

DIEBOLD[®]

ELECTION SYSTEMS

P.O. Box 1019
 Allen, TX 75013
 469-675-8990
 800-433-8683 (VOTE)
 Fax (214) 383-1596

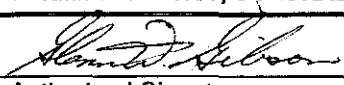
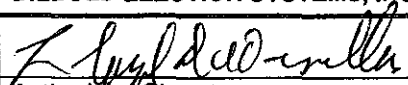
Voting System Agreement

CUSTOMER:	LARIMER COUNTY, COLORADO	DIEBOLD ELECTION SYSTEMS, INC.
Addresses For Notices and Billing:	Larimer County Clerk and Recorder P.O. Box 1547 Fort Collins, CO 80522 Attn: Jan Kuhnen Overnight: 200 West Oak St. Fort Collins, CO 80521-2713	P.O. Box 1019 Allen, TX 75013 Overnight Deliveries: 1253 Allen Station Pkwy. Allen, TX 75002 Attn: Contracts Department
For Shipping (if different):	2555 Midpointe Drive Suite C Fort Collins, CO 80525	
Contacts:	Jan Kuhnen, Chief Deputy Elections Director Scott Doyle, County Clerk and Recorder	Yolanda Hawkins, Contracts Department Sales Representative
Phone:	970-217-5954 // 970-498-7852	469-675-8990
Fax:	970-498-7847	214-383-1596
Email:	jkuhnen@larimer.org // sdoyle@larimer.org	yhawkins@dieboldes.com

Diebold Election Systems, Inc. ("DESI") and Larimer County, Colorado ("Customer" and, together with DESI, the "Parties") hereby enter into this Voting System Agreement ("Agreement") as of the date of the last signature set forth below (the "Effective Date"). This Agreement consists of this "Signature Page," the below standard terms and conditions, and the following exhibits, each attached hereto and incorporated herein by this reference:


- Exhibit A – Pricing and Payment Schedule
- Exhibit B – Software License and Maintenance Services Schedule
- Exhibit C – Hardware Warranty Services Schedule

The parties have executed this Agreement by their duly authorized representatives as of the Effective Date.

LARIMER COUNTY, COLORADO		DIEBOLD ELECTION SYSTEMS, INC.	
	4-11-06		4-7-06
Authorized Signature	Date	Authorized Signature	Date
Glenn W. Gibson	Chair	Lloyd DeOrnellas, Controller	
Printed Name, Title		Printed Name, Title	
Authorized Signature	Date	Authorized Signature	Date
Printed Name, Title		Printed Name, Title	

DATE: 4/11/06
 APPROVED AS TO FORM:

 COUNTY ATTORNEY

Approved as to Legal Form

 C. Owen
 4/7/06
 Date

STANDARD TERMS AND CONDITIONS

1. Definitions

- 1.1. "DESI Hardware" means hardware manufactured by DESI and delivered by DESI hereunder.
- 1.2. "DESI Software" means software and firmware owned by DESI and licensed by DESI hereunder, in object code form, including all documentation therefor.
- 1.3. "Effective Date" has the meaning set forth in the Signature Page.
- 1.4. "Specifications" means descriptions and data regarding the features, functions and performance of the DESI Hardware and/or DESI Software, as set forth in user manuals or other applicable documentation.
- 1.5. "System" means, collectively, the DESI Software, DESI Hardware and any Third-Party Products provided hereunder.
- 1.6. "Third-Party Products" means any software or hardware obtained from third-party manufacturers or distributors and provided by DESI hereunder.
- 1.7. "Warranty Period" means the 12-month period beginning on the Effective Date.

2. **Term.** This Agreement is effective as of the Effective Date, unless earlier terminated under Section 13. In the event of expiration or termination the following sections will survive:

- 2.1. Exhibit B (Software Licenses and Maintenance Services Schedule) and the terms and conditions specified therein will survive any expiration or termination of this Agreement for the duration of the Warranty Period and all applicable Software Renewal Terms (as defined in Exhibit B).
- 2.2. Exhibit C (Hardware Warranty Services Schedule) and the terms and conditions specified therein will survive any expiration or termination of this Agreement for the duration of the Warranty Period and all applicable Hardware Renewal Terms (as defined in Exhibit C).
- 2.3. Sections 6 (Payment) (to extent of any payments still due) and 11 (Confidential Information) will survive any expiration or termination of this Agreement in accordance with their respective terms.
- 2.4. In addition to the foregoing, terms of this Agreement that do not survive expiration or termination will nonetheless be effective in determining the Parties' rights and obligations for conduct or events taking place before such expiration or termination.

3. DESI's Responsibilities

- 3.1. DESI shall provide the System and related services specified in Exhibit A.
- 3.2. DESI shall deliver the components of the System at such places and times as set forth in the project plan adopted by the parties within 30 days after the Effective Date.

3.3. DESI shall provide the licenses, maintenance and support specified in Exhibit B during the Warranty Period and all Software Renewal Terms (as defined in Exhibit B).

3.4. DESI shall provide the hardware warranty services specified in Exhibit C during the Warranty Period and all Hardware Renewal Terms (as defined in Exhibit C).

3.5. DESI shall appoint a customer support representative, who will serve as a first point of contact with Customer, be authorized to make day-to-day decisions relating to this Agreement and have access to DESI's management for other decisions.

4. Customer's Responsibilities

4.1. Customer shall provide DESI with physical accommodations reasonably required for DESI to perform its obligations, including premises access, electrical power, data connectivity, heat and air conditioning.

4.2. Customer shall provide information and access to personnel reasonably required for DESI to perform its obligations.

4.3. Customer shall appoint a project manager, who will serve as a first point of contact with DESI, be authorized to make day-to-day decisions relating to this Agreement and have access to Customer's authorized officials for other decisions.

5. **Title and Risk of Loss of DESI Hardware.** Title and risk of loss for each item of DESI Hardware provided by DESI under this Agreement will pass to Customer on delivery. If Customer cannot take delivery at the agreed time or site, DESI may deliver the DESI Hardware to a warehouse within Larimer County, Colorado selected by DESI and such delivery will be deemed made at the request and for the convenience of Customer. Upon such delivery, the DESI Hardware will be deemed in Customer's possession for purposes of passage of title and risk of loss. However, delivery will not diminish any rights Customer has pursuant to this Agreement, including rights to repairs and replacements under applicable warranty and maintenance terms.

6. **Payment.** Customer shall pay DESI the amounts specified in Exhibit A at the times specified therein. Customer is responsible for all sales, excise, personal property or other taxes or duties on the amounts paid or products or services provided under this Agreement. If Customer is exempt from such taxes or duties, Customer shall provide DESI with a tax exemption certificate. Customer hereby grants DESI a first priority security interest in the DESI Hardware and any proceeds thereof, effective until Customer has fully paid the amounts specified for the DESI Hardware in Exhibit A. Customer shall execute and deliver UCC filings and other documents DESI reasonably requests to perfect this security interest. Customer shall insure the System for its full replacement value until the Total Initial Investment is paid in full.

7. Testing and Acceptance

7.1. Within ten business days after installing System components, DESI will commence unit testing under protocols designed to confirm performance in compliance with Specifications. Acceptance of units will occur on the earlier of (a) Customer's delivery of a written certificate of acceptance and (b) 30 days after

the scheduled start of unit testing if testing is prevented or delayed by Customer's failure to meet obligations under this Agreement.

No later than ten business days after System installation is complete, DESI will conduct System testing under protocols designed to confirm the System's performance in compliance with all System Specifications. Acceptance of the System will occur on the earliest of (a) Customer's delivery of a written certificate of System acceptance, (b) Customer's use of the System in a national election, (c) 30 days after the scheduled start of System testing if impeded or prevented by Customer's failure to respond or perform its obligations and (d) 120 days after the scheduled start of System testing, unless, before then, Customer has notified DESI in writing of its intent to terminate this Agreement for cause under Section 13. Customer will not withhold acceptance due to a failure to conform to Specifications in any immaterial respect, provided DESI promptly delivers a remedial plan for such non-conformity.

8. Warranties

8.1. Warranty Duration. The following warranties will apply to all DESI Software and DESI Hardware during the Warranty Period. Thereafter, such warranties will apply to all DESI Software during all Software Renewal Terms and to all Warranted Hardware (as defined in Exhibit C) during all Hardware Renewal Terms.

8.2. DESI Software. DESI warrants that DESI Software will perform free of defects that would prevent the System from operating in conformity in all material respects with its Specifications, so long as such DESI Software is operated with DESI Hardware and with Third-Party Products approved by DESI for use with the DESI Software.

8.3. DESI Hardware. DESI warrants that the DESI Hardware will perform free of defects that would prevent the System from operating in conformity in all material respects with its Specifications, so long as such DESI Hardware is operated with DESI Software and with Third-Party Products approved by DESI for use with the DESI Hardware.

8.4. Third-Party Products. The warranties in Sections 8.2 and 8.3 do not apply to any Third-Party Products, except that:

8.4.1. To the extent permitted by the manufacturers of Third-Party Products, DESI shall pass through to Customer all warranties such manufacturers make to DESI regarding the operation of such Third-Party Products; and

8.4.2. DESI warrants that all components of the DESI Software and DESI Hardware will interface and function properly with the Third-Party Products so long as such Third-Party Products operate in compliance with all applicable manufacturers' warranties.

8.5. No Other Warranties. DESI DISCLAIMS ALL OTHER REPRESENTATIONS AND WARRANTIES, WHETHER WRITTEN, ORAL, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE AND ANY WARRANTY BASED ON A COURSE OF DEALING, COURSE OF PERFORMANCE OR USAGE OF TRADE.

9. Indemnification

9.1. If notified promptly in writing of any action brought against Customer alleging that Customer's use of the DESI Software or DESI Hardware infringes a United States patent, copyright or trademark ("Claim"), DESI will defend the Claim at its expense and pay any costs and damages awarded against Customer, provided that DESI has sole control of and Customer's reasonable cooperation in the defense or settlement of the Claim. This indemnity will not apply to Claims arising from use of the DESI Software outside the scope of the license granted to Customer, use of the DESI Software or DESI Hardware in combination with Third-Party Products (other than those approved by DESI or set forth in the Specifications) or modification of the DESI Software or DESI Hardware not performed or provided by DESI, to the extent such use, combination or modification is the cause of such Claim.

9.2. If a Claim results in an injunction against Customer's use of any component of DESI Software or DESI Hardware, or if DESI reasonably anticipates such an injunction, DESI will procure for Customer the right to continue using the component, replace the component or modify the component to avoid the Claim while retaining substantially the same functionality.

9.3. Customer shall be responsible for any expenses or damages arising from a third-party patent, copyright or trademark infringement claim arising from DESI's compliance with Customer's specific designs or instructions. Each Party shall indemnify the other Party from third-party claims for injury, death or property damage based on the other Party's alleged gross negligence or willful misconduct.

10. Limitation of Liability. DESI will not be liable for damages arising out of this Agreement unless caused by DESI's gross negligence or willful misconduct. DESI will not be liable under this Agreement for (1) consequential, special, punitive or incidental damages or (2) compensatory damages in excess of the total of all amounts payable under this Agreement during the 18-month period preceding the event or events giving rise to liability.

11. Confidential Information. Neither Party will use or disclose the other Party's Confidential Information without the other Party's prior written consent. "Confidential Information" means, as to DESI, the DESI Software and, as to either Party, any information designated as confidential by the Party when or before it is disclosed. This paragraph does not apply to information (a) after it becomes publicly known through no fault of the receiving Party, (b) already rightfully in the receiving Party's possession when received, (c) developed by the receiving Party without the use of the other Party's Confidential Information or (d) required to be disclosed by law so long as the other

Party is given immediate notice of the request or order that the information be disclosed and the fullest opportunity under law to prevent or limit the disclosure. Each Party acknowledges that its breach of this Section 11 may cause the other Party substantial and irreparable harm for which the other Party would be entitled to equitable relief in addition to any available legal remedies. Each Party hereby waives any requirement to post bond or provide other security as a condition to receiving such equitable relief.

12. Force Majeure. DESI's obligations hereunder will be suspended so long as compliance is impeded or prevented by causes beyond DESI's reasonable control, which may include acts of God, embargoes, acts of war (including terrorist attacks), labor disturbances and acts or regulations of governmental entities.

13. Termination for Cause. If either Party materially breaches this Agreement and does not cure the breach within 30 days after receiving written notice of the breach from the non-breaching Party, the non-breaching Party may terminate this Agreement as of a termination date specified in that notice or a subsequent notice delivered within such 30-day period. If the breach cannot be completely cured within the 30-day period, no default will occur if the Party receiving the notice begins curative action within the 30-day period and thereafter proceeds with diligence and in good faith to cure the breach as soon as practicable.

14. Miscellaneous

14.1. Assignment. Neither Party may assign any rights or delegate any obligations under this Agreement without the prior written consent of the other Party; provided that DESI may subcontract Services upon 30 days' prior written notice to Customer. Any attempted assignment or delegation in violation of this Section 14.1 will be null and void.

14.2. Severability. If any term of this Agreement is held to be unenforceable, the other terms of this Agreement will be enforced to the fullest extent permitted by law.

14.3. Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument.

14.4. Governing Law. This Agreement will be construed under the laws of the State of Colorado, and the state and federal courts within Larimer County, Colorado have non-exclusive jurisdiction for all actions to enforce this Agreement.

14.5. Waiver. No waiver or failure of a party to assert any right under this Agreement on any one occasion will operate as a waiver of any other right on that occasion or any right on any other occasion.

14.6. Notices. All notices under this Agreement will be delivered personally, sent by confirmed facsimile transmission, sent by nationally recognized express courier or sent by certified or registered U.S. mail, return receipt requested, to the address shown on the Signature Page or such other address as may be specified by either Party to the other Party in compliance with this Section 14.6. Notices will be deemed effective on personal receipt, receipt of such electronic facsimile confirmation, two days after such delivery by courier and four days after such mailing by U.S. mail.

14.7. Interpretation. This Agreement, including all Exhibits, is the complete and final expression of the Parties' agreement regarding its subject matter and supersedes all prior or contemporaneous communications or agreements, written or oral, by the Parties regarding such subject matter. In the event of any conflict between these Terms and Conditions and any provisions set forth in any other part of this Agreement, these Terms and Conditions will prevail. No amendment or supplement to this Agreement is effective unless in writing and signed by both Parties' authorized representatives. The word "include" (or any of its derivatives) is deemed to be followed in all contexts by the words "without limitation." Headings are included for convenience and will be ignored in interpreting this Agreement.

EXHIBIT A
PRICING AND PAYMENT SCHEDULE
Pricing

Larimer County 220 AVTSX with AVPM March 30, 2006				
ITEM	QTY	DESCRIPTION	UNIT PRICE	EXTENSION
Electronic Ballot Tabulators				
1	220	AccuVote-TSx Tabulator includes: Printer Ribbon/Paper Internal Battery Integrated Voting Booth Memory Device Ballot Station 4.6.4.	\$3,150.00	\$693,000.00
2	240	TSx AVPM (Voter Verifiable Printer)	\$350.00	\$84,000.00
3	240	TSx AVPM Carrying Case	\$85.00	\$20,400.00
4	60	ADA Keypad and Audio Headset	\$150.00	\$9,000.00
Touchscreen Equipment				\$806,400.00
Supplies				
5	20	TSx Election Administrator Card	\$5.00	\$100.00
6	90	TSx Precinct Supervisor Card	\$5.00	\$450.00
7	10	TSx Election Security Key Card	\$5.00	\$50.00
8	1320	TSx Voter Cards (6 per unit)	\$2.95	\$3,894.00
9	220	Spare TSx Memory Device	\$135.00	\$29,700.00
10	320	Spare Paper rolls	\$1.90	\$608.00
11	220	Spare Security Canisters	\$15.00	\$3,300.00
12	44	Warehouse Carts - 5 unit	\$384.00	\$16,896.00
13	0	Voter Card Encoders V 1.3.2	\$395.00	\$0.00
Total Supplies				\$54,998.00
Vote Counting Application Software/Hardware				
18	1	Enhanced Security application (Key Card Tool) V 4.6.1	\$10,000.00	\$10,000.00
19	1	VR Interface for early voting	\$1,500.00	\$1,500.00
20	1	VC Programmer software V.4.6.1	\$5,000.00	\$5,000.00
21	2	Ethernet hub	\$150.00	\$300.00
22	150	ST100 (encoder for Key Card tool)	\$150.00	\$22,500.00
23	220	TSX Application software	\$100.00	\$22,000.00
24	0	EMP Memory Device Mass Creator with label printer	\$4,995.00	\$0.00
Total Vote Counting Software/Hardware				\$61,300.00
Installation Services				
Installation & Support includes:				
25		Acceptance Testing of equipment (on-site)		
26		Staff Training (on-site)		
27		2006 Election Support (2 elections) which includes:		
28		-On-Site L&A Preparation Support		
29		-Ballot Programming Services		
30		-GEMS central server support		
31		-Pollworker Training assistance		
32		-On-Site Election Day Support Rovers - (2 per election)		
33		Installation & Support Services		\$53,400.00
34		SubTotal		\$976,098.00
35		Allowance		(\$151,550.00)
36		Shipping/Insurance		\$23,000.00
		Performance Bond		\$2,700.00
37		System Total		\$850,248.00

**Recurring Fees
(After Warranty Period)**

		Warranties	
38	220	Initial 12-month warranty (TS plus AVPM)	included
39	220	Annual cost of TS extended warranty	\$95.00
40	220	Annual cost of AVPM extended warranty	\$25.00
41	1	Annual maintenance of Key Card tool software license	\$1,800.00
42	1	Annual maintenance of VC Programmer software license	\$900.00
43	220	Annual maintenance of TS software application license	\$5.00
<i>Note: Extended warranties can be purchased in advance and pro-rated to coincide with a calendar year.</i>			
		Optional Election Supplies	
44	0	TSX Warehouse cart (4-unit)	\$368.00
45	0	TSX Warehouse cart (5-unit)	\$384.00
46	0	TSX Warehouse cart (6-unit)	\$400.00
47	0	AVPM security canisters	\$15.00
48	0	AVPM paper rolls	\$1.90
<i>Additional sales tax may apply and is not included in above pricing.</i>			
Additional Onsite Election Support:			
Diebold Election Systems' rates for onsite election services, after the 2006 Primary and General Election is:			
\$1260/day (plus actual travel expenses estimated at \$1000/election)			
3-day minimum for Election Day support applies for estimated per election cost \$4800			

*Subject to increase upon purchase of additional units at applicable per-unit rate. Per-unit rate subject to increase annually by a percentage equal to the percentage increase in the published federal Consumer Price Index (CPI) over the preceding year.

Payment

Description of Milestone / Date	Date	Payment Due
Delivery of Equipment	May 5, 2006	25%
Acceptance Testing	May 19, 2006	15%
Training		10%
Primary election certification		20%
General election certification		30%
Total:		100%

*Late payments accrue interest at the lesser of 1.5% per month or the highest rate permitted by law.

EXHIBIT B

SOFTWARE LICENSE AND MAINTENANCE SERVICES SCHEDULE

1. Exhibit B Term. This Exhibit B is effective as of the Effective Date and, if not extended as provided herein, expires on the last day of the Warranty Period. Customer may thereafter extend the effectiveness of this Exhibit B for up to 20 successive one-year renewal periods (each, a "Software Renewal Term") by paying, for each Software Renewal Term, the Annual Software License and Maintenance Fee set forth in Exhibit A of the Agreement at least 30 days before such Software Renewal Term begins. The period during which this Exhibit B is in effect is referred to herein as the "Exhibit B Term." On expiration of the Exhibit B Term (a) the licenses granted in this Exhibit B will automatically terminate, (b) Customer shall cease any further use of the DESI Software and (c) DESI may cease performing the maintenance services set forth in this Exhibit B.

2. Payment. The Total Initial Investment specified in Exhibit A of the Agreement includes payment in full, for the Warranty Period, for the licenses, maintenance and support described in this Exhibit B. Each Annual Software License and Maintenance Fee constitutes payment in full, for the duration of the applicable Software Renewal Term, for the licenses, maintenance and support described in this Exhibit B.

3. License to DESI Software. Subject to the terms of this Exhibit B and the Agreement, DESI grants Customer a non-exclusive license, without the right to transfer or sublicense, to use, during the Exhibit B Term, for the purpose of preparing for and conducting federal, state or local elections, run-offs, referenda and other similar voting events that take place within Larimer County, Colorado, the numbers of copies specified in Exhibit A of the DESI Software applications identified therein. This license may be exercised by Customer officials, employees and volunteers authorized by Customer to conduct the above-described elections.

4. Third-Party Products. Subject to the terms of this Exhibit B and the Agreement, DESI agrees to sublicense any software that constitutes or is contained in Third-Party Products, in object code form only, to Customer for use during the Exhibit B Term as part of the System for the purposes described in Section 3 of this Exhibit B. This sublicense is conditioned on Customer's continued compliance with the terms and conditions of the end-user licenses contained on or in the media on which such software is provided.

5. No Other Licenses. Other than as expressly set forth in this Exhibit B, (a) DESI grants no licenses, expressly or by implication, and (b) DESI's entering into and performing the Agreement (including this Exhibit B) will not be deemed to license or assign any intellectual property rights of DESI to Customer or any third party. Without limiting the foregoing sentence, Customer agrees to use each copy of the AccuVote-TSX firmware, or AccuVote-OS firmware, only on the AccuVote-TSX unit, or AccuVote-OS unit, with which the copy is supplied, agrees not to use any DESI Software as a service bureau for elections outside Larimer County, Colorado, and agrees not to reverse engineer or otherwise attempt to derive the source code of any DESI Software.

6. DESI Software Maintenance

6.1. During the Exhibit B Term, DESI shall maintain the DESI Software so that it operates in conformity at all times with the warranties set forth in the Agreement. DESI shall correct any reproducible error affecting the DESI Software. Suspected error conditions will be investigated and corrected by DESI personnel at the DESI office to the extent possible. Repair or replacement under this Exhibit B will be the exclusive remedy of Customer for any defects in the operation of the DESI Software.

6.2. If a problem cannot be resolved using remote diagnostics, upon Customer's prior authorization, DESI will send a specialist to the Customer's premises under the following terms:

6.2.1. If the problem lies solely with DESI Software, DESI is responsible for all expenses associated with the resolution of the problem, provided that Customer has incorporated all error corrections or changes to the DESI Software within ten days after receiving them from DESI.

6.2.2. If the problem is due to acts or omissions by Customer or a third party, including by the failure to incorporate all error corrections or changes in a timely manner, Customer is responsible for all fees and expenses at DESI's then-current consulting service rate. Such problems include those that arise from the failure of Third-Party Products, installation of the DESI Software on hardware that was not approved by DESI, or improper use of the DESI Software or the hardware upon which it is installed.

6.3. As is reasonably necessary for DESI to provide maintenance and support, Customer shall provide access to its personnel and premises, be responsible for maintaining all necessary computer hardware (other than Warranted Hardware), communications equipment, telephone lines, cabling and modems, and make available paper, disk packs and other similar supplies.

7. Enhancements and Upgrades. During the Exhibit B Term, DESI shall provide Enhancements and Upgrades (each as defined below) to Customer under the following terms and conditions.

7.1. DESI may provide Customer with unsolicited error corrections or changes to the DESI Software that DESI determines from time to time are necessary for proper operation of the System ("Enhancements").

7.2. DESI may release DESI Software improvements that add to or change the functionality characterizing the DESI Software as of the Effective Date ("Upgrades"). Upgrades do not include later released versions of the DESI Software with a higher version number.

7.3. Customer shall incorporate each Enhancement and Upgrade within ten days after receipt from DESI, unless DESI consents in writing to a delay in such incorporation. Each

Enhancement and Upgrade will be, from and after delivery to Customer, licensed to Customer under this Exhibit B and treated for all purposes as part of the DESI Software.

7.4. Notwithstanding any term of this Exhibit B to the contrary, DESI shall not provide, and shall not be obligated to provide, under this Exhibit B any Update, Enhancement or other software or firmware that has not been fully certified under any and all applicable provisions of the election laws and regulations of Larimer County, Colorado.

8. Incorporation of Provisions Surviving Expiration or Termination of Term. Effective upon expiration or termination of the Term of the Agreement, Sections 1 and 8 through 14 of the Agreement will be incorporated in this Exhibit B as if fully set forth herein, and will survive such expiration or termination (along with those specified in Section 2.3 of the Agreement) for the remainder of the Exhibit B Term.

EXHIBIT C

HARDWARE WARRANTY SERVICES SCHEDULE

1. Exhibit C Term. This Exhibit C is effective as of the Effective Date and, if not extended as provided herein, expires on the last day of the Warranty Period. Customer may thereafter extend the effectiveness of this Exhibit C for up to 20 successive one-year renewal periods (each, a "Hardware Renewal Term") by paying, for each Hardware Renewal Term, the Annual Extended Hardware Warranty Fee set forth in Exhibit A of the Agreement at least 30 days before such Hardware Renewal Term begins. The period during which this Exhibit C is in effect is referred to herein as the "Exhibit C Term."

2. Payment. The Total Initial Investment specified in Exhibit A of the Agreement includes payment in full, for the Warranty Period, for the hardware warranty services described in this Exhibit C. Each Annual Extended Hardware Warranty Fee constitutes payment in full for the hardware warranty services described in this Exhibit C for the duration of the applicable Hardware Renewal Term.

3. Warranted Hardware

3.1. During the Exhibit C Term, DESI shall maintain the items of DESI Hardware identified in Exhibit A and any other items of DESI Hardware for which Customer purchases extended warranty services under this Exhibit C (collectively, "Warranted Hardware"), so that they operate in conformity at all times with the warranties set forth in the Agreement. If any item of the Warranted Hardware fails during the Exhibit C Term to operate in conformity with the warranties set forth in the Agreement, DESI shall fully repair or, at DESI's option, replace the Warranted Hardware. The following conditions apply:

3.1.1. Customer shall bear the shipping costs to return the malfunctioning item of Warranted Hardware to DESI and DESI shall bear the costs for groundshipping the repaired or replaced item of Warranted Hardware to Customer. Shipping costs are based on ground service rates. If faster shipping service is required, the shipping cost shall be at the Customer's expense.

3.1.2. Customer may request on-site support services. If DESI agrees to provide on-site support services, such services will be provided on a time and material basis.

3.1.3. In special or unusual circumstances, Customer may request to borrow a hardware unit that can serve as a temporary replacement for the malfunctioning item of Warranted Hardware ("Loaner"). DESI may, at its discretion, provide a Loaner for Customer to use for election activity until the covered item is repaired or replaced. DESI and Customer shall agree in advance on the fee for the use of the Loaner.

3.2. For the avoidance of doubt, the following services are among those not covered by the payments identified in Section 2 above, and are available at DESI's then current time and material rates.

3.2.1. The replacement of consumable items such as batteries, paper rolls, ribbons, clock chips, smart cards, floppy disks, and disks on chips.

3.2.2. The repair or replacement of Warranted Hardware damaged by accident, abuse, neglect, improper usage or as a result of service modification by anyone other than DESI and its authorized service representatives.

3.2.3. The repair, refitting or replacement of any DESI Hardware to comply with the changes in any applicable laws or regulations becoming effective after acceptance of such Hardware.

4. Gaps in Warranty Coverage. Customer may purchase extended hardware warranty services under this Exhibit C for items of DESI Hardware for which coverage has lapsed. In such case, in addition to payment of the applicable Annual Extended Hardware Warranty Fee, Customer will pay at DESI's then current time and material rates for inspections and repairs required to bring the items of DESI Hardware up to warranty-level standards.

5. Incorporation of Provisions Surviving Expiration or Termination of Term. Effective upon expiration or termination of the Term of the Agreement, Sections 1 and 8 through 14 of the Agreement will be incorporated in this Exhibit C as if fully set forth herein, and will survive such expiration or termination (along with those specified in Section 2.3 of the Agreement) for the remainder of the Exhibit C Term.