PERFORMANCE GUARANTY

THIS PERFORMANCE GUARANTY (this "Agreement") is effective as of this 12th day of September, 2011, by and between ARCH WOOD PROTECTION, INC., a Delaware corporation, whose address is 5660 New Northside Drive NW, Suite 1100, Atlanta, GA 30328 (hereinafter referred to as "Arch") and DELKOTE MACHINE FINISHING, INC., a North Carolina corporation, whose address is 103 Westside Drive, Asheville, NC 28806 (hereinafter referred to as "Delkote").

Recitals

WHEREAS, Arch manufactures, promotes and sells wood preservatives and wood treated with such preservatives;

WHEREAS, Delkote is engaged in the business of treating wood and promoting, selling and distributing treated wood;

WHEREAS, Arch supplies its FrameGuard® wood preservatives to Delkote and Delkote treats wood products with FrameGuard® wood preservatives;

WHEREAS, Arch and Delkote are parties that certain FrameGuard® License Agreement dated as of April 20, 2011 (the "License Agreement") pursuant to which Arch grants to Delkote certain rights and licenses with respect to the use of technical information and trademarks owned by Arch related to such wood preservatives and treated wood products, on the terms and conditions stated therein;

WHEREAS, Delkote has requested and Arch has agreed that Arch custom blend certain ingredients (including its FrameGuard® wood preservatives) to Delkote's specifications, and such blend is referred to as FrameGuard® TotalTM (the "Preservative");

WHEREAS, Arch has agreed to provide to Delkote a performance guaranty with respect to certain wood products treated by Delkote with the Preservative, subject to the terms and conditions set forth herein.

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Product Quality Assurance. Arch and Delkote expressly acknowledge and agree that the Preservative is considered a FrameGuard® wood preservative subject to the terms and conditions of the License Agreement. All technical information, know-how, manuals and quality standards which have been provided by Arch to Delkote with respect to the Preservative shall be deemed "Technical Information" and "Quality Standards" for purposes of the License Agreement and shall supplement those materials listed on Exhibits A and B to the License Agreement.

2. Performance Guaranty.

2.1 As used in this Agreement, the following terms shall have the respective meanings set forth below:

- 2.1.1 "Covered Product" means any solid or engineered wood or wood-based product used for interior framing that has been properly treated by Delkote with Preservative supplied by Arch in conformity with the FrameGuard® Total Manual of Standard Practice, FrameGuard® Total Specifications and any other Technical Information delivered under the License Agreement, and that complies in every respect with all applicable Quality Standards required pursuant to the License Agreement.
- 2.1.2 "<u>Damage</u>" means damage to a Covered Product which renders such Covered Product structurally unfit for its application in a Permitted Application.
- 2.1.3 "<u>Date of Installation</u>" with respect to a Covered Product means the date on which such Covered Product is Properly Installed in a Permitted Application.
- 2.1.4 "Permitted Application" means (A) use in structures anywhere throughout the world outside of the continental United States which are (i) constructed in accordance with all applicable building codes, laws, rules or regulations and which, if applicable, is inspected and certified for compliance by a local building code official and (ii) constructed with a treated wood sill plate made of wood pressure treated in accordance with the American Wood Protection Association Standard U1 (or a comparable local industry association standard for pressure treated wood in contact with concrete or masonry) or a valid ICC ES Evaluation Report (or a similar compliance report prepared by a comparable local approved independent third party agency) installed between the foundation and all framing; and (B) use in above-ground locations that are not intended to be exposed to liquids or water (based on architectural drawings or building plans) and that are in fact, continuously protected from exposure to precipitation or other sources of water.
- 2.1.5 "Properly Installed" means that the building or other structure in which such Covered Product has been installed has been pre-treated for protection against termites prior to installation of any Covered Product by application of a chemical termiticide which is registered with the EPA or the comparable local regulatory agency by a licensed pest control operator in accordance with the termiticide product label instructions for pretreatment against termites and in accordance with all applicable state or local laws and building code requirements. Such treatment may include either treatment of the soil or framing.
- 2.1.6 "Properly Maintained" means that (A) the building or other structure in which a Covered Product has been installed is inspected not less than once per year by a licensed/certified pest control operator, and (B) all retreatment or remedial work recommended by such pest control operator is completed in a timely manner.
- 2.2 Subject to the terms and conditions set forth in this Section 2, Arch guarantees to Delkote that each Covered Product will remain free of surface mold (other than stains







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in the wood such as blue stain) and free of Damage resulting from decay fungi or termites, including Fermosan termites (Coptotermes formosanus) for a period of twenty (20) years following the Date of Installation; provided that such Covered Product was Properly Installed in a Permitted Application; and provided further that, for purposes of the guaranty against Damage from termites, the structure in which such Covered Product was installed was Properly Maintained continuously during such twenty-year period (the "Performance Guaranty").

- 2.3 The Performance Guaranty DOES NOT apply to or cover:
 - 2.3.1 Damage to any Covered Product that has not been Properly Installed in a Permitted Application;
 - 2.3.2 Damage due to termites to any Covered Product that has not been Properly Maintained on a continuous basis after the Date of Installation;
 - 2.3.3 Damage to any Covered Product that was exposed to moisture or wetting or that has experienced expansion due to absorption of moisture into any part of the wood substrate;
 - 2.3.4 Damage to any Covered Product that was subject to misuse or improper handling, storage, installation or maintenance, it being expressly understood and agreed that storage of a Covered Product in an uncovered location prior to installation is improper;
 - 2.3.5 Damage covered by a termite bond or warranty by a pest control operator or pretreatment manufacturer (coverage under such bond or warranty must be sought prior to submitting a claim under the Performance Guaranty);
 - 2.3.6 Damage to any Covered Product which is the result, in whole or in part, of any of the following: (A) a physical disturbance of soil subsequent to pretreatment (if pretreatment was applied to soil); (B) improper or incorrectly performed alterations to the structure made after the original installation of the Covered Product and/or failure of any such alterations to meet or exceed all requirements of hereunder as applicable to original construction; or (C) any acts of God such as lightening, wind storm, hurricane, tornado, hail, flood, or other similar severe weather or natural phenomena;
 - 2.3.7 Covered Products which are used in the continental United States; and/or
 - 2.3.8 Damage to any Covered Product which is sold by Delkote after the termination or expiration of this Agreement.
- 2.4 THE PERFORMANCE GUARANTY IS THE ONLY WARRANTY OR GUARANTY MADE BY ARCH WITH RESPECT TO THE PERFORMANCE OF THE PRESERVATIVE USED IN LOCATIONS OUTSIDE OF THE CONTINENTAL UNITED STATES. ARCH EXPRESSLY DISCLAIMS ALL

OTHER EXPRESS OR IMPLIED WARRANTIES OR GUARANTEES. ARCH SPECIFICALLY DISCLAIMS ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE PRESERVATIVE OR COVERED PRODUCTS, AND ANY OTHER IMPLIED WARRANTIES OTHERWISE ARISING FROM ANY COURSE OF DEALING, USAGE OF TRADE OR ADVERTISING.

- 3. No Customer Warranties. The guaranty provided herein is not a consumer warranty subject to the Magnuson-Moss Warranty Act (15 U.S.C. §§ 2301–2312). No warranty provided by Delkote to its customers shall expand the liability of Arch hereunder and Arch shall have no liability to Delkote or to any customer or consumer of wood products treated with the Preservative for breach of any such consumer warranty. In all cases, Arch's liability with respect to the Preservative and to wood products treated with the Preservative shall be governed solely by the terms of the Performance Guaranty and this Agreement.
- 4. Remedies; Limitation of Liability; Indemnification.
 - 4.1 With respect to any Covered Product that fails to conform to the Performance Guaranty, Delkote's sole and exclusive remedy and Arch's sole and exclusive liability will be for remediation, replacement or reimbursement, at Arch's option, of the wood substrate and the Preservative incorporated in such Covered Product. Arch shall not be liable for (a) the cost of applying the Preservative to the wood substrate, (b) any costs associated with repair, removal or disposal of damaged Covered Products or the transport, handling, delivery, installation, or construction of any replacement Covered Products, or (c) any incidental, special, indirect, multiple, punitive or consequential damages resulting from any defect in any Covered Product, including but not limited to personal injury, damage to property or lost profits. In any event, Arch's obligation under the Performance Guaranty shall not exceed the value of the Covered Product subject to the claim as set forth on the purchase invoice.
 - 4.2 Any claim that a Covered Product has failed to conform to the Performance Guaranty must be submitted to Arch by Delkote in writing within thirty (30) days after discovery of such failure. The claim must include the dates of application of the Preservative, the Date of Installation and, for termite claims, the dates of the termite pretreatment application and annual inspections, all such dates being supported by reasonable documentation, including but not limited to production batch reports, purchase invoices and receipts, building permits, contractor and service billings, and service contracts. The claim must also include a description of the nature of the damage and any photos or other evidence or documentation of such damage. For termite claims, Delkote must also provide to Arch a copy of any termite warranty or bond and any records of subsequent termite treatment or remedial work. At the request of Arch, Delkote must provide samples of the allegedly non-conforming Covered Products for inspection and testing by Arch. Delkote shall be responsible, at its sole expense, for documenting, substantiating and otherwise providing proof to Arch's reasonable satisfaction that the Covered Product satisfies all of the conditions and requirements set forth in this Agreement for coverage under the Performance Guaranty. If Arch's evaluation does not reveal that any Covered Products failed to

- conform to the Performance Guaranty, then Arch may require Delkote to pay to Arch a reasonable service and/or travel charge, if applicable, for investigation of the claim.
- 4.3 Delkote shall defend, indemnify and hold Arch and its affiliates and their respective directors and employees harmless from any and all losses, claims, causes of action, damages, liabilities, demands, suits, assessments, charges or costs of any nature whatsoever, irrespective of the theory upon which based (including without limitation negligence and strict liability), arising out of, in connection with, or in any manner relating to, Delkote's treatment, distribution, marketing, use and sale of wood products, including without limitation any and all claims for injury to person or property made directly to Arch by customers or end users of Delkote's wood products. Delkote's obligation to indemnify Arch hereunder shall apply even if said losses, claims, causes of action, damages, liabilities, demands, suits, assessments, charges or costs of any nature whatsoever is/are occasioned, brought about or caused by the concurrent negligence of Arch, its agents, directors, officers, employees or servants and said indemnity shall include, without limitation, costs, expenses, and attorneys' fees occasioned by said loss or claim as well as the full amount of any judgment rendered or compromise settlement made, plus court costs and interest. Arch shall have the right to employ counsel and to control any litigation or potential litigation of claims which are subject to indemnity hereunder and Delkote shall fully cooperate with and assist Arch in any such proceedings. The indemnity provision in this Section 4.3 shall survive the termination of this Agreement.
- 5. <u>License Agreement.</u> Delkote shall at all times comply with the terms of the License Agreement and shall promptly notify Arch in writing of any default under the terms of the License Agreement. Default under the License Agreement shall be considered a material breach of this Agreement.
- 6. Quality Control. Delkote shall maintain records sufficient to identify wood products treated with the Preservative at its facilities and sold to customers, including, without limitation records of sales of such products to customers, quantities sold, customers sold to, purchase orders, invoices, and receipts. If Arch determines that wood products treated with the Preservative are being manufactured, fabricated, used, sold or distributed by Delkote that have not been treated in compliance with the quality control requirements and other specifications of Arch, then Arch shall have the right, but not the obligation, to discontinue the Performance Guaranty and terminate this Agreement.
- 7. Records and Reports. Delkote shall at all times during the term of this Agreement, and during any Performance Guaranty period that continues after the expiration or termination of this Agreement, keep true and accurate records of the information required under this Agreement. Such records shall be kept in such form and manner as Arch may reasonably require. Arch shall have the right, from time to time, at reasonable times during normal business hours, to examine the records of Delkote for the purpose of verifying compliance with this Agreement and the accuracy of any information furnished by Delkote.
- 8. Term; Termination

- 8.1 This Agreement shall continue for a term of one year from the date set forth above unless sooner terminated in accordance with the provisions contained herein. Thereafter this Agreement shall continue from year to year unless terminated in writing by either party by giving at least thirty (30) days' written notice of termination. Any period during which this Agreement is in effect should be deemed the "Term." Termination as a result of the notice permitted herein shall occur on the 31st day after the date of the notice, or such later date as the party giving notice may specify.
- 8.2 Should Delkote (i) fail to comply with any of the covenants or conditions hereinunder made binding upon Delkote, (ii) fail to comply with the terms and conditions of the License Agreement (iii) fail to remedy any defect to which Delkote's attention has been called in writing, and/or (iv) file for bankruptcy, reorganization or insolvency or for any reason become unable to satisfy its debts as they become due; then Arch shall have the right to immediately terminate this Agreement at anytime thereafter without further obligation hereunder by giving written notice of termination to Delkote; provided, however, that, for any breach or defect which by its nature may be cured, Delkote shall have the right to cure such breach or defect, to Arch's satisfaction, within fifteen (15) days from receipt of written notice from Arch; provided further, that Delkote shall have no such right to cure a breach or defect in the event that Delkote has committed a similar breach or defect previously.
- 8.3 This Agreement shall terminate automatically, without any additional requirement of notice, concurrently with the termination of the License Agreement for any reason.
- 8.4 This Agreement shall also terminate immediately, without liability to either party, in the event that the manufacture, use or distribution of Preservative for wood treatment would be contrary to any federal or state law or regulation governing the manufacture, sale, distribution or use of such chemicals.
- 9. Notices. Any notice required or deemed necessary under any of the terms and conditions of this Agreement shall be deemed duly given upon receipt when sent by nationally recognized courier or overnight/expedited delivery mail service, by facsimile, or by regular mail, postage prepaid, and addressed in the case of Arch to the attention of Business Manager, Arch Wood Protection, Inc., 5660 New Northside Drive NW, Suite 1100, Atlanta, Georgia (facsimile: 678-627-2079) and in the case of Delkote, to the attention of Mike Dotson Delkote Machine Finishing, Inc., 103 Westside Drive, Asheville, NC 28806 (facsimile: 828-253-1024), or such other address as either party shall specify for itself by like notice.

10. <u>Miscellaneous</u>

10.1 This Agreement sets forth the entire agreement and understanding between the parties as to the subject matter of this Agreement and cancels, supersedes and merges all prior agreements and understandings between the parties and neither of the parties shall be bound by any conditions, warranties or representations other than as expressly provided in this Agreement and in the License Agreement and the custom

- blend letter, or as duly set forth subsequent to the effective date hereof in writing and signed by the party to be bound thereby.
- 10.2 This Agreement shall not be assignable by Delkote in whole or in part without the prior written consent of Arch.
- 10.3 This Agreement shall be interpreted according to the laws of the State of Georgia, without regard to its conflict of laws principles.
- 10.4 No acquiescence in any breach of this Agreement by either party shall operate to excuse such breach or any prior or subsequent breach. No modification, amendment or waiver of rights or obligations under this Agreement shall be effective unless mutually agreed in writing.
- 10.5 This Agreement, and the provisions hereof shall be maintained by Delkote as confidential, and shall not be disclosed by Delkote, directly or indirectly, to any third party absent Arch's prior written approval of such disclosure in each instance. The foregoing obligation of Delkote shall survive the expiration or termination of this Agreement for any reason.
- 10.6 This Agreement may be executed by the parties in counterparts, each of which shall be deemed an original.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers or representative and fully intent to be legally bound hereby effective as of the day and date first set forth above.

DELKOTE MACHINE FINISHING, INC.	ARCH WOOD PROTECTION, INC.
By: Am M	By: JARTimes
Print Name John Nicholson	Print Name: J.R. Virnich
Daint Title: Director of Purchasing	Print Title: Manager Direct Sale

What is covered by this Limited Warranty?

against mold and damage caused by termites or fungal decay. below) FrameGuard® and FrameGuard® TotalTM Treated Wood ("Treated Wood") Arch Wood Protection, Inc. ("Warrantor") warrants to Qualified Owners (defined Subject to the definitions, terms and conditions set forth in this Limited Warranty,

sissippi, Louisiana, Texas and California. Maryland, Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mis-Termites. Applicable states with reported Formosan termite activity include FrameGuard® Treated Wood is not warranted against damage from Formosan known or potential Formosan Termite (Coptotermes formosanus) activity because FrameGuard® TotalTM Treated Wood must be used in regions where there is any

the wood such as blue stain) as follows: Treated Wood is warranted to remain free from surface molds (other than stains in

- or marking on the Treated Wood; which the FrameGuard® coating was applied as evidenced by a written statement Prior to use or installation, for a period of 180 days following the date on
- written receipt or invoice for the purchased product; or accepted delivery of such Treated Wood and in either case as evidenced by a following the earliest date on which the first Qualified Owner either took title to authorized producers, visit www.frameguardwood.com), for a period of 180 days (2) When purchased from a licensed FrameGuard® producer (for a list of
- (3) For a period of 20 years following installation, provided that the structure is a

Permitted Application, was Properly Installed and was Properly Maintained during structurally unfit for the intended application, provided that the structure is a from termites (except for Formosan termites) that would make the Treated Wood provided that the structure is a Permitted Application and was Properly Installed. fungi that would make the wood structurally unfit for the intended application Treated Wood is warranted for a period of 20 years against damage from decay the warranty period. rameGuard® Treated Wood is warranted for a period of 20 years against damage

during the warranty period. is a Permitted Application, was Properly Installed and was Properly Maintained damage from termites (including Formosan termites) that would make the Treated Wood structurally unfit for the intended application, provided that the structure FrameGuard® Total Treated Wood is warranted for a period of 20 years against

which vary from state to state. This warranty gives you specific legal rights, and you may also have other rights

Who is Covered by this Warranty?

Treated Wood in a Permitted Application, (b) the original legal owner of the structure in which such Treated Wood is Properly Installed, and (c) each person who takes legal title of such structure prior to the 20th anniversary of the installation. A "Qualified Owner" under this warranty is (a) any person that purchases and installs

- To be covered by this Limited Warranty the Treated Wood must be used in a "Permitted Application," which means:
- between the foundation and all framing. Protection Association Standard U1 or a valid ICC ES Evaluation Report installed wood sill plate made of wood pressure treated in accordance with American Wood compliance by a local building code official and (iii) constructed with a treated (A) Structures must be constructed (i) within the continental United States, (ii) in accordance with all applicable building codes and inspected and certified for
- or other sources of water. plans) and that are in fact, continuously protected from exposure to precipitation to be exposed to liquids or water (based on architectural drawings or building Treated Wood must be used in above-ground locations that are not intended

- hail, flood, or other similar severe weather or similar natural phenomena. construction; or (iii) any acts of God such as lightning, wind storm, hurricane, tornado, to meet or exceed all requirements of this Limited Warranty as applicable to original made after the original installation of the Treated Wood and/or failure of such alteration applied to soil); (ii) any improper or incorrectly performed alteration to the structure any physical disturbance of soil subsequent to pretreatment (if pretreatment was (6) The claimed damage resulted in whole or in part from any of the following: (i)
- the damaged Treated Wood or the transport, handling, delivery or installation of the replacement Treated Wood. This Limited Warranty does not cover any costs associated with removal or disposal of

FrameGuard® and FrameGuard® Tota Limited 20-YearWarranty

**New Invariance of the section of the

5660 New Northside Drive, Suite 1100 Attn: Customer Service Manager Atlanta, GA 30328

(90) days of receiving complete information from Qualified Owner. Warrantor will perform its obligations under this warranty, if any, within ninety service and travel charge as billed by Warrantor for inspection of the structure. Limited Warranty the Qualified Owner assumes responsibility for a reasonable the inspection does not reveal that any Treated Wood failed to conform to this to enter the property and building and inspect the claimed Treated Wood. If Upon reasonable notice, the Qualified Owner must allow Warrantor's agents