

TERMS AND CONDITIONS

Each purchase order issued by CGC Inc. (“Buyer”) to a seller of goods (“Seller”) to Buyer (a “Purchase Order”), is made expressly subject to the following terms and conditions (the “Terms and Conditions”):

1. **Agreement to Govern.** Any purchases by Buyer under a Purchase Order will be governed by the Terms and Conditions and the Terms and Conditions will prevail over any additional, contrary or inconsistent terms or conditions contained in any order, estimate, shipment or invoicing document of Seller, unless expressly incorporated in these Terms and Conditions on the face of a Purchase Order. The Terms and Conditions will be deemed accepted upon the commencement of performance by Seller.
2. **Specifications.** All specifications, drawings and data submitted to Seller by Buyer in connection with a Purchase Order are incorporated in and made a part of the Terms and Conditions.
3. **Confidentiality.** Each party acknowledges that its respective performance of its obligations under a Purchase Order and the Terms and Conditions may require that it have access to confidential business and proprietary information of the other including but not limited to:
 - (a) data, plans, specifications, formulae, drawing or any other information whether business or technical, of a confidential nature, which has been furnished directly or in directly, in writing or otherwise to the other; and
 - (b) such information as a person familiar with the disclosing party’s business and the industry in which it operates would reasonably consider to be (i) of a confidential or proprietary nature and (ii) that the maintenance of its confidentiality would likely be of commercial value to the disclosing party (“Confidential Information”).

Each party agrees on behalf of itself and its officers, directors, employees and agents to use its/their best efforts to prevent either duplication or disclosure of the Confidential Information of the other party.

Confidential Information will not include (a) information that is in the public domain prior to its disclosure, (b) becomes part of the public domain through no wrongful act of the receiving party, (c) was in the lawful possession of the receiving party prior to its disclosure to the receiving party in connection with a Purchase Order or (d) was independently developed by the receiving party.

4. **Delivery.** Buyer reserves the right to cancel all or any part of the undelivered portion of a Purchase Order if Seller does not make deliveries as specified in a Purchase Order, time

being of the essence of a Purchase Order, or if Seller breaches any of the Terms and Conditions including, without limitation, the warranties of Seller described in Paragraph 6 below.

5. **Verification and Records.** Seller will comply with all drawings and test specifications relating to the goods incorporated in the Terms and Conditions under Paragraph 2 above and will make such tests as are specified in such drawings, designs and specifications. Buyer or its customers will be afforded the right to perform verifications at Seller's premises or upon receipt of the goods. Where Buyer or its customers request to perform verifications at Seller's premises, Seller will furnish, at no additional charge, facilities and assistance for safe and convenient inspections and tests. No verification, where performed, will relieve Seller of its obligations and warranties under the Terms and Conditions.

The Seller will maintain quality records for six years unless otherwise specified to demonstrate conformance to contractual requirements and the effective operation of the goods. Seller will provide access to plant facilities, if applicable, and records of Seller for inspection and/or audit by Buyer and/or other parties authorized by Buyer.

6. **Warranty.** Seller warrants to Buyer, its successors, assigns, customers and users of the products manufactured by Buyer incorporating the goods purchased pursuant to a Purchase Order (including all replacement items and all replacement or corrected components which Seller furnishes pursuant to this warranty) that:

- (a) it has good title to any and all goods supplied pursuant to a Purchase Order, and said goods are and will be free and clear of any and all liens and encumbrances;
- (b) any and all goods supplied under a Purchase Order will be of merchantable quality;
- (c) any and all goods supplied under a Purchase Order will be (i) fit for the particular use intended, (ii) free from defects, whether patent or latent, in material and workmanship, and (iii) in full conformity with all contract specifications and requirements; and
- (d) Seller will, in the performance of its obligations hereunder, comply with all, and will not violate any applicable federal, provincial or local laws or governmental regulations or orders.

The foregoing warranties will survive acceptance of the goods by Buyer and will be in addition to any warranties of additional scope given to Buyer by Seller.

7. **Title and Risk of Loss.** Unless otherwise specified on the face of a Purchase Order, title to the goods and risk of loss thereof, will pass to Buyer upon their delivery to and acceptance by Buyer. The carrier handling delivery of the goods must be approved by Buyer, which approval will not be unreasonably withheld and the cost of transportation will be prepaid by Seller and included in the cost of the goods, unless otherwise specified on the face hereof. All goods will be received by Buyer subject to its right of inspection

and rejection. Buyer will be allowed a reasonable period of time to inspect the goods and to notify Seller of any non-conformance with the Terms and Conditions and/or with a Purchase Order. Buyer may reject any goods which do not conform to the Terms and Conditions and/or to a Purchase Order. Goods so rejected may be returned to Seller or held by Buyer for pick-up by Seller, in either case at Seller's risk and expense.

8. **Transportation**. No charge will be made to Buyer for storage or packing unless specified. Carrier and route used must result in lowest rate possible consistent with service rendered except when otherwise specified by Buyer, and penalties or increased charges due to failure so to do will be charged to Seller. Shipping instructions approved by Buyer are part of a Purchase Order.
9. **Indemnification**. Seller will defend, indemnify and save harmless Buyer, its officers, directors, successors, assigns, employees, agents, customers and users of its products incorporating the goods described in a Purchase Order, of and from any claim, loss, damage or expense (including reasonable legal fees) including any incidental or consequential damages, directly or indirectly arising out of:
 - (a) any infringement or claim of infringement of any patents, trademark, copyright or trade secrets by reason of the use or sale of any goods purchased hereunder, except goods manufactured in accordance with Buyer's design;
 - (b) any losses or damages, including, but not limited to, incidental and consequential damages, arising from injury to persons or property by reason of any defects in the goods, or breach by Seller of any of its warranties, or Seller's failure to timely deliver the goods purchased hereunder; or
 - (c) any non-compliance or violation of law as provided in paragraph 6(d) hereof.

Seller will at its own expense, if so requested by Buyer, defend all claims, proceeding or suits against Buyer, its officers, directors, successors, assigns, employees, customers and users of its products, in which any of the aforesaid claims are alleged, provided Seller is duly notified of such claims, proceedings or suits. If, in any such suit, said goods are held to constitute an infringement of any patent, copyright, trademark or trade secrets and use thereof is enjoined, Seller will, at Buyer's election, either (i) procure for Buyer the right to continue using the goods, (ii) replace the same with non-infringing goods, or (iii) modify the same at Seller's sole risk and expense so that it becomes noninfringing.

10. **Intellectual Property**. Data, drawings, specifications or other technical information furnished directly or indirectly, in writing or otherwise, to Seller by Buyer pursuant to a Purchase Order will in no event become the property of Seller and will be used only in fulfilling the obligations imposed by a Purchase Order and for no other purpose and will not be duplicated or disclosed to others. Such furnishing of data, drawings, specifications or other technical information will not be construed as granting any rights whatsoever, express or implied, under any patents of Buyer. All patents, copyrights, trademarks, trade secrets or other intellectual property resulting from work under a Purchase Order will be the sole property of Buyer.

11. **Price.** Seller will give Buyer the benefit of any price reductions available or in effect at the actual time of shipment.
12. **Changes.** Buyer reserves the right at any time to make changes in the following:
 - (a) specifications, drawings and data incorporated in this order where the goods to be furnished are to be specially manufactured for Buyer;
 - (b) methods of shipment or packing; or
 - (c) place or time of inspection, delivery or acceptance.

If any such change causes an increase or decrease in the cost of or the time required for performance of a Purchase Order, an equitable adjustment will be made in the purchase price or delivery schedule, or both. If Buyer and Seller cannot agree to such price or time adjustment within ten (10) business days (or such other time as may then be agreeable to both parties), of Seller's receipt of Buyer's request for a change, either party may terminate the applicable Purchase Order upon five (5) business days prior notice to the other. Any changes to such Purchase Order, if agreeable to Buyer, whether initiated by Seller or Buyer, will be denominated as a "revision" to a Purchase Order. Only Buyer will issue revisions and, if issued, will be numbered serially, and each such revision will be further subject to the Terms and Conditions.

13. **Termination.** Buyer may at any time terminate a Purchase Order, in whole or in part, upon one business day's prior written notice to Seller. If a Purchase Order is terminated by Buyer for any reason other than for breach by Seller, Seller must notify Buyer of any claim resulting from Buyer's termination within ninety (90) days of the effective date of termination. Such claim of Seller will be settled on basis of the reasonable costs Seller has incurred in the performance of a Purchase Order prior to receipt of Buyer's notice of termination.
14. **Waiver.** Buyer may waive performance of any condition and treat it as a warranty, but waiver by Buyer of any conditions with reference to any shipment will not be construed as a waiver of that condition for subsequent shipments. All rights and remedies of Buyer stated in the Terms and Conditions and/or in a Purchase Order are non-exclusive and in addition to other rights and remedies provided by law.
15. **Amendment.** A Purchase Order and the Terms and Conditions are binding contracts and cannot be modified in any respect, except upon written agreement signed by both Seller and Buyer.
16. **Entire Agreement.** A Purchase Order and the Terms and Conditions constitute the entire agreement between the parties with respect to the subject matter hereof and supercede and replace all prior agreements, understandings and representations, whether written or oral.

17. **Governing Law.** Purchase Orders and the Terms and Conditions will be construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.
18. **Severability.** If any provision of a Purchase Order or the Terms and Conditions is held invalid or unenforceable to any extent, the remainder of a Purchase Order and the Terms and Conditions will not be affected thereby and will be enforced to the greatest extent permitted by law.
19. **Relationship of the Parties.** The relationship of the parties is solely that of buyer and seller and nothing contained herein will be construed as creating any agency, partnership, joint venture or employment relationship.
20. **Assignment.** Neither party may assign a Purchase Order or the Terms and Conditions in whole or in part without the prior written consent of the other, which consent will not be unreasonably withheld.
21. **Force Majeure.** Performance by either party under a Purchase Order or the Terms and Conditions will be excused in the event and for the period of time that such party is unable to perform its obligations because of strikes or other labour difficulties, labour shortage, fire, flood, war, breakdowns, delays in or lack of transportation, governmental priorities or allocation, or any other cause beyond the reasonable control of such party.
22. **Notices.** Notices will be sent by fax or other electronic form, or a nationally recognized overnight courier service to the addresses specified on the face of a Purchase Order and will be effective on the same day with respect to notice by fax or other electric form and one day after dispatch with respect to notice by overnight courier.