



## TERMS AND CONDITIONS OF SALE

The terms and conditions stated below, as well as any additional terms and conditions that may appear on the face of an invoice (collectively "invoice"), apply to the sale of N2Power brand name power supplies and related products (Products) by Qualstar Corporation ("Qualstar") to Buyer.

1. Unless otherwise indicated, delivery of all Products will be FOB Qualstar's facility in Simi Valley, California. Buyer shall bear all risk of loss upon delivery of the Products to the carrier at the FOB point. Buyer agrees that Qualstar retains a purchase money security interest in all Products sold by Qualstar to Buyer until the purchase price and any other charges due to Qualstar have been paid in full. Buyer may not refuse to accept delivery of any Products shipped without Qualstar's advance written consent. Such refusal without Qualstar's written consent is a material breach of this Invoice. Buyer's sole remedy for any delay or failure in delivery shall be cancellation of the order involved.
2. Buyer shall inspect all Products upon receipt. If Buyer does not notify Qualstar in writing within thirty (30) days after receipt by Buyer of any defect, shortage, or other failure to conform to the terms on the face of this invoice, the Products shipped will be deemed to have been accepted by Buyer as delivered. Buyer may return non-conforming or defective Products to Qualstar for repair or replacement in accordance with Qualstar's limited warranty discussed in paragraph 11 below. Buyer must first obtain a return material authorization ("RMA") number from Qualstar's N2 Power product customer service prior to the return of any Product(s), and clearly mark the RMA number on the outside of the shipping carton.
3. Product prices do not include costs for transportation, insurance, taxes, customs, duties, landing, storage or handling fees. Such costs are the responsibility of Buyer. Payment will be made in U.S. Dollars. Any amount not paid by the due date may be subject to a finance charge of 1.0% per month or the maximum rate allowed by law, whichever is less at Qualstar's sole discretion. However, payment of such finance charge will not cure Buyer's default for late payment. If in the sole judgment of Qualstar, the financial condition of Buyer at any time does not justify continuance of production or delivery on the terms of payment set forth in this invoice, Qualstar may demand a letter of credit or full or partial payment in advance.
4. Buyer may cancel all or any portion of any order for standard Products prior to 30 days of a scheduled shipment date. All such cancellations must be in writing and delivered to Qualstar prior to the scheduled delivery date. Buyer may return standard Products to Qualstar within thirty (30) days after delivery, provided the returned product is received in its original condition, including all packing materials, for a refund of the price paid less a 20% restocking fee for Product only. No return will be accepted more than thirty (30) days after delivery, unless prior approval is received from Qualstar. Buyer must obtain an RMA number from Qualstar prior to returning the product, and clearly mark the RMA number on the outside of the shipping carton.
5. Buyer may not cancel a non-standard product order. (i.e. Product modified based on Buyer requirements or specifications) or custom ordered product (i.e. Product built to Buyer specifications).

6. Qualstar may terminate any order at no cost to Qualstar if representations made by Buyer to Qualstar are false or misleading. Changes to any orders or delivery dates for orders made by Buyer shall not be binding on Qualstar unless such changes or revised delivery dates are confirmed in writing by Qualstar.
7. In the event a petition for relief under any bankruptcy law is filed by or against Buyer, Buyer makes an assignment for the benefit of its creditors, or a receiver is appointed for all or a substantial part of Buyer's assets, and such petition, assignment or appointment is not dismissed or vacated within thirty (30) days, the entire amount owed to Qualstar shall become immediately due and payable.
8. Buyer shall reimburse Qualstar for all costs and attorneys' fees it incurs in connection with the enforcement of the terms and conditions of this sale, whether or not a suit is filed.
9. Qualstar reserves the right to make changes in the design of its Products at any time without incurring any obligation to make equivalent changes in Products previously shipped to Buyer.
10. The export of any Products purchased from Qualstar is subject to compliance with the export control laws of the United States. Buyer shall comply with all applicable export laws, regulations or restrictions, and shall provide all such certifications as Qualstar may request to ensure compliance with such export laws, regulations and restrictions.
11. Qualstar warrants its power supply Products under the N2Power brand name to be free from defects in material and workmanship under normal use and service for a period of three (3) years from the date of shipment. Qualstar's sole and exclusive obligation under its limited warranty is to repair, replace or issue credit at Qualstar's option for all Products that are returned to Qualstar within the applicable warranty period and found by Qualstar to be defective. Any Buyer desiring to return a Product under the forgoing limited warranty must first obtain a RMA number from Qualstar's N2Power Product customer service prior to the end of the warranty period. Buyer shall pay all expenses of shipment to Qualstar's indicated repair facility. Qualstar shall test the Product and will determine if it requires a repair, will repair or replace the Product and ship it back to the Buyer at Qualstar expense. If the product cannot be repaired or a replacement cannot be issued, Qualstar will issue a credit on the customer's account for the amount paid for Product. If the Product is found not to be defective as to material or workmanship, Buyer will be notified and the power supply will be returned at Buyer's expense. This warranty is void if the Product is damaged from abuse, misapplication, improper calibration, modification, change, misuse or is modified or repaired by the Buyer or a third party not authorized by Qualstar.
12. Qualstar may disclose to Buyer information that Qualstar deems to be proprietary and/or confidential ("Confidential Information"). Confidential Information includes, invoices, any technical, financial or business information that relates to the business, services, or Products of Qualstar, including, without limitation, Product prices, marketing or sales information, and specifications or information regarding new Products or research and development activities. However, "Confidential Information" does not include information which (a) is independently developed by Buyer, (b) was lawfully in Buyer's possession prior to disclosure by Qualstar, (c) is furnished to Buyer subsequent to disclosure by Qualstar by a source which was not bound by a confidentiality agreement with Qualstar, (d) becomes generally available to the public other than as a result of disclosure by Buyer, its employees, agents, representatives, or others acting on Buyer's behalf, or (e) is approved for release by written authorization by Qualstar.

Buyer agrees not to use Qualstar's Confidential Information for any purpose except as necessary to carry out the terms and provisions of this Invoice. Buyer further agrees that it will not disclose Confidential Information to any person other than Buyer's employees and agents who are directly involved in the performance of Buyer's obligations concerning this invoice, and only on a need-to-know basis. Buyer agrees that it will use commercially reasonable care to preserve and protect the secrecy of, and to avoid disclosure or unauthorized use of, Qualstar's Confidential Information in the same manner it uses to protect its own confidential information. The provisions of this paragraph shall survive for a period of five (5) years from the date of this invoice.

13. All patent rights, titles, licenses, royalties, copy-rights, trademarks, trade secrets or trade names, including any disclosures or interests in any inventions, utilized in the performance of this sale or invoice shall remain the exclusive property of Qualstar except for designs furnished by Buyer. The sale of the product to Buyer does not by implication or estoppel convey to Buyer any license or patent claims.
14. QUALSTAR SHALL NOT BE RESPONSIBLE OR LIABLE FOR ANY DAMAGES, EXPENSES, LOST PROFITS, LOST SAVINGS, LOSS OF OR DAMAGE TO RECORDS OR DATA, OR ANY OTHER SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES OR LOSS ARISING FROM THE USE OR INABILITY TO USE ANY OF ITS PRODUCTS OR ANY SUPPLIED SOFTWARE, EVEN IF QUALSTAR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE WARRANTIES SET FORTH IN THIS INVOICE ARE IN LIEU OF, AND BUYER WAIVES, ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. THE REMEDIES STATED IN THIS WARRANTY ARE EXCLUSIVE.
15. Qualstar's Products may contain both hardware and software. Software may be provided on separate media, such as floppy diskettes or CD-ROM, or may be included within the hardware as firmware. Such software and firmware is proprietary, is copyrighted, and may also contain valuable trade secrets and be protected by patents. Buyer and the end user of the Product(s) are licensed to use any software or firmware contained in such product(s), subject to the terms of the license accompanying the Product, if any, and the applicable patent, trademark, copyright, and other intellectual property, federal and state laws of the United States. Neither Buyer nor the end user shall disassemble, decompile, reverse engineer, modify, prepare derivative works thereof, or otherwise change any of the software or firmware.
16. No modification, waiver or amendment of these terms and conditions of sale shall be binding unless in writing signed by both parties. This invoice shall inure to the benefit of, and is binding upon, the successors and assigns of the parties; provided, however, that Buyer shall not assign, transfer, or sell any of its rights under this invoice or delegate any of its duties hereunder without the prior written consent of Qualstar, and any attempted assignment, transfer, or sale shall be void and of no effect. This invoice and these sale terms and conditions have been written in the English language and may be translated into other languages for the convenience of the parties. However, in the event of any discrepancy between the translated version(s) of this invoice and the original, the English version of this invoice shall be controlling for all purposes.
17. This invoice, including these terms and conditions, together with any other agreement such as an Sales Representative Agreement, OEM Agreement, Distribution Agreement, Licensing Agreement or Value Added Reseller Agreement (each, a "Definitive Agreement"), constitutes the entire understanding and agreement of Qualstar and Buyer with respect to the subject

matter, and supersedes all prior agreements or understandings, whether oral or written, between the parties with respect to such subject matter. In the event the terms and conditions of this invoice conflict with or are inconsistent with the terms of any purchase order submitted by Buyer, the terms of this invoice shall control. In the event this invoice conflicts with or is inconsistent with the terms of any Definitive Agreement between Qualstar and Buyer, the terms of the Definitive Agreement shall control.

18. The validity, construction and performance of this invoice shall be governed by and construed in accordance with the laws of the State of California, without giving effect to its conflict of law's provisions. In the event that any provision of this invoice is held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions of this invoice shall remain in full force and effect and construed so as to best effectuate the intent of the parties. Any dispute, resolution or proceeding with respect to this invoice shall take place in either Los Angeles County or Ventura County, California. Buyer expressly agrees that venue within either county is proper and voluntarily submits to the jurisdiction of the courts within either county.
19. Qualstar shall not be responsible for delays or failures in performance resulting from acts beyond the reasonable control of Qualstar ("Force Majeure"). Such Force Majeure acts shall include but not be limited to acts of God, labor conflicts, acts of war or civil disruption, governmental regulations imposed after the fact, public utility failures, industry wide shortages of labor or material, or natural disasters. Should such a Force Majeure condition continue uninterrupted for a period of sixty (60) days, the parties agree to negotiate in good faith toward a fair and equitable solution.
20. Any notice or other communication required or permitted under these terms and conditions of sale shall be sent to the name and address listed on the face of this invoice in writing in the English language and shall be deemed to have been duly given (i) on the day of service if served personally, (ii) when sent by confirmed facsimile transmission if sent during normal business hours of the recipient; if not, then on the next business day, (iii) three (3) days after mailing (seven (7) days, if a party's principal place of business is outside of the United States or Canada) if mailed by first class mail, registered or certified, postage prepaid, or (iv) one (1) business day after deposit (three (3) business days, if a party's principal place of business is outside of the United States or Canada) with a nationally recognized express air courier service, such as Federal Express, UPS or DHL, with verification of receipt.
21. All orders are considered to be commercial sales regardless of government contract or subcontract reference, unless otherwise stated on the face of any Buyer purchase order. Qualstar's pricing, production and shipping commitments are based on published price lists and Qualstar's internal accounting and production allocation procedures that are applied equitably to all customers as determined by Qualstar.