

STANDARD KTI PURCHASE ORDER TERMS AND
CONDITIONS

These STANDARD KTI PURCHASE ORDER TERMS AND CONDITIONS shall apply to all Purchase Orders issued by Krengel Technology, Inc. as referenced in such Purchase Order.

WITNESSETH:

WHEREAS, Krengel Technology, Inc. is a Minnesota corporation with offices located at 600 Shady Ridge Rd NW, Hutchinson MN 55350 (“KTI”); and

WHEREAS, KTI has issued a Purchase Order to Contractor (as defined in the Purchase Order) for Services (as defined in the Purchase Order) referencing and incorporating these STANDARD KTI PURCHASE ORDER TERMS AND CONDITIONS (as set forth in the Purchase Order); and

WHEREAS, Contractor has the expertise and experience to perform the Services and has accepted the Purchase Order and these STANDARD KTI PURCHASE ORDER TERMS AND CONDITIONS; and

NOW, THEREFORE, in consideration of the mutual benefits of the covenants and restrictions herein contained KTI and Contractor hereby agree as follows:

ARTICLE I -- SCOPE OF SERVICES

Section 1.01 -- Recitals: The above recitals and statement of parties are true, accurate and correct. The term “Agreement” shall mean the Purchase Order and these STANDARD KTI PURCHASE ORDER TERMS AND CONDITIONS as incorporated therein and made a part thereof of such Purchase Order.

Section 1.02 -- Services: Contractor shall provide Services as provided in the Purchase Order (“Services”). All Services shall be subject to the acceptance and approval of KTI.

Section 1.03 -- Independent Contractor Status: Contractor shall provide the Services as an independent contractor of KTI. The fees paid by KTI to Contractor for the Services shall be all inclusive. KTI shall not be responsible for providing any insurance, benefits or paying any taxes owed by Contractor.

ARTICLE II -- TERM OF AGREEMENT

Section 2.01 -- Termination: This Agreement shall continue until terminated as provided herein.

Section 2.02 -- Termination by Contractor: In the event Contractor desires to terminate this Agreement, Contractor shall provide KTI with thirty days prior written notice of intent to terminate this Agreement.

Section 2.03 -- Termination by KTI: In the event KTI desires to terminate this Agreement, KTI shall provide Contractor with thirty days prior written notice of intent to terminate this

Agreement.

Section 2.04 -- Mutual Recision: Contractor and KTI may mutually agree in writing to terminate this Agreement without notice.

Section 2.05 -- Termination by KTI Without Notice: KTI may terminate this Agreement without notice upon the earliest to occur of the following events:

- (a) Fraud or Dishonesty: Contractor commits an act of fraud or dishonesty (as determined by KTI) in providing services hereunder;
- (b) Failure to Perform: Contractor fails to perform the Services, as determined by KTI;
- (c) Felony Conviction: Contractor is convicted of a felony;
- (d) Breach of Contract: Contractor violates any provision of this Agreement;
- (e) Business Damages: Contractor willfully damages or injures the property, business or goodwill of KTI.

ARTICLE III -- FEES

Section 3.01 -- Rate of Payment: KTI shall pay Contractor the fee set forth under the Purchase Order.

Section 3.02 -- Invoices: Contractor shall invoice KTI on the 30th day of every calendar month for services rendered by Contractor hereunder during such period subject to the Amount specified on the Purchase Order. Such invoice shall identify the services performed, the dates such services were performed and the hours worked by Contractor in rendering such services. All invoices of Contractor shall be subject to approval by KTI. KTI shall pay such invoices within thirty days of approval by KTI.

ARTICLE IV -- CONFIDENTIALITY

Section 4.01 -- Confidential Systems Information: Contractor hereby acknowledges that all material, information, data, programs, computer system design information, and ideas which have or will come into the possession or knowledge of Contractor hereunder in connection with this Agreement for the performance hereof, is confidential and proprietary and that disclosure to or use by third parties of any such material, information, data, programs, computer system design information or ideas will be damaging to KTI. Contractor, therefore, agrees to hold such material, information, data, programs, computer system design and ideas in strict confidence, and shall not make use thereof other than for the performance of this Agreement, and will release such material, information, data, programs, computer system design information or ideas only to employees and customers of Contractor requiring such material, information, data, programs, computer system design information or ideas and not to any other party, including but not limited to, any customers of Contractor

other than KTI.

Section 4.02 -- Removal of Information and Records:

Contractor shall not remove any customer data, programs, computer systems design information or documentation or any lists, files, charts or records or copies thereof from the premises of KTI without the expressed prior written approval of KTI. Contractor hereby acknowledges that such programs, data, computer systems design information or documentation, or lists, records, charts and files (including any and all copies thereof) are the property of KTI.

Section 4.03 -- Removal of Business Records:

Contractor shall not remove any accounting, personnel, legal or other business records or copies thereof from the premises of KTI without the expressed prior written approval of KTI. Contractor hereby acknowledges that such records (including any and all copies thereof) are the property of KTI.

Section 4.04 -- Business Disclosures:

Contractor shall not disclose the confidential business information of KTI, including any legal, financial, regulatory, professional or general business information to any person except employees, agents, accountants, customers and attorneys of KTI as may be necessary for Contractor to provide the Services.

Section 4.05 Customer Confidentiality:

Contractor shall respect and maintain the confidentiality of customer computer programs, computer systems, information, data, and communications and shall not remove such computer programs, computer systems, information, data or communications from the premises of KTI without the prior written consent of KTI, and shall not disclose same to any person except employees, agents and customers of KTI as may be necessary for Contractor to provide the Services.

ARTICLE V -- INTELLECTUAL PROPERTY Section 5.01-

-Title Transfer:

Contractor hereby transfers to KTI any and all rights, title and interest Contractor may have or accrue in the deliverables or work product authored by Contractor in performing the Services, including (without limitation) all Computer Software and Data developed by Contractor in performing the Services.. Contractor hereby agrees that any and all products, materials, systems documentation and programs developed, enhanced or delivered to KTI by Contractor under this Agreement shall be the sole and exclusive property of KTI, free from any claim or retention of rights thereto on the part of Contractor. Upon completing or terminating this Agreement, Contractor shall deliver to KTI all copies of any and all materials, products, systems documentation and programs related to this Agreement. Contractor shall not have the right to disclose or use any such products, materials, systems documentation or programs for any purpose whatsoever, and Contractor hereby acknowledge that such products and materials are proprietary to KTI and have been secretly developed for KTI and for KTI's sole use and are "works for hire" as defined under U.S. Copyright Law and all copyrights thereto are owned exclusively and completely by KTI.

Section 5.02 -- Rights to New Ideas:

Contractor hereby acknowledges the performance of this Agreement by Contractor may result in the development of proprietary and secret information, materials, concepts, techniques, methods, processes, adaptations and ideas. Contractor hereby agrees that same shall belong solely and exclusively to KTI, without regard to the origin thereof and that Contractor shall not, other than in performing this Agreement, make use of or disclose the same to anyone. Contractor hereby agrees that all information, materials, concepts, techniques, methods, processes, adaptations and ideas developed or prepared by Contractor in providing services to KTI under this Agreement shall be deemed to be works made for hire. Contractor hereby assigns any and all rights Contractor may have or accrue in such items and hereby agrees to cooperate with and assist KTI in perfecting KTI's rights, title and interest in such items. Contractor hereby agrees to disclose promptly to KTI any such information, materials, concepts, techniques, methods, processes, adaptations and ideas as well as all inventions, discoveries, formulas, processes, designs, trade secrets and other information and know-how discovered or developed by Contractor hereunder which are discovered, invented, developed or derived in connection with performing the Services.

ARTICLE VI -- COVENANT NOT TO COMPETE

Section 6.01 -- Noncompetition:

Contractor shall not provide information consulting services (directly or indirectly) to any competitors of KTI in the United States during the term of this Agreement. Contractor shall not provide consulting services (directly or indirectly) to any customer or potential customers of KTI during the term of this Agreement (except as expressly provided under this Agreement).

Section 6.02 -- Release by KTI:

KTI may release Contractor from their respective obligations not to compete with KTI under Section 6.01. Any such release must be in a writing signed by KTI to be effective.

Section 6.03 -- Remedies:

KTI and Contractor hereby agree that KTI shall have the right to an injunction, monetary relief and any other appropriate forms of relief in the event Contractor violates the obligation not to compete with KTI as provided under Section 6.01, unless KTI has granted the violating party a release pursuant to Section 6.02.

Section 6.04 -- Employee Pirating:

Before and after termination of this agreement, Contractor shall not induce or solicit (directly or indirectly) any employee of KTI to leave the employ of KTI.

Section 6.05 -- Customer Solicitations:

During the term of this Agreement, Contractor shall not solicit (directly or indirectly) the existing or potential customers of KTI for purposes of providing information systems services to such existing or potential customers except as provided under this Agreement.

Section 6.06 -- Rendering Services:

During the term of this Agreement, Contractor or Corporation shall not engage in

any activity in competition with or adverse to KTI or KTI's business.

ARTICLE VII -- WARRANTY AND INDEMNIFICATION

Section 7.01 -- Warranty of Services: Contractor hereby represents and warrants that the Services shall be performed by Contractor on a best efforts basis and in accordance with industry standards and the guidelines to be established by KTI.

Section 7.02 -- No Violation of Contract: Contractor hereby represents and warrants that the performance of the Services shall not violate any agreement, contract or other obligation under which Contractor is bound, or any rights, title or interest of any third party.

Section 7.03 -- Unauthorized Access: Contractor shall be authorized by KTI to access the computer system, computer hardware and Computer Software of KTI only for purposes of providing the Services. Contractor shall not access the computer hardware or Computer Software (or any other computer software belonging to KTI) for any other reason without being authorized by KTI in writing to access such hardware or software. Contractor shall indemnify, release, defend and hold harmless KTI from any and all damages incurred by KTI as a result of unauthorized access to the computer systems and software of KTI by Contractor.

Section 7.04 -- Indemnification: Contractor hereby agrees to indemnify and hold harmless KTI from any and all losses and damages to KTI resulting from any breach of the terms of this Agreement or for any willful act by Contractor causing damages to KTI or KTI's business or customer relationships including, but not limited to, willful failure by Contractor hereunder to follow the guidelines established by KTI in performing services, failing to complete services, or any misrepresentations as to the performance or completion of services.

ARTICLE VIII - MISCELLANEOUS

Section 8.01 -- Assurances: KTI and Contractor hereby represent and warrant that all representations, warranties, recitals, statements and information provided to each other under this Agreement are true, correct and accurate as of the date of this Agreement to the best of their knowledge.

Section 8.02 -- Entire Agreement: This Agreement contains the entire understanding of the parties and supersedes all previous verbal and written agreements. In the event of a conflict between the terms and conditions set forth in these STANDARD KTI PURCHASE ORDER TERMS AND CONDITIONS and the Purchase Order, the Purchase Order (as signed by the parties thereto) shall prevail.

Section 8.04 -- Survival of Representations and Warranties: The representations and warranties made by KTI and Contractor in this Agreement and the obligations of Contractor under Articles IV, V, VI, and VII shall survive the performance and termination of this Agreement and shall

continue in favor of KTI.

Section 8.05 -- Amendments and Modifications: A waiver, alteration, modification or amendment of this Agreement shall be void unless such waiver, alteration, modification or amendment is in writing and signed by the respective parties hereto.

Section 8.06 -- Severability: If a provision of this Agreement is rendered invalid the remaining provisions shall remain in full force and effect.

Section 8.07 -- Captions: The headings and captions of this Agreement are inserted for convenience of reference and do not define, limit or describe the scope or intent of this Agreement or any particular section, paragraph, or provision.

Section 8.08 -- Counterparts: This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 8.09 -- Governing Law: This Agreement shall be governed by the laws of the State of Minnesota. Any controversy or claim arising out of or relating to this Agreement, or breach thereof, shall be settled by arbitration in accordance with Arbitration Rules of the American Arbitration Association in St. Paul, Minnesota. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. Three qualified Arbitrators shall be selected by the parties in accordance with the Arbitration Rules of the American Arbitration Association. Each party shall have the right of discovery as set forth in the Federal Rules of Civil Procedure. The Arbitration shall be administered by the American arbitration Association in St. Paul, Minnesota.

Section 8.10 -- Notice: All communications shall be in writing and shall be delivered by Certified Mail or by hand to the address set forth below for each respective party in the Purchase Order. Notice shall be effective upon receipt.

Section 8.11 -- Pronouns/Gender: Pronouns shall refer to the masculine, feminine, singular or plural as the context shall require.

Section 8.12 -- Equitable Remedies: The parties hereby acknowledge that damages at law may be an inadequate remedy. In addition to other rights which may be available, each party shall have the right of specific performance, injunction or other equitable remedy in the event of a breach or threatened breach of this Agreement.

Section 8.13 -- Litigation Expenses: : In the event of litigation or arbitration arising out of this Agreement, each party shall pay its own costs and expenses of litigation and arbitration (excluding fees and expenses of arbitrators and administrative fees and expenses of arbitration).

Section 8.14 -- Waiver: Waiver of a breach of this Agreement shall not constitute a waiver of any other breach.

All remedies under this Agreement are in addition to remedies provided by law and are cumulative. Failure to enforce any provision of this Agreement shall not constitute a waiver or create an estoppel from enforcing such provisions.

Section 8.15 -- Assignments: Any and all assignments of rights hereunder by Contractor without the prior written approval of KTI shall be void.