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CUSTOMER PROJECT CONTRACT

Thank you for choosing Watts Baggs USA, Inc. to produce your new bag!!! The following Customer Project Contract will outline all of the services that you will receive by choosing us and the associated costs. Designing and manufacturing a custom bag is a complex process that requires the skills of many trained employees. Each custom bag is unique so prices can vary between projects. This Customer Project Contract outlines the agreement between the Client _____ and Watts Baggs USA, Inc. While every arrangement is different, almost all custom bags projects will require most of the following steps to complete it:

1) You will start by working with one of our bag engineers to discuss all of your needs. We can do that via phone, Skype, Email, or at our location. We can meet off site but there may be an additional fee. During the prototype manufacturing process we can send line drawings and responses to your design ideas. You will provide the Design concept. We do not draw the initial bag concepts in a design software because the cost to do that adds thousands of extra dollars to each project. We can manufacture a physical prototype many times faster than an engineer can draw a bag. This process helps us keep the initial design costs much lower.

2) We create all of the patterns needed to manufacture your project. We research and order all of the necessary supplies and materials.

3) The Patterns are setup in AutoCAD by our engineer to optimize fabric usage and create a perfect pattern. This eliminates the human error of hand drawn patterns which saves you manufacturing and material costs on future orders. The AutoCAD files are the property of Watts Baggs USA, Inc. We will send you a .bmp or .jpg image of the drawings and the layouts at anytime. If you would like to own the AutoCAD files, there will be an additional fee.

4) If your project requires embroidery, we can setup and digitize any logo or text. We can send you digital proofs for your approval of the colors, style, size, placement, and stitch types of the embroidery before it is ever placed on your prototype. If you would like to own your digitized embroidery files, there may be an additional fee.

5) All of the different fabrics and materials needed for your project will be cut with large commercial fabric cutters or with an automated fabric cutting machine.

Client Rep

Watts Baggs Rep

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6) The bag prototype will be sewn here in our US facility. Along with the sewing, we ensure the patterns are correct, make all of the necessary changes to the patterns, and create the sewing steps for future manufacturing.

7) We complete all of the final assembly of the bag. This may include installing foams, plastics, and adding a wheel/telescoping handle system.

8) Final quality control inspection is completed to ensure the bag meets your specifications. We then ship or email pictures of the prototype and discuss any necessary changes.

9) We make any necessary changes to the sample or sew a new bag with the changes. If there are major changes from the original designs and concepts that were agreed upon in the initial design process, there may be additional fees to redesign your bag. After we make all needed changes to the original prototype or complete a second prototype, any future bags will be charged whatever fee we negotiate. This fee will be based on a set future manufacturing bag price that will be based on order size and frequency. This will be your final bag price on your initial order when ordered within 6 months. Due to variances in material and labor costs, bag prices cannot be guaranteed for longer than 6 months. However, changes in pricing are not typical.

10) If requested, we begin the process of having your bags sourced in our overseas factory. This requires shipping your final approved prototype to China. This option is best for anyone that desires to markup and sell their bag to other clients, store fronts, or distributors. There may be additional fees associated with this option and it will require larger order quantities.

I _____ (Client) agree to pay _____ USD to have my design and custom bag project manufactured by Watts Baggs USA, Inc. The prototyping fee is due in full before the design process begins. If you, the Client, move forward with production after your prototype has been completed, we will apply a portion of your design costs to your first order. The amount of _____ USD will be applied to your first order with a minimum order amount of _____ USD. We estimate your project will take _____ weeks in production. This Customer Project Contract also includes the terms outlined in the "Additional Provisions" section outlined below, as well as any additional terms to this Contract that may be entered into on Exhibit "A", which is attached hereto, and will be approved by each of us in writing. Each project may require several additions to Exhibit "A", and each addition must be written and signed by each party. This Contract shall only take effect when each party has signed and initialed all relevant portions of the Contract.

Client Representative

Watts Baggs USA, Inc. Representative

Date

Date

ADDITIONAL PROVISIONS

This Customer Project Contract (hereinafter "Contract") shall be governed by the following additional provisions:

- 1) RELATIONSHIP OF THE PARTIES: It is understood that the Client and Watts Baggs USA, Inc. are separate legal entities and that upon entering into this Contract they are not creating a legal partnership, joint venture or other legal relationship beyond that of Designer and Manufacturer or a customer and seller of manufacturing services.

- 2) ROLES AND RESPONSIBILITIES OF THE PARTIES: Under this Contract, unless otherwise provided elsewhere, the Client shall be responsible for the design of the project and Watts Baggs USA, Inc., shall be responsible solely for the manufacture of the project as described under this Contract and as prescribed by the Client. Thus, unless stated otherwise, the Client is the Designer of the product and Watts Baggs USA, Inc., is the Manufacturer of the product. Watts Baggs USA, Inc., shall not be liable for any mistakes, negligence or errors found in or arising from Client's designs, nor any type of injury, claim or cause of action which may arise out of the Client's implementation or sale of its design and product in the general marketplace. Client shall bear the responsibility of determining whether its design is safe, whether the materials used in the design are appropriate and safe for their intended use and application, whether the design complies with any applicable safety regulations, and whether its product has undergone any appropriate or required third party testing to determine whether the product meets the Client's needs and safety requirements. Client shall further bear the responsibility of determining whether its design complies with any applicable copyright, patent or trademark laws, and shall take whatever action necessary to ensure it has complied with such laws and avoided infringement of another party's intellectual property rights. The Client is ultimately responsible to ensure its design and prototype meets all of its needs and safety requirements, not only for the Client's purposes but also for any buyer of the Client's product. Watts Baggs USA, Inc. provides no warranty whatsoever as to the utility or usefulness of the Client's design.

- 3) INDEMNIFICATION AND ATTORNEY'S FEES: Client shall indemnify, defend and hold Watts Baggs USA, Inc., harmless from any claims, damages or judgments, including all reasonable attorney's fees, directly or indirectly resulting from any injury, claim or cause of action arising from the Client's design or product which is the subject of this Contract, or any claimed infringement or violation of any copyright, patent or other intellectual property right with respect to Client's design and product as applicable to this Contract. Each party shall initially bear the burden of their respective attorney's fees concerning any issues arising from this Contract or from enforcement of the Contract. In any matter concerning this Contract, the prevailing party shall be entitled to reasonable attorney's fees in addition to any other damages awarded.

- 4) CHOICE OF LAW AND FORUM: Any questions, disputes or litigation arising either directly or indirectly from this Contract, including but not limited to disputes concerning the validity, interpretation, enforcement or effect of this Contract or interpretation concerning the rights and obligations of the parties hereunder, shall be governed (whether in law or in equity) by the laws of the State of Utah, without regard to principles of conflicts of law, and the federal courts in the District of

Utah or the state courts in Utah County, Utah, shall be the exclusive jurisdiction within which to resolve all such questions, disputes, controversies, or litigation.

5) ASSIGNMENT: Neither the Client or Watts Baggs USA, Inc., may assign this Contract or any portion thereof without the approval of the other party, which shall not be unreasonably withheld.

6) AMENDMENT; WAIVER: Any provision of this Contract may only be amended or waived if such amendment or waiver is in writing, and, if an amendment, executed by all parties hereto and, if a waiver, executed by the party which is waiving the term, condition or right.

7) SEVERABILITY: Any provision of this Contract that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8) ENTIRE AGREEMENT. This Contract, together with any terms outlined on Exhibit "A" below, constitutes the entire understanding of the parties with relation to the subject matter hereof, and may be amended only by a writing in accordance with Paragraph "6" above.

EXHIBIT "A"