

**PURITY SYSTEMS, INC.**  
**TERMS AND CONDITIONS OF SALE**  
**LAST REVISED 10/07**

1. Terms. These terms and conditions of sale and the quotation to which the terms are attached (“Quotation”), the specification sheets for the Products (defined below) sold hereunder (“Product Specifications”), any non-disclosure agreement between the parties, and any other documents/materials expressly referred to in this document (collectively, the “Terms”) are an offer by PSI to Buyer. Buyer may order resin products of the description set forth on the Quotation attached hereto (the “Products”) from PSI by submitting an order to PSI for Products (a “Purchase Order”) that includes at a minimum the Quote number or reference, requested Products, quantity and delivery details. Upon Buyer’s delivery of a Purchase Order, the Purchase Order shall be binding upon Buyer and shall be processed by PSI. PSI shall notify Buyer within five business days of receipt of any Purchase Order setting forth either (a) its acceptance of the Purchase Order; or (b) any proposed amendments to the requested quantity and delivery details for the Products ordered. If PSI responds pursuant to (b) above, Buyer and PSI shall negotiate in good faith and in a timely manner such quantity and delivery details for the Products ordered. Upon agreement of the parties, an authorized representative of each party shall execute a formal written acceptance of the Purchase Order, as modified, and upon the date of execution of such acceptance, the modified Purchase Order shall be deemed accepted and binding upon the parties. Notwithstanding the foregoing, except for the Products, quantities and delivery details on the Purchase Order agreed to by the parties, the Terms will govern the sale and purchase of the Products. Any counteroffer or proposed material addition or variation to or supplement of, the Terms, whether in the Purchase Order or otherwise, is hereby expressly objected to and rejected. If the Terms are responsive to a prior offer by Buyer, then the Terms will be deemed an acceptance of such offer limited to the material terms and conditions stated in the Terms, and any material additional or supplemental terms or any material variance from the terms and conditions of the Terms are expressly objected to and rejected.

2. Products. Buyer will buy, and PSI will manufacture and sell, the Products agreed to by the parties pursuant to the procedure set forth in Section 1. PSI may subcontract any of its obligations in respect of the Terms.

3. Price. Prices for the Products are described in the Quotation, and are effective for the period set forth on the Quotation, or, if none is stated, for 30 days from the date of the Quotation. Thereafter, prices are subject to CHANGE without notice to Buyer, and Buyer should contact PSI for a current price before placing a Purchase Order. Quantity discounts on large orders may be negotiated at PSI’s sole discretion on a project-by-project basis, as specified in the Quotation. The weight/volume of the Products on which the invoiced amount is to be calculated shall be ascertained by PSI using its standard methods and shall be recorded on the label of the container for the Products. Prices exclude all federal, state or local taxes, and all use tax, goods and services tax, sales tax, excise tax, duty, custom, inspection or testing fees, or any other tax, fee or charge of any nature whatsoever imposed by any governmental authority, or measured by the transaction between PSI and Buyer, and Buyer shall pay such amounts in addition to the prices quoted or invoiced. If PSI is required to pay any such tax, fee or charge, Buyer shall reimburse PSI in full and a failure to make such reimbursement to PSI shall be a breach of the Terms. In lieu of such payment, Buyer will provide PSI, at the time the Purchase Order is submitted, an exemption certificate or other document acceptable to the authority imposing the tax, fee or charge.

4. Payment. Buyer shall pay PSI the price for Products ordered, without setoff or deduction. Unless otherwise stated on the Quotation, payment terms for Products are net 30 days from date of PSI’s invoice for sales of less than US \$50,000. Sales of US \$50,000 or more will customarily be by letter of credit negotiated at the time of sale. Payment shall not be deemed to have been effected and title to the Products shall not pass until the amount has been cleared into one of PSI’s accounts. Prices are, and all payment

shall be made, in U.S. Dollars unless indicated otherwise in the Quotation. PSI may cancel, suspend or reschedule deliveries of Products or change the terms of payment to payment in full or in part in advance of shipment of the entire undelivered balance of Products, without liability, if Buyer fails to make any payment when due. Overdue amounts bear interest at a rate of one and one half percent (1 1/2%) per month, calculated daily, or at the maximum rate allowed by law, whichever is less from the date on which such amounts become overdue until paid in full in accordance with the Terms. PSI's rights under this section will be in addition to all other rights and remedies available to PSI upon Buyer's default. Buyer will be liable for all expenses attendant to collection of overdue amounts, including attorney's fees. PSI reserves the right to use payments for the settlement of invoices which have been outstanding longest with Buyer plus any interest on arrears and costs accrued thereon, in the following order: costs, interest, principle claim.

5. Force Majeure. PSI will not be liable for any delays in performance or delivery, due, in whole or in part, directly or indirectly, to an event of force majeure, including Acts of God, war (declared or undeclared), acts of a public enemy, acts of a Government of any country, state or political subdivision or regulatory agency thereof or entity created thereby, embargoes, terrorism or sabotage, fires, floods, weather, explosions, or other catastrophes, epidemics or quarantine restrictions, strikes or other labor stoppages, slowdowns or disputes, or other cause(s) beyond the reasonable control of PSI. If, in the event of a force majeure, PSI is unable to supply the total demand for Products, PSI may allocate its available resources among itself and its customers in an equitable manner. If delay caused by force majeure lasts for more than eight consecutive weeks, either party shall have the right to cancel the Terms. Should PSI's suppliers fail to supply it in whole or in part, PSI shall not be under obligation to purchase from other sources to perform hereunder.

6. Delivery Terms. Unless otherwise stated in the Quotation (a) all domestic U.S. deliveries shall be made F.O.B. PSI's factory and risk of loss to the Products shall transfer to Buyer upon delivery to the freight carrier; and (b) all international deliveries shall be made Ex Works PSI's location of choice in Shanghai (Incoterms 2000), and, unless otherwise stated in the Quotation, PSI shall place the Products at Buyer's disposal at PSI's location of choice in Shanghai, and risk of loss to the Products shall transfer to Buyer upon such placement. Buyer shall be solely responsible for all loading, export clearance and import clearance requirements. PSI will attempt to meet the requirements of Buyer's delivery schedule but PSI shall not be in default of performance due to a delay of reasonable duration resulting from any cause. PSI reserves the right to make delivery in installments, all such installments to be separately invoiced and paid for by the Buyer when due per invoice, without regard to subsequent deliveries. Delay in delivery of any installment shall not relieve Buyer of Buyer's obligation to accept remaining deliveries. PSI shall determine packaging. Special packaging will be at Buyer's expense. Buyer shall pay, or reimburse PSI for, all amounts due for import and export licenses and permits, custom charges and duties, penalties, freight, insurance and other shipping expenses, and a failure to pay or reimburse the same shall be a breach of the Terms.

7. Retention Of Title; Security Interest. Title to the Products shall stay with PSI until PSI receives payment in full for the Products in accordance with the Terms, and Buyer grants to PSI a security interest in the Products and proceeds thereof to secure payment of the purchase price of the Products and Buyer's related and incidental obligations to PSI. Buyer shall execute suitable financing statements for filing or such other documents as in PSI's sole opinion may be necessary or desirable for perfecting such security interest, and acknowledges that this document constitutes a proper security agreement to be used in connection with any such financing statement. PSI is authorized to file one or more financing statements relating to all or any part of the Products without the signature of Buyer where permitted by law. A photocopy or other reproduction of the Terms or any financing statement covering the Products or any part thereof shall be sufficient as a financing statement where permitted by law. Buyer shall not have the right to pledge, chattel, mortgage or otherwise encumber the Products to which PSI retains title. Buyer assigns in advance to PSI any claims against third parties which may arise from a resale of the Products to

which PSI retains title. If Buyer uses Products to which PSI retains title for processing a third party's product on a contract basis, Buyer assigns in advance any contractual claim on the third party to PSI in order to provide PSI with security for such claim. If Products to which title is retained by PSI are processed together with, mixed with or attached to goods to which title is retained by third parties, PSI shall acquire co-ownership of the resulting products in the ratio of the invoice value of the Products (unless PSI is deemed to have title to all of the commingled goods as a result of PSI perfecting its security interest in the Products without the third party(ies) doing so, in which case PSI shall be deemed the entire owner of the Products). If Buyer defaults on its obligations to PSI, PSI shall have the right, without granting a respite and without canceling the Terms, to demand the return of the Products to which PSI retains title. Acceptance of the returned Products shall not constitute cancellation of the Terms unless PSI has expressly declared so in writing. If PSI cancels the Terms, PSI shall have the right to demand appropriate compensation for the use of the Products by Buyer prior to return.

8. Inspection. Immediately upon delivery, Buyer shall inspect the Products and report claims for any damages, defects or shortages in writing. If Buyer fails to notify PSI of any such damages, defects or shortages within two weeks after delivery of the Products to Buyer, such Products shall be deemed irrevocably accepted.

9. Limited Warranty; Exclusive Remedy.

(a) PSI warrants to Buyer that for 12 months from the date of delivery of the Products, or 10,000 operational cycles, whichever occurs first, the Products will have (or have more than) the loading capacity set forth in the applicable Product Specifications when tested under PSI's standard methods.

(b) PSI shall have no obligation to Buyer or any third party under this Section 9 if any reduction in Products loading capacity, or breach of the warranty in Section 9(a) is caused by: Failure to adequately remove any contamination from the resin columns prior to loading, incorrect plant bed packing, faulty plant distributors, laterals, drains, splash plates, screens, valves or nozzles, process precipitation, physical resin contamination, dirty or damaged plant degassers, filters or blowers, microbial fouling, physical abrasion and attrition, oxidizing agents, hydrofluoric acid, sodium hydroxide > 1.0 M, radiolytic degradation, thermal degradation whether or not caused by the feed liquor, fouling by organics, fouling by oils and greases, fouling caused by the addition of additives, chemicals or similar substances to the feed liquor, loss in loading capacity resulting from storage of resin in unsealed containers or sealed containers exposed to direct sunlight or moisture, storage of Products in non-climate controlled environment resulting in exposures to temperatures outside the range of 0 to 45 degrees Celsius, exposure to a solution containing substances or elements not previously disclosed to PSI, misuse of the Products, use of the Products in a manner inconsistent with industry standards and practices, or failure to use the Products in accordance with instructions furnished by PSI.

(c) Any claims for breach of the warranty in Section 9(a) shall only be valid if Buyer makes such claim within 5 days of the date of discovery of the alleged defect to which the claim relates, by notifying PSI in writing detailing the alleged defect. On receipt of any such notice, PSI will provide guidance as to the process for determining the cause of the breach, including any taking and submission of samples of the Products. PSI is not responsible for any costs associated with the return of any requested samples either to PSI or its agents or contractors. PSI has the right to test samples of the alleged defective Products and conduct its own review of the system and processes in which the alleged defective Products are being used. Buyer will give PSI access to its premises at all reasonable times so that PSI can perform such reviews and conduct sampling.

(d) If PSI determines through testing the allegedly defective Products according to PSI's standard methods that the breach of warranty is attributable to defects in the manufacture of the Products or properties of the Products and is not related to any of the exceptions listed in Section 9(b), PSI's entire

liability, and Buyer's exclusive remedy, for any breach of the limited warranty set forth in Section 9(a) shall be for PSI, at its own cost, to replace the defective Products with the same type of conforming Products on a pro rata basis according to the following formula :

Term of limited warranty \_\_\_\_\_ 12 months from the date of shipping or 10,000 operational Cycles, whichever occurs first.

Base loading capacity \_\_\_\_\_ Loading capacity stated on Product specification sheet times 0.9.

Degraded Loading Capacity \_\_\_\_\_ Loading capacity as determined on samples submitted by Buyer.

Pro rata calculation period \_\_\_\_\_ Weekly

Calculation example:

Products amount \_\_\_\_\_ 100 tons

Date of delivery \_\_\_\_\_ 1st Jan 200X

Base Loading Capacity \_\_\_\_\_ 25mg/g

Date of Receiving Buyer Claim \_\_\_\_\_ 1st June 200X

Number of weeks since delivery \_\_\_\_\_ 22

Degraded loading capacity \_\_\_\_\_ 20mg/g

Products replacement amount = (base loading capacity – degraded loading capacity) /base loading capacity times (52 - # of weeks since shipment) / 52 times Products quantity supplied or 6.94 tones for the example given.

Buyer acknowledges that PSI will not refund the purchase price of the Products in lieu of a replacement, and BUYER HAS AGREED TO THE TERMS OF THIS EXCLUSIVE REMEDY AS A SUITABLE REMEDY.

(e) Replacement of all or any part of the Products does not extend the warranty period. Defective Products shall be returned to PSI, and PSI shall own all such returns.

10. Technical Assistance. At Buyer's request, PSI ( its personnel, affiliates or third party contractors) may, at PSI's sole discretion, furnish technical assistance and information with respect to the Products. ALL SUCH ASSISTANCE IS PERFORMED ON AN AS-IS BASIS AND NEITHER PSI, ITS PERSONNEL, AFFILIATES NOR ITS THIRD PARTY CONTRACTORS MAKE ANY WARRANTIES OF ANY KIND OR NATURE RELATING THERETO, EXPRESSED OR IMPLIED, AND PSI, ITS PERSONNEL, AFFILIATES AND ITS THIRD PARTY CONTRACTORS EXPRESSLY DISCLAIM ALL SUCH WARRANTIES, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO TECHNICAL ASSISTANCE OR INFORMATION PROVIDED BY PSI OR PSI'S PERSONNEL, AFFILIATES OR THIRD PARTY CONTRACTORS.

11. Buyer Responsibility. By purchasing the Products hereunder, Buyer acknowledges that Buyer is

solely responsible for verifying the hazards, and for conducting research necessary to learn the hazards, involved in using and disposing of the Products. Buyer acknowledges that Buyer is solely responsible for testing the Products to determine if they are suitable for Buyer's intended processes and uses. Buyer is solely responsible for, and has the duty of, warning Buyer's customers and any auxiliary personnel, affiliates or third party contractors (such as freight handlers, etc.) or other affected parties of any risks involved in using, handling or disposing of the Products. Buyer agrees to comply with instructions, if any, furnished by PSI relating to the use of the Products and not misuse the Products in any manner. If the Products are to be repackaged, relabeled, or used as starting material or components of other products, Buyer will verify PSI's assay of the Products. No Products purchased from PSI shall, unless otherwise stated in the Quotation, be considered to be foods, drugs, medical devices or cosmetics.

12. Disclaimer. THE WARRANTY SET FORTH IN SECTION 9(a) IS IN LIEU OF ALL OTHER WARRANTIES FOR THE PRODUCTS. PSI HEREBY EXPRESSLY DISCLAIMS ALL OTHER WARRANTIES ARISING UNDER OR AS A RESULT OF THESE TERMS, INCLUDING IN RELATION TO THE PRODUCTS, WHETHER EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR PARTICULAR USE, NONINFRINGEMENT AND ANY WARRANTIES ARISING OUT OF COURSE OF DEALING OR USAGE OF TRADE. No agent, employee or representative of PSI or its affiliates has any authority to bind PSI to any affirmation, representation or warranty except as stated in Section 9(a) hereof.

13. Limitation of Liability. PSI SHALL NOT BE LIABLE FOR ANY LOSS OR DAMAGE CAUSED BY DELAY IN FURNISHING THE PRODUCTS OR TECHNICAL ASSISTANCE. UNDER NO CIRCUMSTANCES SHALL PSI BE LIABLE FOR ANY INDIRECT, CONSEQUENTIAL, COLLATERAL, SPECIAL, PUNITIVE, TREBLE, EXEMPLARY OR INCIDENTAL DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS OR GOODWILL, LOSS OF WORK IN PROGRESS, FAILURE TO REALIZE SAVINGS OR LOSS OF REVENUES) WHETHER SUCH CLAIM IS BASED ON CONTRACT, NEGLIGENCE, TORT, INDEMNITY, WARRANTY, STRICT LIABILITY OR ANY OTHER BASIS, UNDER OR AS A RESULT OF THESE TERMS OR THE PRODUCTS OR TECHNICAL ASSISTANCE, IRRESPECTIVE OF WHETHER PSI HAS BEEN ADVISED OF THE POSSIBILITY OF ANY SUCH LOSS OR DAMAGE. IN NO EVENT SHALL PSI'S AGGREGATE LIABILITY UNDER OR AS A RESULT OF THE TERMS, PRODUCTS OR TECHNICAL ASSISTANCE, WHETHER UNDER CONTRACT, NEGLIGENCE, TORT, INDEMNITY, WARRANTY, STRICT LIABILITY OR ANY OTHER BASIS, EXCEED THE TOTAL AMOUNTS ACTUALLY PAID BY BUYER FOR THE PRODUCTS PURCHASED UNDER THE TERMS. The parties agree that the limitations on liability set forth in the Terms are independent of any exclusive or limited remedies, and shall survive and apply even if such remedies are found to have failed of their essential purpose. No action, regardless of form, arising out of the transactions under the Terms may be brought by Buyer more than 1 year after the events which gave rise to the cause of action occurred.

14. Indemnification. Buyer shall indemnify, defend and hold PSI and its affiliates, and their respective directors, officers, employees and subcontractors, and their successors and assigns, harmless from and against any and all liabilities, losses, damages, claims, penalties, allegations, actions, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) asserted against or incurred by such indemnified parties resulting from Buyer's use, misuse or abuse of the Products or Buyer making the Products available to anyone, including without limitation Buyer's failure to ensure that workplace and disposal practices for the Products comply with all applicable laws.

15. Trademarks. Buyer shall have no rights to use PSI's trademarks as a result of these Terms. Without limiting the generality of the foregoing, Buyer has no right to use PSI's Products designation or trademarks on any products resulting from use of the Products or on the packaging thereof or any relevant printed material or literature, without prior written approval of PSI.

16. Termination/Cancellation. Without limiting PSI's right to cancel, suspend or reschedule otherwise set forth herein, PSI may terminate the Terms or orders placed hereunder with notice to Buyer if Buyer materially breaches the Terms and such breach continues for a period of 14 days after receipt by Buyer of written notice from PSI specifying such breach. Except as set forth in Section 5, Buyer may not cancel any order for Products agreed to by the parties pursuant to Section 1 and these Terms unless PSI expressly agrees to such cancellation in writing. PSI may withhold such consent in its sole discretion. In the event that PSI does give consent, PSI will advise Buyer of the total charge for such cancellation, and Buyer agrees to pay such charges, including, but not limited to, storage and shipping costs, costs involved in work in process, costs of purchasing non-returnable materials, cancellation costs imposed on PSI by its suppliers, and any other cost resulting from cancellation of the order for Products and these Terms by Buyer. Certification of such costs by PSI's independent public accountants shall be conclusive on the parties hereto. Sections 1, 3, 4, 7, 10 (last sentence only), 11, 12, 13, 14, 16, 17 and 18 shall survive any termination or cancellation. PSI's failure to deliver, or nonconformity of, any installment of the Terms shall not be a breach of the entire Terms.

17. Confidential Information. Buyer agrees that all proprietary and confidential information furnished hereunder to Buyer (including information marked as confidential) by PSI is proprietary to PSI and such information shall be held in confidence and shall not be used or disclosed by Buyer without PSI's prior written consent, except for the enjoyment of the Products as contemplated herein. Buyer shall enforce against its employees, agents and contractors these obligations of confidentiality. Buyer shall return all such information and any copies thereof to PSI immediately upon termination or cancellation of the Terms. Buyer acknowledges that irreparable damage would occur to Seller in the event of breach by Buyer of this section. Accordingly, in addition to any other remedies which Seller may have at law or in equity, Buyer agrees that Seller can obtain injunctive relief or other equitable relief in the event of a breach or proposed breach of this section without, in any case, proof of actual damages.

18. General. The Terms constitutes the final, complete, exclusive and entire agreement between the parties and supersede all prior or contemporaneous agreements, written or oral, regarding the subject matter of the Terms. The Terms are governed by the laws of the State of Montana, USA, excluding its conflict of laws provisions. The parties consent to the exclusive personal and subject matter jurisdiction of the federal and state courts of the State of Montana, USA, in any dispute arising under the Terms. The parties expressly disclaim the application of the United Nations Convention on the International Sale of Goods to the Terms and the Products. Buyer may not assign or subcontract its rights or obligations under the Terms. PSI may freely assign its rights and obligations under the Terms. Prohibited assignments are null and void. The Terms may only be modified or provisions waived by writing signed by both parties. No failure or delay to enforce a provision will be deemed a waiver thereof. The parties are independent contractors and not agents of each other. If any portion of the Terms is unenforceable, the remaining portions will remain in full force and effect. All required notices must be in writing and are deemed received the day of personal delivery or faxing and ten days after mailing if international, five days if domestic, to the addresses listed on the Quotation.