

Procerus Technologies, L.C.
Standard Terms and Conditions

NOTE: These terms and conditions shall apply, and customer agrees to be bound by them, whether or not this document is signed.

1. **GENERAL.** The terms and conditions of sale contained herein apply to all quotations made and all purchase orders received by Seller, and acceptance by Seller of any order by confirmation or commencement of performance shall be on the basis of these Terms and Conditions of Sale, even though no reference is made thereto at the time of acceptance. Seller's failure to object to provisions contained in any communication from the undersigned Buyer shall not be deemed a waiver of these Terms and Conditions of Sale. Buyer's assent to these Terms and Conditions of Sale shall be deemed to be given by implication unless Buyer gives written notice of objection to Seller promptly, upon receipt of this document. Any changes in the Terms and Conditions of Sale contained herein must specifically be agreed to in writing by an officer of Seller before becoming binding on Seller. These Terms and Conditions shall include additional terms, if any, contained in Appendix A, which is attached hereto and incorporated herein by this reference.

2. **ACCEPTANCE OF ORDERS.** All orders from Buyer are subject to acceptance by Seller, and Seller reserves the right to accept or reject any orders in whole or in part.

3. **PRICES.** Prices quoted or acknowledged by Seller are firm to the quantities and the shipping schedules set forth in the quotation or order acknowledgment, but are subject to revision if quantities and/or shipping schedules are changed by Buyer.

4. **TAXES.** Unless otherwise specifically provided for in quotation or order acknowledgment, the amount of any present or future sales, revenue, excise or other tax applicable to the Products covered by this quotation or order or the manufacture or sale thereof, shall be added to the purchase price and shall be paid by, and are the responsibility of, the Buyer, or in lieu thereof Buyer shall provide Seller with a tax exemption certificate acceptable to the taxing authorities.

5. **TRANSPORTATION.** All sales are made F.O.B. shipping point. All claims for loss or damage must be filed by Buyer with the carrier. Unless specific instructions are given by Buyer, Seller will use the most economical carrier and mode feasible unless Buyer specifies otherwise.

6. **DELIVERY.** Shipping dates are approximate and are based on prompt receipt from Buyer of all necessary information. Seller reserves the right to make partial shipments.

7. **PAYMENT AND TERMS.** All invoices on credit terms are due and payable 30 days from the date of invoice unless otherwise specified. No discounts are allowed unless agreed to in writing by Seller. Invoices remaining unpaid after their due date will be subject to an interest charge of 1.5% per month (or the maximum rate allowed in Buyer's State, if lower) from their due date until paid. Buyer will pay all costs and expenses of collection of overdue accounts, including reasonable attorney's fees.

Each Purchase Order shall be considered a separate and independent transaction, and payment therefore shall be made accordingly. If shipment is delayed by Buyer, Seller has the right to issue invoice on the date it is prepared to make shipment. If the work covered by the purchase order is delayed by Buyer, the invoiced amount shall be based on the purchase price and the percentage of completion. Products held for Buyer shall be at the risk and expense of Buyer. Seller reserves the right to ship to its order and make collection by sight draft with a bill of lading attached.

If, in the judgment of Seller, the financial condition of Buyer at any time does not justify continuation of production or shipment on the terms of payment originally specified, Seller may require full or partial payment in advance. In the event of bankruptcy or insolvency by Buyer or in the event any proceeding is brought by or against Buyer under the bankruptcy or insolvency laws, Seller shall be entitled to cancel any order then outstanding and shall receive

reimbursement for its cancellation charges.

8. LIMITED WARRANTY. Due to the experimental nature and use of the Kestrel Autopilot, ground station control unit (“Product” or “Products”) with experimental UAV’s and that the Seller has no control over the integration, installation, packaging, testing and / or use of the Product(s) within a given airframe or otherwise, the Seller accepts no liability and is willing to provide a manufacturers “Limited Warranty”, as described below.

The Buyer will inspect and reasonably test each Product upon receipt and prior to use (flight) in order for any warranty claim, as described below, to be valid. Once the Product is installed and flown, no warranty claims will be allowed.

As limited by the provisions of this Paragraph 8, Seller warrants the Kestrel Autopilot and Commbox hardware sold by it to be free from defects in and arising from the assembly, manufacture, material, or workmanship of said Products; provided, however, that such warranty does not apply to problems that arise from such things as, but not limited to (i) accident, negligence or misuse (ii) problems relating to or residing in other components, items or services with which the Product(s) are used; (iii) use not in accordance with Manufacturer’s instructions, maximum ratings and operational guidelines, or specifications; (iv) use in an environment, in a manner or for a purpose for which the Product was not designed nor legally allowed; or (v) any modification, alteration or repair by other than Seller or an authorized representative.

Seller’s entire liability and obligation to Buyer under this warranty shall be expressly limited to the repair or replacement, as Seller may determine at its sole discretion, of any defective or nonconforming autopilot or Commbox hardware for which Buyer has first given written notice to Seller of such defect or nonconformity in the manner as provided below. No warranty is offered, expressed or implied, on any 3rd party products sold by Seller to Buyer.

No claim under this warranty shall be valid unless within thirty (30) days of its receipt of any merchandise hereunder, Buyer shall furnish Seller, in writing, notice of any defect in materials or workmanship or nonconformity specifying in detail any such defect or nonconformity. Absent such timely notice, Buyer shall be deemed to have waived any such defect or nonconformity which could be determined based upon a reasonable inspection and testing of such goods. With respect to orders contemplating a series of shipments of merchandise by Seller to Buyer, unless Buyer notifies Seller in writing within thirty (30) days of the initial shipment of any nonconformity with any applicable specifications, then Buyer shall be deemed to have waived such nonconformity with respect to subsequent shipments involving the same specifications. Other than with respect to the repair or replacement of defective merchandise by Seller under the limited warranty as provided above, Seller shall have no obligation to Buyer with respect to any monetary damages by reason of any such nonconformity or defect, and in no event shall Seller be liable to Buyer for any lost profits or consequential damages.

Seller shall have the option, exercisable in its sole discretion, of requiring the return to it or an authorized representative of the defective merchandise, transportation prepaid, for inspection. In the event that some, but not all items of merchandise are defective within the terms of the limited warranty set forth above, the repair or replacement of merchandise at Seller’s option shall apply only to such defective items falling within the terms of such limited warranty and Buyer shall have no right to return or seek credit for any items not so defective.

EXCEPT FOR THE EXPRESS WARRANTY SET FORTH ABOVE, MANUFACTURER GRANTS NO OTHER WARRANTIES, EXPRESSED OR IMPLIED, BY STATUTE OR OTHERWISE, REGARDING THE PRODUCTS, THEIR FITNESS FOR ANY PURPOSE, THEIR QUALITY, THEIR MERCHANTABILITY, OR OTHERWISE.

9. USER LICENSE. Procerus grants to the Buyer a non-exclusive, non-transferable license to use the Kestrel Autopilot hardware and software in binary format, Virtual Cockpit application and Commbox software in binary

format and hardware, together referred to as the “Technology” provided that such Technology is used together as part of an unmanned aerial vehicle “UAV” and not used separately; provided further that such license shall terminate at such time as the Product purchased by Buyer is no longer used by Buyer or is no longer functional. This Technology, hardware and software, is the intellectual property of Procerus Technologies as exclusively licensed to it by Brigham Young University, and/or developed by Procerus, and is protected by, among other things, copyright laws and by international treaties. The Kestrel programmable autopilot is Protected by U.S. Patent 7,302,316.

The Buyer's licensing rights are limited to itself alone and do not extend to, and may not be transferred to, subsidiary or parent corporations, or to any other related or affiliated organizations, except upon the prior written consent of Procerus which may be withheld in its discretion for any reason or for no reason.

Buyer may not de-compile, recompile, disassemble, reverse engineer, adapt or create derivative works of the Technology or any files or elements thereof. Buyer may not change, delete, merge or rename any files or elements of the Technology in any manner. The software which forms a part of the Technology may not be used in any way except as part of the Kestrel Autopilot system for which it has been developed and delivered as a whole.

Buyer may not remove or alter any copyright or trademark information on the Technology and Buyer must take reasonable steps to protect the copyrights, trademarks and other intellectual property rights of the Technology.

Nothing contained in this Agreement shall, by express grant, implication, estoppel or otherwise, create any right, title, interest, ownership or license in or to the inventions, patents, technical data, computer software, or software documentation of Seller or Brigham Young University. Any rights not expressly granted in this license are reserved by Procerus Technologies.

Nothing contained in this Agreement shall grant to Buyer the right to make commitments of any kind for or on behalf of Seller without the prior written consent of the Seller.

10. LIMITATION OF LIABILITY. Seller’s sole liability and Buyer’s exclusive remedy for damages from any cause whatsoever (and regardless of the form of action) shall be limited to the repair or replacement, at Seller’s sole option, pursuant to the limited warranty set forth above. In no event shall Seller be liable for damages caused by Buyer’s negligence, or for any lost profits, or other incidental or consequential damages, including loss to other machinery or equipment of which a Product of Seller is a part, even if Seller has been advised of the possibility of such damages.

Buyer shall hold harmless and does hereby indemnify Seller of any liability associated with the use, or misuse, of the Product(s) whatsoever. The Buyer is hereby advised that the FAA may have rules that limit or prohibit the use of Product(s) above certain altitudes or within certain ranges of the operator or airports for which the operator is responsible and may have other restrictions and regulations. The BUYER is liable and responsible to ascertain appropriate use and to obtain required permissions, licenses, etc. as may be required.

The FCC may have rules that prohibit or limit the use of video and/or radio communications equipment supplied with or discussed herein.

Buyer may pass on to its End User(s) the Seller’s standard limited warranty, as set forth above, including the limitations set forth below. Any warranty granted by Buyer that exceeds Seller’s standard limited warranty shall be at Buyer’s own risk and expense, and Buyer shall indemnify Seller from any liability therefore. This warranty is contingent upon the following: (i) Product is maintained in an environment consistent with Product specifications; (ii) Product Warranty does not include efforts to remedy, repair or replace Products as a result of (i) accident, neglect; (ii) problems relating to or residing in other items or services with which the Product(s) are used; (iii) installation not in accordance with Seller’s instructions or the applicable specifications; (iv) use in an environment, in a manner, or for a purpose for which the Product was not designed or legally allowed; or (v) installation, modification, alteration or repair by anyone other than Buyer or its authorized representatives, unless specifically

pre-authorized in writing by Procerus.

11. EXPORT. Technical data disclosed hereunder are subject to U.S. Dept. of State ITAR laws and regulations. Accordingly, the receiving party shall not transfer these product(s) or technical data received under this Agreement to any foreign person, country, foreign subsidiary or parent corporation, without specific written authorization from the disclosing party and pursuant to obtaining an appropriate U.S. Government agency export license. Further, the receiving party does assure the disclosing party it will not disclose technical data received hereunder to any employee, consultant or subcontractor employee not holding United States citizenship or granted admission or permanent residence in the United States under the Immigration and Nationality Act, as amended (8 USC 1101 et seq.).

12. FORCE MAJEURE. Seller shall not be liable for any failure or delay in manufacture or delivery resulting from any cause beyond the reasonable control of Seller, including by way of illustration and not by way of limitation, compliance by Seller with any government, FAA, or military regulation, or from acts of God, fires, or other casualty or accident, strikes, lockouts, factory shutdowns or alterations, embargos, riots or other disorders, delays or shortages in transportation, or inability to obtain sufficient quantity of fuel power, labor, manufacturing facilities of materials or other supplies from the usual sources of Seller. Neither shall Seller be held to the price of the Product in his quotation and/or order acknowledgment, in the event cost of materials needed for Seller's manufacturing process of the Product, as the result of events listed in this paragraph, and being beyond the reasonable control of Seller, would increase beyond what can normally be expected during the life of the contract. Should such cost increases occur, Seller and Buyer agree to renegotiate the price for the Product based on the actual cost increases to Seller for Buyer's Product as a result of said price increases of materials used in the manufacturing of the Product(s) in question.

13. CANCELLATION. Cancellation of orders will be subject to a cancellation charge equal to 10% of the order value, or the value of material and work performed on the cancelled Product at the time of cancellation, whichever is larger. Cancellation policy not applicable to Product under way on behalf of Buyer or that is already shipped and / or delivered to Buyer.

14. RETURN POLICY. Buyer must obtain a Return Material Authorization (RMA) number from Seller prior to shipping any Product back to Seller. All returns are to be sent prepaid by Buyer and are subject to paragraph 10 above.

Defective Product covered by warranty as described in Section 8 will either be repaired or replaced, as Seller may determine at its sole discretion, and returned at no cost to Buyer.

NON-WARRANTED REPAIRS

For damaged Product NOT covered by warranty such as, but not limited to, components that are dislocated, dislodged, or cracked and/or where printed circuit board traces or solder joints are broken or cracked, and where product MAY be repairable, the following charges apply; minimum charge and per hour service fees for repairs as then in effect, cost of components, parts, and other items as may be necessary to make repairs. Return shipping and handling costs paid by Buyer. See Appendix A.

15. DISPUTES. This Agreement shall in all respects be governed by the laws of the State of Utah.

By receipt of and/or by executing these Terms and Conditions of Sale in the space provided below, BUYER ACKNOWLEDGES AND AGREES THAT IT HAS READ AND UNDERSTANDS THESE TERMS AND CONDITIONS OF SALE AND THAT IT WILL BE BOUND BY AND SUBJECT TO THESE TERMS AND CONDITIONS OF SALE.

BUYER:

Company: _____

Address: _____

City: _____

State: _____

Zip: _____

By: _____

Title: _____

Date: _____

Export: (as applicable)

Consignee / Purchaser

End User

Name:

Name:

Address:

Address:

City:

City:

State/Country:

State/Country:

Zip (country code):

Zip (country code):

Phone:

Phone:

Fax:

Fax:

Appendix A

Non-Warranted Repairs:

In the event of product damage (a hard landing, crash, static discharge, battery overload, accident, mishandling, or similar event, etc.) where the autopilot MAY be repairable, Seller may repair the unit at its discretion and return it to Buyer for the cost of repairs, parts, and shipping.

Charges:

- Minimum charge for returning an item not under warranty for possible repairs: \$250
- Per hour cost breakout for repairs: \$150 hour
- Components, parts, and other items as may be necessary to make repairs
- Shipping charges back to customer: packaging, handling, freight TBD

Pricing may change at the discretion of Seller.

Non-Warranted Items:

Seller does not provide warranty of any kind for testing UAV airframes or any 3rd party components or parts (ie; GPS or modems, batteries, motors, etc.) that may be purchased from Seller. Components can and do fail and often for unknown and indefinite reasons. (hard landing, static discharge, accident, neglect, etc.) Should a problem arise with 3rd party components, Buyer may choose to purchase replacement components at the then current pricing from Procerus (GPS units, modems).