++++FIRST SUPPLY AGREEMENT

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This First Supply Agreement (the “Agreement”) is effective [DATE],

**BETWEEN: [YOUR COMPANY NAME]** (the "Supplier"), a company organised and existing under the laws of the [PROVINCE] of the [COUNRTY], with its head office located at:

[YOUR COMPLETE ADDRESS]

**AND: [COMPANY NAME]** (the "Client"), a company organised and existing under the laws of the [PROVINCE] of the [COUNTRY], with its head office located at:

[COMPLETE ADDRESS]

WHEREAS the Client has been providing for its [SPECIFY PRODUCT] requirements through its [SPECIFY] division and through supply agreements entered into with suppliers not affiliated with the Client;

WHEREAS the Supplier has acquired on this day the Client’s [SPECIFY] division and, in connection therewith, the parties have agreed to enter into this Agreement;

WHEREAS the Client has agreed to grant the Supplier the right to continue to supply at competitive prices such part of the Client’s [SPECIFY PRODUCT] requirements as has been provided for by said [SPECIFY] division until this day;

THEREFORE, in consideration of the foregoing and mutual covenants herein contained, the parties agree as follows:

**SECTION 1**

Subject to the terms and conditions contained in this Agreement, the Client hereby grants to the Supplier the right to continue to supply such part of the Client’s [SPECIFY PRODUCT] requirements as has been provided for by the [SPECIFY] division of the Client until the date hereof, the whole in the amounts provided in Section 2 and for a period starting on the date hereof and ending on [DATE].

# SECTION 2

* 1. During the term of this Agreement and subject to the terms hereof, the Client shall purchase [SPECIFY PRODUCT] from the Supplier as follows:
     1. Year 1 (period ending [DATE]) - [PERCENTAGE %] percent of the total [SPECIFY PRODUCT] requirements of the Client (in volume) that would have otherwise been provided for by the [SPECIFY PRODUCT] division for such period;
     2. Year 2 (*i.e.* [NUMBER]-month period ending [DATE]) - No less than [PERCENTAGE %] percent of the total [SPECIFY PRODUCT] requirements of the Client (in volume) that would have otherwise been provided for by the [SPECIFY PRODUCT] division for such period;
     3. Year 3 (*i.e.* [NUMBER]-month period ending [DATE]) - No less than [PERCENTAGE %] percent of the total [SPECIFY PRODUCT] requirements of the Client (in volume) that would have otherwise been provided for by the [SPECIFY PRODUCT] division for such period.
     4. Year 4 (*i.e.* [NUMBER]-month period ending [DATE]) - No less than [PERCENTAGE %] percent of the [SPECIFY PRODUCT] requirements of the Client (in volume) that would have otherwise been provided for by the [SPECIFY PRODUCT] division for such period.

It is understood between the parties that this Agreement shall not preclude Client from buying or from continuing to buy from and after the date hereof any other [SPECIFY PRODUCT] requirements from any third-party supplier that is not supplied by the [SPECIFY PRODUCT] division at the date hereof or that would not otherwise be supplied by it to the Client after the date hereof, and that to determine the purchase obligations of the Client towards the Supplier pursuant to this Agreement, there shall not be taken into account any such [SPECIFY PRODUCT] requirements of the Client supplied by any such third party.

* 1. Client represents and warrants that for the calendar year [YEAR], its total [SPECIFY PRODUCT] purchases from the [SPECIFY PRODUCT] division were as set out in Schedule 1.

# SECTION 3

Prior to [DATE] of each year during the term of this Agreement, the Client shall inform the Supplier of the estimated total annual [SPECIFY PRODUCT] requirements that would have otherwise been provided for by the [SPECIFY PRODUCT] division for the following year and shall thereafter update such estimates quarterly. In addition, the Client shall promptly and regularly inform the Supplier of any changes thereto. For the period beginning [DATE] and ending [DATE], the Client has furnished said estimated [SPECIFY PRODUCT] requirements, which is attached hereto as Schedule 2. Such requirements are being furnished to Supplier for greater clarity only and to facilitate the production schedule for the [YEAR] calendar year and do not constitute a representation as to actual [SPECIFY PRODUCT] requirements.

# SECTION 4

* 1. Beginning in the calendar year [YEAR], the Client shall furnish Supplier yearly, no later than [NUMBER] days following the end of the preceding calendar year, with a certificate specifying its total annual [SPECIFY PRODUCT] requirements that would otherwise have been provided for by the [SPECIFY PRODUCT] division for such period and actual purchases from Supplier for such preceding year. Such certificate shall specify the requirements for each category of [SPECIFY PRODUCT] as well as actual purchases for each such category.
  2. Subject to Section 4.3, in the event the Client fails to meet its overall purchase obligations specified in Section 2 for any year, the Client shall pay to the Supplier an amount equal to the gross profit margin that would otherwise have been made by the Supplier if the Client had not defaulted with respect to such minimum purchase obligations. Such amount shall be equal to the result of the application of the following formula:

(A - B) x C

Where

A = for such one-year period, the minimum purchase obligations (in volume) of the Client calculated pursuant to Section 2 on the basis of the actual total [SPECIFY PRODUCT] requirements determined pursuant to paragraph 4.1 or paragraph 5.1, as the case may be;

B = for such one-year period, the actual bag purchases of the Client (in volume) as described in the Client’s certificate referred to in paragraph 4.1 or in Client’s external auditors’ certificate referred to in Section 5.1;

C = for such one-year period, the yearly average Gross Profit Margin (as this term is defined in Schedule 3(a) hereto) per [SPECIFY PRODUCT] for which the Client has not met its purchase obligations based on the applicable percentage stipulated in Section 2. For the purpose of the application of this paragraph 4.2, Supplier shall furnish Client, if requested by Client, within [NUMBER] days of receipt of Client’s certificate referred to in paragraph 4.1, a certificate specifying its actual Gross Profit Margins for the year covered by Client’s certificate for each product for which the Client has not met its purchase obligations based on the applicable percentage stipulated in Section 2.

Any amount due pursuant to this paragraph 4.2 shall be payable by the Client within [NUMBER] days of receipt by Supplier of Client’s certificate referred to in paragraph 4.1 or within [NUMBER] business days of receipt by Supplier of Client’s external auditors’ certificate referred to in paragraph 5.1.

It is understood by the parties that the amount to be paid by the Client in conformity with this Section 4.2 shall be the sum of the results obtained by the application of the formula described hereabove with respect to each type of bags for which the Client has not met the purchase obligations for any such period based on the applicable percentage stipulated in Section 2.

* 1. In the event that, for any given year for which any amount is payable by Client pursuant to Section 4.2, Client purchases [SPECIFY PRODUCT] of any category from Supplier over and above the purchase obligations of Client based on the applicable percentage stipulated in Section 2, then the amount payable pursuant to Section 4.2 shall be reduced by an amount equal to the result of the application of the following formula:

(A - B) x C

Where

A = for such one-year period, the actual [SPECIFY PRODUCT] purchases of the Client (in volume) as described in the Client’s certificate referred to in paragraph 4.1 or in Client’s external auditors’ certificate referred to in Section 5.1;

B = for such one-year period, the minimum purchase obligations (in volume) of the Client for such category of [SPECIFY PRODUCT] calculated pursuant to Section 2 on the basis of the actual total [SPECIFY PRODUCT] requirements determined pursuant to paragraph 4.1 or paragraph 5.1, as the case may be;

C = for such one-year period, the yearly average Gross Profit Margin per [SPECIFY PRODUCT] for which the Client has purchased amounts over and above its purchase obligations based on the applicable percentage stipulated in Section 2. For the purpose of the application of this paragraph 4.3, Supplier shall furnish Client, if requested by Client, within [NUMBER] days of receipt of Client’s certificate referred to in paragraph 4.1, a certificate specifying its actual Gross Profit Margins for the year covered by Client’s certificate for each product for which the Client has purchased bags over and above its purchase obligations based on the applicable percentage stipulated in Section 2.

It is understood by the parties that the amount calculated in conformity with this Section 4.3 shall be the sum of the results obtained by the application of the formula described hereabove with respect to each type of bags for which the Client has purchased bags over and above the purchase obligations for any such period based on the applicable percentage stipulated in Section 2.

# SECTION 5

* 1. The Client shall, if Supplier so requests, require its external auditors to prepare a certificate confirming compliance by the Client with its obligations under Section 2, which certificate shall be sent to the Supplier within [NUMBER] days of [MONTH] of each year, provided such request has been made by Supplier within [NUMBER] days of receipt of Client’s certificate referred to in paragraph 4.1.
  2. The Supplier shall, if Client so requests, require its external auditors to prepare a certificate confirming a decrease or an increase in direct labour and/or raw material costs, which certificate shall be furnished to Client within [NUMBER] days of a request therefor.
  3. The party requesting a certificate pursuant to paragraphs 5.1 or 5.2 above, shall assume the cost of preparation thereof. However, if said certificate is not delivered to the party requesting it in the prescribed time, then the cost of preparation thereof shall be borne by the other party.

# SECTION 6

* 1. Subject to paragraph 7.1 (notwithstanding paragraph 7.2) and Section 9, the Client shall pay the Supplier, for the products sold hereunder, during the period starting [DATE] and ending [DATE], prices which will provide the Supplier with the gross profit margins percentages on sale no higher than those described for each product at Schedule 3(b) of this Agreement (hereinafter referred to as the “Specific Gross Profit Margins”).
  2. Subject to Sections 7 and 9, the Client shall pay the Supplier, for the products sold hereunder, during the period starting on [DATE] until the end of this Agreement, prices which shall be the lesser of :

1. The prices available from suppliers of comparable products of comparable quality; and
2. The price which will provide the Supplier with the gross profit margins percentages on sale no higher than the Specific Gross Profit Margins.

# SECTION 7

* 1. Subject to the provisions of paragraph 7.2 hereunder, during the term of this Agreement and following any decrease or increase in the raw material or direct labour costs, the Supplier shall furnish to the Client its product price list as calculated pursuant to paragraph 6.1 or paragraph 6.2(b), as the case may be, which price list shall be effective, subject to Section 9, at the expiry of [NUMBER] days following its transmittal to the Client. Concurrently with the execution of this Agreement, the Supplier has furnished to the Client the initial price list, which shall be in force until modified as hereinabove provided and which initial price list is attached hereto at Schedule 4. The price lists established by the Supplier shall not include the applicable federal or provincial sales or other taxes payable by the Client.

Any decrease in the raw material or direct labour costs of Supplier for any product shall result in a corresponding decrease in the price of such product, except for any decrease in the cost of raw materials resulting from a price discount offered by a third-party supplier of the Supplier based on volume purchases exclusive to any one customer of Supplier other than Client.

Any increase in the price of any product shall be limited to increases resulting from changes in raw material or direct labour costs, provided further that direct labour costs shall not increase by more than the consumer price index and that raw material cost increases are justified, the whole as more fully described at Schedule 3(a).

* 1. In the event that the price for a specific product available from suppliers of comparable products for comparable quality is lower than the price referred to in paragraph 6.2(b) for such specific product, then, subject to the provisions of paragraph 7.3 below, the Supplier shall issue a new product price list accordingly to reflect such market conditions within [NUMBER] days from receipt of a notice from Client to that effect. Such new product price list shall come into effect as of the date of receipt of the notice. It is understood that any price differential referred to in the Client’s notice shall represent a true market reflection at the time of notification and not simply at the time of quotation.
  2. If, within [NUMBER] days of receipt by Supplier of the notice referred to in paragraph 7.2, Client and Supplier do not agree on the price of the specific product available from suppliers of comparable products for comparable quality, either party may appoint, with prior written notice to the other party, [SPECIFY] (the “Arbitrator”) to act as arbitrator to determine, on the basis of the competitive prices available from suppliers of comparable products for comparable quality, the price applicable for the specific product. Both parties undertake to make available to the Arbitrator, within [NUMBER] business days of the receipt of the notice referred to in this paragraph, all information required to permit it to render its decision. The Arbitrator shall have [NUMBER] days after the expiry of the seven-day period referred to hereinabove, to render its decision, which shall be final and binding on the parties.
  3. In the event the Arbitrator decides in favour of Client, then Supplier shall have [NUMBER] business days from receipt of the Arbitrator’s decision to notify Client that it elects to continue supplying Client of the specific product under the terms of the price of the specific product as determined by the Arbitrator, which shall come into effect at the date of receipt by Supplier of the notice referred to in Section 7.2. If Supplier elects not to continue supplying Client in conformity thereof or fails to notify it within the prescribed time, then Section 11 shall apply, *mutatis mutandis*; however, in this event, the Client hereby covenants to continue being supplied of [SPECIFY PRODUCT] from Supplier’s own raw materials and finished goods inventory on hand at the date of receipt by Supplier of Client’s notice pursuant to paragraph 7.2, up to a maximum of [NUMBER] months’ worth (in volume) of raw materials which are used exclusively for the manufacturing of products supplied to the Client and of finished goods inventory which have been made according to specifications exclusive for the Client, as the case may be, and which cannot be used for or by any other client of the Supplier.
  4. In addition, Client covenants to purchase from Supplier raw materials or finished goods inventory which is held or manufactured exclusively for the Client and cannot be used for or by any other client of the Supplier, provided Client will have required in writing from Supplier prior to receipt by Supplier of Client’s notice pursuant to paragraph 7.2, the supply of such raw materials or the manufacture of such finished goods, as the case may be, the whole for the exclusive use of Client. With respect to raw materials, which Client is obligated to purchase pursuant to this Section 7.3, Client shall have the option, provided adequate prior written notice to Supplier, to require Supplier to supply Client with such raw materials in lieu and in place of the finished products resulting from the manufacture thereof.
  5. In the event the Arbitrator decides in favour of Supplier, then the price of the specific product, as determined by the Arbitrator, shall also come into effect at the date of receipt by Supplier of the notice referred to in paragraph 7.2
  6. The party against which the Arbitrator will have ruled shall assume all reasonable costs related to the arbitration, provided supporting documents are submitted.

# SECTION 8

* 1. The Supplier shall supply products to the Client in accordance with Supplier’s standard specifications now in force, which are attached hereto as Schedule 4, except as may otherwise be mutually agreed between the parties hereto, and upon the Supplier’s standard terms and conditions of sale as they are now in force, which are attached hereto as Schedule 5, which terms and conditions may be modified from time to time by mutual agreement between the parties hereto.
  2. For the period starting [DATE] and ending [DATE], the Supplier shall supply the Client with products of no lesser quality than that of products supplied by the [SPECIFY PRODUCT] division as of the date hereof or otherwise agreed to in writing between the parties; after [DATE], the Supplier shall supply the Client with products of no lower quality than that of products supplied by third-party suppliers of comparable products, or otherwise agreed to in writing between the parties.

# SECTION 9

* 1. In the event that a new product or technology or a substitute product is developed or introduced by a third-party who is not an affiliate of the Client (as defined by the [COUNTRY] Business Company’s Act), which would result in significant cost savings for the Client, or in the event that Client’s requirements are modified as a result, *inter alia*, of a change in its own customers’ requirements, the Client will so advise the Supplier. The notice from Client to Supplier will specify the time period within which Supplier must indicate its decision to supply the substitute product and the time frame within which it must be able to supply same. Such time frame shall correspond to such reasonable time frame required by Supplier to acquire and instal the equipment, which will provide Client with such new product or technology or substitute product. For the purpose of this Agreement, “significant cost savings” shall mean a decrease in the purchase price of the product for the Client of at least [PERCENTAGE %] percent.
  2. If the Supplier elects to exercise its option regarding the new product or technology or the substitute product within the prescribed time period, the Client undertakes to negotiate with the Supplier a supply agreement for such new or substitute product for the remainder of the term of this Agreement. After the expiry of the prescribed time period, if the Supplier has elected not to exercise its option regarding the new product or technology or the substitute product or has elected to exercise said option but is unable, except for any act of God, to furnish the substitute product within the prescribed time frame, the Client may then purchase this new product or technology or substitute product from such third party, and in such case, the purchase obligations of the Client towards Supplier (in volume) as established in Section 2 hereof for the remainder of the current period or any annual period thereafter, as the case may be, will be reduced in accordance with Section 11, taking into account the volume represented by the new product or technology or substitute product until Supplier is able to supply said new product or technology or substitute product.
  3. Subject to the provisions herein, in the event that Supplier elects to exercise the option described here above, it shall adjust its product price list accordingly starting on the earliest of the following dates: (i) the date on which it starts to supply Client with the new product or technology or substitute product; (ii) in the event Client is able to be supplied for such new product or technology or substitute product from any third-party supplier before the expiry of the prescribed time frame, at the expiry of a period of six (6) months following the date of receipt by Supplier of the notice referred to in paragraph 9.1; or (iii) at the expiry of the prescribed time frame.
  4. In the event that Supplier elects to exercise the option described hereinabove but is unable, except for any act of God, to supply Client with the required new product or technology or substitute product, as the case may be, at the expiry of the prescribed time frame, it is understood between the parties hereto that during the prescribed time frame referred to hereinabove and until the earliest of the following dates: (i) the date the Client is able to be supplied otherwise by any third-party with the required new product or technology or substitute product, as the case may be; and (ii) at the expiry of the period starting immediately following the prescribed time frame and which is equivalent to such prescribed time frame, the price for products purchased by the Client from Supplier shall be adjusted to equal the prices charged for such new product or technology or substitute product by such third party supplier; such price shall take effect at the date of receipt by Supplier of the notice referred to in paragraph 9.1.

# SECTION 10

* 1. The Supplier may upon written notice, assign in whole or in part, its rights and interests herein described to any of its subsidiaries, including, without limitation, [COMPANY NAME] as long as such subsidiary remains under the control of the Supplier; notwithstanding such assignment, the Supplier shall remain bound by all of its obligations hereunder, as if such assignment had not taken place. Any permitted assign of the Supplier shall also have the right to reassign, in whole or in part, its rights and interests herein, in favour of the Supplier upon written notice to the Client. The Supplier may not otherwise assign its rights and interests hereunder.
  2. The Client may, upon written notice assign, in whole or in part its rights and interests herein described in the event that :
     1. the Client sells all or substantially all of its assets; in which case, the Client shall be fully discharged of all its obligations hereunder, which shall be fully assumed by the assignee from the date of transmittal of the notice; or
     2. sells all or substantially all of the assets of any operating division or subsidiary of the Client which is supplied by Supplier under this Agreement; however, in such case, the Client shall remain bound by its obligations hereunder with respect to any other purchase obligations of the Client which would not have been attributable to the division or subsidiary sold by Client, had the assignment not taken place; the Client shall only be liable towards the Supplier to the extent of and exclusively with respect to such other purchase obligations.
  3. The Client may also, upon written notice, assign, in whole or in part, its rights and interests herein described to any of its subsidiaries as long as such subsidiary remains under the control of the Client; notwithstanding such assignment, the Client shall remain bound by all of its obligations hereunder, as if such assignment had not taken place. Any permitted assign of the Client shall also have the right, upon prior written notice, to reassign, in whole or in part, its rights and interests herein, in favour of Client.
  4. Under any other circumstance, the Client shall not, without the prior written consent of Supplier (which shall not be unreasonably withheld), assign, in whole or in part, its rights and interests hereinunder. Notwithstanding the consent of Supplier, the Client shall remain bound by its obligations hereinunder in the event that the purchase obligations of the assignee towards the Supplier are lower than what the purchase obligations of the Client towards the Supplier would have been had the assignment not taken place; the Client shall however only be liable towards the Supplier to the extent of and exclusively with respect to such difference.

# SECTION 11

If, in any given year, the Supplier is unable or chooses not to supply, partially or totally, the Client, for any reason, with the prescribed percentage of the purchase requirements as provided in Section 2 (subject to any adjustment under Section 9), the whole in conformity with the terms and conditions of this Agreement (including, without limitation, in conformity with the provisions of paragraph 8.2 or in accordance with the terms of delivery existing as of the date hereof or otherwise agreed to between the parties, then the purchase obligations of the Client (in percentage) shall be decreased accordingly and equal the result of the application of the following formula (such result shall then replace the initial percentage of purchase obligations of the Client towards the Supplier prescribed in Section 2 for such given year) :

A

B

C

Where

A = for such given year in which Supplier is unable or chooses not to execute its obligations, the total annual purchase obligations of Client towards the Supplier (in volume) as determined pursuant to paragraphs 4.1 or 5.1, as the case may be;

B = for such given year, the number of [SPECIFY PRODUCT] which Supplier is unable or chooses not to supply in accordance with the terms of this Agreement;

C = for any given year in which Supplier is unable or chooses not to execute its obligations, the total annual [SPECIFY PRODUCT] requirements of the Client (in volume) as determined pursuant to paragraphs 4.1 or 5.1, as the case may be.

Supplier shall transmit without delay to Client a written notice describing the circumstance giving rise to the inability to meet its obligations.

It is further understood by the [COMPANY NAME] that in the event of any decrease in the purchase obligations of the Client pursuant to this Section 11, then the Client shall have the right, subject to the provisions of this Agreement, to purchase its bag requirements unfulfilled by the Supplier from any third-party supplier.

# SECTION 12

Client agrees and covenants that, if within [NUMBER] months of the date of this Agreement, Supplier (or any permitted assigned of Supplier) ceases on a permanent basis the operations of the Purchased Business (as this term is defined in the Asset Purchase Agreement entered into this day between Client, Supplier and [COMPANY NAME], by reason of the Client’s failure to purchase from Supplier at least [PERCENTAGE %] of its [SPECIFY PRODUCT] requirements that would have otherwise been provided for by the [SPECIFY PRODUCT] division for the first [NUMBER] months of [YEAR], then Client shall indemnify Supplier for the severance costs incurred by reason of the termination of the employment of the employees of the Purchased Business retained by Supplier pursuant to the Asset Purchase Agreement, for an amount equal to the lowest of (i) [PERCENTAGE %] of the costs of severing the employment of said employees, or (ii) [AMOUNT]. Client shall pay such amount within [NUMBER] days of receipt of supporting documents from Supplier to that effect.

# SECTION 13

This Agreement shall be binding upon the parties and each of their successors and permitted assigns. Nothing in this Agreement shall be construed to place the parties in a partnership, association or joint-venture relationship and nothing in this Agreement shall, in any way or manner create a mandator/mandatory relationship between the Supplier and the Client.

# SECTION 14

This Agreement shall be governed and construed in accordance with the [YOUR COUNTRY LAW] in force in the Province of [COUNRTY]

# SECTION 15

The parties hereto agree that all judicial or *quasi*-judicial proceedings commenced by a party hereto in connection with this Agreement shall be instituted before the body of competent jurisdiction in the judicial district of the defendant in the Province of the [COUNTRY]. The Supplier hereby elects domicile in the judicial district corresponding to its address indicated at the first page of this Agreement and the Client elects domicile at [FULL ADDRESS], [COUNRTY].

# SECTION 16

16.1 All notices, requests or other communications required or permitted hereunder shall be given in writing by hand delivery, by registered or certified mail, return receipt requested, postage prepaid (airmail, if international) or by a facsimile transmission to the party to receive the same at its respective address set forth below, or at such other address as may from time to time be designated by such party to the other in accordance with this Section, all such notices being effective on receipt:

16.1.1

If to the Supplier:

[COMPANY NAME]

[FULL ADDRESS]

[STATE/PROVINCE]

Attention: [INDIVIDUAL NAME]

Email: [EMAIL ADDRESS]

16.1.2

If to the Client:

[COMPANY NAME]

[FULL ADDRESS]

[COUNTRY]

Attention: Corporate Secretary

Email: [EMAIL ADDRESS]

# SECTION 17

No failure or delay by either party in the exercise of any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right preclude an additional or further exercise thereof or the exercise of any other right. To be effective, each waiver of any right hereunder must be in writing and signed by the party waiving its right, and such waiver may be made subject to any conditions specified therein. Each amendment hereto shall be in writing and signed by both [COMPANY NAME].

# SECTION 18

The Preamble and Schedules to this Agreement form an integral part thereof.

# SECTION 19

This Agreement shall be referred to as bearing formal date of [DATE], notwithstanding the actual date of its execution and shall be deemed to have taken effect as of such formal date. The expression “as of the date hereof” shall be deemed to refer to the formal date of this Agreement and the expression “as of the date of execution of this Agreement” shall be deemed to refer to [DATE].

IN WITNESS WHEREOF, each party to this agreement has caused it to be executed at [PLACE OF EXECUTION] on the date indicated above.

### SUPPLIER CLIENT

Authorized Signature Authorized Signature

Print Name and Title Print Name and Title

#### SCHEDULE 1

(Reference: Paragraph 2.2)

INDUSTRIAL [SPECIFY] PURCHASES OF CLIENT

FOR THE CALENDAR YEAR [YEAR]

##### SCHEDULE 2

(Reference : Paragraph 3.1)

ESTIMATED [SPECIFY] REQUIREMENTS OF CLIENT

FOR THE CALENDAR YEAR [YEAR]

##### SCHEDULE 3

(Reference: Paragraphs 4.2, 4.3, 6.1 and 6.2)

GROSS PROFIT MARGIN AND SPECIFIC GROSS PROFIT MARGINS

**SCHEDULE 3(a)**

GROSS PROFIT MARGIN

For the purpose of this Agreement, the terms “Gross Profit Margin” shall mean an amount corresponding to the difference between the selling price and actual costs to the Supplier for the manufacturing of specific category of bags, including direct labour costs, raw materials costs (which shall in turn include the cost of delivery of such materials to Supplier), maintenance and repair costs of equipment and fleet, utility costs, engraving costs as well as employee benefits costs. The Supplier will not be authorized, during the first year of the term of this Agreement, to increase its direct labour cost used to calculate the Gross Profit Margin; for the second, third and [NUMBER] years of the Agreement, any annual increase in such labour cost will be restricted to the lesser of the actual increases in such cost and the annual increase of the Consumer Price Index, all items, for [COUNTRY], as established by Statistics [COUNTRY] or any successor thereof, taking the twelve-month period ending [DATE] as the base year.

Any decrease in the raw material or direct labour costs of Supplier for any product shall result in a corresponding decrease in the price of such product, except for any decrease in the cost of raw materials resulting from a price discount offered by a third-party supplier of the Supplier based on volume purchases exclusive to any one customer of Supplier other than Client.

**SCHEDULE 3(b)**

SPECIFIC GROSS PROFIT MARGINS

(at [DATE])

##### SCHEDULE 4

(Reference : Paragraphs 7.1 and 8.1)

PRICE LIST OF SUPPLIER AND

SUPPLIER’S STANDARD SPECIFICATIONS

##### SCHEDULE 5

(Reference : Paragraph 8.1)

SUPPLIER’S STANDARD TERMS AND CONDITIONS OF SALE