

TALON INTERNATIONAL, INC.
TERMS AND CONDITIONS OF SALE

These terms and conditions of sale are entered into between the customer ("Customer") identified on the Order Confirmation and Pro-Forma Invoice (the "Attachment") and Talon International, Inc., a Delaware corporation, or its subsidiary identified on the Attachment ("Talon"). The agreement (the "Agreement") among Talon and Customer consists of these terms and conditions of sale, each confirmation (in each case, a "Confirmation") executed by Talon and delivered to Customer evidencing Talon's acceptance of an order from Customer and incorporating these terms and conditions of sale, the Attachment, and all addenda executed by the parties hereto after the date hereof. 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 in this Agreement are null and void and shall have no force or effect whatsoever.

1. **Price and Payments.** The price for all goods and services purchased by Customer is set forth in the Confirmation executed by Talon accepting Customer's order therefor. All prices are F.O.B. point of shipment by Talon. Talon will pay shipping charges in advance on purchase orders ineligible for freight payment by Talon and invoice Customer accordingly.

2. **Payment Terms.** Except to the extent otherwise specifically stated on a Confirmation, payment terms for all goods and services purchased by Customer are as follows: (a) Customer will establish a credit account with Talon following its approval of Customer's credit; (b) Talon will retain a security interest in all products sold to Customer and in proceeds thereof until payment is made in full by Customer; (c) after Customer's credit is established, payment in full for each order shipped to Customer shall be made within 30 days after receipt of Talon's invoice; (d) if Talon determines that it cannot (or can no longer) extend credit to Customer, Talon may upon reasonable notice require Customer to pay for goods or services in cash in advance or upon delivery, by delivery of an irrevocable letter of credit, or by depositing funds into an escrow account; (e) Customer shall pay interest on any past due amounts at a rate of 1.5% per month (or the maximum legal rate, if less); (f) if Customer's invoices are not timely paid, Talon may refuse to make further shipments until Customer's account is paid in full; (g) Customer shall pay be responsible for and shall pay all taxes resulting from the sale of all goods and services (except income taxes owed by Talon); (h) Customer shall provide Talon with copies of its resale exemption certificate(s); and (i) Customer shall be responsible for and shall pay all personal property taxes assessed on product after delivery to the carrier.

3. **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 carrier.

4. **Delivery.** All orders must comply with Talon's order procedures and are subject to acceptance by Talon. Talon may accept all or a portion of any order. Talon shall use reasonable efforts to fill accepted orders promptly. Only Talon standard commercial packaging, materials, and methods will be used. Special shipment or packaging may require different or additional terms. Talon may make partial shipments of orders, in which case, only the portion of the order shipped by Talon shall be deemed accepted.

5. **Quantities.** Any change by Customer in the quantity of product specified in an order of no more than 4% shall be considered compliance with the order, and any such increase or decrease in quantities shall be charged or credited at the price specified in the order. Any change by Customer in the quantity of product specified in an order of more than 4% will, for increased orders, subject Customer to potential extension of scheduled delivery dates or additional charges for costs of accelerated production at regular overtime rates, and, for decreased orders, subject Customer to potential charges. In accordance with P.I.A. standards, Talon is permitted to ship 10% over or under the quantity ordered.

6. **Cancellation.** Any Customer cancellation of an order in whole or in part more within 30 business days of the agreed-upon shipment date may be subject to a cancellation charge of up to 10% of the invoice price for the canceled items (plus any previously agreed-upon amounts for special packaging and the like). Any Customer deferral of an order within the same period may 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.

7. **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.

8. **Warranties.** Talon warrants that all products will be free from defects in materials and workmanship when delivered to Customer. Talon must receive notice in writing of any defects within 10 days after delivery. Customer's failure to notify Talon within 10 days after delivery shall constitute final acceptance by Customer. Except as otherwise stated herein, Talon's liability is limited (at Talon's option) to the refund of the purchase price for, or replacement of, any defective product. Talon shall determine the method of shipping, if any, to be used in returning the defective products to Talon and shall bear the expense hereof. The product is free of claims of patent, trademark, trade secret, or copyright infringement by a third party. EXCEPT AS EXPRESSLY SET FORTH ABOVE IN THIS PARAGRAPH, 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.

9. **General.** All notices or demands required under this Agreement shall be in writing and made by personal service or sent via certified mail to the address of the receiving party as set forth in this Agreement (or such different address as either party may designate by notifying the other party in writing). This Agreement shall be interpreted exclusively in accordance with the laws of the State of California, as applied to contracts entered into and performed entirely within the State. The United Nation Convention of Contracts for the International Sale of Goods, (1980) shall not apply to this Agreement or to any transaction made under or pursuant to this Agreement. 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. 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 therefrom. 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. 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. Neither party shall be liable for failure to perform or delay in performing any obligation (other than the payment of money) under this Agreement or any individual contract of sale hereunder if such failure or delay is due to fire, flood, earthquake, strike labor trouble or other industrial disturbance, war (declared or undeclared), embargo, blockage, , legal prohibition, governmental action, riot, insurrection, damage, destruction or any other cause beyond the control of such defaulting party preventing or delaying the performance. This Agreement constitutes the entire agreement between the parties concerning the subject matter hereof, superseding all previous proposals, representations, or understandings, whether oral or written. Modifications of this Agreement must be in writing and signed by authorized representatives of both parties.