

TALON INTERNATIONAL, INC. PURCHASE ORDER TERMS AND CONDITIONS

BY ACKNOWLEDGMENT OR PERFORMANCE OF THE PURCHASE ORDER TO WHICH THIS AGREEMENT IS ATTACHED, SUPPLIER CONSENTS AND AGREES TO BE BOUND BY THE TERMS OF THIS AGREEMENT.

ACCEPTANCE - ENTIRE AGREEMENT - This Agreement shall incorporate the typed or written provisions by Talon International, Inc. (the "Company") orders issued pursuant to this Agreement, including documents incorporated into the Agreement by such provisions, and shall constitute the entire agreement between the parties with respect to the subject matter of this Agreement and the order(s) and shall not be modified or rescinded, except by a writing signed by Supplier and Company. Additional or different terms inserted in this Agreement by Supplier, or deletions hereto, whether by alterations, addenda, or otherwise, shall be of no force and effect, unless expressly consented to by Company in writing. Estimates or forecasts furnished by Company shall not constitute commitments. The provisions of this Agreement supersede all contemporaneous oral agreements and all prior written quotations, communications, agreements and understandings of the parties with respect to the subject matter of this Agreement. The term "Work" as used in this Agreement may also be referred to as "services".

ASSIGNMENT AND SUBCONTRACTING - Supplier shall not assign any right or interest under this Agreement (excepting monies due or to become due) or delegate or subcontract any Work or other obligation to be performed or owed under this Agreement without the prior written consent of Company.

CHANGES - Company has the right to make changes in one or more of the following areas: statement of work; drawings; specifications; designs; quantities; places of delivery, performance, inspection or acceptance; delivery schedules; method of shipment, packaging or packing and the amount or type of property or services to be provided to Supplier. To be effective, a change must be made by written change order issued and signed by Company's Purchasing Representative. If a change order issued by the Company causes an increase or a decrease in the cost of performing the Work or the time required for its performance, Company may make an equitable adjustment in price and delivery schedule. Any claim by Supplier for an equitable adjustment must be submitted in writing to Company's Purchasing Representative within ten (10) days of receipt of the change order from Company. At the request of Company, Supplier shall provide current, accurate and complete cost or pricing data to support a claim for an equitable adjustment in price made either by Company or by Supplier. Unless Supplier receives written direction from the Company's Purchasing Representative to the contrary, Supplier shall proceed with performance of the Agreement as changed, and the fact that there may be a disagreement concerning a requested equitable adjustment or other issues related to the change shall not excuse Supplier from continuing such performance in a timely manner.

CHOICE OF LAW - The construction, interpretation and performance of this Agreement and all transactions under it shall be governed by the laws of the State of California excluding its choice of laws rules and excluding the Convention for the International Sale of Goods.

COMPLIANCE WITH LAWS - Supplier and all persons furnished by Supplier shall comply at their own expense with all applicable federal, state, local and foreign laws, ordinances, regulations and codes, including those relating to the use of chlorofluorocarbons, and including the identification and procurement of required permits, certificates, licenses, insurance, approvals and inspections in performance under this Agreement. Supplier agrees to indemnify, defend (at Company's request) and save harmless Company, its affiliates and its customers and each of their officers, directors and employees from and against any losses, damages, claims, demands, suits, liabilities, fines, penalties and expenses (including reasonable attorneys fees) that arise out of or result from any failure to do so.

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 and without the fault or negligence of the delayed or non performing party and its subcontractors ("force majeure conditions").

IDENTIFICATION - Supplier shall make no use of any identification of Company, or its affiliated companies in Supplier's advertising or promotional efforts in reference to activities undertaken by Supplier under this Agreement without Company's prior written consent. The term "Identification" includes any trade name, trademark, service mark, insignia, symbol, or any simulation thereof, and any code, drawing, specification, or evidence of Company's inspection. Supplier agrees to remove any such identification prior to any sale, use or disposition of material or equipment rejected or not purchased by Company, and shall indemnify, defend (at Company's request) and save harmless Company and its affiliated companies and each of their officers, directors and employees from and against any losses, damages, claims, demands, suits, liabilities, fines, penalties and expenses (including reasonable attorneys fees) that arise out of or result from Supplier's failure to do so. This clause does not modify the USE OF INFORMATION clause.

INFRINGEMENT - The following terms apply to any infringement or claim of infringement of any patent, trademark, copyright, trade secret or other proprietary interest based on the manufacture, installation, normal use, lease or sale of any equipment, program, documentation, material or service ("material") furnished to Company under this Agreement or in contemplation of this Agreement. Supplier shall indemnify and save harmless Company, its affiliates and its customers and each of their officers, directors and employees from and against any losses, damages, claims, demands, suits, liabilities, fines, penalties and expenses (including reasonable attorneys fees) that may result by reason of such infringement or claim, except where such infringement or claim arises solely from Supplier's adherence to Company's written instructions or directions which involve the use of material other than (1) commercial material which is available on the open market or is the same as such material, or (2) material of Supplier's origin, design or selection, and Company shall so indemnify Supplier in such excepted cases. Each party shall defend or settle, at its own expense, any action or suit against the other for which it is responsible under this clause. Each party shall notify the other promptly of any claim of infringement for which the other is responsible, and shall cooperate with the other in every reasonable way to facilitate the defense of any such claim.

INSPECTION - The following clause (1) or (2) applies if either is indicated in this Agreement or an order. Clause (3) below applies to both clauses (1) and (2). (1) Supplier shall notify the Company Purchasing Manager when material is ready for inspection. (2) Shipments may be made without a Company inspection, but Company may inspect any material prior to shipment by giving Supplier notice to that effect, in which event Supplier shall notify the Company Purchasing Manager when material is ready for inspection. (3) Arrangements will be made by Company for source inspection of material prior to shipment. Supplier shall provide, without charge, any production testing facilities and personnel required to inspect the material under the inspection instruction specified, as changed from time to time with Supplier's written approval, to determine whether the material meets the specification requirements. Company's inspection requirements as set forth in paragraphs (1) and (2) may be waived only by written notification from Company's Purchasing Manager.

INVOICING - Supplier shall: (1) render invoices in duplicate, or as otherwise specified in this Agreement, showing purchase order number, through routing and weight (2) render separate invoices for each shipment together with shipment; and (3) mail invoices with copies of bills of lading and shipping notices to the address shown on this Agreement or Order. If prepayment of transportation charges is authorized, Supplier shall include the transportation charges from the FOB point to the destination as a separate item on the invoice stating the name of the carrier used. No minimum billing charges are permitted unless expressly authorized in this Agreement.

PAYMENT TERMS - Unless payment terms more favourable to Company appear on Supplier's invoice and Company elects to pay on such terms, invoices shall be paid in accordance with the terms stated in this Agreement, and due dates for payment of invoices shall be computed from the date of receipt of invoices by Company.

SHIPPING - By accepting the purchase order to which this Agreement is attached, Supplier confirms the order will be shipped by the "Req. ship date" shown on the purchase order. Supplier also acknowledges that the information listed in the purchase order, including but not limited to item numbers, descriptions, prices and quantities have been verified by Supplier. Supplier shall (1) notify Company in writing one week prior to scheduled shipment date of any delay in shipment of any order, (2) request permission at least one week prior to scheduled shipment of any order to ship an incomplete order and unless Company otherwise agrees in writing, ship the material covered by this Agreement or order complete; (3) ship to the destination designated in the Agreement or order (4) ship according to routing instructions given by Company with the understanding and agreement that any air shipment shall be at Supplier's expense unless Supplier receives a signed and approved air authorization form from Company which Supplier shall affix to the applicable air way bill from the carrier, (5) place the Agreement and order number on all subordinate documents; (6) enclose a packing memorandum with each shipment and, when more than one package is shipped, identify the package containing the memorandum; and (7) mark the Agreement number and order number on all packages and shipping papers. Adequate protective packing shall be furnished at no additional charge. Shipping and routing instructions may be altered or furnished by Company without writing. If Supplier does not comply with the terms of the F.O.B. clause of the Agreement or with Company's shipping or routing instructions, Supplier, without limitations on other remedies of Company, authorizes Company to cancel the applicable purchase order and/or deduct from any invoice of Supplier (or to charge back to Supplier), any increased costs, including full air or ground freight, incurred by Company as a result of Supplier's noncompliance.

SUPPLIER'S INFORMATION - No specifications, drawings, sketches, models, samples, tools, computer or other apparatus programs, technical or business information or data, written, oral or otherwise, furnished by Supplier to Company under this Agreement, or in contemplation of this Agreement, shall be considered by Supplier to be confidential or proprietary.

SURVIVAL OF OBLIGATIONS - The obligations of the parties under this Agreement, which by their nature would continue beyond the termination, cancellation or expiration of this Agreement, including by way of illustration only and not limitation, those in the clauses COMPLIANCE WITH LAWS, IDENTIFICATION, INFRINGEMENT, USE OF INFORMATION and WARRANTY (and INSURANCE and INDEMNITY if included in this Agreement), shall survive termination, cancellation or expiration of this Agreement.

TAXES - Company shall reimburse Supplier only for the following tax payments with respect to transactions under this Agreement: applicable state and local sales and use taxes, unless the Company advises Supplier that an exemption applies. Taxes payable by Company shall be billed as separate items on Supplier's invoices and shall not be included in Supplier's prices.

TERMINATION FOR CONVENIENCE - If the Company determines that termination of this Agreement is in Company's best interest, it may terminate the Agreement in whole or from time to time in part by giving written notice to the Supplier. Upon receipt of a termination notice and in accordance with the terms and conditions of such notice, Supplier shall stop work and terminate subcontracts Supplier has placed for the terminated Work. Company's liability resulting from the termination shall be limited as follows: (1) the Agreement price for completed materials and services accepted by the Company, (2) the reasonable cost incurred to perform terminated work in process at the time of the termination, (3) a reasonable profit on such terminated work in process, and (4) the reasonable costs involved in the settlement of claims with subcontractors and of preparing a settlement proposal. However, in no event shall the total amount of the prices, costs and profits referred to in items (1) through (4) above exceed the total Agreement price. Supplier shall convey to Company title to all completed goods, work in process and special tooling paid for by Company as part of the termination settlement. Supplier shall provide to Company a termination settlement proposal in a format prescribed by Company as soon as possible, but in no event more than seventy five (75) days after the date that the notice of termination is received by Supplier. The proposed settlement amount shall be substantiated with proof satisfactory to the Company. The Company and Supplier shall enter into good faith negotiations to arrive at an equitable termination settlement amount, which shall constitute a full and complete discharge of Company's obligations.

TITLE AND RISK OF LOSS - Title and risk of loss and damage to material purchased by Company under this Agreement shall vest in Company when the material has been delivered at the FOB point. If this Agreement calls for additional services including, but not limited to, unloading, installation, or testing to be performed after delivery, Supplier shall retain title and risk of loss and damage to the material until the additional services have been performed. Notwithstanding the foregoing sentence, if Supplier is expressly authorized to invoice Company for material upon shipment or prior to the performance of additional services, title to such material shall vest in Company upon payment of the invoice, but risk of loss and damage shall pass to Company as provided in the foregoing sentence.

USE OF INFORMATION - Any specifications, drawings, sketches, models, samples, tools, computer or other apparatus programs, technical or business information or data, written, oral or otherwise, owned or controlled by Company ("Information") furnished to or acquired by Supplier under this Agreement, or in contemplation of this Agreement, shall remain Company's property. All copies of such Information in written, graphic or other tangible form shall be returned to Company at its request. Unless such Information was previously known to Supplier free of any obligation to keep it confidential, or has been or is subsequently made public by Company or a third party, it shall be kept confidential by Supplier, shall be used only in performing under this Agreement, and may not be used for other purposes except upon such terms as may be agreed upon between Supplier and Company in writing.

VARIATION IN QUANTITY - Company assumes no liability for material produced, processed or shipped in excess of the amount specified in this Agreement. Without limitations on other remedies of Company, authorizes Company to: (1) place all payment on hold for any shipment that is 5 % or more short of the ordered amount until Company receives the complete shipment, and (2) retain without any payment any portion of any shipment over 5 % in excess of the ordered amount.

WAIVER - The failure of either party at any time to enforce any right or remedy available to it under this Agreement or otherwise with respect to any breach or failure by the other party shall not be construed to be a waiver of such right or remedy with respect to any other breach or failure by the other party.

WARRANTY - Supplier warrants to Company and its customers that material furnished will be new, merchantable, free from defects in design, material and workmanship and will conform to and perform in accordance with the specifications drawings and samples. These warranties extend to the future performance of the material and shall continue for a period of twelve (12) months (or such longer period specified elsewhere in this Agreement) following acceptance by Company or if for resale by Company's customer. Supplier also warrants to Company and its customers that services will be performed in a first class, workmanlike manner. In addition, if material furnished contains one or more manufacturers' warranties, Supplier hereby assigns such warranties to Company and its customers. Material or services not meeting the warranties will be, at Company's option, returned for refund, repaired, replaced or reworked by Supplier at no cost to Company or its customers and with transportation costs and risk of loss and damage in transit borne by Supplier. Repaired or replacement material shall be warranted as set forth above in this clause. All warranties shall survive inspection, acceptance and payment. Supplier shall provide Company at least one (1) year written notice that any material covered by this Agreement or ordered by Company under this Agreement is to be manufactured discontinued and Supplier shall accept Company's orders for such material during the term of this Agreement or such one (1) year period whichever is longer.