

Terms and Conditions of Sale

1. ACCEPTANCE

The terms and conditions set out herein shall apply to all purchase orders ("Orders") accepted by Sound Design Technologies Technologies Ltd. ("Sound Design Technologies Technologies"), whether for goods and/or services ("Goods"). No Order is binding on Sound Design Technologies unless accepted by an authorized employee of Sound Design Technologies or one of Sound Design Technologies's subsidiaries. No Order shall be considered accepted unless and until an acknowledgment of acceptance (regardless of form) is issued by Sound Design Technologies (the "Order Acceptance"). All Orders accepted by Sound Design Technologies are accepted exclusively on the understanding that the Buyer has agreed to the terms and conditions set out herein. Any additional, different or conflicting terms or conditions which may appear on any Order or other documentation issued by the Buyer shall not apply to any sale made hereunder and shall not be binding upon Sound Design Technologies in any way.

Without limiting any other rights or remedies available to Sound Design Technologies, whether under these terms and conditions or otherwise, Sound Design Technologies reserves the right to accept or reject any Order, whether in whole or in part, to cancel any unfilled Order, whether in whole or in part, and/or to suspend any shipment of Goods, whether in whole or in part, in the event of any breach by the Buyer of its obligations to Sound Design Technologies, whether hereunder or otherwise.

2. ORDERS

When Sound Design Technologies accepts an Order, the Order shall be characterized by Sound Design Technologies as either: (i) a "Single Shipment Order" or a "Discreet Purchase Order", or (ii) an "Extended Period Blanket Order" (an "EPB Order").

An EPB Order which is accepted by Sound Design Technologies will be accepted for Goods in quantities requested by the Buyer to meet the Buyer's anticipated requirements over an extended period of time (the "Contractual Period"). Unless otherwise agreed, in writing, by Sound Design Technologies and the Buyer, the Contractual Period shall extend from (i) the date of first shipment under an EPB Order to the date of final shipment; or (ii) twelve (12) months, whichever occurs first. Sound Design Technologies' obligations to fill an accepted Order, at Sound Design Technologies' sole option, shall terminate, without any liability to Sound Design Technologies, upon the expiration of the Contractual Period unless Sound Design Technologies and the Buyer have agreed, in writing, to extend the Contractual Period.

Unless otherwise specified in the Order Acceptance, Sound Design Technologies may make partial shipments to the Buyer, whether with respect to a Single Shipment Order or an EPB Order, and the terms and conditions herein shall apply separately for each shipment.

Sound Design Technologies reserves the right to modify the specifications of the Goods from time to time without notice to the Buyer. The Buyer agrees that Orders may be filled by Sound Design Technologies notwithstanding any such modifications provided that such modifications do not materially affect the performance, form or fit of the modified Goods.

3. ORDERS - AMENDMENTS; TERMINATION

3.1 Amendments to Orders

If the Buyer seeks to amend or change any element of an Order before that Order has been filled in its entirety by Sound Design Technologies, the following shall apply:

3.1.1 If the Buyer seeks to reduce the quantity of Goods being purchased under the Order, then where pricing has been based on the anticipated purchase of a particular quantity of the Goods, Sound Design Technologies shall have the right (in addition to any other rights or remedies available to Sound Design Technologies) to collect from the Buyer the difference between the price paid by the Buyer for the Goods purchased (including the price paid for any Goods previously shipped to the Buyer) and a price for such Goods commensurate with the quantity actually purchased by the Buyer.

3.1.2 If the Buyer seeks to amend or change any other element of an Order, then it must provide to Sound Design Technologies, upon no less than sixty (60) days prior notice, a revised purchase order clearly identifying the Buyer's amended requirements and Sound Design Technologies, in its sole discretion, shall:

(i) accept the Buyer's revised purchase order subject to Sound Design Technologies and the Buyer agreeing to such revised terms and conditions as may be appropriate; or

(ii) advise the Buyer, in writing (a "Notice of Early Termination"), that it is unwilling or unable to meet the Buyer's revised requirements in which case, the original Order shall be deemed to be at an end and the provisions of Paragraphs 3.2.1, 3.2.2 and 3.2.3 below shall be deemed to apply.

3.2 Termination of an Order

If the Buyer seeks to terminate an Order before that Order has been filled in its entirety by Sound Design Technologies, the Buyer must provide Sound Design Technologies, upon no less than sixty (60) days prior written notice, a notice of termination (also, referred to as a "Notice of Early Termination"). In such an event, the following provisions shall apply:

3.2.1 Sound Design Technologies, at its sole option, shall be entitled to ship to the Buyer any or all Goods which were scheduled for shipment during the sixty (60) day period next following receipt by Sound Design Technologies of the Notice of Early Termination.

3.2.2 The Buyer shall be liable to pay Sound Design Technologies for all Goods shipped in accordance with Paragraph 3.2.1 above, together with an amount equal to the difference between the price paid by the Buyer for the Goods purchased (including the price paid for any Goods previously shipped to the Buyer) and a price for such Goods commensurate with the quantity actually purchased by the Buyer.

3.2.3 The Buyer shall also be liable to pay Sound Design Technologies, as liquidated damages and not as a penalty, to compensate Sound Design Technologies for expenses incurred and commitments made by Sound Design Technologies up to the date of receipt of the Notice of Early Termination, an amount equal to 15% of the unrealized invoice value of the Order, or at Sound Design Technologies' option, Sound Design Technologies may seek to enforce any other rights and remedies against the Buyer available to Sound Design Technologies, whether hereunder or otherwise.

3.3 Custom Products

Notwithstanding the provisions set out in Paragraphs 3.1 and 3.2 above, in the event that an Order is for Goods which have been manufactured to meet the Buyer's specific design requirements (or other requirements), then Sound Design Technologies reserves the right to charge the Buyer for the cost of all finished Goods manufactured by Sound Design Technologies in reasonable anticipation of the Buyer's requirements under the Order, and for the costs of associated raw materials and work-in-progress.

4. TERMS OF PAYMENT

All prices for Goods will be shown on the Order Acceptance. Unless otherwise agreed to and stated therein, Sound Design Technologies must receive payment prior to the scheduled shipment date(s) of the Goods, failing which, Sound Design Technologies, in addition to any other rights and remedies available to it, reserves the right to cancel or suspend the Order. Each shipment is considered a separate and independent transaction and payment therefore shall be made accordingly.

Net thirty (30) day credit terms may be established for certain buyers. If net thirty (30) day credit terms are established, payments are due and payable within thirty (30) days from the date of invoice. The Buyer must not assume that net thirty (30) day credit terms have been established unless specifically referred to in the Order Acceptance.

Sound Design Technologies reserves the right to charge interest of two percent (2%) per month (effective rate - 26.82% per annum) on all overdue accounts.

All Orders are subject to and conditional upon Sound Design Technologies approving the Buyer's credit worthiness. If Sound Design Technologies, at any time, is not satisfied with the Buyer's credit worthiness, Sound Design Technologies may cancel or suspend shipments and/or Sound Design Technologies may impose such other terms and conditions or require such security arrangements as Sound Design Technologies, in its sole discretion, deems appropriate.

All taxes, levies and duties of every kind and nature whatsoever applicable to the Goods ("Taxes") shall be the Buyer's sole responsibility. Unless clearly identified in an Order Acceptance, the prices shown therein shall not include Taxes.

5. TITLE

5.1 Subject to the provisions of Paragraph 5.2 below, title to and ownership of the Goods shall remain vested with Sound Design Technologies until all amounts due to Sound Design Technologies from the Buyer are paid in full and all terms and conditions set out herein are satisfied, at which time, title thereof shall pass to the Buyer. In this regard, the Buyer hereby grants to Sound Design Technologies a security interest in and to such Goods to secure the Buyer's obligations to Sound Design Technologies hereunder.

5.2 Notwithstanding the provisions of Paragraph 5.1 above, nothing herein is deemed to give to the Buyer any right, title or interest in, or any privilege to use, any Software (as defined herein) delivered as part of or in conjunction with any Goods, it being understood and agreed by the Buyer that the Buyer's rights with respect to the use thereof shall be governed by licensing arrangements, whether set out herein or otherwise. The term "Software", as used herein, means computer programs in machine readable code, provided on magnetic tape, disk, semiconductor device or other storage media and includes all documentation used to describe, maintain and use such programs as well as any improvements, revisions, updates and enhancements as may be provided from time to time by Sound Design Technologies.

5.3

The Buyer agrees that notwithstanding any other terms and conditions set out herein, title to and possession of any and all tooling of every kind and nature used in the manufacture, production and/or testing of any Goods, including, but not limited to, mask works, art works, fixtures and jigs, remains vested with Sound Design Technologies.

6. DELIVERY

6.1 All shipments are made F.O.B. Sound Design Technologies - Burlington, Ontario unless otherwise specified in the Order Acceptance. For F.O.B. Sound Design Technologies - Burlington, Ontario shipments, risk of (and liability for) loss or damage, whether in transit or thereafter, shall pass to the Buyer upon Sound Design Technologies' delivery of the Goods to the carrier. For shipments which are not made F.O.B. Sound Design Technologies-Burlington, Ontario, unless otherwise specified in the Order Acceptance, risk of (and liability for) loss or damage, shall pass to the Buyer upon Sound Design Technologies' delivery of the Goods in accordance with the requirements specified in the Order Acceptance.

6.2 In the absence of the Buyer's specific shipping instructions accompanying an Order, Sound Design Technologies will select the carrier.

6.3 Delivery dates shown in any Acceptance Order are approximate only. While Sound Design Technologies agrees to make reasonable efforts to meet the Buyer's desired shipping schedule, in no event shall Sound Design Technologies be liable for damages of any kind or nature due to any delays in delivery, nor shall Sound Design Technologies be in breach of its obligations to the Buyer hereunder.

7. LOSS OR DAMAGE IN TRANSIT

The Buyer shall inspect all shipments immediately upon receipt. If there is evidence of loss or damage during transit, the Buyer must, within five (5) working days thereof, file a claim with the carrier, with a copy to be provided to Sound Design Technologies. In the event of a short shipment, claims must be made directly to Sound Design Technologies, in writing, within five (5) working days after receipt of the Goods.

8. MINIMUM ORDER QUANTITY

Sound Design Technologies reserves the right to specify minimum order quantities and fixed reorder quantities.

9. WARRANTY

Subject to the limitations and exclusions set out below, Sound Design Technologies warrants that the Goods will be free of defects in material and workmanship and will perform as specified in Sound Design Technologies' data sheet with respect to same for a period of one (1) year from the date of shipment (the "Warranty Period"). Sound Design Technologies' liability under this warranty is limited to repairing or replacing defective Goods or, at Sound Design Technologies' option, Sound Design Technologies may reimburse the Buyer the price paid by the Buyer for any defective Goods. In no event shall Sound Design Technologies be liable for damages to the Buyer exceeding the sale price for the defective Goods.

Final determination as to whether Goods are actually defective rests solely with Sound Design Technologies. For this warranty to apply, the defective Goods must be returned to Sound Design Technologies by the Buyer, at the Buyer's expense, in the original packaging during the Warranty Period.

This warranty shall automatically become null and void if the Goods are used in an unreasonable manner or for a purpose other than for the Goods' intended purpose or in a manner that exceeds the maximum ratings specified by Sound Design Technologies' data sheet with respect to same or if the Goods were purchased from a source not authorized by Sound Design Technologies. This warranty also does not apply to Sound Design Technologies' "Protochip" service. Nor does this warranty apply to any Goods submitted as samples, design verification units or prototypes or Goods submitted free of charge to the Buyer for evaluation or sold under the conditions of a waiver. This warranty also does not apply to

Software (as defined in Paragraph 5.2 above) which may be included with any Goods.

Before any Goods are returned to Sound Design Technologies, a Return Material Authorization Number (a "RMA Number") must be obtained from Sound Design Technologies. If an entire shipment is being returned based on a Quality Assurance Sampling Process, the defective Goods which were sampled must first be sent to Sound Design Technologies by the Buyer, at the Buyer's expense, for testing by Sound Design Technologies. Once tested by Sound Design Technologies and provided an RMA Number is issued, the entire shipment may be returned in accordance with Sound Design Technologies' standard procedures. Goods that have been used, damaged or subjected to any production process are not eligible for return.

EXCEPT FOR THE EXPRESS LIMITED WARRANTY STATED ABOVE, SOUND DESIGN TECHNOLOGIES MAKES NO REPRESENTATION, CONDITION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO THE GOODS AND SPECIFICALLY EXCLUDES ALL IMPLIED CONDITIONS AND WARRANTIES, INCLUDING IMPLIED CONDITIONS AND WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. THE SOLE OBLIGATION AND ENTIRE LIABILITY OF SOUND DESIGN TECHNOLOGIES CONTAINED IN THE LIMITED WARRANTY STATED ABOVE IS IN LIEU OF ALL OTHER OBLIGATIONS OR LIABILITIES OF SOUND DESIGN TECHNOLOGIES TO THE BUYER WHATSOEVER AND HOWSOEVER ARISING, DIRECTLY OR INDIRECTLY, IN CONNECTION WITH THE SALE OF THESE GOODS, THE USE OF THE GOODS OR OTHERWISE, WHETHER ARISING IN CONTRACT, TORT OR OTHERWISE. IN NO EVENT SHALL SOUND DESIGN TECHNOLOGIES BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES ARISING DIRECTLY OR INDIRECTLY IN CONNECTION WITH THE GOODS, THE USE OF THE GOODS OR OTHERWISE, WHETHER FOR LOSS OF PROFITS, BUSINESS REVENUES OR OTHERWISE.

10. NON-WARRANTY RETURNS:

Goods will not be accepted for return for non-warranty reasons without the express prior written approval of Sound Design Technologies. An RMA Number must be obtained from Sound Design Technologies prior to the Buyer returning any Goods. A thirty percent (30%) restocking fee shall apply if Sound Design Technologies accepts the return of any Goods for non-warranty reasons.

11. INTELLECTUAL PROPERTY

11.1. Sound Design Technologies makes no express or implied representation or warranty that the Goods will not infringe any patent, copyright or other intellectual property rights. Sound Design Technologies agrees, however, to make reasonable effort to ensure that the Goods will not constitute an infringement.

11.2. In the event the Goods or any portion thereof become, or in Sound Design Technologies' opinion, are likely to become the subject of a claim of infringement of a patent, copyright, or other intellectual property right, or if the use of the Goods or any part thereof is enjoined in any such infringement proceedings, Sound Design Technologies, at its option and expense, shall either procure for the Buyer the right to continue to use said Goods, replace said Goods with

non-infringing Goods, or accept the return of the affected Goods and refund to the Buyer the depreciated value thereof. In no event shall Sound Design Technologies' total liability to Buyer under the foregoing indemnity exceed the purchase price of the infringing Goods and, without limiting the generality of the foregoing, in no event shall Sound Design Technologies be liable for any consequential, incidental, indirect, exemplary, special or other damages.

11.3. The Buyer, shall, at its expense, indemnify, and hold Sound Design Technologies harmless from and against any expense or loss resulting from any alleged infringement of any patent, copyright or other intellectual property rights arising as a result of Sound Design Technologies' compliance with any of the Buyer's designs, specifications or instructions and shall defend, at its own expense, including legal fees, any suit brought against Sound Design Technologies alleging any such infringement, provided that Sound Design Technologies gives the Buyer notice of any such suit and permits the Buyer, through counsel of the Buyer's choice, to defend (on the Buyer's behalf) such suit. Nothing herein, however, is meant to take away from Sound Design Technologies' right (at the Buyer's cost) to defend itself in any such matter.

12. LIMITATION OF LIABILITY

1. Notwithstanding any other provision set out in these terms and conditions or at law, Sound Design Technologies shall not be liable to the Buyer for any special or consequential damages or damages for loss of use arising directly or indirectly from any breach of these terms and conditions (fundamental or otherwise) or from any tortious acts or omissions of Sound Design Technologies' employees or agents and in no event shall the liability of Sound Design Technologies exceed the sale price of the Goods sold to the Buyer. Sound Design Technologies assumes no responsibility for the use of its Goods. Sound Design Technologies products are not to be used within any Life Support System (unless specifically designed for such use with Sound Design Technologies' full knowledge and agreement).

13. FORCE MAJEURE

Sound Design Technologies shall not be liable for any failure to deliver Goods or for any loss, damage, delay or consequential loss, damage or delay caused or arising from any act of God, strike, lockout, labour dispute, sabotage, riot, civil unrest, insurrection, war, other military action, fire, tempest, accident, equipment failure, yield problems, inability to obtain materials components, energy, statutory intervention, government regulation, delay of delivery of materials or services, or any other reason beyond its control. In the event that Sound Design Technologies' production is curtailed for any reason, Sound Design Technologies may allocate Goods to its buyers in whatever manner Sound Design Technologies sees fit.

14. SEVERABILITY

The invalidity or unenforceability of any provision set out in these terms and conditions shall not affect the validity or enforceability of any other provisions.

15. BREACH

Any one of the following shall constitute a breach of the Buyer's obligations to Sound Design Technologies under the terms and conditions set out herein:

15.1. Failing to pay Sound Design Technologies for any Goods when payment is due;

15.2. Failing to accept Goods when shipped;

15.3. The filing of a voluntary or involuntary petition in bankruptcy against the Buyer, the institution of any proceedings under insolvency or bankruptcy legislation (including reorganization) by or against the Buyer, or the making of an assignment by the Buyer for the benefit of its creditors; and

15.4. Any other act in violation of or which breaches any of the provisions of the terms and conditions set out herein.

In the event that the Buyer breaches any obligation to Sound Design Technologies under the terms and conditions set out herein, or otherwise, Sound Design Technologies may (in addition to any other rights or remedies), by written notice to the Buyer, immediately terminate, suspend or cancel an Order without any liability to Sound Design Technologies. Without limiting any other rights and remedies available to Sound Design Technologies, the Buyer shall pay all costs, including reasonable legal fees, incurred by Sound Design Technologies in any action brought by Sound Design Technologies to collect payments owing or to otherwise enforce its rights hereunder.

16. GOVERNING LAW

1. The terms and conditions set out herein shall be governed by and interpreted in accordance with laws of the Province of Ontario, Canada. In addition, the Buyer hereby agrees to attorn to the courts of the Province of Ontario, Canada and, without limiting the generality of the foregoing, the Buyer specifically agrees that the courts of the Province of Ontario, Canada, shall have jurisdiction over any and all legal proceedings which may arise with respect to matters set out herein. Neither the United Nations Convention on Contracts for the International Sale of Goods, nor the Convention on the Limitation Period in the International Sale of Goods, as either may from time to time modified or amended, shall apply to the terms and conditions set out herein or the transactions contemplated by the terms and conditions set out herein.

17. ASSIGNMENT

The Buyer shall not assign any Order or any interest therein or any rights thereunder to any party without the prior written consent of Sound Design Technologies.

18. WAIVER

No waiver by either party of any breach of any term or condition of the terms and conditions set out herein by the other party shall be deemed to constitute a waiver of any other breach, nor shall any delay or omission on the part of either party to exercise or avail itself of any right or remedy hereunder operate as a waiver thereof. No waiver given by a party hereunder shall be binding upon such party unless expressed in writing and signed by such party.

19. ENTIRE CONTRACT

The terms and conditions herein contained shall govern and shall comprise the entire agreement of the parties relating to the subject matter hereof and shall replace and supersede any provisions of any Order which are in addition to or inconsistent herewith. Sound Design Technologies' failure to object to provisions, which may be contained in any Order or other communication from the Buyer, shall not be deemed to be a waiver of the provisions hereof. No modification hereof shall be valid unless in writing and duly signed by an authorized employee of Sound Design Technologies or of one of Sound Design Technologies' subsidiaries.