

CHALLENGE SAILCOTH, INC.
STANDARD TERMS AND CONDITIONS OF SALE

These Standard Terms and Conditions of Sale ("Terms of Sale") represent specific agreements and understandings between Challenge Sailcloth, Inc. ("CSI" or "Seller") which will apply to products purchased by Buyer from CSI from time to time ("Products"). Purchases hereunder may be made on Buyer's standard purchase order form ("Purchase Order") but any terms and conditions set forth on any Purchase Order that are in addition to or are inconsistent with these Terms of Sale shall be deemed stricken from the Purchase Order and shall be of no force or effect. These Terms of Sale shall apply to any Purchase Order whether or not these Terms of Sale are expressly referenced therein. These Terms of Sale and any CSI Quotation shall constitute the entire agreement between CSI and Buyer with respect to the Products.

1. Elements of Purchase Order:

Each Purchase Order shall be in the English language and shall identify:

- (i) Date issued;
- (ii) Identification of Products ordered and Seller product number and specifications (if applicable);
- (iii) Quantity;
- (iv) Price of each item, based upon Seller's then-current price list;
- (v) Delivery date to Seller's FOB point of origin in accordance with lead times prescribed from time to time by Seller;
- (vi) Shipping information; and
- (vii) Billing information.

CSI shall use commercially reasonable efforts to fill all Purchase Orders accepted by CSI within the time stated for delivery in the Purchase Order but the delivery date specified in Purchase Orders shall be approximate only, and CSI reserves the right to readjust delivery schedules.

2. Invoice and Payment:

Invoiced amounts shall be due in full within 30 days of the date of invoice, unless stated otherwise in the applicable invoice. Invoices past due shall accrue interest charges at the rate determined by CSI from time to time, due and payable by the Buyer. In the event of a dispute, the prevailing party shall be entitled to recover reasonable attorney fees, court costs and other expenses incurred.

Payment shall be in lawful money of the United States of America, unless stated otherwise in the applicable invoice. The purchase price for each Product purchased hereunder shall not include costs of freight, insurance, handling or other similar costs. CSI's prices for Products shall not include sales, use, excise, import or similar taxes, or duties.

3. Quality and Inspection:

Buyer shall have the right to inspect Products at Buyer's sole cost and expense while the fabric is still on the roll, and prior to any cutting or incorporation into other products or components by Buyer, but in no event more than **[ninety (90)]** days after delivery and Buyer shall have the right to reject any and all Products that are defective or nonconforming to CSI Product Specifications as amended or revised by CSI from time to time (the "Specifications"). Buyer shall be deemed to have accepted any Products delivered to Buyer unless Buyer gives CSI written notice within **[ninety (90)]** days after delivery (and prior to any cutting or incorporation into other products or components by Buyer) that Buyer has rejected any Products.

4. Warranty:

CSI warrants to Buyer, that Products shall conform in all material respects to the Specifications and shall be free of defects in materials and workmanship. Buyer's sole remedy under this Section 4 shall be the repair or replacement (at CSI's option) by CSI of those Products that are defective in materials or workmanship or do not conform in all material respects to the Specifications. Notwithstanding the foregoing, however, Buyer acknowledges and agrees that (i) Buyer shall be solely responsible for determining the suitability of the Products for Buyer's application(s), (ii) the useful life of the Products is dependent upon a variety of factors outside of the control of CSI including, without limitation, exposure to UV light and other environmental factors, use, and application, and (iii) alterations, modifications, and finishing (including, without limitation, silk screen, printing, and other optic enhancing methods) by or on behalf of Buyer could adversely affect Product performance or conformity to the Specifications.

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5. Disclaimer of Warranties; Limitation of Liability:

CSI's exclusive warranty with respect to any Product is set forth in Section 4 above. Except for CSI's exclusive warranty set forth in Section 4 above, SELLER MAKES NO WARRANTIES, EXPRESS OR IMPLIED, STATUTORY, WRITTEN OR ORAL, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR OTHERWISE, WHICH ARE HEREBY EXPRESSLY DISCLAIMED.

In the event of a warranty claim, CSI shall have no obligation to replace or repair any Product unless (a) Buyer promptly notifies CSI in writing of the alleged defect or nonconformity in the Product and offers CSI a reasonable opportunity to cure such deficiency, and (b) CSI inspection verifies the existence of the alleged defect or nonconformity and determines it was not caused by damage or destruction, including any occurring while in shipment, improper installation, testing or repair (including any repair not by CSI agents or employees or otherwise not consented to in writing by CSI), misuse, neglect, alteration, modification, or finishing. THE PRICE ALLOCABLE TO ANY PRODUCT, AS PROVIDED FOR ON THE APPLICABLE PURCHASE ORDER, ALLEGED TO BE THE CAUSE OF ANY LOSS OR DAMAGE TO BUYER SHALL BE THE CEILING LIMIT ON CSI'S LIABILITY. IN NO EVENT SHALL CSI BE LIABLE FOR ANY SPECIAL, INCIDENTAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES OR LOSSES OR LOSS OF PROFITS IN CONNECTION WITH CSI'S OBLIGATIONS OR PERFORMANCE PURSUANT TO THESE TERMS AND CONDITIONS, WHETHER OR NOT RELATED TO WARRANTY OR OTHERWISE, WHETHER OR NOT FOUNDED IN CONTRACT, TORT (INCLUDING NEGLIGENCE), OR OTHERWISE, EVEN IF CSI HAS BEEN WARNED OF THE POSSIBILITY OF ANY SUCH LOSS OR DAMAGE, AND EVEN IF ANY OF THE LIMITED REMEDIES IN THESE TERMS OF SALE FAIL OF THEIR ESSENTIAL PURPOSE.

CSI reserves the right to modify, from time to time, the warranty set forth in Section 4 above upon written notice to Buyer.

The prices quoted in this sale were determined in part on the basis that CSI's liabilities and Buyer's remedies are limited as provided in these Terms of Sale and the prices would have been substantially different had those limitations not been agreed.

6. Termination and Cancellation:

Either party may terminate any Purchase Order or CSI Quotation immediately if the other party becomes insolvent, fails to pay its bills as due or makes an assignment for the benefit of its creditors. Either party may also terminate any Purchase Order or CSI Quotation immediately if the other party fails to perform any of its obligations hereunder. In the event of any such termination hereunder, other than due to CSI's breach, CSI shall be entitled to the payment of prices specified on the applicable purchase order for all Products delivered to Buyer but not yet paid for and payment for any and all raw materials, work in process, and finished goods inventories of products in the possession of CSI or any subcontractor(s) of CSI as of the effective date of such termination.

7. Inconsistent Terms:

These Terms of Sale shall govern over conflicting terms on any Purchase Order.

8. Indemnity:

Anything to the contrary set forth in these Terms of Sale or any Purchase Order notwithstanding, in no event shall CSI be obligated to defend Buyer from any claims, actions, liabilities, losses, costs, damages or expenses resulting or claimed to result in whole or in part from any actual or alleged (i) misuse of Products by Buyer or a user of the Products, (ii) misuse of Products in the course of a demonstration of such Products by Buyer, its employees or agents, (iii) any action or inaction of Buyer, its employees or agents, or (iv) the display, assembly, service, sale, repair or installation of Products by Buyer.

9. Independent Contractor:

The relationship between CSI and Buyer hereunder shall be solely that of independent contractors, and nothing herein contained shall be construed as creating any other relationship.

10. Choice of Law:

These Terms of Sale shall be governed by, and interpreted in accordance with, the laws of the State of Connecticut,

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United States of America, without regard to conflicts of laws principles that would require the application of any other law. The application of the United Nations Convention on Contracts for the International Sale of Goods ("CISG") is hereby expressly excluded.

11. Force Majeure:

CSI and Buyer shall be excused for any failure or delay in the performance of their respective obligations hereunder due to fire, war, insurrection, government restrictions, government boycott or other governmental action, acts of God or the public enemy, acts of terrorism, compliance in good faith with any applicable governmental regulation or order whether or not it proves to be valid, floods, riots, strikes, labor disputes, freight embargoes or transportation delays, shortage of labor, inability to secure fuel, material, supplies, equipment or power at reasonable prices or on account of shortages thereof, unusually severe weather, or other causes beyond the control and not due to the fault of the non-performing party.

12. Entire Agreement:

With respect to the subject matter herein, these Terms of Sale and any CSI Quotation represent the entire agreement between the parties involved, and supersedes all other agreements between the parties.