

TERMS OF SALE

1. Purchase of Products.

(a) Except to the extent otherwise agreed upon in writing, the terms set forth herein shall govern the sale and delivery of the Products of Fraenkische Pipe-Systems (Shanghai) Co., Ltd. ("Seller") and purchased by the purchaser ("Purchaser").

(b) All dealings between the parties shall be in writing and no order of Purchaser shall be binding on Seller until approved in writing by Seller.

(c) Prices of Products are subject to change without notice, and all references in sales brochures, technical data sheets and offers as to size, weight, and other details of the Products are approximate only. No such term shall be binding on Seller unless expressly incorporated in a purchase order which is approved and accepted by Seller in accordance with the terms hereof.

(d) Purchaser acknowledges that Seller's acceptance of any purchase order is dependent on Seller's prior approval of Purchaser's credit. Purchaser agrees that Seller may demand assurances of Purchaser's ability to pay by requesting such trade or banking references or such other information as deemed adequate by Seller.

(e) Purchaser agrees that any technical data sheet, drawings and documents provided by Seller shall remain Seller's Property.

2. Delivery.

(a) Unless expressly agreed upon in writing to the contrary, the terms of delivery are F.O.B. Seller's loading dock. Seller will use commercially reasonable efforts to make the Products available for pick-up and delivery by Purchaser within a reasonable time after acceptance of an order from Purchaser.

(b) If the Products are not installed by Seller, Purchaser bears the risk of loss or destruction of the Products upon and after the first to occur of (i) pick-up or acceptance of the Products by Purchaser or its common carrier at Seller's place of business, or (ii) the tenth day after written notification from Seller that the Products are ready for pick-up at Seller's place of business. In case Purchaser requests a delay in delivery, Purchaser assumes all risk of loss, damage and/or destruction of the Products from the date the Products are ready to be delivered. If the Seller installs the Products according to section 5 hereof the Purchaser bears the risk of loss upon bringing into operation of the Products according to section 5 hereof.

(c) Purchaser agrees that it will pick up or cause a common carrier to pick up the Products at Seller's place of business within ten (10) days after written notification from Seller that such Products are ready for pick-up. If Purchaser or its common carrier does not pick up or accept the Products within ten (10) days after written notification from Seller that the Products are ready for pick-up or if Seller is required to store the Products due to any delay caused by Purchaser, Purchaser shall reimburse Seller for reasonable storage charges.

(d) Seller reserves the right to make the Products available for pick-up and delivery in installments provided that such installment shall not be less than one product unit, unless otherwise expressly stipulated to the contrary in a written document signed by Seller. Delay in delivery of any installment shall not relieve Purchaser of its obligation to accept remaining deliveries.

If Purchaser should request any modification of the order after Seller's acceptance, Seller shall have the right to extend the delivery time period as reasonably needed to complete Purchaser's change order and to adjust the terms of sale and purchase price in his sole discretion.

3. Force Majeure. Notwithstanding anything to the contrary, Seller shall not be liable for any delay or failure to perform hereunder when such failure or delay is, directly or indirectly, caused by, or in any manner arises from fire, floods, accidents, civil unrest, acts of God, war, governmental interference or embargoes, strikes, labor difficulties or any other cause or causes (whether or not similar in nature to any of those hereinbefore specified) beyond its control.

4. Warranties and Claims.

(a) Seller warrants that the Products when delivered shall comply with standards and limitations set forth in the Warranty attached hereto as Exhibit "A".

(b) Purchaser shall within ten (10) working days after its receipt of the Products, and in any event no later than thirty (30) days from the F.O.B. shipping date, give written notice to Seller of any claim that the Products do not conform with the terms of the order or have material defects which a casual inspection would disclose. If Purchaser fails to give such notice, the Products shall be deemed to conform with the terms of the order, and Purchaser shall be deemed to have accepted and shall pay for the Products in accordance with the terms of this order. Purchaser expressly waives any right Purchaser may have to revoke acceptance or claim a breach of warranty with respect to such obvious or material defects, a casual inspection should have disclosed after such ten-day period.

(c) EXCEPT AS SET FORTH EXPRESSLY IN SELLER'S STANDARD WRITTEN WARRANTY WITH RESPECT TO THOSE ITEMS MANUFACTURED BY SELLER, SELLER MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, WRITTEN OR ORAL, WITH RESPECT TO THE PRODUCTS, INCLUDING, WITHOUT LIMITATION, ITS MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

PURCHASER ACKNOWLEDGES THAT PURCHASER IS NOT RELYING ON SELLER'S SKILL OR JUDGMENT TO SELECT OR FURNISH

PRODUCTS SUITABLE FOR ANY PARTICULAR PURPOSE OR JOB, OR TO DETERMINE THE FEASIBILITY OF THE PRODUCTS FOR ANY PARTICULAR APPLICATIONS. PURCHASER ACKNOWLEDGES THAT THERE ARE NO WARRANTIES WHICH EXTEND BEYOND THE DESCRIPTION HEREIN. NEITHER SELLER NOR ANY OF ITS AFFILIATES SHALL BE LIABLE FOR, AND PURCHASER WAIVES ANY CLAIM AGAINST SELLER AND ITS AFFILIATES FOR, MULTIPLE, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, INCLUDING, BUT NOT LIMITED TO, DAMAGE OR LOSS OF OTHER PROPERTY OR PRODUCTS, LOSS OF PROFITS OR REVENUE, LOSS OF USE OF MACHINERY OR PARTS THEREOF, INABILITY TO PERFORM SPECIFIC PROJECTS, COST OF CAPITAL, DAMAGE TO PROPERTY OR CLAIMS RESULTING FROM CONTRACTS AND/OR AGREEMENTS BETWEEN PURCHASER, ITS CUSTOMERS AND/OR SUPPLIERS, IN EACH CASE WHICH IN ANY WAY RELATE TO THE PURCHASE OF PRODUCTS BY PURCHASER OR THE USE OF THE PRODUCTS EXCEPT THAT THE DAMAGE IS CAUSED BY INTENTION OR CULPABLE NEGLIGENCE OF SELLER.

(d) Purchaser shall be liable for the safety of the assembly personnel and make available to the assembly personnel safety devices as reasonably deemed necessary.

5. Installation.

(a) If requested by Purchaser, Seller shall provide for Purchaser the services of installation, setting up and bringing into operation the Products purchased from Seller. In this case:

(b) Purchaser shall exclusively be responsible for and at its expense provide utilities, standard tools and other standard service materials as well as water, heating and electricity;

(c) Storage of machine parts, material and tools in adequate storage areas. Purchaser shall be liable payment of the costs incurred in connection with the installation;

6. Prices.

(a) All prices quoted by Seller are in RMB and shall be on a net basis F.O.B. Seller's loading dock.

(b) All prices quoted by Seller are subject to adjustment due to Purchaser's change orders, if any. Prices can be increased by Seller in its sole discretion if the costs for the Production of the Products increase.

(c) Unless otherwise expressly agreed upon in writing, the price quoted excludes the cost of packaging and the cost of special containers, packaging, crating, palletizing, applicable taxes and duties, shipping, insurance or other incidental expenditures of Seller.

7. Payment.

(a) Unless otherwise expressly agreed upon in writing, payment shall be made in full according to the terms specified on page 1 hereof.

(b) Purchaser shall not withhold or reduce payments on account of complaints, claims, or counterclaims not acknowledged and accepted by Seller.

8. Default.

(a) Purchaser shall be in default (hereinafter "Default") under this Agreement and Seller may terminate this Agreement and exercise all other remedies in law or in equity if Purchaser: (i) fails to make payment hereunder to Seller when due; or (ii) breaches any other term, provision or condition contained in this Agreement; or (iii) is declared to be in default under any other agreement between Purchaser and Seller, and if in any of the foregoing cases set out in (i), (ii) or (iii), Purchaser fails to cure any said breach or default within ten (10) days following written notice thereof from Seller

(b) Upon the occurrence of a Default, Seller may elect to exercise any one or more of the following options:

i. Seller may hold the Products until such time as Purchaser has paid the respective purchase price and any expenses (including finance charges, returned check fees and interest determined at a rate equal to the lower of eighteen percent (18%) per **annum** or the maximum rate permitted by applicable law incurred by Seller as a consequence of such default.

ii. Seller may sell the Products to a third party and require Purchaser to reimburse Seller for any losses, or expenses associated therewith.

iii. Seller may require payment in cash prior to

delivery of any Products hereunder.

iv. Seller may withhold any Products not delivered to Purchaser at the time of the default.

v. Seller may terminate this Agreement.

vi. Seller may exercise all other rights hereunder and may seek all other remedies available to it in law or in equity.

(c) Purchaser agrees that, in the event any legal action should be deemed necessary by Seller to recover any sums due hereunder or under any promissory note, trade acceptance, or invoice, or, if applicable, to recover possession of the Products, as defined hereinabove, or any proceeds from the sales thereof, there shall be added to the sums due from Purchaser to Seller the costs of collection, including reasonable attorney's fees.

(d) When reasonable grounds for insecurity arise with respect to Purchaser's performance, Seller may in writing demand assurance of due performance and until it receives such assurance may suspend any performance for which it has not already received payment.

9. Security Agreement. Except as expressly agreed upon to the contrary, Purchaser shall execute a Security Agreement as attached in Exhibit "B" to Seller in connection with this Agreement, which is expressly incorporated herein as an integral part hereof.

10. Software License. Any software or documentation delivered in connection with an order is delivered under a nonexclusive, non-transferable license to use and execute the same only in connection with the Items delivered hereunder. Purchaser may not modify, reproduce, decompile, reverse engineer or transfer software or documentation without our prior written consent. Purchaser agrees not to sublicense, rent, lease, sell or otherwise transfer the software or documentation except with our express written consent. Moreover, Purchaser shall not obscure or cover any copyright notice, **mask work notice** or other proprietary legends placed on or embedded in the software or documentation or otherwise appearing in or on the Items. Purchaser

acknowledges and agrees that nothing herein gives it any right, title or interest in the software or documentation except for its limited express rights set forth above. Additionally, the Purchaser acknowledges and agrees that Seller maintains exclusive ownership of and to all aspects of Item design and in and to the software and documentation, in all forms, all copies thereof, and all derivative works and compilations, including without limitation, any and all worldwide copyrights, patents, trade secrets, mask works and proprietary and confidential information rights associated therewith. Purchaser may be required to enter into a separate license agreement which will supersede this section with regard to the subject of such license agreement.

11. Tools. Purchaser acknowledges and agrees that Seller maintains exclusive ownership of and to all aspects of the tools manufactured by Seller for the production of the Products for Purchaser even if Purchaser has paid the costs for such tools.

12. Protection of Trade Secrets and Confidential Information.

The parties hereto agree that

(a) Except as provided for in subsection (b) of this Section, Purchaser shall not disclose any Trade Secrets or Confidential Information of the other party to any individual or entity not a party to this Agreement.

(b) Purchaser may make available Trade Secrets or Confidential Information to its qualified employees, as defined hereinafter, to the extent that such information must be disclosed to such qualified employees to apply the Trade Secrets or Confidential Information to its intended use. A “qualified employee” shall mean any individual employed by or affiliated with Purchaser who is bound by a valid and fully enforceable confidentiality agreement which contains confidentiality obligations substantially similar to the confidentiality obligations stated herein, prior to disclosure of the Trade Secrets and Confidential Information to such employee.

(c) For purposes of this Agreement the following terms shall have the meanings set forth below:

i. The term “Trade Secrets” shall mean and include any and all designs, plans, processes, tools, mechanisms, programs or compounds known to only Seller, or to those of its clients and employees to whom they must be confided in order to be applied to the uses intended.

ii. The term “Confidential Information” shall mean and include information not rising to the level of Trade Secret and not generally known to or by a business in competition with the Seller or otherwise publicly disseminated by the protected party hereto, the disclosure of which may be beneficial to a competing business or detrimental to Seller.

13. Arbitration.

Any dispute arising from or in connection with this Agreement shall be submitted to China International Economic and Trade Arbitration Commission, Shanghai branch, for arbitration in accordance with the Commission's arbitration rules in effect at the time of applying for arbitration. The place of arbitration shall be Shanghai. The arbitral award is final and binding upon the parties. The tribunal shall consist of three arbitrators. Two arbitrators shall be selected by the respective parties. The presiding arbitrator shall be selected by agreement between the parties. If the parties fail to reach an agreement within twenty (20) days after the appointment of the two party-nominated arbitrators the presiding arbitrator shall be appointed by the chairman of CIETAC. The presiding arbitrator shall not be a national of the country of domicile of either of the parties to this Contract.

14. Miscellaneous.

(a) Purchaser may not assign this contract without the express prior written consent of Seller.

(b) Purchaser may not set off any amounts due to Seller under another agreement with Seller against any amount due to Seller under these Terms.

(c) Except as otherwise expressly provided in Section 1(e) hereof or in a written document, signed by Seller and Purchaser, this document and attachments and **exhibits** thereto constitute the entire agreement between Seller and Purchaser with respect to the subject matter herein contained and all prior agreements and communications between Seller and Purchaser, whether oral or written, are superseded by this Agreement.

(d) No modification, limitation, waiver or discharge of this Agreement or of any of its terms shall bind Seller unless in writing and signed by a duly authorized employee of Seller. The failure of Seller to insist, in one or more instances, on performance by Purchaser in strict compliance with the terms and conditions hereof shall not be deemed a waiver or relinquishment of any right granted hereunder with respect to any succeeding breach of the same or other provision hereof.

(e) All notices required hereunder shall be in writing and sent by first class mail or by telefax or written confirmation to such addresses as stated on the reverse side hereof.

(f) This Agreement shall be governed by, and construed, interpreted and enforced under the laws of People's Republic of China

(g) In connection with any litigation, including appellate proceedings, arising out of or pertaining to any of the contractual relationships between Seller and Purchaser or the breach thereof, as contemplated herein, all costs and expenses, including reasonable attorneys fees, shall be borne by the losing party or, as the case may be, shall be prorated to properly reflect any partial losing or prevailing of the parties to such litigation.

(h) In case any conditions of this Agreement should be or become unenforceable under applicable law, the remaining provisions, stipulations and conditions of this Agreement shall not be affected thereby.

CONFIRMATION OF PURCHASE ORDER

No. _____

Seller:

Fraenkische Pipe-Systems (Shanghai)

Purchaser hereby orders the following Products from Seller:

| I.D. | Description | Quantity | Price | Amount |
|-------|-------------|----------|-------|--------|
| _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ |

Sales Tax _____

Total _____

Payment Terms:

Purchaser:

Seller:

Fraenkische Pipe-Systems (Shanghai)

By: _____

Purchaser's Signature

By: _____

Date: _____

Date Approved: _____

THIS ORDER OF PURCHASER IS SUBJECT TO AND GOVERNED BY THE TERMS AND CONDITIONS ON THE REVERSE SIDE HEREOF. PURCHASER ACKNOWLEDGES THAT HE HAS READ THIS AGREEMENT, UNDERSTANDS IT, AND AGREES TO BE BOUND BY ITS TERMS AND FURTHER AGREES THAT IT IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN THE PARTIES, WHICH SUPERSEDES ALL PROPOSALS, ORAL OR WRITTEN, AND ALL OTHER COMMUNICATIONS BETWEEN THE PARTIES RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT.

EXHIBIT "A"

Fraenkische Pipe-Systems (Shanghai) LIMITED WARRANTY

Seller warrants that (i) the Products shall, when delivered, substantially comply with the Product descriptions specifically agreed upon in writing, and (ii) Seller shall convey good and marketable title to Purchaser and that the Products will be delivered free from any lawful lien, claim or encumbrance other than any lien arising hereunder. This warranty applies when such defects appear in Products delivered hereunder within six (6) months after said Products have been delivered. **EXCEPT AS SET FORTH ABOVE, SELLER MAKES NO WARRANTY, EXPRESS OR IMPLIED, CONCERNING THE PRODUCTS OR THE MERCHANTABILITY, QUALITY OR WORKMANSHIP THEREOF. THIS SALE IS MADE ON THE EXPRESS UNDERSTANDING THAT THERE IS NO IMPLIED WARRANTY THAT THE PRODUCTS SHALL BE FIT FOR ANY PARTICULAR PURPOSE. PURCHASER ACKNOWLEDGES THAT PURCHASER IS NOT RELYING ON SELLER'S SKILL OR JUDGMENT TO SELECT OR FURNISH PRODUCTS SUITABLE FOR ANY PARTICULAR PURPOSE AND THAT THERE ARE NO WARRANTIES WHICH EXTEND BEYOND THE DESCRIPTION HEREIN. EXCEPT AS OTHERWISE AGREED HEREIN, NEITHER SELLER NOR ANY OF ITS AFFILIATES SHALL BE LIABLE FOR MULTIPLE, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, INCLUDING, BUT NOT LIMITED TO DAMAGE OR LOSS OF OTHER PROPERTY OR PRODUCTS, LOSS OF PROFIT OR REVENUE, LOSS OF USE OF MACHINERY, PARTS THEREOF, COST OF REPLACEMENT OF MACHINERY, PARTS THEREOF, COST OF CAPITAL, OR CLAIMS RESULTING FROM CONTRACTS AND/OR AGREEMENTS BETWEEN PURCHASER, ITS CUSTOMERS AND/OR SUPPLIERS EXCEPT THAT THE DAMAGE IS CAUSED BY INTENTION OR CULPABLE NEGLIGENCE OF SELLER.** Any claim regarding any defect or inconformity under this warranty which a casual inspection would disclose must be made in writing within ten (10) working days after Purchaser's receipt of the Products and in any event within thirty (30) days of the F.O.B. shipping date. All other claims under this warranty must be made in writing within ten (10) days after the alleged defect is discovered. All claims for warranties shall be subject to Seller's reasonable determination that the Products did not meet the warranties granted hereunder and shall be fully satisfied and discharged by, at Seller's discretion, either (i) delivering a like quantity of the Products substantially meeting the contract specifications upon receipt of any defective Products by Seller or (ii) refunding the total purchase price for the Products allegedly failing to comply with such warranties to Purchaser upon receipt of such Products by Seller.

This Warranty shall apply only if the Products have been properly used under normal conditions. Any unauthorized alteration or modification of the Product will void this Warranty. Seller shall not be liable for any claims resulting from misuse, negligence, modification, abuse, improper or faulty use, improper Product application or storage, normal wear and tear, failure to comply with Seller's instructions, improper function of any parts or materials supplied by Purchaser, improper or faulty manufacturing due to defective or improper parts, materials or designs and blue prints provided by Purchaser.

EXHIBIT “B”

SECURITY AGREEMENT

PURCHASE MONEY SECURITY AGREEMENT