

THIS AGREEMENT is made as of the \_\_\_\_\_ day of \_\_\_\_\_, 1966, between HONEYWELL INC. (Honeywell), a Delaware corporation, having its principal offices in Minneapolis, Minnesota and STATITROL CORPORATION (Statitrol), a Colorado corporation, having its principal offices in Denver, Colorado.

WHEREAS, Statitrol manufactures self-switching ionization fire detectors (such devices and any modifications or replacements therefor are hereinafter called Devices) and other fire detection equipment (such equipment and any modifications or replacements therefor are hereinafter called Equipment), and

WHEREAS Statitrol owns patent rights including application Serial No. \_\_\_\_\_, Filed \_\_\_\_\_, (Stroh) and application Serial No. \_\_\_\_\_, Filed \_\_\_\_\_, (Blackwell) and may acquire additional patent rights during the course of this Agreement, all of such rights being referred to as "Patent Rights," and

WHEREAS, Statitrol desires to sell, and Honeywell desires to purchase, Devices and Equipment,

NOW, THEREFORE, in consideration of the mutual promises, representations, covenants and conditions hereinafter set forth, it is agreed that:

1. Honeywell will buy and Statitrol will manufacture and sell to Honeywell, at prices set forth in Schedule B, a minimum of 15,000 units of Devices and Equipment (Units) over a 36 month period. The 36 month period shall commence on the first day of the month following the month in which U.L. listing is granted to the Devices (such 36 month period is hereinafter referred to as the

term of this Agreement); however, all Units purchased after the date hereof shall apply to reducing the liquidated damages to be paid by Honeywell for failure to purchase 15,000 Units. Delivery will be at the rate established in Schedule A. Unit count, for the purpose of determining the 15,000 Unit minimum, will be determined on the basis set forth in Schedule B.

2. Commencing on the date hereof and continuing through the term of this Agreement Honeywell shall have the world-wide right to use and the exclusive, world-wide right to sell Devices (as hereinabove defined), which includes modifications and subsequent generations of the Devices. In addition, Honeywell shall have the world-wide license to use and the exclusive world-wide right to sell all Devices produced under Statitrol's Patent Rights and know-how and any changes and/or improvements thereof, for the term of this Agreement. Devices which are supplied pursuant to a Honeywell purchase order are to be built in accordance with specifications and are to comply with performance standards set forth in Schedule C. Units which are delivered but which do not conform to these specifications and standards, and which are not made to so conform within 30 days after notice of rejection, shall be deemed to be Units which Statitrol has failed to supply in response to a purchase order.
3. Statitrol is hereby appointed Honeywell's exclusive sales agent for sales of Devices to Original Equipment Manufacturers (OEMs) during the term of this Agreement. Honeywell agrees to sell Devices to Statitrol at prices as set forth in Schedule D. Such prices shall be subject to change by Honeywell at any time,

provided, however, that no increase in any such price shall become effective until 60 days after written notice thereof has been served on Statitrol, and provided further that such prices shall never be higher than 95% of the price at which Honeywell's branch offices are billed for similar items. Honeywell will in no way control the prices charged by Statitrol to OEMs for these items. No customer of Statitrol is to be classed as an OEM unless it agrees to purchase 500 Devices per year. Statitrol shall not be obligated to purchase any minimum quantity of Devices but shall advise Honeywell, at least thirty days prior to each three-month period, of the number and type of Devices it wishes to purchase from Honeywell during such three-month period.

4. To avoid the burden and the expense involved in litigating the question of damages in the event of failure of performance of certain obligations hereunder, the following liquidated damages are hereby agreed upon:

A. If Statitrol shall fail to deliver on schedule the full number of Units ordered by Honeywell in any quarter (within the limits set in Schedule A) Statitrol shall pay to Honeywell, not later than the fifteenth day of the month following the quarter in which such default occurred, liquidated damages as follows:

- (1) for each Unit not delivered up to a number of Units equal to 5% of the minimum set for the quarter under Schedule A-----\$ 5.00, and
- (2) for each additional Unit not delivered up to a number of Units equal to 15% of the minimum set for the quarter under Schedule A-----\$15.00, and

- (3) for each additional Unit not delivered up to a number of Units equal to 30% of the minimum set for the quarter under Schedule A-----\$25.00, and
- (4) for each additional Unit not delivered-----\$35.00.

B. If Honeywell fails to order and accept delivery during any year the minimum number of Units set in Schedule A, Honeywell shall pay to Statitrol, not later than the fifteenth day of the month following the year in which such default occurred, liquidated damages as follows:

- (1) for each Unit not ordered or accepted up to a number of Units equal to 5% of the minimum set for the quarter under Schedule A----- \$5.00, and
- (2) for each additional Unit not ordered up to a number of Units equal to 15% of the minimum set for the quarter under Schedule A-----\$ 7.50, and
- (3) for each additional Unit not ordered up to a number of Units equal to 30% of the minimum set for the quarter under Schedule A-----\$10.00, and
- (4) for each additional Unit not ordered or accepted-----\$15.00.

In the event that Statitrol's failure to deliver or Honeywell's failure to order or accept Units is due directly to acts of God, acts of civil or military authority, strikes, floods, epidemics, war, riot, or other causes beyond its reasonable control, the time in which such Units must be delivered or ordered and accepted shall be extended for a period equal to the time lost by reason of such event.

5. Upon written notice to Statitrol by Honeywell the minimum prescribed in Schedule A shall be increased or rearranged, provided, however, that

- (1) no change shall become effective within less than three months after such notice is given, and
- (2) no change which will increase the minimum prescribed for any quarter by more than 50% shall become effective within less than six months after such notice is given.

6. In addition to its obligation to sell Devices to Honeywell pursuant to this Agreement, Statitrol agrees to sell Equipment to Honeywell at the prices set forth in Schedule B in such reasonable quantities as Honeywell may order. Honeywell shall not be obligated to buy any Equipment from Statitrol.

7. In addition to Statitrol's statutory and Common Law obligations as a manufacturer and a seller, Statitrol warrants all Devices and Equipment sold by it under this Agreement to be free from defects in workmanship and material. Devices and Equipment that are returned to Statitrol, transportation prepaid, within a period of eighteen months after date of shipment by Statitrol and which are found to be defective in workmanship or material will be repaired or replaced free of charge and return shipped, transportation prepaid.

8. Statitrol shall maintain, during the term of this Agreement or any extension thereof and for a period of ten years thereafter, facilities and adequate parts for the repair or, at Statitrol's option, replacement of Devices and Equipment.

9. Statitrol shall indemnify and hold Honeywell and its customers harmless for all costs and expenses resulting from claims of patent infringement with regard to Devices or Equipment. Honeywell shall retain, as an indemnity fund, \$2.00 per Unit purchased by Honeywell, until such fund reaches \$40,000. This fund shall be used for the defense of any patent infringement claim or suit covering Devices. Interest at the rate of 4½% per annum shall be paid to Statitrol by Honeywell on all funds held in such escrow account. Payments of such interest shall be made quarterly on the first day of January, April, July and October. Honeywell shall not be obligated to keep such escrow funds segregated.

The provision for this fund shall not limit Statitrol's liability in any way. If Honeywell has not been informed of the institution of any such claim or suit within three years after the end of the term of this Agreement, Honeywell shall turn over to Statitrol, without restriction, the total amount of this fund. If any such claim or suit is brought against Honeywell or its customers, Honeywell will have the right to select the lawyer or lawyers to defend itself against such suit or claim.

10. Statitrol shall provide qualified personnel to conduct training classes, of up to three days' duration, for Honeywell personnel, four times per year during the term of this agreement, all at no cost to Honeywell. Unless the parties agree to the contrary, training will be conducted in Minneapolis or at some other Honeywell facility in the United States specified by Honeywell.



11. Field work required during what might reasonably be considered to be the start-up and product test phase of Honeywell's sale of Devices shall be performed by Statitrol at its own expense, but Statitrol shall be required to perform such field work only upon a request from the headquarters of Honeywell's Commercial Division. All out-of-pocket costs incurred by Statitrol in the performance of field work pursuant to such a request after such start-up and product test periods shall be reimbursed by Honeywell. Such reimbursement shall be made within thirty days after delivery to Honeywell of Statitrol's invoice therefor.
12. Honeywell shall have the option to extend the term of the Agreement for one or more successive periods of 12 months each, provided, however, that written notice of the exercise of each such option must be given at least six months prior to the expiration of the preceding term. Any such renewal shall be on the same terms and conditions as set forth herein, except that the number of Units Honeywell will be required to purchase on a yearly basis will be 10,000 Units.
13. Honeywell will issue purchase orders at least every three months which will set forth specific quantities of Devices to be delivered and the time and place of delivery. Honeywell will only be obligated to pay invoices which have been issued for Devices which are delivered in response to Honeywell purchase orders. The sale price of Units delivered to Statitrol will be a credit to Honeywell against the amount owing under such invoices. Payment terms of all such invoices shall be net thirty days. Purchase orders issued

hereunder, including the standard terms and conditions of purchase appearing thereon, shall be deemed to be a part of this Agreement, provided, however, that in the event of any conflict between such a purchase order and this Agreement, this Agreement shall be controlling.

14. Devices and Equipment may be marketed by Honeywell under the Honeywell name and advertising, technical literature and other sales promotion material need not refer to Statitrol, provided, however, that Statitrol may attach in an inconspicuous place on each Device or Equipment a plate setting forth its name and any other information reasonably necessary to protect Statitrol's patents.

15. If one or more devices which are reasonably competitive to the Devices shall be made available at a price less than the price at which Honeywell is reasonably able to sell Devices purchased pursuant to this Agreement, and, as a result, Honeywell is not reasonably able to sell the minimum number of Devices prescribed in Schedule A, Honeywell may give written notice of such facts to Statitrol, and if Statitrol does not, within sixty days thereafter, reduce the prices set forth in Schedule B to a point which will enable Honeywell to effectively compete with such competitive device, Honeywell may cancel this Agreement, provided, however, that no such cancellation shall become effective until at least one year after the commencement of the term of this Agreement. This agreement shall also be voidable by Honeywell if U.L. approval of Statitrol's Devices is not forthcoming by June 1, 1967.



16. If Statitrol should decide to stop supplying Devices and Equipment to Honeywell or if Statitrol should fail to supply Honeywell with Devices and Equipment in the quantities called for by purchase orders issued by Honeywell for two consecutive three-month periods, then, to assure Honeywell of a continuing supply of Devices and Equipment, Statitrol agrees to license Honeywell to manufacture, or have manufactured, Devices and Equipment pursuant to an agreement attached hereto and forming an Appendix to this Agreement and, in addition, Statitrol agrees to deliver its tooling to Honeywell. Honeywell agrees that it will then pay Statitrol the reasonable cost to reproduce such tooling. Nothing in this paragraph shall be construed to reduce or limit Statitrol's responsibility in any way.

17. All notices required under this Agreement shall be deemed to have been duly given when deposited in the United States mails, first class postage prepaid, addressed as follows:

To Statitrol: Statitrol Corporation  
1030 West Ellsworth  
Denver, Colorado 80223  
Attention: President

To Honeywell: Honeywell Inc.  
2701 Fourth Avenue South  
Minneapolis, Minnesota 55408  
Attention: Manager of Marketing  
Commercial Division

18. This agreement shall be binding upon and shall inure to the benefit of any corporation, company or entity into which either Statitrol or Honeywell may be merged or consolidated or which purchases that part of the assets of either of them to which this Agreement relates, but this Agreement may not otherwise be assigned without

the written approval of the other party, provided, however, that Statitrol may assign to a bank or other financial institution its rights to receive payments hereunder or for Devices or Equipment purchased by Honeywell. Statitrol shall not, during the term of this Agreement or any renewal hereof, assign or convey any rights under any of its patents relating to Devices.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their proper officers duly authorized and have caused their corporate seals to be affixed as of the day and year first above written.

HONEYWELL INC.

By \_\_\_\_\_  
Title:

Attest:  
\_\_\_\_\_

STATITROL CORPORATION

By \_\_\_\_\_  
President

Attest:  
\_\_\_\_\_