

Standard Terms of Purchase

1. Acceptance: Each Purchase Order issued by Source Technologies will be deemed accepted by the Supplier unless the Supplier rejects the same in writing within five (5) business days after the date thereof or delivers the ordered items to Source Technologies. Acceptance of a Purchase Order is expressly limited to the terms thereof. If there is any inconsistency between the terms of a Purchase Order and any purported acceptance, the terms of the Purchase Order will prevail.

2. Price: The Supplier agrees that:

- (a) if the price is omitted from this order or any part of this order, Supplier's price will not be higher than Supplier's lowest prevailing price for corresponding items as of the date hereof, and
- (b) Any reduction in price in any item covered by this order made subsequent to its receipt by the Supplier shall be applicable hereto.

3. Extra Charges: No extra charges of any kind, including charges for packing or cartage will be allowed unless specifically agreed to by Source Technologies in advance.

4. Overshipments, Installments: Source Technologies will pay only for maximum quantities of products ordered. Overshipments will be held at Supplier's risk and expense for a reasonable time awaiting shipping instructions. Return shipping charges for excess quantities will be at Supplier's expense. Any provision in a Purchase Order for delivery of items by installment will not be construed as rendering the obligations of the Supplier severable and Source Technologies will only be obliged to pay the price of the products included in such installment after such installment is actually received by Source Technologies.

5. Packing and Shipment: No charges will be allowed for boxing, crating, handling damage, carting, drayage, storage or other packing requirements. Unless otherwise specified, all supplies shall be packed, packaged, marked and otherwise prepared for shipment in a manner which is:

- (a) in accordance with good commercial practice;
- (b) acceptable to common carriers for shipment at the lowest rate for the particular supplies
- (c) adequate to insure safe arrival of the supplies at the name destination. Supplier shall mark all containers with necessary lifting, handling and shipping information, Purchase Order numbers, date of shipment and the names of the consignee and consignor. An itemized packing list must accompany each shipment. Source Technologies' Purchase Order number shall appear on all shipping notices, bills of lading, packing lists, invoices, and any other documents. No partial or complete delivery shall be made hereunder prior to the date or dates shown unless Source Technologies has given prior written consent.

6. F.O.B. Point: Unless otherwise specifically provided on the face of this order, the supplies called for hereunder shall be delivered on a F.O.B. origin basis.

7. Warranties: The Supplier warrants, represents, covenants and agrees as follows:

- (a) The products supplied pursuant to each Purchase Order will (i) be in full compliance with the specifications, blueprints, drawings and data as may be amended from time to time, (ii) be of merchantable quality; (iii) fit for the use intended by Source Technologies; (iv) be in conformance with samples, if any, approved by Source Technologies; and (v) free from any actual or claimed patent, copyright, trade secret, mask work right or trademark infringement and (vi) be so supplied, and Source Technologies will have title thereto, free and clear of all liens, charges, encumbrances and security interests.
- (b) The warranties contained in this §7 are the only warranties made by the Supplier concerning the products and such warranties will survive the acceptance of the products and the payment therefor by Source Technologies. For greater certainty, Source Technologies acknowledges that the Supplier has given no warranties, express or implied, other than those set forth in this §7.
- (c) The warranty period is for one (1) year after delivery unless otherwise stated in a Purchase Order.

(d) If any product delivered hereunder does not meet the warranties specified herein or otherwise applicable, Source Technologies may, at its option: (i) require the Supplier to correct at no cost to Source Technologies any defective or non-conforming supplies by repair or replacement; or (ii) return such defective or non-conforming supplies at the Supplier's expense to the Supplier and recover from the Supplier the order price thereof; or (iii) correct the defective or non-conforming supplies itself and charge Supplier with the cost of such correction.

(e) Purchase the product from other sources and recover the difference in price from the Supplier. The foregoing remedies are in addition to all other remedies at law or in equity or under this order, and shall not be deemed to be exclusive.

(f) Source Technologies' approval of the Supplier's material or design shall not relieve the Supplier of the warranties set forth in this clause, nor will any waiver by Source Technologies of any drawing or specification requirement for one or more of the items ordered constitute a waiver of such requirements for the remaining items to be delivered hereunder unless so stated by Source Technologies in writing.

8. Invoices: Each invoice issued as a result of a Purchase Order shall:

- (a) be rendered separately for each delivery;
- (b) not cover more than one Purchase Order;
- (c) contain the Purchase Order number under which it is issued; and
- (d) be rendered to the proper Accounts Payable Department of Source Technologies as set forth on the Purchase Order. Invoice payment terms will be calculated from the date the invoice is received by the proper Accounts Payable Department of Source Technologies.

9. Inspection: Each and every item purchased hereunder is subject to Source Technologies inspection and approval at any place Source Technologies may reasonably designate. Source Technologies expressly reserves the right, without liability hereunder or otherwise, to reject and refuse acceptance of items that do not conform in all respects to:

- (a) any instructions contained in the relevant Purchase Order;
- (b) Source Technologies' specifications, drawings, blueprints and data; and
- (c) The Supplier's warranties and each of them whether such warranties be expressed or implied.
- (d) With respect to any items which do not so conform, Source Technologies may, in Source Technologies' sole discretion, hold such items for Supplier's inspection at the Supplier's risk upon notification to Supplier or return such items to the Supplier for credit or refund at Supplier's expense and such items shall not be replaced or repaired by Supplier except upon written instructions from Source Technologies, excepting however, those goods which Source Technologies and Supplier agree in writing shall be repaired by Source Technologies at Supplier's expense. Payment for any items shall not be deemed an acceptance thereof.
- (e) Source Technologies shall have the right to inspect and test the materials and workmanship of all goods at all times and places including during manufacture; and if any such inspection or test is made on the premises of Supplier, Supplier shall furnish without additional charge all reasonable facilities and assistance for a safe and convenient inspection or test.

10. Changes: Source Technologies reserves the right at any time to change any one or more of the following:

- (a) specifications, drawings, blueprints and data concerning the products;
- (b) method of packaging, packing or shipment of the products; and
- (c) place and/or time of delivery of such products. The Supplier will not unreasonably deny any request by Source Technologies for such changes. If the Supplier agrees to make such changes, and such changes cause an increase or decrease in the cost or the time required for the delivery of the products ordered, an equitable adjustment will be made in the price or delivery schedule, or both. Any claim for adjustment by the Supplier will be deemed waived unless asserted in writing within 30 days after receipt by the Supplier of the requested change. Nothing in this section §10 will relieve the Supplier from proceeding without delay

in the performance of its obligations under a Purchase Order as changed. Any changes to the specifications, drawings, blue prints and data concerning the Products that are requested by Source Technologies will be deemed to be the confidential information of Source Technologies. The Supplier and Source Technologies will, at Source Technologies' option, enter into a development agreement to protect Source Technologies' confidential information and provide for the exclusive supply to Source Technologies for the changed Product.

11. Indemnification: Supplier assumes entire responsibility and liability for any and all damage and/or injury of any kind or nature whatsoever, (including death resulting therefrom) to all persons, and to all property caused by, resulting from, arising out of or occurring in connection with goods or services supplied by Supplier hereunder. Should any claims, actions and/or lawsuits for such damage, injury and/or death be made or asserted, Supplier agrees to defend, indemnify, save and hold harmless Source Technologies, its officers, agents, servants and employees from and against any and all such claims, actions and/or lawsuits and further from and against any and all loss, cost, expense, judgment, settlement liability, damage or injury, including legal fees and costs, that Source Technologies, its officers, agents, servants and employees may directly or indirectly sustain, suffer or incur as a result thereof and the defense of any action at law which may be brought against Source Technologies, its officers, agents, servants and employees upon or by reason of any such claim, actions, and/or lawsuits and to pay on behalf of Source Technologies, its officers, agents, servants and employees upon demand, the amount of any judgment and/or settlement that may be entered against Source Technologies, its officers, agents, servants and employees in any such claim, action and/or lawsuit.

12. Patents: The Supplier agrees to defend at the Supplier's own expense, all suits, actions or proceedings in which Source Technologies, any of the Source Technologies' distributees or dealers, or the users, lessees or customers of any of Source Technologies' products, are made defendants for actual or alleged infringement of any copyright, trademark, trade secret, mask work right or Canadian, U.S. or other foreign patent resulting from the use or sale of the items purchased hereunder. If any virtue of a patent infringement suit an injunction shall issue against Source Technologies, which prohibits or limits the use of any items purchased hereunder, the Supplier at Source Technologies' request shall supply Source Technologies with non-infringing replacement items of a similar kind and quantity.

13. Compliance with Law: The Supplier warrants and represents that it has complied with, and will continue, during the performance of its obligations hereunder, to comply with, all laws and conform to all requirements of each applicable governmental authority with respect to the supply of the Products, including those concerning the packaging, storage and shipment thereof, and will ensure that no chemical substance delivered to Source Technologies is on the list of prohibited substances described in applicable environmental laws. The Supplier will obtain all federal, provincial, state, municipal and other government or regulatory licenses, permits or other documents or permissions that are required by Source Technologies or are incidental to the sale or shipment of the products to Source Technologies.

14. Non-Publicity: Without the prior written consent of Source Technologies, the Supplier shall neither:

- (a) issue any news release, public announcement, denial or confirmation of any Purchase Order or its subject matter; or
- (b) in any manner advertise or publish the fact that Source Technologies has placed a Purchase Order for any product with the Supplier.

15. Source Technologies' Property: All tooling, equipment and products of every description furnished to the Supplier by Source Technologies or specifically paid for by Source Technologies and any replacement thereof, shall remain the property of Source Technologies. Such property, and whenever practical, each individual item thereof, shall be plainly marked or otherwise adequately identified as "Property of Source Technologies Corp." and shall be safely stored separately and apart from the Supplier's property. The Supplier shall not substitute any property for Source Technologies' property and shall not use such property, except in filling Source Technologies' orders. Such property while in the Supplier's custody or control shall be held at

the Supplier's expense, and will be insured by the Supplier in an amount equal to the replacement cost with loss payable to Source Technologies Corp. Such property shall be prepared for shipment and delivered in good condition, normal wear and tear excepted to Source Technologies, F.O.B. the Supplier's plant, immediately upon request by Source Technologies.

16. Confidential Relationship: The Supplier shall treat as confidential all specifications, drawings, blueprints and data supplied by Source Technologies. The Supplier shall not disclose any information relating to this order to any third person that is not entitled to receive it.

17. Termination: Source Technologies may require the Supplier to terminate work under a Purchase Order in whole or in part at any time by notice to the Supplier in writing, whereupon the Supplier will immediately stop work on such Purchase Order, or the terminated portion thereof, and notify its subcontractors to do likewise. Except for such termination as is caused by a default or delay of the Supplier, the Supplier will be entitled to actual costs incurred by it as a result of such termination as determined in accordance with generally accepted accounting principles. The Supplier will be bound to mitigate its damages. In no event will the amount claimed by the Supplier as a result of such termination exceed the cancelled commitment value of the relevant Purchase Order.

18. Termination for Default: Source Technologies and the Supplier covenant and agree as follows:

- (a) Source Technologies may, upon written notice, terminate a Purchase Order in whole or in part if the Supplier fails (i) to make delivery of the Products or to perform the services in the manner and within the time specified therefor or any extension thereof by written change order or amendment, or (ii) to replace or correct defective products in accordance with §7, or (iii) to perform any other provision of the Purchase Order, or (iv) fails to make progress so as to endanger performance of its obligations under a Purchase Order. Source Technologies is the sole judge of the circumstances described in this §18(a);
- (b) If a Purchase Order or any part thereof is terminated by reason of the Supplier's default, Source Technologies may procure from other sources, upon such terms and in such manner as Source Technologies may deem appropriate, products or services the same as or substantially similar to those that were the subject matter of the terminated portion of the Purchase Order, and the Supplier will be liable to Source Technologies for any additional costs incurred by Source Technologies thereby. The Supplier will continue to be responsible for its obligations under the Purchase Order to the extent that the same have not been terminated.
- (c) If a Purchase Order is terminated by reason of the Supplier's default, the Supplier will transfer title to and deliver to Source Technologies, promptly at Source Technologies' request, in the manner and to the extent directed by Source Technologies, (i) any completed products, and (ii) such partially completed products as the Supplier has produced or acquired for the performance of the terminated part of the Purchase Order. The Supplier will protect and preserve all such property that is in the possession of the Supplier. The Supplier's obligations hereunder as to delivery, protection and preservation will not be contingent upon prior agreement as to the pricing or cost of such products; and
- (d) Failure by Source Technologies to enforce any of its rights under a Purchase Order will not be deemed a waiver thereof. The rights and remedies of Source Technologies under a Purchase Order will not be exclusive and are in addition to any other rights and remedies available to Source Technologies.

19. Attorney's Fees: If the Supplier and Source Technologies are unable to resolve any dispute arising under this order and any suit or other judicial proceeding is instituted with reference thereto, the successful party in any such suit or other judicial proceedings shall be paid promptly by the other party an additional amount equal to the successful party's reasonable attorney's fees and costs incurred.

20. General:

(a) Time will be of the essence with this order. Supplier shall immediately notify Source Technologies in writing of any actual or potential delays.

(b) In the event of any conflict between any term of a Supply Agreement and the terms of a Purchase Orders, the terms of the Supply Agreement will govern unless the terms of the Purchase Order specifically state otherwise;

(c) Waiver by a party of any of its rights or default by the other under a Purchase Order will not be deemed a waiver by such party of any other right or default;

(d) The Supplier will not change a Purchase Order or ship non-conforming products without first obtaining the written consent of Source Technologies.

(e) The Supplier will, from time to time upon request by Source Technologies, do, execute, acknowledge, deliver, or cause to be done, executed, acknowledged and delivered, all and every such further acts, bill of sale, bills of lading, deeds, transfers and assurances as Source Technologies may reasonably request to evidence or protect Source Technologies' interest in the products ordered.

21. Assignments: The Supplier may not assign any rights or obligations under a Purchase Order (including the right to receive monies due thereunder) without the prior written consent of Source Technologies, and any purported assignment without such consent will be void. No assignment will relieve the assigning party from its obligations under a Purchase Order.

22. Notice of Labor Disputes: Whenever an actual or potential labor dispute is delaying or threatens to delay the timely performance of this order, the Supplier will immediately notify Source Technologies of such dispute and furnish all relevant details. Receipt by Source Technologies of such notice shall not constitute a waiver of the delivery schedule hereunder.

23. Applicable Law: This order shall be governed by, subject to and construed in accordance with the laws of the State of North Carolina.