

## TERMS AND CONDITIONS OF PURCHASE

### BY KT PHOTONICS INC.

**TERMS AND CONDITIONS.** No terms and conditions other than the terms and conditions set forth in this Order, including any terms and conditions in any document attached to or incorporated by reference, shall be binding upon Buyer unless accepted by it in writing signed by the Buyer's Authorized Purchasing Representative. Notwithstanding any other provision of this Order, Buyer reserves expressly the right to revoke this Order at any time prior to receipt of notice of acceptance by Seller. Acceptance is limited to the terms stated herein. All terms and conditions contained in any prior proposal or acknowledgment of this Order which are different from or in addition to the terms and conditions of this Order are hereby rejected and shall not be binding on Buyer, whether or not they would materially alter this Order, and Buyer hereby objects thereto.

**GOVERNED LAWS.** Seller warrants that all goods provided hereunder have been produced and all services performed are in compliance with applicable law. This Order shall be governed in all respects by the laws of the Province of British Columbia, Canada, and all actions commenced pursuant hereto shall be brought in a court of competent jurisdiction residing in the Province of British Columbia, Canada.

**TRANSPORTATION.** Unless otherwise stipulated on the face of this Order or as modified by routing letter by the Purchasing Department of Buyer, goods covered by this Order shall be shipped "FOB destination". Title to said goods to pass to Buyer is only upon delivery to Buyer's specified end destination, regardless of risk of loss. Delivery in advance of the specified Buyer's shipping date, however, will not cause passage of title, transfer of risk of loss and/or establish FOB point. Transportation charges on goods delivered FOB destination must be prepaid. No charges for unauthorized transportation will be allowed. Any unauthorized shipment, which will result in excess transportation charges, must be fully prepaid by the Seller. Unauthorized transportation charges not prepaid will be offset by Buyer.

**REJECTIONS.** If any of the goods and/or services furnished hereunder are found at any time to be defective in material or workmanship or otherwise not in conformity with the requirements of this Order, Buyer, in addition to any other rights which it may have under all applicable warranties or otherwise, may at its option correct or have corrected the nonconformity at Seller's expense, or reject and return such goods and/or discontinue such services at Seller's expense. Such goods and/or services shall not be replaced or continued without written authorization from Buyer. Buyer may accept, without prejudice, a portion of any shipment, and, at its option, have Seller repair or replace any non-conforming portion of the shipment, at Seller's expense. Items rejected shall be removed promptly by the Seller at its expense and at its risk. Final acceptance shall not be conclusive with respect to latent defects, fraud or such gross mistakes as amount to fraud or with respect to the Buyer's rights under the "Warranty" clause.

**PAYMENT.** Upon submission of proper invoices, Buyer shall pay the Order price set forth herein for material and supplies delivered and accepted or services rendered and accepted; however, payment may be withheld or portions thereof deducted or set-offs made against Seller if Seller is not performing work in accordance with the provisions of this Order. There will be no minimum charges honored unless specifically agreed to prior to shipment.

**DELIVERY SCHEDULE.** Time is of the essence in the fulfillment of this Order. This Order is subject to cancellation if not shipped at the specified time. The Buyer reserves the right to refuse deliveries made in advance of the delivery schedule.

**WARRANTY.** Seller warrants that it has clear title to all items furnished subject hereto and that they are being delivered free and clear of any encumbrances. The Seller further warrants that all such items shall conform to the Seller's specifications, the requirements of this Order and approved sample or samples, if any, and further, that such shall be merchantable and fit for the Buyer's or its customer's intended use and that such items shall be free from defects in design, material and workmanship (collectively, the "Seller's Warranty"). Seller's Warranty shall remain in effect for a one year period after acceptance of the items by the Buyer's customers, or for such longer period of time as the item is normally warranted.

**TERMINATION.** Buyer shall have the right for and at its convenience to terminate this Order in whole or in part at any time, and from time to time, by written or telegraphic notice effective upon receipt by Seller, even though Seller is not in breach of any obligation hereunder. Upon receipt of notice of termination, Seller shall immediately discontinue performance and shall comply with Buyer's instructions concerning disposition of completed and partially completed items, work in progress and materials acquired pursuant to this Order. In the event of such termination, Seller shall be paid an amount in settlement to be mutually agreed upon by the parties. However, said payment shall not exceed the price specified herein for such items. In no event shall the Seller be entitled to recover incidental or consequential damages. Seller shall advise the Buyer, in writing, of Seller's claim, if any, for termination costs within ten (10) days after receipt of the notice of termination.