



2SOURCE MANUFACTURING INC.-TERMS AND CONDITIONS OF PURCHASE FORM A-101

1. **ACCEPTANCE OF TERMS AND CONDITIONS.** Supplier should accept this non-exclusive supply order by signing the acceptance copy and returning it to 2Source Manufacturing Inc. ("2Source") promptly. Absent such written acknowledgment, Supplier's full or partial performance under this order will constitute acceptance of all terms and conditions contained herein. By acceptance of this order, Supplier agrees to be bound by, and to comply with all terms and conditions of this order, (and any supplements), and all referenced specifications or other documents. The terms and conditions listed herein apply to everything listed in this order and constitute 2Source's offer to Supplier, which 2Source may revoke at any time before Supplier accepts it. This order does not constitute an acceptance by 2Source of any offer to sell, any quotation, or any proposal. Reference in this order to any such offer to sell, quotation, or proposal shall in no way constitute a modification of any of the terms and conditions of this order. **TERMS AND CONDITIONS THAT ARE DIFFERENT FROM OR IN ADDITION TO THE TERMS AND CONDITIONS IN THIS ORDER, WHETHER CONTAINED IN ANY ACKNOWLEDGMENT OF THIS ORDER, OR OTHERWISE, SHALL NOT BE BINDING ON 2SOURCE, WHETHER OR NOT THEY WOULD MATERIALLY ALTER THIS ORDER, AND 2SOURCE HEREBY OBJECTS THERETO. THE TERMS AND CONDITIONS IN THIS ORDER MAY ONLY BE MODIFIED BY A WRITTEN AGREEMENT EXECUTED BY THE CHIEF EXECUTIVE OFFICER OF 2SOURCE AND BY THE DULY AUTHORIZED REPRESENTATIVES OF SUPPLIER.**
2. **PAYMENT.** Unless otherwise specified on the face of the purchase order, payment by 2Source to Supplier for this order shall be made in Canadian funds net 60 days after delivery by Supplier.
3. **TRANSPORTATION & DELIVERY.** Unless otherwise specified on the face of this order, Supplier will deliver F.O.B. to 2Source's facilities or location as designated by 2Source on the face of the purchase order. All costs associated with any unauthorized shipments are Supplier's responsibility. Time is of the essence in this order. 2Source may by written notice to Supplier terminate the whole or any part of this order if (a) Supplier fails to perform within the time specified herein or any extension thereof approved in writing by 2Source; or (b) Supplier either fails to perform any of the other provisions of this order or fails to make progress so as to endanger performance of this order in accordance with its terms. Upon such termination 2Source may procure upon such terms as it shall deem appropriate goods or services similar to those so terminated, in which case Supplier shall continue performance of this order to the extent not terminated and shall be liable to 2Source for any excess costs for such similar goods or services. As an alternate remedy in lieu of termination for default, 2Source, at its sole discretion, may elect to extend the delivery schedule and/or waive other deficiencies in Supplier's performance, in which case an equitable reduction in the order price shall be negotiated. If Supplier does not comply with 2Source's delivery schedule, 2Source may require delivery by fastest way and charges resulting from the premium transportation must be fully prepaid and absorbed by Supplier. The rights and remedies of 2Source provided in this clause shall not be exclusive and are in addition to any other rights and remedies available to 2Source under this order or otherwise by law.
4. **QUALITY CONTROL & INSPECTION.** Supplier represents, warrants and covenants that it currently has and shall maintain a quality control system which complies with all legislative, regulatory, licensing, association or other standards, including those which are imposed on or by either 2Source or its customer(s) in respect of the goods and services to be provided hereunder. All goods (which term throughout this order includes without limitation raw materials, components, intermediate assemblies, tools and end products) and services shall be subject to inspection and test by 2Source and its customer(s) at all times and places including the period of manufacture and in any event prior to final acceptance by 2Source and its customer in order to assess work quality, conformance with specifications, and conformance with Supplier's representations, warranties and covenants under this order. If any inspection or test is made on the premises of Supplier or its sub-supplier, Supplier without additional charge shall provide all reasonable facilities and assistance for the safety and

convenience of the inspectors in the performance of their duties. 2Source's failure to inspect or reject non-conforming goods and services or failure to detect defects by inspection shall not relieve Supplier from responsibility under this order. Supplier shall provide and maintain an inspection and process control system acceptable to 2Source covering the goods and services hereunder. Records of all inspection work by Supplier shall be kept complete and available to 2Source during the performance of this order and for 2 years thereafter or for such longer periods as may be specified in this order, whichever is longer.

5. **REJECTIONS.** If any of the goods or services ordered are found at any time to be defective, or otherwise not in conformity with the requirements of this order, including any applicable drawings and specifications, 2Source, in addition to any other rights and remedies it may have, at its option and sole discretion may, at Supplier's expense: (a) reject and return such goods for credit or refund; (b) require Supplier to inspect the goods and remove and replace non-conforming goods with goods that conform to this order; (c) upon notice to Supplier, take such actions as may be required to cure all defects and/or bring the goods or services into conformity with all the requirements of this order; and/or (d) reject the services and require Supplier to re-perform any defective portion of the services performed. If 2Source elects option (b) above and Supplier fails to promptly make the necessary inspection, removal and replacement, 2Source may at its option inspect and sort the goods; and Supplier shall pay the cost thereof.
6. **WARRANTIES.** Supplier warrants that all goods and services sold hereunder or pursuant hereto will be (a) free of any claim of any nature by any third person and that Supplier will convey clear title thereto to 2Source as provided hereunder, (b) of merchantable quality, free from all defects in design, workmanship and materials, (c) fit for the particular purposes for which they are purchased, and (d) provided in strict accordance with specifications, samples, drawings, designs and other requirements (including performance specifications) provided, approved or adopted by 2Source. Supplier further warrants that (a) the goods and services sold hereunder or pursuant hereto contain no known computer viruses, time bombs, or code or instructions (including any code or instructions provided by third parties) that may be used to access, modify, delete, damage, or disable any computer, associated equipment, computer programs, data files or other electronically stored information operated or maintained by 2Source, and (b) neither the performance nor the functionality of the goods or services will be affected by any date changes.
7. **2SOURCE'S PROPERTY.** All tools, equipment, materials, drawings, computer programs, or other documented data of every description furnished to Supplier by 2Source or paid for by 2Source, and any replacement thereof, or any materials affixed or attached thereto, shall be and remain the personal property of 2Source. Such property, and whenever practical each individual item thereof, shall be plainly marked or otherwise adequately identified by Supplier as "Property of 2Source" and shall be safely stored separate and apart from Supplier's property. Supplier shall not substitute any property for 2Source's property and shall not use 2Source's property except in filling 2Source's orders. 2Source's property while in Supplier's custody or control shall be held at Supplier's risk. 2Source's property shall be subject to removal at 2Source's written request, in which event Supplier shall prepare such property for shipment and shall deliver it as directed by 2Source in the same condition as originally received by Supplier, reasonable wear and tear excepted, all at Supplier's expense. If this order funds the development of any item; including without limitation any composition of matter, article of manufacture, machine, process, method, software program, or database; or results in any idea, invention, or work of authorship which may be subject to patent, copyright, trademark or trade secret protection; Supplier hereby agrees to assign all right, title and interest in and to said item, idea, invention or work of authorship to 2Source. Supplier shall notify 2Source of the development of such item, idea, invention, or work of authorship and shall cooperate with and assist 2Source in every reasonable way to perfect its right, title and interest, such as by executing and delivering all additional documents reasonably requested by 2Source in order to perfect, register, and/or enforce the same, and 2Source shall reimburse Supplier for reasonable costs incurred by Supplier in providing such assistance.
8. **CHANGES.** 2Source at any time shall have the right to make changes in the quantities, specifications or delivery schedule. Any such change which has significant impact shall entitle either Supplier or 2Source to an equitable adjustment in the order price and/or delivery schedule. However, no additional charge or delivery extension will be allowed unless authorized by 2Source's written amendment to this order. Information, such as technical direction or guidance provided to Supplier by representatives of 2Source in connection with Supplier's

performance of this order, shall not be construed either as a change within the meaning of this provision or as direction to proceed outside the scope of this order. If Supplier considers that the conduct of any of 2Source's employees has constituted a change hereunder, Supplier shall notify 2Source immediately in writing as to the nature of the change and its effect on Supplier's performance including delivery schedule and the amount to be paid to Supplier. In any event, the maximum liability of 2Source for obsolescence, scrappage, and/or rework resulting from any change shall be limited to the value of the materials and parts in process at the time of the change, to the extent that such parts are within Supplier's normal manufacturing cycle required to meet the established delivery schedule which, in any event shall not exceed six months of production. Nothing in this clause, including any disagreement with 2Source as to the equitable adjustment to be made, shall excuse Supplier from proceeding with the order as changed.

9. **ASSIGNMENT.** Assignment of this order or any portion or interest herein by Supplier, without the written consent of 2Source, shall be void and of no force and effect. 2Source in its sole discretion may assign its rights hereunder.
10. **SET-OFF.** 2Source shall be entitled at all times to set off any amount owing at any time from Supplier to 2Source or any of its affiliated companies against any amount payable at any time by 2Source in connection with this order.
11. **COMPLIANCE WITH LAWS.** Supplier shall comply with all national, provincial, federal, state, or local laws, bylaws, and rules and regulations issued there under, including, without limitation, applicable price discrimination laws. Supplier shall also comply with any provisions, representations or agreements, or contractual clauses required thereby to be included or incorporated by reference or operation of law in the contract, including, without limitation, relevant labour and employment laws. Supplier represents, warrants, certifies and covenants (a) that it shall perform all activities required under this order in compliance with all applicable national, provincial, federal, state and local environmental, health and safety laws and regulations, (b) that it will take appropriate actions to provide a safe and healthy workplace, and to protect local environmental quality, (c) that because products supplied under this order may be exported worldwide, including to countries which forbid the importation of products manufactured with child labour or with forced, indentured or convict labor, no products supplied under this order have been or will be produced utilizing forced, indentured or convict labour or utilizing the labour of persons in violation of the minimum working age law in the country of manufacture, and (d) that it has established an effective program to ensure any suppliers it utilizes to provide any goods or services that will be incorporated into products or services supplied under this order will be in conformance with the provisions of this paragraph. If any goods or other materials sold or otherwise transferred to 2Source hereunder contain hazardous materials, Supplier shall provide all relevant information pursuant to relevant environmental, safety and health legislation, and mandated labeling information. Goods and other materials sold or otherwise transferred to 2Source hereunder shall not contain arsenic, asbestos, benzene, carbon tetrachloride, lead, cadmium, or chemicals restricted under the Montreal Protocol unless 2Source expressly agrees otherwise in writing. From time to time, at 2Source's request, Supplier shall provide certificates to 2Source relating to any applicable legal requirements or to update the certifications, representations and warranties in this paragraph, in each case in form and substance satisfactory to 2Source. Without limiting the generality of the foregoing, Supplier shall provide certificates of origin relating to products within the meaning of the rules or origin of the NAFTA preferential duty rules of origin, which will include a statement as to whether the goods in question were produced in the United States, Mexico, or Canada, or, if the country of origin or manufacture is not NAFTA eligible, then a statement as to the country of origin or manufacture
12. **NO BRIBERY.** The Supplier shall be strictly prohibited at all times from enticing any employee, agent or consultant of 2Source into entering any supply agreement or other types of arrangement with the Supplier or any person connected to the Supplier through any gift, sum of monies, meals, travel, tickets, entertainment, event, vacation, accommodation or other donation, favor or incentive offered to the individual or any person related to such individual, except for a maximum amount of U.S. \$25 per calendar year and except for occasional business consultation meals between the supplier and such individual.

13. **SUPPLIER'S PROPRIETARY INFORMATION.** Any knowledge or information which Supplier has disclosed or may hereafter disclose to 2Source which in any way relates to the goods or services covered by this order shall not, unless otherwise specifically agreed to in writing by 2Source, be deemed to be confidential or proprietary information, and shall be acquired by 2Source free from any restrictions (other than a claim for patent infringement) as part of the consideration for this order. Supplier shall not assert any claim (other than a claim for patent infringement) with respect to any such information against 2Source.
14. **INDEMNIFICATION.** Supplier will indemnify, release, defend and hold harmless 2Source, its subsidiaries, affiliates, licensees and assigns, and their respective officers, directors, agents, representatives, subcontractors and employees (each, an "Indemnified Party"), from all claims, liabilities, damages, liabilities, costs (including reasonable legal fees), expenses, liens or actions (collectively, "Claims") incurred by or asserted against an Indemnified Party, in any manner arising out of or relating to Supplier's performance or failure to perform its obligations, Supplier's breach of any of the representations, warranties or covenants contained in this order, or any goods or services supplied under this order, including Claims relating to personal injury (including death) or damage to property. Supplier agrees to include this clause in any subcontracts issued hereunder.
15. **INSURANCE.** Supplier shall maintain public liability, property damage and other insurance coverage of at least \$2,000,000 (US) per occurrence with carriers satisfactory to 2Source. Supplier shall, upon request, furnish 2Source with a certificate of insurance as evidence of the above required insurance and such certificate will provide for thirty (30) days written notice to 2Source prior to cancellation thereof. 2Source shall be included as an additional insured on all such policies. Requirements specified herein and the fact that 2Source may have approved the Supplier insurance coverage are not intended to and shall not in any manner limit or qualify the liabilities and obligations assumed by Supplier under this order.
16. **INSOLVENCY.** If Supplier ceases to conduct its operations in the normal course of business, including inability to meet its obligations as they mature, or if any proceeding under the bankruptcy or insolvency laws is brought by or against Supplier, or a receiver for Supplier is appointed or applied for, or an assignment for the benefit of creditors is made by Supplier, 2Source may terminate this order without liability, except for deliveries previously made or for goods or services covered by this order then completed and subsequently delivered in accordance with the terms of this order and regardless of any receivership or other insolvency proceedings, 2Source may take possession of any parts pertaining to 2Source's work, including raw material, work-in-process or finished goods relating to 2Source's work, and any tools, fixtures and equipment relating to 2Source's work provided that 2Source (i) may pick any one of such parts or materials at its sole discretion; (ii) 2Source shall pay the Supplier for the parts or materials so taken the fair market value of such parts or materials thirty (30) days following receipt by 2Source of the parts or materials; and (iii) 2Source shall have the right to set-off the amounts owing under subparagraph (ii) hereof against any other amount owed by Supplier to 2Source.
17. **TERMINATION/CANCELLATION.** a) In the event 2Source determines any of Supplier's representations, warranties, certifications or covenants to be untrue, 2Source shall have the right to immediately terminate this order without further compensation to Supplier and Supplier shall compensate 2Source for any damages suffered by 2Source relating thereto. Additionally, 2Source, by written notice, may terminate this order, in whole or in part, at any time when it is in 2Source's interest to do so.
b) In the event 2Source determines any order given to Supplier shall terminate, 2Source will terminate by delivery of a notice of termination specifying the extent of termination and the effective date. After receipt of a notice of termination, Supplier shall immediately: (1) stop work as directed in the notice; (2) place no further subcontracts or orders for materials, services, or facilities, except as necessary to complete the continued portion of the order; and (3) terminate all subcontracts to the extent they relate to work terminated. After termination, Supplier shall turn over to 2Source all completed work and work in process, including all designs, drawings, specifications, and other documentation and material required or produced in connection with such work; submit a final termination settlement proposal in the form and in the manner prescribed by 2Source, and 2Source shall reimburse Supplier for the cost of all work performed under the order prior to the date of receipt of the notice of termination, less (in the case of terminations under the first sentence of subparagraph a) of this provision) any costs or damages 2Source incurred as a result of the termination or due to Supplier's breach of any representations, warranties, certifications or covenants.

18. **2SOURCE'S INFORMATION.** Supplier shall keep confidential any technical, process, commercial, economic or other information furnished by 2Source, or specifications or other data furnished by 2Source in connection with this order and shall not divulge, export, or use, directly or indirectly, such information for the benefit of Supplier or any other party without obtaining prior written consent from 2Source's Chief Executive Officer. Except as required for the efficient performance of this order, Supplier shall not make copies or permit copies to be made of such drawings, specifications, or other data without the prior written consent of 2Source. If any reproduction is made with prior consent, this notice shall be provided thereon. Upon completion or termination of this order, Supplier shall promptly return to 2Source all materials and any copies thereof, except for one record copy incorporating any such information.
19. **ENTIRE AGREEMENT.** This order, with such documents as are expressly incorporated herein by reference, is intended by the parties as a final expression of their agreement with respect to such items as are included herein, and is intended also as a complete and exclusive statement of the terms of their agreement. No course of prior dealing between the parties and no usage of the trade shall be relevant to determine the meaning of this agreement even though the accepting or acquiescing party has knowledge of the nature of the performance and opportunity for objection. The invalidity, in whole or in part, of any of the paragraphs of this order shall not affect the remainder of such paragraphs or any other paragraph of this order.
20. **APPLICABLE LAW.** This order shall be governed by and construed in accordance with the laws of the Province of Ontario, without regard to the province's conflict of law provisions, and not including the United Nations Convention on Contracts for the International Sale of Goods. The parties agree that neither shall commence any litigation against the other except in a court located in the Province of Ontario. Each party consents to jurisdiction over it by an exclusive venue in such a court.
21. **WAIVER.** The failure of 2Source to enforce at any time or for any period of time any of the provisions hereof shall not be construed to be a waiver of such provisions nor of the right of 2Source thereafter to enforce each and every such provision. Any check or approval of drawings by 2Source will be for Supplier's convenience and will not relieve Supplier of its responsibility to meet all requirements of this order. No claim or right arising out of a breach of this order can be discharged in whole or part by a waiver of the claim or right unless the waiver is supported by consideration and is in writing signed by the aggrieved party.
22. **INTELLECTUAL PROPERTY INDEMNIFICATION.** Supplier represents and warrants to 2Source that; Supplier is the sole owner of all right, title and interest in and to the goods provided by Supplier hereunder, or that Supplier has the right to perform all services provided by Supplier hereunder, including but not limited to all patents, copyrights, trademarks, trade names and trade secrets therein or related thereto; Supplier has not sold, granted, conveyed, licensed or assigned to any third party, or in any way encumbered, the goods or any part thereof; Supplier has the right to enter into this order and to grant the rights granted herein; and the goods, services and the rights granted to 2Source herein do not infringe upon any right of any third party. Supplier shall defend and indemnify at its own cost and expense each Indemnified Party from and against any and all Claims arising out of any breach or purported breach by Supplier of any representation or warranty made hereunder. If Supplier should fail to defend or settle a Claim at any time after demand, the Indemnified Party shall have the right to do so without prejudice to any claims the Indemnified Party may have against Supplier for indemnification pursuant to this clause or otherwise. If, as a result of any Claim, the goods, services or any part thereof provided by Supplier hereunder or any permitted use thereof (the "Infringing Good or Service") is found or adjudicated to constitute infringement of any third party's intellectual property right and/or the use of any Infringing Good or Service is enjoined by a court of competent jurisdiction, Supplier may, with 2Source's prior written consent, at Supplier's expense and with as little disruption as is reasonably practicable to 2Source's business: procure for 2Source the right to continue using such Infringing Good or Service; replace such Infringing Good or Service with a non-infringing good or service that performs substantially the same functions and meets the performance objectives set forth in this order, in 2Source's sole judgment; or remove the Infringing Good or Service and refund the purchase price associated with the removed Infringing Good or Service, and pay to 2Source any other costs, damages (consequential, direct, indirect or otherwise) associated with any such event.

23. **RISK OF LOSS, TITLE PASSAGE.** The risk of loss in transit lies with Supplier. Title will pass to 2Source upon 2Source's receipt of the goods or services by 2Source or its designated recipients.
24. **NO AGENCY.** Supplier shall provide goods and services hereunder as an independent contractor and not as 2Source's agent or employee.
25. **NO CHILD LABOUR.** Supplier shall be strictly prohibited from hiring or using, directly or indirectly, any children under the age of 16 with respect to the goods and services provided to 2Source.
26. **ANTICIPATION OF DELIVERY SCHEDULE.** Supplier shall not make material commitments or production arrangements in excess of the amount or in advance of the time necessary to meet 2Source's delivery schedule. It is Supplier's responsibility to comply with this schedule, but not to anticipate 2Source's requirements. Goods shipped to 2Source in advance of schedule may be returned to Supplier at Supplier's expense.
27. **IMPORTATION OF GOODS.** 2Source agrees to be the importer of record with respect to the products supplied by Supplier and shall pay all duties and other costs of customs clearance, subject to the Supplier fully cooperating in a timely manner to provide documentation and assistance as 2Source may request with respect to such products, including, providing, in English, all information required by the US Customs Service, the Canada Border Services Agency or any other jurisdiction's customs service as stipulated by 2Source, which must be included on documents necessary upon entry of products into the US, Canada or such other country. Supplier shall accurately indicate the country of origin of all products sold hereunder on the customs invoice and other applicable documentation. Supplier warrants that no sale hereunder will give rise to anti-dumping or countervailing duties under US, Canada or any other applicable law. Supplier shall execute such documents as may be necessary to allow 2Source to claim duty preference under applicable programs.
28. **EXCLUSIVE SUPPLY TO 2SOURCE.** In the event that 2Source has provided the Supplier with specific drawings or data in connection with the production or supply of the goods and services referred to herein, the Supplier agrees that (i) such goods and services are proprietary to 2Source or to 2Source's customers and, in either case, that such goods and services shall be supplied exclusively to 2Source at any time; and (ii) the Supplier shall be strictly prohibited from, directly or indirectly, supplying at any time such goods and services or any part or modified version of such goods and services or any goods and services which include as one of its components the goods and services ordered herein to any other person than 2Source.
29. **CONFIDENTIALITY PROVISIONS.**
- a) Except as provided hereunder or otherwise agreed to by 2Source in writing, Supplier agrees that (i) it shall keep all information relating to 2Source, its business, operations, assets, liabilities, prospects and plans, which are provided to Supplier or which Supplier acquires as part of its relationship, or discussions with 2Source, including all notes, analyses, compilations, studies, interpretations or other documents prepared by Supplier which contain, reflect, analyze, discuss or review any such information (the "Confidential Information") confidential and shall not disclose or reveal any Confidential Information to any person other than to an authorized representative of Supplier, and (ii) it shall not use the Confidential Information for any purpose other than in its discussions or business relationship with 2Source or its analysis of any potential relationship with 2Source.; and (2) Supplier shall inform its respective authorized representatives of the confidential nature of the Confidential Information, shall hold them to the same conditions as are contained herein, and shall be responsible for any breach by its authorized representatives of these terms and conditions.
 - b) Confidential Information and all materials derived there from, including but not limited to those materials listed in the definition of Confidential Information, shall remain or become the property of 2Source.
 - c) Except as otherwise provided hereunder, Supplier shall not disclose to any other Person: (a) that this agreement has been executed; (b) that Confidential Information has been made available to, or inspected by, Supplier; (c) that discussions or business relationships between the parties are taking place or were proposed; or (d) the content of discussions or the nature of the business relationship between the parties.

- d) Except as provided hereunder or otherwise agreed to by 2Source in writing, Supplier agrees that (i) it shall keep all information relating to 2Source, its business, operations, assets, liabilities, prospects and plans, Supplier shall return all of 2Source's Confidential Information within seven days of being requested to do so and, in such event, shall destroy all materials derived there from, including but not limited to those materials listed in the definition of Confidential Information. Supplier shall certify to 2Source that all Confidential Information has been returned and that such materials have been destroyed.

30. REMEDIES. Supplier acknowledges that the disclosure or use of Confidential Information contrary to these terms, or Supplier's failure to comply with the terms and conditions of these terms will give rise to irreparable injury to 2Source inadequately compensable in damages, accordingly, 2Source may, in addition to any other remedy available at law, enforce the performance of these terms by injunction or specific performance upon application to a court of competent jurisdiction without proof of actual damages, and notwithstanding that damages may be readily quantifiable, Supplier agrees not to plead sufficiency of damages as a defense in any proceeding. The rights and remedies provided in these terms and conditions are cumulative and are in addition to, and not in substitution for, any other rights and remedies. All such rights and remedies may be exercised from time to time, and as often and in such order as 2Source deems expedient.