

AGENCY AGREEMENT  
BETWEEN APPLIED FILMS CORPORATION  
AND  
CHUNGSONG SYSTEM CO., LTD.



The AGREEMENT is made this 10<sup>TH</sup> day of May 1996 by and between Applied Films Corporation and ChungSong System Co., Ltd.

WITNESSETH:

In consideration of the conditions hereinafter set forth, the parties agree as follows:

1. Definitions

A. ChungSong. "ChungSong" shall mean ChungSong System Co., Ltd., a Korean corporation, with its principal office at 438-1, Mogok-Dong, Pyungtaek, Kyungki-Do, Korea.

B. AFC. "AFC" shall mean Applied Films Corporation, a Colorado corporation, with its principal office at 6797 Winchester Circle, Boulder, CO 80301, U.S.A.

C. Products. "Products" shall mean sputtering coating systems designed and manufactured by AFC for sale to the Buyer.

D. Buyer. "Buyer" shall mean any purchaser of the Products within the territory of the Republic of Korea and shall include any potential buyer of the Products except Samsung Corning Co., Ltd. of Korea.

E. Purchase Agreement. "Purchase Agreement" shall mean any purchase agreement signed and executed, due to the efforts of ChungSong, between AFC and the Buyer.

F. Exclusive Representation. "Exclusive Representation" shall mean that ChungSong is to perform as an exclusive agent for AFC to sell and promote to sell the Products within any part of the Republic of Korea.

G. Territory. "Territory" shall mean the entire territory of the Republic of Korea. ChungSong shall act as an exclusive agent of AFC to promote the sale of the Products.

2. Responsibilities

A. ChungSong shall locate Buyers in the Territory and assist AFC in negotiating sale of the Products.

B. ChungSong shall assist AFC in implementing the Purchase Agreement between AFC and the Buyer.

C. ChungSong will maintain the proper technical and customer support staff to support Korean customers.

D. ChungSong shall continue to serve the needs of the customer and AFC from the time of the Purchase Agreement through the Products delivery and installation, throughout the period of Warranty, and as long as the system is in operation by the customer until and unless this Agreement is terminated according to the conditions of paragraphs 3. or 7.

E. AFC shall provide, at its own expense, technical training to ChungSong personnel so as to enable such personnel to promote the sale of, to assist in the installation of, and to provide ongoing service labor for the Products. However, any travel or lodging expenses incurred by ChungSong personnel to attend such training sessions whether in the Territory or at AFC's facilities shall be for the account of ChungSong. AFC will be responsible for the system installation including parts and materials.

F. AFC shall be responsible for the payment of the commission to ChungSong for each transaction.

G. AFC shall provide ChungSong reimbursement for the costs of labor, parts and materials required to service the Products during the Warranty period, provided that such costs shall be charged to AFC at ChungSong's normal prevailing rates and that AFC shall be notified immediately of all requests for Warranty service. Warranty service in which the costs of labor, parts and materials together are expected to exceed USD1,000 must be approved by AFC before ChungSong is authorized to proceed.

3. Term

This Agreement shall commence on the date both AFC and ChungSong have signed the Agreement, and shall expire twenty-four (24) months after the date of signing unless it is terminated sooner under the provision of paragraph 7.

4. Price Terms of Sale

The Products shall be sold by AFC at a price, terms and conditions agreeable to AFC. Unless permitted by a prior written notice from AFC, ChungSong shall not commit AFC to any responsibility, liability or debts in any form.

5. Commission

Subject to the other eight (8) provisions of this Agreement, ChungSong shall receive a commission of eight percent (8%) of the net sale price for each transaction. Such commission shall be deemed earned at closing and will be due and payable thirty (30) days after receipt of funds at AFC.

Since AFC's payment terms are based on progress payments, ChungSong will receive commission in installments accordingly. Commissions shall be computed based on the net sale price received by AFC after deductions for insurance and shipping, value added, sales or similar taxes and discounts, returns and allowances.

6. Use of Trademarks and Names

ChungSong shall have the right to use the corporate name of AFC, or use any trademarks or trade names of AFC only for the purpose of promotion of sale and implementation of this Agency Agreement.

7. Termination

This Agreement may be terminated by either party with or without cause by delivery of written notice of termination to the other party at least sixty (60) days prior to the effective date of such termination.

Upon termination of this Agreement in accordance with its terms, neither party shall be liable to the other for any damages or indemnity whatsoever sustained or arising



out of, or alleged to have arisen out of, such termination. But such termination shall not affect the right of either party to receive or recover (a) damages sustained by reason of the breach of the Agreement by the other party or (b) any payments which may then and/or later be owing under the terms of the Agreement.

8. **Confidentiality**

All aspects of the Agreement and the business of AFC or ChungSong which relate to production capacities, capabilities, technical know-how, costs, market penetration or position, financial condition, pricing policies, potential orders, forecasts or similar plans with respect to any of the foregoing or any similar information which is not public knowledge, whether now known or hereafter learned of by either party, shall be kept strictly confidential and shall not be disclosed or utilized by either party, either during the term of this Agreement or after the expiration hereof, without the prior written authorization of the other party.

9. **Local Laws**

AFC and ChungSong shall each, at their own expense, in their respective countries, take such steps as may be required to satisfy any laws or requirements with respect to declaring filing, recording or otherwise rendering this Agreement valid.

10. **Non-Assignability**

This Agreement and the rights and duties hereunder are personal to AFC and ChungSong and shall not be assigned nor otherwise transferred, whether by operation of law or otherwise, including any incorporation, merge or consolidation without the prior written consent of the other party.

11. **Governing Law**

This Agreement shall be deemed to have been executed and entered into in the State of Colorado, U.S.A.; and this Agreement, and its formation, operation and performance shall be governed, construed, performed and enforced in accordance with the substantive laws of the State of Colorado, U.S.A.

12. Arbitration

All disputes, differences or questions arising out of or relating to this Agreement, or the validity, interpretation, breach or violation or termination of this Agreement, shall be finally and solely determined and settled by arbitration in Denver, Colorado, U.S.A. in accordance with the rules of the American Arbitration Association. Such arbitration shall be conducted by a panel of three arbitrators; and all proceedings shall be conducted in the English language, with Korean translation if necessary. Judgement upon an arbitration award may be entered and enforced in any court of competent jurisdiction.

13. Modifications

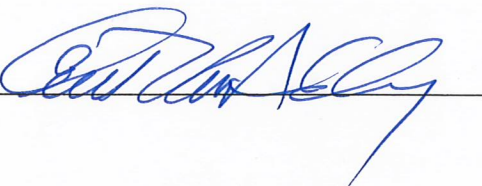
This Agreement may be altered or modified only by a written instrument signed by the parties hereto.

14. Entire Agreement

This Agreement supersedes all previous agreements between the parties with respect to its subject matter; and there are no promises, representations or understandings, either prior to or contemporaneously with the executive hereof, except as expressly set forth herein.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first given above.

Applied Films Corporation

By: 

Its: PRESIDENT

ChungSong System Co., Ltd.

By: VANG - Ho Xuan  
5/13/88

Its: Executive Director