costs charged by the paying agent to sonnen shall be refunded by the Customer.

4.12 In the event Customer cancels a Customer Order for which sonnen has delivered Acceptance to Customer, Customer shall pay the following fee to reimburse sonnen for its reasonably expected administrative expenses:

(a) A fee of 1.5% of the net purchase price of the cancelled Customer Order accepted by sonnen, if (i) sonnen has not ordered any components, has not commenced production and has not mobilized any personnel to fulfill the Customer Order, and (ii) Customer orders a different version of the product or service specified in the Acceptance at the time of cancellation;

(b) A fee of 2.5% of the net purchase price of the cancelled Customer Order accepted by sonnen, if (i) sonnen has not ordered any components, has not commenced production and has not mobilized any personnel to fulfill the Customer Order, and (ii) Customer does not order a different version of the product or service specified in the Acceptance at the time of cancellation; or

(c) A fee of 5% of the net purchase price of the cancelled Customer Order accepted by sonnen, if sonnen has ordered components, commenced production or mobilized personnel to fulfill the Customer Order.
4.13 In the event of any Customer Order Cancellation, sonnen expressly reserves the right to claim any damages in addition to the reimbursement of administrative expenses as provided in section 4.7 above.

4.14 **Returns Authorized by Sales Department.** No return of equipment will be accepted for credit or refund without an authorized RMA form. Authorized returns are 1) permitted within 30 days from date of shipment (ExWorks), 2) subject to a restocking fee of 15% if in excellent shape and not previously installed, and 3) subject to restocking fees as described below if previously installed or otherwise damaged, (Class 1, Class 2, Class 3). Customer is responsible for paying all freight and handling fees. No refund will be issued until the unit has been inspected by the sonnen factory.

a) Class 1: Products returned to the sonnen factory properly packaged, with no visible damage, or minimal cosmetic damage that does not reduce the value of the unit. A full refund less 15% restocking fee will be issued to the customer via check (or other payment method in sonnen’s reasonable discretion).

b) Class 2: Products returned to the sonnen factory improperly packaged and/or with some damage, including but not limited to any of the following: pea sized dents, light scratches, unit not shipped upright, missing parts, minimally damaged internal components, missing keys, battery modules not properly packaged. A 25% restocking fee will be deducted from the refund to offset the cost of refurbishing the unit.

c) Class 3: Products returned to the sonnen factory improperly packaged and/or with major damage, including, but not limited to any of the following: quarter sized or larger dents, deep scratches, broken screens, missing or damaged internal components, battery modules improperly packaged resulting in damage to unit or batteries. A 50% restocking fee will be deducted from the refund to offset the cost of refurbishing the unit.

4.15 Checks returned by the bank for insufficient funds are subject to $80 returned check fee.

5. **Delivery Dates**

5.1 Delivery dates specified in any Acceptance are reasonably expected delivery dates and are non-binding unless confirmed as binding delivery dates by sonnen in writing.

5.2 sonnen’s compliance with binding delivery dates will be subject to (a) timely receipt of required product components by sonnen, free of defects, and (b) timely and full performance by the Customer of its duties under any agreement with sonnen, including, without limitation full payment of all amounts due and timely performance of all obligations.
5.3 sonnen shall be deemed to have complied with any binding delivery dates, if (a) if sonnen makes products available for dispatch to Customer at the Destination on or prior to the delivery date, and communicates in writing its readiness for dispatch to Customer on or prior to the delivery date, and (b) if sonnen attempts to perform services at the place of performance on or prior to the delivery date.

5.4 sonnen shall have the right to make partial deliveries.

6. **Shipping; Transfer of risk**

6.1 Unless stated otherwise in an Acceptance, all product deliveries will be EXW (Incoterms 2010) at the origin stated in the Acceptance (“Origin”). Title to and risk of loss of any and all products shall pass to Customer in accordance with EXW at the Origin. Customer shall be responsible to provide insurance as of the time title and risk of loss passes to Customer.

6.2 sonnen will notify Customer when products are available for shipment. If Customer does not arrange for a freight carrier or freight forwarder to collect the products within seven (7) calendar days following notification that the products are available, sonnen may, at its own discretion and at Customer’s cost, arrange for products to be collected by a freight carrier or freight forwarder for shipment to Customer. Alternatively, sonnen may choose to store the products and may charge a storage fee. In the event that sonnen chooses to store the products in accordance with the preceding sentence, or in the event that the payment terms require payment prior to shipment and Customer fails to provide such payment within (7) calendar days following notification that the products are available for shipment, sonnen may charge a storage fee in an amount up to 0.2% of the contract price for each day the products remain unshipped. Storage fees are non-refundable. Any adjustment to storage fee requires authorization from a sonnen sales representative.

6.3 sonnen shall be free to select the type of product packaging. All packaging costs will be invoiced to the Customer by sonnen separately. Packaging materials shall be disposed of by the Customer.

6.4 Customer shall immediately inspect all products upon receipt (and all services immediately upon completion) and promptly notify sonnen of any alleged defects in writing. Customer’s failure to inspect the products (or services) and give written notice to sonnen of any alleged defects or non-conformity promptly upon receipt at the Destination shall constitute Customer’s irrevocable acceptance of the products delivered.

7. **Creditworthiness**
sonnen shall have the right to withhold performance under any contract with Customer if sonnen has reasonable concerns about changes in Customer's creditworthiness occurring after Acceptance. If changes in Customer's creditworthiness have occurred after Acceptance, sonnen may require Customer to make prepayments or other payment or security arrangements for the benefit of sonnen as a condition for sonnen to resume performance.

If Customer is unwilling or unable to provide payment or security arrangements as may be requested by sonnen due to changes in Customer’s creditworthiness, sonnen may terminate existing contracts for cause and Customer shall bear any damages incurred by sonnen as a result of such termination.

8. Defects; Liability; Limitation

8.1 TO THE FULLEST EXTENT PERMITTED BY LAW, AND EXCEPT AS EXPRESSLY OTHERWISE STATED IN THESE TERMS, SONNEN SHALL NOT BE RESPONSIBLE OR LIABLE IN ANY WAY FOR DAMAGE OR INJURY TO PERSONS OR PROPERTY, OR FOR OTHER LOSS OR INJURY RESULTING FROM ANY CAUSE WHATSOEVER, ARISING OUT OF OR RELATED TO ANY PRODUCTS OR SERVICES SUPPLIED BY SONNEN. IN NO EVENT WILL SONNEN BE LIABLE FOR ANY LOSS OF REVENUE, OR CONSEQUENTIAL, INDIRECT, EXEMPLARY, SPECIAL, OR INCIDENTAL DAMAGES EVEN IF AWARE OF THE POSSIBILITY OF SUCH DAMAGES. SONNEN’S TOTAL LIABILITY, WHETHER IN CONTRACT OR TORT OR OTHERWISE, SHALL NOT EXCEED THE AMOUNT PAID TO SONNEN FOR THE PRODUCTS AND/OR SERVICES WHICH ARE THE SUBJECT OF ANY CLAIM OR DISPUTE.

8.2 In the event of a delay in delivery beyond a binding delivery date caused by sonnen, and in full compensation of any and all claims and damages that Customer may have incurred resulting from such delay, sonnen’s liability shall be limited to a liquidated damage payment in an amount equal to 0.5% of the amount invoiced by sonnen for the products or services for each full week of delay caused by sonnen, but in any case not more than amount equal to 5% of the invoice amount.

8.3 TO THE FULLEST EXTENT PERMITTED BY LAW, THE REMEDIES SET FORTH IN SONNEN’S LIMITED MANUFACTURER’S WARRANTY SECTION 5 (WARRANTY OBLIGATIONS) SHALL BE THE SOLE AND EXCLUSIVE REMEDY OF CUSTOMER IN THE EVENT OF A PRODUCT OR SERVICE DEFECT AND CUSTOMER SHALL HAVE NO FURTHER REMEDY UNDER CONTRACT, UNDER APPLICABLE LAWS, IN TORT, OR IN EQUITY.
9. **Retention of title**

9.1 sonnen retains title to all products delivered to Customer until full payment of all claims associated with the product delivered.

9.2 Irrespective of whether title to a product remains vested in sonnen, risk of loss of or damage to the product shall pass to Customer as provided in Section 6.1 above.

9.3 Until title to a product delivered by sonnen passes to Customer,

(a) sonnen shall have authority to make any and all filings with governmental agencies against Customer or otherwise as sonnen deems necessary or helpful;

(b) sonnen shall have authority to retake, sell or otherwise deal with and/or dispose of all or any part of the product;

(c) sonnen shall be entitled, at any time and without the need to give notice, to enter upon any property upon which a product or any part are stored, or upon which sonnen reasonably believes the product to be kept;

(d) Customer shall store or mark each product in a manner reasonably satisfactory to sonnen indicating that title to such product remains vested in sonnen; and

(e) Customer shall insure all products to their full replacement value, and arrange for sonnen to be noted on the policy of insurance as the loss payee.

9.4 Customer may resell a product, for which title remains in sonnen, in the ordinary course of business. Customer, however, hereby assigns to sonnen all sales proceeds for such product and all other claims relating to such product that Customer may have against its customers or third parties. sonnen hereby authorizes Customer to collect any such proceeds and claims on sonnen’s behalf and for sonnen’s account.

10. **Use of software**

10.1 All devices, equipment, designs (including drawings, plans and specifications), estimates, prices, notes, electronic data and other documents or information prepared or disclosed by sonnen in connection with the products delivered or services performed shall remain sonnen’s exclusive property. Customer shall not disclose any such material to third parties without sonnen’s prior written consent.

10.2 sonnen will retain sole ownership of all discoveries, improvements, inventions, patents, trademarks, copyrights, know-how, trade secrets, or other intellectual property rights associated in any way with the products delivered or services performed. Customer specifically agree that all improvements, inventions, discoveries and copyright in works of authorship, including those in formative stages, made by either
party hereto (either alone or jointly with others) improving upon or related to the products shall from the time of conception or, in the case of works of authorship, from the time of creation, be the property of sonnen.

10.3 To the extent that the use of software is required for the operation of any product delivered by sonnen, sonnen hereby grants to Customer a non-exclusive and non-transferable right of use of the software, including its documentation for the sole purpose of using such software as may be required for product operation. Customer has no right to use such software for any other purpose or to reproduce, reverse engineer, translate or convert the software from object code into source code.

11. **Applicable Laws, Venue, Jury Trial Waiver**

11.1 The laws of the State of California shall apply to any agreement between sonnen and Customer without giving effect to conflict of laws principles. The exclusive venue for all current and future claims under any business relationship between sonnen and Customer is Los Angeles, California. The Parties agree and acknowledge that the United Nations Convention on Contracts for the International Sale of Goods (1980) is specifically excluded from application to this Agreement.

11.2 The exclusive venue for all current and future claims under any business relationship between sonnen and Customer is Los Angeles, California.

11.3 **AS PERMITTED BY APPLICABLE LAW, EACH PARTY WAIVES THEIR RESPECTIVE RIGHTS TO A TRIAL BEFORE A JURY IN CONNECTION WITH ANY DISPUTE, AND DISPUTES SHALL BE RESOLVED BY A JUDGE SITTING WITHOUT A JURY. IF A COURT DETERMINES THAT THIS PROVISION IS NOT ENFORCEABLE FOR ANY REASON AND AT ANY TIME PRIOR TO TRIAL OF THE DISPUTE, BUT NOT LATER THAN THIRTY (30) DAYS AFTER ENTRY OF THE ORDER DETERMINING THIS PROVISION IS UNENFORCEABLE, ANY PARTY SHALL BE ENTITLED TO MOVE THE COURT FOR AN ORDER COMPELLING ARBITRATION AND STAYING OR DISMISSING SUCH LITIGATION PENDING ARBITRATION. IF PERMITTED BY APPLICABLE LAW EACH PARTY ALSO WAIVES THE RIGHT TO LITIGATE IN COURT OR AN ARBITRATION PROCEEDING ANY DISPUTE AS A CLASS ACTION, EITHER AS A MEMBER OF A CLASS OR AS A REPRESENTATIVE, OR TO ACT AS A PRIVATE ATTORNEY GENERAL.**

11.4 If a claim, dispute, or controversy arises between the parties with respect to this the delivery of any products or the performance of any services, and only if a jury trial waiver is not permitted by applicable law or ruling by a court, either party may require that the dispute be resolved by binding arbitration. By agreeing to arbitrate all disputes, each party gives up any right that party may have to a jury trial, as well as
other rights that party would have in court that are not available or are more limited in arbitration, such as the rights to discovery and to appeal.

12. **Indemnification.**

12.1 Customer shall defend and indemnify sonnen and its directors, officers, and employees, (collectively, “Indemnified Parties”) from and against all third party claims, actions, suits, demands, damages, obligations, losses, settlements, judgments, costs and expenses (including without limitation reasonable attorneys’ fees and costs) (“Claims”) which arise out of or relate to (1) death or bodily injury or (2) loss of or damage to real property or resulting from any negligent act or willful misconduct of Customer except to the extent that such Losses result from, in whole or in part, (a) the negligence, unlawful or wrongful acts of the Indemnified Parties or any other person acting in concert with them.

12.2 sonnen agrees to defend and indemnify Customer against any third-party action, suit or proceeding (“Claim”) and any losses, damages, or costs incurred with regard to same (“Losses”) in which it is determined that any product provided to Customer hereunder infringes upon a valid and enforceable United States patent, provided Customer gives sonnen written notice immediately when such claim is asserted, directly or indirectly. Notwithstanding the foregoing, sonnen shall have no liability to Customer if any patent infringement or claim thereof is based upon or arises out of (a) compliance with designs, plans or specifications furnished by or on behalf of Customer; (b) use of any product in a manner for which such product were neither designed nor contemplated; or (c) the claimed infringement of any patent in which Customer or any affiliate or subsidiary of Customer has any direct or indirect interest by license or otherwise.

12.3 If any Product is or is likely to be held infringing, sonnen, at its expense and option, shall either (a) procure the right for Customer to continue using the Product, (b) replace the Product with a non-infringing product, (c) modify the Product to make the product non-infringing or (d) upon return of the Product, refund the Buyer the fees paid for the Product less a reasonable amount for Buyer’s use of the Product up to the time of return.

13. **Default and Termination**

13.1 The substantial failure of either party to comply with these Terms or additional terms and conditions of a contract between the parties shall constitute default under such contract.

13.2 Upon default by one party, the other party shall provide written notice clearly specifying the nature of the default. Unless expressly stated otherwise in these Terms,
the defaulting party shall have 30 days in case of non-monetary defaults and 10 days in case of monetary defaults to cure the default.

13.3 If the default is capable of being cured within the applicable cure period and is not cured within such cure period, the respective contract may be terminated. In the case of default that cannot be cured within the applicable cure period, this contract shall not be terminated so long as the defaulting party has given written notice of extension to the other party and the defaulting party has commenced and is diligently pursuing a cure.

13.4 In the event of any termination, sonnen shall, be paid for products delivered and services rendered through the date of termination in addition to any other rights and remedies sonnen may have. In the event of a Customer default, sonnen may, in addition to the right to terminate set forth in this paragraph and any other rights and remedies sonnen may have, elect to suspend work until the default has been cured.

14. Miscellaneous

14.1 Except for the timely payment of any amounts due, sonnen and Customer will be excused from the performance of any obligation under any contract during the occurrence of a force majeure event, including but not limited to war, civil commotions, seizures, lack of energy supply, strikes or lock-outs, operational disruptions or other circumstances for which the party claiming force majeure is not responsible and which can only be removed at unreasonable expense, even if they occur with suppliers and sub-suppliers. All time periods (except for payment periods) affected by the excuse of performance due to a force majeure event shall be extended by the number of days during which a force majeure event existed. In the event a force majeure event makes it impossible for sonnen to make deliveries and performances in such cases, sonnen will be released from its duties to perform.

14.2 sonnen may change, modify, amend, or supplement these Terms unilaterally at any time and shall notify Customer in writing. Such changed, modified, amended or supplemented Terms shall be applicable to all Customer Orders for which Acceptance has not occurred at the time of notification.

14.3 If circumstances arise during the term of a contract which affect the technical, legal or economic consequences of the contract in such a substantial manner that the proportion of the performance and the consideration is no longer reasonable, either party may demand an adjustment of the contract to reflect the changed conditions.

14.4 Customer may not without the prior consent by sonnen transfer and/or assign to third parties any rights or duties under any contractual relationship binding for the parties.
14.5 No delay or omission by sonnen in exercising any right or remedy provided for herein, nor any failure of sonnen to require performance by Customer of any provision hereof, shall constitute a waiver of such right or remedy or affect the full right of sonnen to require such performance at any time thereafter and shall not be construed as a bar to or a waiver of any such right or remedy on any future occasion. Any waiver by sonnen of a breach of any term or provision contained herein shall only be effective if signed and in writing. No consent by sonnen to, or waiver of, a breach by Customer, whether express or implied, shall be construed, operate as, or constitute a consent to, waiver of, or excuse of any other or subsequent or succeeding breach by Customer. Any waiver given by sonnen shall be null and void if Customer has not provided a full and complete disclosure of all material facts relevant to the waiver requested.

14.6 If any part, term, or provision of these Terms or any contract between sonnen and Customer is determined by a court of competent jurisdiction to be invalid, illegal, or unenforceable, such determination shall not affect or impair the validity, legality, or enforceability of any other part, term, or provision of these Terms or such contract, and shall not render these Terms or such contract unenforceable or invalid as a whole. Rather the part of these Terms or such contract that is found invalid or unenforceable will be amended, changed, or interpreted to achieve as nearly as possible the same objectives and economic effect as the original provision, or replaced to the extent possible, with a legal, enforceable, and valid provision that is as similar in tenor to the stricken provision, within the limits of applicable law or applicable court decisions, and the remainder of these Terms or such contract will remain in full force.