TERMS AND CONDITIONS

These Terms and Conditions are a part of the purchase order ("**Order**") issued by HEARING LOOP SYSTEMS ("**Contractor**") to _____ ("**Subcontractor**").

1. **WORK.** Subcontractor shall furnish and do all things, including, without limitation, all labor, materials, equipment, machinery, tools, supervision, and services that are (1) appropriate for the timely completion of the work described in the Order, the Schedule of Project Details and the contract between Contractor and the State of Michigan, Department of Management and Budget ("**Owner**") dated September 7, 2005 (including all documents and forms referenced therein) ("**Prime Contract**") (collectively, "**Contract**"), (2) consistent with the work to produce the result the Contract intends, and (3) otherwise to be performed under the Contract (collectively, "**Work**"). In the event of a conflict between the Prime Contract, Schedule of Project Details, the Order or these Terms, the Prime Contract shall govern. To the extent that provisions of the Prime Contract could apply to the Work, (i) Subcontractor shall assume toward Contractor all obligations and responsibilities which Contractor, under such documents, assumes toward Owner (specifically including the liquidated damages provision set forth in Section 00825 of the Prime Contract), and (ii) Contractor shall have the benefit of all rights, remedies and redress against Subcontractor which Owner, under such documents, has against Contractor. Subcontractor is an independent contractor and not an officer, director, employee or agent of Contractor.

2. **PERFORMANCE OF WORK.** Subcontractor shall perform the Work within the time set forth in the Contract. If Subcontractor falls behind schedule, Contractor shall be entitled to require acceleration or resequencing of the Work to bring the Work back on schedule. Subcontractor shall not be entitled to additional compensation for any such acceleration or resequencing.

3. **CONTRACT SUM.** Contractor shall pay Subcontractor the price set forth in the Order ("**Contract Sum**"). The Contract Sum shall constitute the sole compensation payable to Subcontractor for the performance of the Work, and shall include the cost of all permits, licenses, fees, bonds and other expenses required to execute the Work. Subcontractor shall become entitled to receive payments (payable as set forth in **Exhibit A**, which is hereby incorporated into this Contract) for the Work only if such payments are expressly provided for in the Contract. Contractor shall have the right at any time to withhold from any payment any amount that is reasonably necessary to compensate Contractor for (1) any loss due to Work that is defective or does not conform to the Contract requirements, (2) damage for which Subcontractor is liable under the Contract, (3) liens or claims of liens, (4) claims of third parties, subcontractors or materialmen, (5) the inability of Subcontractor to complete the performance of the Work, or (6) any other failure of Subcontractor to perform any of its obligations under the Contract.

4. **TITLE TO WORK; LIENS.** Title to Work and to all materials or equipment on account of which any payment has been made shall be vested in Contractor, but this shall not limit Contractor's right to require the correction of defective or non-conforming Work or relieve Subcontractor of any obligation arising under the Contract. Subcontractor agrees that no construction liens shall be filed or maintained by it, and expressly waives and relinquishes the right to file or maintain any such lien or claim.

5. **CHANGES IN WORK.** Contractor shall have the right to make changes in the Work. At Contractor's request, when Contractor wishes to consider making a change to the Work, Subcontractor shall prepare and submit a proposed change order for Contractor's review and consideration in the form prescribed by Contractor. Contractor shall not be obligated to pay for any change in the Work that has not been authorized by a written change order. Any request by Subcontractor for an adjustment in the Contract Sum or the time for performance that is not made before commencement of the performance of the change in the Work shall be conclusively deemed to have been waived.

6. **WARRANTY.** Subcontractor warrants that all Work performed shall be free from defects in title, design, material and workmanship, shall conform to the requirements of the Contract (and specifically including the Prime Contract) and shall be fit for the

purposes stated in, or reasonably inferred from, the Contract. This warranty shall not be sole and exclusive and is in addition to any other warranty expressed or implied.

7. **SUBCONTRACTS**. Each sub-subcontract shall be with the person, firm or corporation named in the Contract, or as approved by Contractor. Subcontractor shall, notwithstanding any approval by Contractor, remain as fully responsible for the acts and omissions of all sub-subcontractors as it is for its own acts and those of its employees and agents. Subcontractor shall require each sub-subcontractor to be bound by the terms and conditions of the Contract and to assume toward Subcontractor all the obligations and responsibilities that Subcontractor assumes toward Contractor. Contractor shall be designated as an intended third party beneficiary of each Subcontract.

8. **WORK BY OTHERS.** Any claim of Subcontractor arising out of any alleged interference due to the conduct of such other work shall be made to Contractor in writing within five (5) days after the occurrence of the alleged interference and shall be deemed to have been waived unless so made. If the proper execution of any part of the Work depends upon any of such other work, then Subcontractor shall, before proceeding with the Work, inspect the other work and promptly advise Contractor of any defects in the other work. Subcontractor's failure to make such inspection and report shall constitute its acceptance of the other work.

9. **INSPECTION AND CORRECTION OF WORK.** All parts of the Work shall be subject to inspection and test by Contractor, and the authorized representatives of any public authority having jurisdiction. Subcontractor shall bear all costs of any inspections and tests conducted by public authorities. If any part of the Work is defective or does not conform to the requirements of the Contract, then Contractor shall have the right to (1) require Subcontractor, at Subcontractor's sole expense and within a reasonable time, to correct the Work, (2) perform all Work necessary for the accomplishment of the results described above and withhold or recover from Subcontractor the cost of that Work, or (3) accept the defective or non-conforming Work upon the making of an equitable reduction in the Contract Sum. Subcontractor shall for the period set forth in the Contract, or for a period of one (1) year following final inspection and final payment if not stated in the Contract ("**Correction Period**"), correct any Work found to be defective. Upon completion of any correction under this *Paragraph 9*, the Correction Period in connection with the Work requiring correction shall be renewed and shall recommence.

10. **PROTECTION OF PERSONS AND PROPERTY.** All Work shall be performed in strict accordance with all applicable governmental codes and Contractor's environmental, health and safety rules and regulations, a copy of which has been furnished to Subcontractor. Contractor's safety personnel shall have access to all safety plans and programs initiated by Subcontractor in connection with the Work. Upon receipt of notice of failure to comply with safety requirements, Subcontractor shall immediately remedy the failure. If Subcontractor fails to do so, then Contractor may issue an order stopping the Work until the failure has been corrected, without compensation to Subcontractor for the time lost or other additional expense due to the stoppage of the Work.

11. **INSURANCE & INDEMNIFICATION.** Subcontractor shall maintain in effect, at its own expense, insurance of the types (including reasonable endorsements) and with respective limits of the amounts pursuant to the Contract (specifically including the Prime Contract), or as otherwise required by Contractor (including but not limited to liability and property damage insurance and workers compensation insurance) and shall furnish Contractor with certificates of insurance issued by a financially sound insurance company acceptable to Contractor as evidence of the required insurance, naming Contractor as an additional insured. Subcontractor shall require all sub-subcontractors and others performing any of the Work on the property to maintain in effect such insurance. Subcontractor waives any and all rights of recovery it has against Contractor for damage or destruction of property of whatever kind or nature whether it is its own property or the property of its employees, and all policies insuring any such property shall contain a waiver of subrogation clause or endorsement. Subcontractor shall indemnify, hold harmless and defend Contractor and its employees and/or agents from and against any and all claims, damages, liabilities, costs or losses (including, without limitation, reasonable attorneys' fees and court costs) arising from Subcontractor's or its employees and/or agents breach of this Agreement and/or any acts or omissions of Subcontractor or its employees and/or agents causing injury or death to any person or damage or destruction to any real or personal property.

12. **CONTRACTORSHIP OF DOCUMENTS; ACCEPTANCE OF PLANS.** Subcontractor shall furnish to Contractor specifications, drawings or other documents that show, illustrate or explain the details of the Work (including on-site, current as-builts) prior to payment being made to Subcontractor. All of those documents, including any copies of them, shall be and remain the property of Contractor. Contractor shall have the right to require all corrections in any specifications, drawings, or documents that are necessary to make them conform to the Contract. No Work with respect to which any such specification, drawing, or documents have been requested shall be performed unless and until the documents for that Work have been accepted by Contractor. However, review of those or any other documents by Contractor shall be solely for the purpose of examining the general arrangement, design and details of the Work, and not for the purpose of determining the accuracy or completeness of such specifications, drawings, or documents.

13. **TERMINATION AND SUSPENSION.** Total payment to be made to Subcontractor by reason of a termination by Contractor of the Contract by reason of Subcontractor's default shall not exceed a percentage of the Contract price equal to the proportion that the Work completed before termination bears to the Work as if fully completed in accordance with the Contract. Contractor shall have the right to suspend the Work, in whole or in part, at any time, for Contractor's convenience upon written notice to Subcontractor. If the

suspension is for less than thirty (30) days, then Contractor shall not have any liability to Subcontractor by reason of the suspension. If the suspension is for thirty (30) days or more, then Subcontractor, as its sole remedy, shall be entitled to recover its reasonable direct costs of demobilization and remobilization.

14. **BONDS.** Subcontractor shall furnish all bonds, whether conditioned upon its payment for all labor, materials, equipment or other things used in the performance of the Work or upon its performance of all obligations arising under the Contract or otherwise, that are required by law or requested at any time by Contractor. The premiums for those bonds that are required by law or that have been requested by Contractor shall be deemed to be included in the Contract Sum.

15. **PERMITS, LAWS AND REGULATIONS.** Without increase in the Contract Sum, Subcontractor shall obtain all permits and other permits or licenses, including any required use and occupancy permits in connection with the performance of the Work, and shall give all notices, pay all fees and take all actions that are necessary to ensure that the Work is performed in accordance with applicable laws, ordinances, rules and regulations of any public authority bearing on the performance of the Work. Subcontractor warrants that it is duly licensed to conduct the Work by the proper licensing authority in the jurisdiction where the Project will take place.

16. **BOOKS AND RECORDS.** Subcontractor shall, for three (3) years after receipt of Contractor's final payment, keep a complete set of records showing all expenditures made in the performance of the Contract, which Contractor shall be permitted to examine.

17. **OTHER REQUIREMENTS.** Subcontractor shall arrange for a tuberculosis test for any and all of its employees, agents or any others performing Work on the site, and shall submit the results of such tests to Contractor prior to the commencement of Work. A negative tuberculosis test is a condition precedent to conducting Work at the site.

HEARING LOOP SYSTEMS	**[Subcontractor]**
_____	_____
By , Its	By , Its

Exhibit A

Contractor shall make payment in the following manner:

Contractor shall make payments to Subcontractor pursuant to the terms of the Contract (including the Prime Contract), but only after it receives such payment from Owner. Subcontractor shall, as a condition precedent to its right to receive any progress payment, submit to Contractor on or before the first Tuesday of each calendar month an application for payment that shall be accompanied by all receipts, vouchers, lien waivers (which may be conditioned upon receipt of payment, so long as they are supplemented by unconditional lien waivers within thirty (30) days), sworn statements and other documents that are necessary to establish (i) Subcontractor's right to payment for all labor, materials or equipment and other things covered by the application and (ii) the absence of any interest, whether in the nature of a lien or otherwise, of any other party in the premises or in any property with respect to which payment is requested. The balance of the Contract Sum not disbursed through progress payments shall be paid upon completion of all punch list items, final acceptance of all Work by Contractor and the receipt by Contractor of a full, unconditional lien waiver from each person performing Work or providing materials under the Contract.