

PARASOUND

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RESELLER AGREEMENT

PARASOUND manufactures and distributes high quality audio and video products ("Products"), which have achieved widespread acceptance and created substantial value and identity in the trademarks under which such Products are sold. DISTRIBUTOR (as identified below) is an Authorized Distributor of PARASOUND Products, and RESELLER (as identified below) desires to purchase Products from DISTRIBUTOR for resale and/or incorporation into audio/video systems installed by RESELLER on a custom basis.

NOW, THEREFORE, the parties agree as follows:

1. DISTRIBUTOR hereby appoints RESELLER to act as a reseller of PARASOUND Products within the United States, on the terms and conditions, and subject to all limitations, set forth herein, and RESELLER accepts such appointment, terms, conditions, and limitations.
2. RESELLER shall purchase Products only from DISTRIBUTOR while this Agreement is in effect.
3. RESELLER shall conform to PARASOUND's and DISTRIBUTOR's operating policies and Reseller requirements as communicated to RESELLER by DISTRIBUTOR or PARASOUND from time to time.
4. RESELLER, in all transactions respecting PARASOUND Products, shall at all times be acting as a principal on its own account and not as the agent of DISTRIBUTOR or PARASOUND.
5. Prices and other terms applicable to the sale of Products to RESELLER shall at all times be as determined by DISTRIBUTOR, and PARASOUND shall have no obligation or liability of any kind respecting such determinations; nor shall PARASOUND be subject to any other claim or liability of any kind arising out of or relating to acts or omissions of DISTRIBUTOR or the relationship between DISTRIBUTOR and RESELLER.
6. PARASOUND shall have the right at any time to discontinue the manufacture or sale of, or to modify, alter, or redesign, any or all of its Products, and to change its service policies, warranties, and any other policies or requirements respecting its Products or the sale or distribution thereof, without notice or liability of any kind.
7. RESELLER shall not sell or display PARASOUND Products in any location other than its listed address (or the site of a custom installation), unless RESELLER shall first have requested from DISTRIBUTOR and obtained PARASOUND's written consent.
8. RESELLER shall employ a staff of competent personnel who are properly trained in the demonstration and explanation of PARASOUND Products and the use of any technical and/or promotional materials provided by PARASOUND or DISTRIBUTOR, or that are otherwise necessary for the proper demonstration, installation, operation, or maintenance of the Products.
9. RESELLER shall not fill orders for PARASOUND Products unless (i) the customer has first received a demonstration of the Products at RESELLER's Authorized Location, or (ii) the sale is for a custom installation which is completed by a properly trained regular employee of RESELLER based at RESELLER's Authorized Location. For purposes of these requirements, "regular employee" specifically excludes independent contractors, free-lance installers, or other persons who are not on RESELLER's regular payroll.
10. RESELLER shall not imply in any advertising or promotional materials that PARASOUND Products are available by mail, telephone, via the Internet. RESELLER shall not advertise PARASOUND Products in any publication that circulates beyond 75 miles from RESELLER's listed address, nor in any other manner contrary to instructions of PARASOUND or DISTRIBUTOR issued from time to time.
11. Subject to 10 above, if RESELLER refers to PARASOUND or its Products in any website or other electronic advertising communications of any kind, RESELLER shall in all instances accompany such references with the following disclaimer in close proximity and in clear and conspicuous type:

In order to insure the highest level of customer satisfaction, Parasound® Products are generally prohibited from being sold by mail, telephone, via the Internet, or in any other manner than in-person at the Authorized Location of a Parasound Dealer or Reseller. Products purchased in violation of this prohibition may be denied coverage under Parasound's warranties. For further information, please telephone Parasound at 415-397-7100.

12. RESELLER shall not make any representation relating to PARASOUND or its Products which is not absolutely accurate and complete. Nor shall RESELLER, in any advertising or promotional materials or media of any kind, directly or indirectly refer to any prices for PARASOUND Products other than PARASOUND's Suggested Retail Prices.
13. RESELLER shall not participate in any transaction involving resale or other redistribution of PARASOUND Products by or through any other person or facility. Without limiting the foregoing, RESELLER shall not participate in any transaction involving (i) the direct or indirect sale or delivery of PARASOUND Products beyond the territorial limits of the United States, or (ii) the offering or sale of PARASOUND Products by online auction or other Internet-based transactions. Should RESELLER be found to have participated in any transaction prohibited

under this Agreement, RESELLER shall indemnify and hold PARASOUND and DISTRIBUTOR harmless from any and all claims, costs, expenses, and losses directly or indirectly incurred or arising out of such transaction or out of the sale, purchase, or use of such Products, including without limitation any investigative and legal expenses and out-of-pocket costs incurred in order to identify and interdict transactions in violation of this Agreement and in which RESELLER is found to have been directly or indirectly involved.

14. RESELLER shall advise DISTRIBUTOR immediately of any and all complaints or claims by customers or others in any way involving PARASOUND Products that may come to its attention, and shall forward to DISTRIBUTOR copies of any documents in connection therewith. RESELLER shall not make any commitment or resolution on any such complaint or claim which in any way purports to bind PARASOUND or DISTRIBUTOR without first obtaining their express written consent, nor shall RESELLER purport to accept service of any legal process or other documents on behalf of PARASOUND or DISTRIBUTOR.

15. RESELLER shall conduct its business in accordance with the highest standards of honesty and integrity, in strict compliance with all local, state, and federal laws or regulations which may apply thereto, and shall say or do nothing which may adversely affect the reputation of PARASOUND or its Products.

16. RESELLER shall make no warranties, representations, or guarantees to any person with respect to PARASOUND Products, except as provided or approved in writing by PARASOUND; provided, however, that the preceding restriction is not intended to prevent RESELLER from providing its customers with warranties or guaranties above and beyond those of PARASOUND so long as it is clear that such additional warranties or guaranties are binding solely upon RESELLER and do not in any way purport to bind PARASOUND or DISTRIBUTOR.

17. This Agreement is strictly between RESELLER and DISTRIBUTOR, and does not bind, obligate, or restrict PARASOUND in any way. However, the parties expressly agree that PARASOUND is an intended third party beneficiary, and may take any action deemed necessary to enforce its interests under this Agreement.

18. RESELLER shall comply with any and all directives issued by PARASOUND, either directly to RESELLER or through DISTRIBUTOR, respecting the use or protection of the trademarks, names, and other intellectual property rights owned or controlled by PARASOUND; and, upon the termination of this Agreement or at any other time that PARASOUND in its sole discretion may direct, RESELLER shall immediately cease and eliminate any and all use of such trademarks, names, and rights.

19. This Agreement shall become effective upon its execution in writing by DISTRIBUTOR and shall remain in force until terminated as provided herein. This Agreement may be terminated by either party without cause at any time, upon thirty (30) days advance written notice to the other party; provided, that if a party should breach any obligation, term, or condition under this Agreement, the non-breaching party may terminate this Agreement immediately upon notice to the breaching party. BREACH OF THIS AGREEMENT SHALL ENTITLE THE NON-BREACHING PARTY TO TERMINATE THIS AGREEMENT IMMEDIATELY UPON NOTICE WITHOUT ANY REQUIREMENT THAT AN OPPORTUNITY BE PROVIDED FOR CURE. Should the Distributor Agreement between PARASOUND and DISTRIBUTOR be terminated, this Agreement shall automatically terminate concurrently therewith. Neither party, nor PARASOUND, shall be liable for damages of any kind or character whatsoever on account of termination as provided herein, but such termination shall not discharge already-accrued obligations. Neither party, nor PARASOUND, shall be liable for damages of any kind or character whatsoever on account of termination as provided herein, but such termination shall not discharge already-accrued obligations. Neither the duration of this Agreement nor any other factor shall restrict or otherwise alter the foregoing termination rights, all of which are absolute.

20. Upon expiration or earlier termination of this Agreement in accordance with the terms hereof, DISTRIBUTOR may, or if so directed by PARASOUND shall, reject or cancel any orders for Products not yet delivered to RESELLER and/or repurchase from RESELLER any or all Products in the possession or control of RESELLER at the net prices originally charged RESELLER therefor, less any appropriate deductions for damage, depreciation, or obsolescence.

21. This Agreement is fully integrated, contains the parties' entire agreement on the subject matter hereof, and supersedes all prior and contemporaneous understandings, agreements, and representations, oral or written. If any provision of this Agreement is found to be contrary to law, all remaining portions shall be severed and unaffected thereby, and shall remain in full force and effect. Waiver of any breach of this Agreement shall not constitute a waiver of or consent to any other breach. The prevailing party in any litigation arising out of or relating to this Agreement shall be entitled to an award of reasonable attorneys' fees in addition to any other relief granted.

22. Notices hereunder shall be in writing, and shall be personally delivered or sent by confirmed telecopy (fax) or overnight courier service to the respective addresses set forth in the attached Endorsement Page (or to addresses which replace them by proper notice). Notices shall be effective upon receipt. Fax notices shall only be effective if receipt is confirmed by telephone or reply fax.

23. By executing this Agreement on the appended Endorsement Page, DISTRIBUTOR and RESELLER each warrants and represents to PARASOUND that there have been no changes to the form of this Agreement. This Agreement may only be executed in the form presented, and no changes, additions, interlineations, or deletions shall be

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of any effect unless separately approved in writing by PARASOUND. This Agreement may only be modified by a written instrument which has been executed in writing by the parties and has been approved in writing by PARASOUND. DISTRIBUTOR and RESELLER each acknowledges that PARASOUND is a third-party beneficiary under this Agreement; and should a breach by either party of any obligation under this Agreement cause damage of any kind to PARASOUND, PARASOUND shall be entitled to pursue all appropriate remedies. In such event, the prevailing party in any resulting litigation shall be entitled to an award of reasonable attorneys' fees in addition to any other relief granted.

SIGNATURE/ENDORSEMENT PAGE FOLLOWS

PARASOUND PRODUCTS, INC.
2250 McKinnon Avenue
San Francisco CA 94124
(415) 397-7100

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PARASOUND RESELLER AGREEMENT ENDORSEMENT PAGE

Your signature below acknowledges that you have received a copy of this Parasound Reseller Agreement and understand and agree to its terms and conditions.

Parasound Authorized Distributor you will be purchasing from:

Capitol Sales Company

Authorized Parasound Distributor You Plan to Purchase From

1245 Trapp Road, Eagan MN 55121

Distributors Address, City and State

Your Business Name and Address:

X

Reseller Business Name or Name You Use

X

Reseller Business Address, City and State

Your Name:

X

Your Title:

X

Your EMAIL:

X

Your Telephone:

X

AUTHORIZED DISTRIBUTOR APPROVAL:

Date: _____

By: _____

Title: _____

EMAIL: _____

Parasound Internal Use Only Below:

Date Received: _____

Data Entry Date: _____

Title and Date: _____

Reseller Instructions: This form should be faxed or emailed to the distributor you plan to purchase Parasound products from before your first Parasound order for countersignature.

Distributor Instructions: This endorsement page should be emailed to Orders@Parasound.com before the reseller receives their first Parasound shipment.