

Lanco Integrated
Terms & Conditions of Sale

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All information in this proposal is confidential and has been prepared for customer use solely in considering the purchase from Lanco Integrated of the equipment described herein. The transmission of any or all of this information to others or use by the customer for other purposes is unauthorized without Lanco's written consent.

1.0 TERMS AND CONDITIONS

2.0 Price Conditions

- Prices are budgetary unless noted as fixed for thirty (30) days).
- Prices are net, in US Dollars, including machine skid but excluding shipping and handling. NOTE: Special crating considerations such as vacuum sealing or wood treatment is not included in the price, but can be quoted separately.
- Prices exclude freight, shipping and insurance charges, use, sales or any other local, state or federal taxes or duty, now enforced. These are the responsibility of the Buyer.
- System prices are based on information and specifications received at the time of this quotation. The final selling price and delivery of the system is subject to change pending receipt of individual parts, drawings, operating specifications, and parameters.

1.1 Payment Terms

- 30% with order
- 30% after design review
- 30% upon acceptance at LANCO, but no later than 30 days after the scheduled acceptance date, should the acceptance be delayed by the customer
- 10% upon acceptance at the customer's facility, but no later than 30 days after the scheduled acceptance date, should the acceptance be delayed by the customer.
- **Note 1:** Final payment is due immediately should the LANCO equipment be put into production prior to the acceptance run being completed. Receipt of this payment does not relieve LANCO of the responsibility to assure that the machine meets the required specification.
- **Note 2:** Prior to shipment from LANCO, confirmation of all payment obligations including but not limited to purchase orders and prepayments for change orders must be received.

3.0 DELIVERY / SCHEDULE

Estimated delivery time: weeks from receipt of written order to ready for acceptance at LANCO. A detailed schedule with milestones will be provided with the Order Acknowledgement following receipt of order.

- The stated delivery schedule is based on settlement of all Buyer engineering and application details, receipt of Buyer parts and parts drawings and part models as required by LANCO engineering at time of order, and final agreement on the payment terms. Should this information not be forthcoming, the delivery schedule will be adjusted in the final Order Acknowledgment.
- LANCO reserves the right to re-schedule the delivery if there is a delay in any payment for whatever reason.
- Circumstances outside of LANCO's control such as strikes, lack of raw material, etc., release LANCO's obligations for the stated delivery schedule.
- If the Buyer cannot deliver to LANCO the required documents and/or sample parts in the time required, or if the components do not correspond with the drawings, LANCO will automatically be released from the terms of the delivery.
- Delay in delivery, for whatever reasons, shall not authorize the Buyer to withdraw from the purchase agreement or to make claim damages, and LANCO shall be under no liability for any loss or damage arising directly or indirectly out of late delivery.

4.0 SHIPPING/INSURANCE for MACHINE and CUSTOMER SUPPLIED COMPONENTS

- The place of delivery shall be "FOB" LANCO's place of business unless otherwise confirmed. Risk in the Goods passes on to the Buyer at shipment.

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- The Buyer shall be responsible for the Goods and any risk loss or damage thereto and insurance thereof from the commencement of dispatch or shipment. The Buyer shall insure the Goods to their full value against loss or damage and maintain such insurance until LANCO has been paid.
- The Buyer shall be responsible for any risk loss or damage and insurance thereof for its, or one of its supplier's, shipment of Goods to and from LANCO for the purpose of completing the machine. Such goods shall include, but shall not be limited to, Buyer parts, Buyer equipment, or Buyer supply of certain equipment or components for the machine.
- The transport of such equipment will be the responsibility of the Buyer. The Buyer will establish a freight account which LANCO can charge against for the above transport costs. Should this account not be available, LANCO reserves the right to charge a reasonable handling fee to organize such shipments and their billings.

5.0 INSTALLATION SUPPORT

Installation and commissioning estimated costs if included are referenced on the price page of the proposal. If the actual costs exceed this estimate, travel and living expenses will be billed at cost, and time will be billed at LANCO's current rate schedule. Installation support is always assumed to be completed in one trip. If additional trips are required due to the customer, travel expenses and labor additions will be billed to the customer. Should the customer elect not to include installation services with their purchase a proposal can be provided at a later date. Where installation services are not included with the system purchase, the equipment must be paid in full upon Factory Acceptance Test (FAT) invoicing.

6.0 PROJECT MANAGEMENT

Following the order, a LANCO project manager will be assigned to the program. LANCO's project manager will perform the following functions:

- Be the single point contact for the customer
- Provide regular status reports to the customer
- Monitor the progress of the project
- Coordinate design reviews and critical meetings with the customer
- Distribute information to and from the LANCO team and the customer
- Process change orders and changes to the contract
- Ensure LANCO and customer requirements are being implemented
- Address all technical issues and technical changes to the contract

7.0 CHANGE ORDER REQUESTS (CO'S)

In order to properly document and manage changes to the contract, LANCO utilizes a formal change order procedure.

Revisions made to the scope of supply on the original order will be addressed with a Change Order Request (CO) initiated by Lanco. This CO documents the nature of the change, any increase or decrease in the price of the system, and its impact on the schedule. The CO is submitted to the customer for review and signed approval. The approved CO allows LANCO to implement the defined changes; however, an official written purchase order reflecting these changes is needed before the machine is shipped. Any Change Order Request not approved or declined by the customer within the timeline as defined on the CO will be considered as declined in its entirety.

8.0 MACHINE ACCEPTANCE

An acceptance test run will be performed at Lanco Integrated prior to machine delivery. A similar test will be conducted at the customer facility, provided that the customer purchases installation support. These tests will demonstrate functionality and performance of the system, including safety criteria and

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guaranteed output of automatic stations as defined under Section II (Technical Specifications) Item 6.0.

It is imperative that the parts used during the acceptance run meet the tolerance specifications provided on the customer drawings. All requested reject samples must have been supplied during the setup of the machine in order for Lanco to fully setup and debug the inspection and testing processes. Failure to supply the requested samples may result in a machine that cannot meet the required OEE due to excessive Quality (high reject rate) issues. The customer will be responsible for any additional time and associated costs to complete this setup once the sample parts are available.

Acceptance at LANCO

- Acceptance at Lanco will include:
 - Inspection of the system for functionality conformance with all agreements, including verification of fault/reset sequences
 - Demonstration of the stations in step mode
 - Up to a 4-hour acceptance run, or a 1-hour acceptance run for each product variant up to 4-hours. Acceptance will be proven by meeting an 85% OEE or greater over the length of the acceptance run according to Lanco's Runoff forms. Calculation assumes that customer parts are 100% good and meet all specifications. Any losses due to customer component issues will be removed from the calculation.
 - An acceptance report defining any further work required, agreed to and signed by both parties

Acceptance at Customer Facility (Should customer purchase installation support)

- After installation of the equipment at customer facility, the acceptance test as described above will be repeated.
- In the event the customer elects to install the equipment without the assistance of Lanco, the system will be considered accepted, and payment obligations will be due upon receipt of invoice.

9.0 TRAINING

Training is the responsibility of the customer unless otherwise specified. Lanco has included time for informal training during the acceptance on its floor and recommends that the customer send a skilled technician to the LANCO facility for hands-on training approximately 2 weeks before final acceptance. Customers are responsible for their own travel and living expenses.

10.0 DEMAND SERVICE

Lanco is fully prepared to supply both mechanical and controls technicians within 24 hours of a customer request for service and machine maintenance. Conditions and costs for this service are per LANCO's standard rate schedule.

11.0 REMOTE SERVICE

LANCO requires remote access to the machine for program modifications and system troubleshooting. The machine is already configured to do this, but the method of communication depends upon Internet access in the customer facility. Communication can be through a customer VPN server. Alternatively, if VPN access is not available, LANCO can utilize GO-TO-MEETING for this connection. In either case, the customer needs to provide a PC with the machine programming software on it (programming software is not supplied by LANCO), Ethernet connection to the machine and Ethernet connection to the Internet.

Following the order, LANCO will determine the optimum way to set this up with the Customer.

12.0 PREVENTIVE MAINTENANCE CONTRACT

Lanco recommends that the customer purchase a preventive maintenance agreement with the machine. This agreement can be used to and optimize the machine's performance through regular service visits during the year.

13.0 SPARE PARTS

A complete recommended Spare Parts list is included in the electronic version of the manual. This listing shall contain all machined, purchased, and electrical components that are deemed important to the system's operation. This list includes all manufactures, drawing numbers, and part numbers. Prices will be generated for those components that the customer wishes to purchase. Please note that prices are subject to change without notice. It is recommended that a review of the spares be conducted during the acceptance run at LANCO. This review will be organized by the Primary LANCO Sales person.

14.0 RESERVATION

Lanco reserves the right to adjust price if the scope of supply changes or described functions change.

15.0 MANUFACTURING LOCATION

Lanco reserves the right to utilize all Lanco facilities to expedite the design or construction phase of any project depending on workload demands.

16.0 GUARANTY PROVISIONS

Lanco guaranties the good working quality and perfect execution of the delivered materials for the duration of a maximum period of 12 months. For materials delivered by an outside supplier, our guaranty is effective only in so far as we are covered by guarantees given by said outside supplier.

In the event of delivery or assembly delays beyond our control, the guaranty period expires 18 months after notification of delivery readiness at the latest.

The normal wear of working parts is excluded from this guaranty. Also excluded are damages due to insufficient maintenance, failure to adhere to operating instructions, unsuitable operating methods, or the execution of inferior work carried out by the customer or third parties.

The effective date of our guaranty is the date of the acceptance report, which is to be issued on the date of acceptance by the buyer, and signed by both parties. Should it be the express wish of the buyer not to have an acceptance report, the effective date is the date of the delivery note. Should the buyer decide to place the machine into production prior to acceptance, the effective date of our guaranty is the start date of production.

With regard to all defects that are determined at the time of the technical acceptance and determined by the buyer at the time of take-over, the buyer is entitled to the correction of all defects with the exclusion of far-reaching claims, especially modifications, price reduction or financial compensation.

The guaranty becomes automatically invalid if the installation is moved from its location after being put into operation, or if the installation changes proprietorship, or if the Buyer effects changes or repairs without the prior written consent of LANCO.

The guaranty covers all material and workmanship. Traveling time, travel and lodging expenses are, in all cases, to the customer's debit.

Replacement part procedure: If a part fails within the warranty period and the Buyer has one in stock, the Buyer can immediately replace the defective part and return it to LANCO with an RMA (Return Material Authorization) number for analysis. If the returned part is deemed to be covered under warranty, a replacement will be shipped to the Customer, FOB LANCO. If the Buyer does not have a spare part on site, the Buyer must issue a purchase order to LANCO to cover the cost of the replacement. Once the replacement part is installed, the defective part is then returned to LANCO for analysis. If it is determined that the original part failed under warranty, the Buyer will be notified and the purchase order will be voided. If it is determined that the part did not fail under warranty, the purchase order will remain valid and be used to pay for the replacement part. LANCO will forward the

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findings of any third-party analysis to the Buyer. If a warranty service visit is necessary to replace the part, the labor will not be charged, but travel and living expenses will be billed.

The guaranty is only valid provided the buyer promptly meets all payment obligations. NOTE: LANCO makes no guaranties on customer-supplied equipment and/or used equipment that is integrated into the line.

Limitations on Warranties and Liabilities: THESE WARRANTIES ARE EXCLUSIVE AND ARE IN LIEU OF ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR OTHER WARRANTY OF QUALITY, WHETHER EXPRESS OR IMPLIED, EXCEPT THE WARRANTY OF TITLE.

LANCO Integrated DOES NOT WARRANT DESIGNS SUBMITTED OR MODIFIED BY CUSTOMERS.

CORRECTION OF NON-CONFORMITIES, IN THE MANNER AND FOR THE PERIOD OF THE TIME PROVIDED ABOVE, SHALL CONSTITUTE FULFILLMENT OF ALL LIABILITIES OF LANCO INTEGRATED TO THE CUSTOMER WITH RESPECT TO THE GOODS, WHETHER BASED ON CONTRACT, NEGLIGENCE, STRICT LIABILITY, TORT OR OTHERWISE.

In no event shall Lanco Integrated's liability on any claim whatsoever, including breach of contracts, warranty or its alleged negligence for any damages or loss arising out of or relating to this purchase exceed the cost of correction of the defect and shall not include any special or consequential damages, lost profits or revenues, loss of use of equipment or downtime. ORAL STATEMENTS DO NOT CONSTITUTE WARRANTIES. The entire contract is embodied in this writing and NO OTHER WARRANTIES ARE GIVEN OR LIABILITY CREATED beyond those set forth in this written contract.

17.0 FURTHER CONTRACT PROVISIONS AND DEFINITIONS

- **LANCO** means LANCO Integrated, Westbrook, Maine USA.
- **The Buyer** means the person, firm or company placing this order.
- **The Goods** mean the goods, equipment, articles, material and software which are to be supplied by LANCO and shall include accessories and services where specified.
- **The Contract** means the Confirmation of Order or any contract howsoever made for the Goods between LANCO and the Buyer and shall also incorporate these Terms and Conditions, and receipt of the Goods by the Buyer shall be deemed to be conclusive proof that the Buyer has accepted these Terms and Conditions.
- **The Quotation** (if any) means the terms as set out therein and shall include these Terms and Conditions.
- **Acceptance or the Contract:** The Confirmation of Order is made by LANCO by acknowledging in writing the Buyer's Order. The Buyer hereby acknowledges that these Terms and Conditions apply to the Contract and replace conditions (if any), which may be printed on the Buyer's documentation, and any previous terms are superseded.
- **Variation:** Our delivery includes the Goods mentioned in the Confirmation of Order. All supplements or alterations will be charged to the Buyer. No variation of the contract shall be allowed unless such variations are specifically agreed to in writing by LANCO. Any documentation purporting to add to or vary the Terms and Conditions after the contract is made shall be of no effect unless agreed upon by both parties in writing.
- **Cancellation:** Should the Buyer cancel the contract for any reason, the cancellation cost to the Buyer, up to the point of machine debug, shall be the price multiplied by the percentage of time spent on the contract to the nearest whole week (i.e. the number of weeks into the project divided by the total number of weeks allotted to the project). For this calculation; a) the start of the contract is considered to be the issue date on the purchase order or the issue date on the original Confirmation of Order, whichever is earlier, and b) the expected finish date of the contract is considered to be the ship date listed on the original purchase order or the ship date listed on the original Confirmation of Order, whichever is earlier. For example, if a \$300,000 order is canceled twelve weeks into the project, and the expected delivery was 36 weeks from the start of the

contract, the cancellation cost at this point is $(12) / (36) \times \$300,000$, or \$100,000. If the machine has reached the “debug” phase, which means it is essentially mechanically complete, from that point forward the cancellation cost to the Buyer is 100% of the contract price.

- **Property:** The Goods shall remain LANCO’s property until such time as LANCO has been paid in full for the goods.
- **Complaints:** All complaints, shortages, etc. shall be made in writing within two weeks from receipt of Goods.
- **Protections:** All LANCO products are delivered with LANCO standard safety protections. If the Buyer requires alterations or additional safety features, these will be charged accordingly.
- **Reservation:** LANCO is not responsible for the performance of the LANCO equipment if the assembly components do not comply with the drawings; i.e. the output can only be guaranteed if the components are within the required tolerances.
- **Important:** All regulations bind the Buyer unless the contract states otherwise.
- **Law of Contract:** Any contract made on the basis of these Terms and Conditions and all matters arising thereof shall be construed and take effect according to Maine Law, and any dispute or difference of any kind whatsoever which arises or occurs between the parties in relation to any thing or matter arising under out of or in connection with this agreement shall be referred to arbitration in Portland, ME, USA.
- **Copyright:** All information in this proposal is confidential and has been prepared for your use solely in considering the purchase from Lanco Integrated of the equipment herein described. The transmissions of all or any part of this information to others or use by you for other purpose is unauthorized without our written consent.

18.0 **EXCEPTIONS TO CUSTOMER FINANCIAL TERMS AND CONDITIONS**

- 18.1 Please note that all budget quotations are costed using LANCO Standard Terms and Conditions. During the firm-quoting process, the impact of any differences between the customer specifications and LANCO’s standards will be assessed.

19.0 CUSTOMER SCOPE OF SUPPLY

All customer supplied materials will be shipped to LANCO prepaid including all applicable duties and insurance. All materials will be shipped with packing slips clearly identifying the materials enclosed, the quantities, the contact name at LANCO, and will include any required MSDS documentation.

The customer bears sole responsibility for the proper function of any equipment supplied by customer, including meeting cycle time, quality requirements, noise levels, safety, etc.

19.1 All raw material dunnage, i.e. crates, part trays, fluid dispensers/containers, etc. must be fully described and considered in the planning phases of the project prior to the design review.

19.2 The Customer is to supply sufficient production intent parts for the design, de-bug, and acceptance phases of the project. Lanco standard quantities of parts are as follows:

19.2.1 Setup: Machine Output **x #** of FAT Hrs **x #** of Part Variants **x .25**

19.2.2 Debug: Machine Output **x #** of FAT Hrs **x #** of Part Variants **x 3.5**

19.2.3 FAT: Machine Output **x #** of FAT Hrs **x #** of Part Variants **x 1.5**

19.2.4 Quantities are estimates for customer planning and can be adjusted based on availability and reusability. Actual quantities required will be reviewed with the customer with release of program schedule.

19.3 The Customer is to supply up-to-date part prints in electronic format and sample parts as required by LANCO. 3-D CAD Models from Solid Edge, Solid Works, UGS NX, or Pro-Engineering native formats are acceptable. Otherwise, 3-D CAD Models should be sent in Parasolids or STEP format. IGES files are acceptable but not preferred. 2-D drawings can be in PDF or DWG/DXF format.

19.4 Additional Customer Supplied Items:

20.0 ITEMS NOT INCLUDED by LANCO (Unless stated otherwise elsewhere in this quotation)

- Additional wear and spare parts
- Tools and auxiliary equipment for manual operators
- Masters for machine set up
- PLC or PC Programming Software or Software Licenses

21.0 EXCEPTIONS TO CUSTOMER TECHNICAL SPECIFICATIONS

21.1 Please note that all budget quotations are costed using LANCO Standard Components and Processes. During the firm-quoting process, the impact of any differences between the customer specifications and LANCO's standards will be assessed.

22.0 DOCUMENTATION

An electronic copy of the complete machine manual is provided with every LANCO system. The manual is designed to simplify troubleshooting and reduce downtime. Complete valid operating manuals are supplied 4 weeks after the machine acceptance at the customer facility unless specified otherwise. This time is necessary to provide the customer with the most up to date information. For added stations or retooling, modified details will be provided in electronic PDF format.

Rights to LANCO Designs and Technical Documents: The LANCO documentation package includes detailed drawings and software created specifically for this equipment. Drawings, illustrations, or other technical data, documentation or software, printed or reduced to any electronic medium or machine-readable form, attached to our quotations, shipment, or contracts shall remain the property of LANCO. These designs are available to the buyer for internal use only to maintain the equipment, and are not to be passed on to third parties for use or machine duplication. Unless otherwise specified and agreed upon in writing per section 16 in the Commercial Section above regarding Lanco's copyright on this information.

The Standard Machine Manual Documentation Package supplied for full system includes a complete System Machine Manual in PDF format consisting of :

- Machine specifications
- Operator instructions, standard operating and safety manual and typical pneumatic schematic.
- Standard preventative maintenance manual
- Part finder quick guide, Lanco part numbering structure, system spare parts list and manufacturer code listing
- System level bill of materials and assembly drawings
- Custom sub-assembly bill of materials and assembly drawings: AAA-S0_
- Pallet bill of materials and assembly drawing
- Module bills of materials and assembly drawings
- Station bills of materials and assembly drawings
- System level controls bills of materials, assembly drawings, wiring diagrams and wire lists
- Key vendor components information