

**TALON INTERNATIONAL, INC.  
TERMS AND CONDITIONS OF SALE**

THIS AGREEMENT is entered into between the customer ("Customer") identified on the Order Confirmation and Pro-Forma Invoice, and TALON International, Inc., a Delaware corporation or its subsidiary, ("TALON"). Any terms or conditions appearing on Customer's purchase order, acknowledgement or in any other writing received from Customer which are different from or in addition to the terms and conditions contained herein are null and void unless signed by a TALON officer and shall have no force or effect whatsoever and the terms and conditions of sale as set forth herein shall govern the purchase of goods, services and art work by Customer from TALON.

1. Price and Payments. Payment terms on all goods, services and art work are set forth on the Invoice and as follows; (a) TALON retains a security interest in all products sold to Customer and in proceeds thereof, until payment is made full by Customer; (b) Customer shall be charged interest on any amounts due and outstanding after the due date at the rate of the lesser of (i) 1.5% per month, or (ii) the maximum legal rate; (c) Unless objected to in writing in 5 days the price for all goods, services and work as set forth on the Invoice hereof; (d) failure to pay an invoice at maturity makes all subsequent invoices immediately due and payable.
2. Title and Risk of Loss. Title and risk of loss or damage to all products purchased by Customer shall pass to Customer upon delivery to the carrier. Customer is responsible for filing all claims against the carriers.
3. Delivery. Unless specified on the front of the invoice only TALON's standard commercial packaging materials and methods will be used. Special shipment of packaging may require different or additional terms.
4. Cancellation. Any cancellation of an order by the Customer in whole or in part more than 48 hours following the Order Confirmation will be subject to reimbursement of ALL costs incurred plus 20% of the invoice price for the cancelled items (plus any previously agreed-upon amounts for special packaging and the like). Any customer deferral or delay in agreed payments prior to delivery, constituting an unauthorized delay or cancellation of an order within the same period will be subject to the same charge. ORDERS FOR CUSTOM ITEMS, SPECIFICALLY DESIGNED OR PREPARED ITEMS AND ITEMS MANUFACTURED TO DESIGNS OR SPECIFICATIONS PREPARED SPECIALLY FOR, PROVIDED BY OR OTHERWISE UNIQUE TO CUSTOMER ARE IRREVOCABLE, NON-DEFERRABLE AND NON-CANCELABLE.
5. Limitation of Remedies. TALON SHALL NOT HAVE ANY LIABILITY TO THE CUSTOMER FOR LOST PROFITS OR OTHER CONSEQUENTIAL, SPECIAL, INDIRECT OR INCIDENTAL DAMAGES, BASED UPON A CLAIM OF ANY TYPE OR NATURE (INCLUDING BUT NOT LIMITED TO CONTRACT, TORT (INCLUDING NEGLIGENCE WARRANTY OR STRICT LIABILITY), EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES).
6. Warranties. TALON warrants that all Goods pursuant to this invoice will be free of defects in materials and workmanship when delivered to Customer. TALON must receive notice in writing of any defects within 5 days after delivery of the goods pursuant to this invoice. Customer's failure to notify TALON within 5 days after delivery shall constitute final acceptance by Customer. Except as late delivery or for shortages otherwise expressly stated herein, TALON'S liability is limited (as TALON'S option) to the refund of the purchase price for, or replacement of, any defective on late goods. TALON shall determine the method of shipping, if any, to be used in returning the defective goods to TALON and shall bear the expense thereof. EXCEPT AS EXPRESSLY SET FORTH HEREIN, TALON MAKES NO OTHER WARRANTIES TO CUSTOMER AND DISCLAIMS ALL WARRANTIES, WHETHER EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. CUSTOMER EXPRESSLY UNDERSTANDS AND AGREES THAT TALON DOES NOT WARRANT THAT THE GOODS ARE FREE OF CLAIMS OF PATENT, TRADEMARK, TRADE SECRET, OR COPYRIGHT INFRINGEMENT BY A THIRD PARTY. CUSTOMER FURTHER ACKNOWLEDGES THAT THE GOODS MAY VARY IN SHADE FROM PIECE TO PIECE AND TALON ASSUMES NO RESPONSIBILITY FOR SUCH VARIATION, AND CUSTOMER ACKNOWLEDGES THAT TALON DISCLAIMS ANY WARRANTIES EXCEPT AS EXPRESSLY SET FORTH HEREIN, INCLUDING BUT NOT LIMITED TO FASTNESS OF COLOR, PERMANENCE OF FINISH, SHRINKAGE OR RESIDUAL SHRINKAGE OR EXACTNESS OF SIZE.
7. Customer also agrees to examine immediately upon receipt, each and all of TALON'S invoices, and to advise TALON of any disputed transactions or statements within 5 days of receipt of the invoice, together with a written statement specifying the reasons for such dispute. Failure to notify TALON of any dispute with respect to billing or of defective goods shall constitute a complete waiver of any and all such disputes. Customer agrees that all work created or produced TALON is the property of TALON until paid and Customer agrees to pay TALON at the rate of one hundred dollars per hour for all art work created and produced, unless TALON shall have received purchase orders from Customer which are accepted by TALON in excess of the costs to create and produce the art work, calculated on the basis of one hundred dollars per hour.
8. Force Majeure – Neither party shall be held responsible for any delay or failure in performance of any part of this Agreement to the extent such delay or failure is caused by fire, flood, explosion, war, strike, embargo, government requirement, civil or military authority, act of God, or other similar causes beyond its control with the fault or negligence of the delayed or non performing party and its subcontractors ("force majeure conditions").
9. Lien on Customer Property. As security for payments of any sum or charge due or to become due, TALON shall have the right to retain possession of, and shall have a lien on all property owned by Customer and in TALON's possession and all work in process.
10. Indemnification. Customer warrants that none of the matters included in the production of the goods infringes upon any copyright, trademark, or proprietary right, violates the rights or will cause damage or injury to other persons or entities or otherwise constitutes a violation of any statute, law, ordinance or regulation of any kind of governmental authority. Customer shall indemnify and hold harmless TALON from any all loss, cost, expense, damages, judgments, attorneys' fees and costs of defense on account of any and all manner of claims, demands, actions, and proceedings that may be instituted against Supplier on grounds alleging that TALON violated any copyright, trademark or any proprietary right of any person or that goods contain any matter that is libelous, scandalous, or constitutes an invasion of any person's right to privacy or other person rights or constitutes a violation of any statute, law, ordinance, or regulation of any kind of any governmental authority. Customer agrees at its own expense to promptly defend any such claim, demand, action, or proceeding that may be brought against TALON.
11. Quantities. A variation of not more than 4% over and 4% under the quantity specified for an item shall be considered compliance with the order, and the overruns or shortages shall be charged or credited at the rate for the specified quantity. Any increase in quantities in excess of (5%) percent of the previously agreed upon quantities will subject Customer to potential extension of scheduled deliver dates or additional charges for costs or accelerated production at regular overtime rates. Any decrease in quantities in excess of five (5%) percent below the previously agreed upon quantities will subject Customer to potential charges. In accordance with P.I.A. standards TALON is permitted to ship 10% over or under the quantity ordered.
12. Storage. All Customer's property that is stored with TALON is at Customer's risk, and TALON is not liable for any loss of damage thereto caused by fire, water leakage, theft, negligence, insects, rodents, or storage of Customer's property.
13. General.
  - a) All notices or demands required shall be in writing and made by personal service or sent via certified mail.
  - b) This Agreement shall be interpreted exclusively in accordance with the laws of the State of California without regard to conflict of law principles and excluding the convention for the International Sale of Goods, and Customer consents and submits to jurisdiction of the state and federal courts of the State of California for the resolution of any legal action between the parties, and agrees that venue for such legal action between the parties shall be exclusively in Los Angeles County, California, for any state court action or in the Central District of California for any action instituted with the federal court system.
  - c) Any action under or arising out of this Agreement must be commenced within one year after the cause of action accrued, except that actions for non-payment must be commenced within three years after the date of payment was due.
  - d) If any action, suit or other proceeding is instituted concerning or arising out of this Agreement. The prevailing party shall recover all of such party's costs and attorney's fees incurred in each and every such action, suit or other proceeding, including any and all appeals or petitions there from. As used herein, "attorney's fees" shall mean the full and actual costs of any legal services actually rendered in connection with the matters involved, calculated on the basis of the usual fee charged by the attorneys performing such services, and shall not be limited to "reasonable attorneys' fees" as defined by any statute or rule of court.
  - e) Failure of either party to require strict performance by the other party of any provision shall not affect the first party's right to require strict performance thereafter. Waiver by either party of a breach of any provision shall not waive either the provision itself or any subsequent breach.
  - f) This Agreement constitutes the entire agreement between the parties concerning the subject matter hereof, superseding all previous proposals, representation, or understandings, whether oral or written. Modifications of this Agreement must be in writing and signed by authorized representatives of both parties.

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