



CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT

To: Talon Systems Inc., Talon Systems USA Inc. and Talon Systems America, Inc.

c/o BDO Canada Limited

Attention: Steven Welker, CPA, CA, CIRP
123 Front Street West
Suite 1200
Toronto, ON M5J 2M2

Telephone: (416)-865-0210
Facsimile: (416)-865-0904
Email: swelker@bdo.ca

Re: Talon Systems Inc., Talon Systems USA Inc. and Talon Systems America, Inc.
("Talon" or the "Companies")

The undersigned hereby acknowledges having been advised that:

- i) On July 18, 2013, Talon filed a Notice of Intention to Make a Proposal under Division 1 of Part III of the *Bankruptcy and Insolvency Act* (Canada) and BDO Canada Limited ("BDO or the "Proposal Trustee") consented to act as Proposal Trustee;
- ii) On July 19, 2013, a Sales and Investor Solicitation Process Order was granted by the Honourable Mr. Justice Wilton-Siegel of the Ontario Superior Court of Justice and on July 31, 2013 by the Honorable Judge Carey of the United States Bankruptcy Court for the District of Delaware directing Talon, under the supervision of the Proposal Trustee, to solicit interested parties for offers to make an investment in Talon's business and/or to purchase Talon's assets, properties and undertakings (collectively, the "Property");
- iii) To this end, both Talon and the Proposal Trustee is in possession of certain proprietary, non-public or confidential information, documents, statements, and data relating to the operations of Talon (collectively the "Information") for the review and further investigation, where appropriate, of any person or corporation interested in submitting an offer to purchase the Property and/or to make an investment in Talon's business (the "Business Purpose"); and
- iv) The Information is of a sensitive and confidential nature, and the disclosure thereof could adversely affect the value of the Property and Talon's business.

In consideration of the disclosure by Talon and/or the Proposal Trustee to the undersigned of any portion of the Information, the sufficiency of which consideration is hereby acknowledged; the undersigned hereby undertakes and agrees as follows:

1. To maintain the Information in the strictest of confidence and to control the dissemination of the Information, including any documents or copies (paper, electronic or otherwise) thereof contained in the Information in accordance with the terms and conditions of this Confidentiality and Non-Disclosure Agreement ("NDA");

2. Not to supply any documents or portions of documents included in the Information or any information included therein or any information hereinafter obtained in the course hereof or with respect hereto, to any person or corporation except to the Representatives (defined below) and as otherwise specifically provided for herein;
3. The Information is to be used by the undersigned, its affiliates, and their respective directors, officers, employees, accountants, attorneys, solicitors, financing sources, consultants, agents, representatives and advisors and their respective representatives, to the extent the foregoing are actually provided access to the Information by the undersigned (collectively the “Representatives”), only in connection with the Business Purpose;
4. To advise the Representatives of the confidential nature of the Information, and to provide to those Representatives to which or to whom the Information is provided a copy of the NDA, and if such Representative is not otherwise bound by restrictions on disclosure and use similar to the obligations hereunder, to have such Representatives agree to be bound by this NDA;
5. The undersigned shall be responsible for any breach of the provisions of this NDA by any of the Representatives to whom the undersigned discloses Information;
6. In the event that the undersigned, or any of the Representatives, or any one to whom any of them furnish some or all of the Information, receives a request or demand to disclose all or any part of such Information by a governmental body or deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process, the undersigned agrees to first notify both Talon and the Proposal Trustee (to the extent permitted to do so by applicable law) by delivering written notice to the address noted above, so that Talon and/or the Proposal Trustee or their respective legal representative may seek an appropriate protective order; provided, however, that if such protective order or other remedy is not obtained, or both Talon and the Proposal Trustee waives compliance with the provisions hereof, the undersigned or such Representative, as the case may be, may disclose only such Information which the undersigned or such Representative, as the case may be, is legally required to disclose;
7. The term “Information” does not include and this NDA will not apply to any information that: (a) at the time of disclosure or thereafter, is generally available to or known by the public (other than as a result of a disclosure by the undersigned or any of its Representatives in violation of any obligation under this NDA); (b) was available to the undersigned or any of its Representatives on a non-confidential basis from a source other than Talon or the Proposal Trustee who, insofar as was known to the undersigned or any of its Representatives, was not prohibited from transmitting the information to the undersigned or any of its Representatives by a contractual, legal or fiduciary obligation to Talon, the Proposal Trustee or any third party; or (c) has been independently acquired or developed by the undersigned or any of its Representatives without violation of any obligation under this NDA;
8. The undersigned shall indemnify the Proposal Trustee, Talon and their representatives against any losses, costs, damages, expenses or liabilities suffered or incurred by any of them as a result of or in connection with any breach by the undersigned or any of its Representatives to whom the undersigned discloses Information of any term or

- provision of this NDA; provided, however, that the undersigned shall not be liable for any consequential, special, incidental, indirect or penal damages;
9. The undersigned acknowledges and agrees that the execution and delivery of this NDA and the delivery of the Information does not give rise to any legal obligation of the Proposal Trustee or Talon, whether in contract, in negligence or other tort, by way of fiduciary duty or otherwise. Without limiting the generality of the foregoing, the undersigned
 10. acknowledges and agrees that both Talon and the Proposal Trustee are not and will not be under any obligation, express or implied, to provide or to continue to provide Information, to entertain any offers or proposals for the purchase or transfer of the Property, or to complete a sale or other transaction with the undersigned, unless and until Talon and the undersigned execute and deliver a legally binding agreement expressly providing for such obligations. Without limiting the foregoing, the undersigned acknowledges and agrees that neither Talon nor the Proposal Trustee has made, and they will not make, any representations or warranties, either express or implied, concerning the accuracy or completeness of, or otherwise relating in any way to, the Information. the Proposal Trustee and Talon shall not have any liability whatsoever to the undersigned or any Representatives for any transaction entered into, or not entered into, or any other act, omission or decision made or taken, relying upon or in any way affected by, the Information. The foregoing shall nonetheless be subject to any representations and warranties concerning the Information expressly given in writing in a legally binding agreement executed and delivered by Talon relating to the Business Purpose (a “**Definitive Agreement**”);
 11. Upon receipt of a written request to the undersigned, the undersigned and its Representatives shall promptly return to the Proposal Trustee any and all Information received, printed, downloaded or otherwise copied together with personal notes including written materials and any notes of verbal conversations with representatives from Talon or the Proposal Trustee obtained in the course of any investigation and/or inspection of Talon’s business;
 12. The undersigned acknowledges and agrees that it has had an opportunity to obtain independent legal advice as to the terms and conditions of this NDA and has either received same or expressly waived its right to do so;
 13. This NDA shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. This NDA shall not be assigned without the express written consent of both parties hereto.
 14. This NDA shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein;
 15. The undersigned acknowledges and agrees with the statements, disclaimers, and terms and conditions of the Legal Terms of Use and Disclaimer set-out in Appendix “A”;
 16. No failure or delay by the Proposal Trustee or Talon in exercising any rights, powers or privileges under this NDA shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise of any rights, powers or privileges under this NDA;



- 17. No amendment to the terms and conditions of this NDA shall be valid and binding unless made in writing and signed by an authorized representative of each of the parties hereto;
- 18. This NDA may be executed and delivered in any number of counterparts, each of which when executed and delivered is an original but all of which taken together constitute one and the same instrument; and
- 19. Any party may deliver an executed copy of this NDA by facsimile or email.

DATED AT _____, this _____ day of _____, 2013.

_____ (Signature of Person - Individual) Name:	OR	_____ Name of Corporation (Print) Per:
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_____ (Signature of Witness) Name:	_____ (Signature of Authorized Signing Officer) Name: Title:
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I have the authority to bind the corporation

Contact Information (Required):

(Name - First and Last)

(Street/Land Location/PO Box No. /Unit No. /Suite No.)

_____ (City/Town)	_____ (Province/Territory/State)	_____ (Country)
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_____ (Postal Code/Zip Code)	_____ (Telephone)	_____ (Facsimile)
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(E-mail)

LEGAL TERMS OF USE AND DISCLAIMER

1. The following are the legal terms of use and disclaimer for the electronic data room, www.bdo.firmex.com (the "Website"), and any physical data (collectively the "Data Rooms") provided by BDO Canada Limited, in its capacity as the proposal trustee (the "Proposal Trustee") for Talon (as defined herein), and created for prospective purchasers or lenders to Talon Systems Inc., Talon Systems America, Inc., and Talon Systems USA Inc. ("Talon" or the "Companies"). All information provided to or made available to prospective purchasers or lenders by the Proposal Trustee, whether located in the Data Rooms or not, shall be referred to hereinafter as the "Information".
2. The Information being made available to you, including the Information that can be found at the Data Rooms, has been prepared and assembled from information provided by Talon and other sources. Access to the Data Rooms is being provided to you, as you have expressed a preliminary interest in making an investment in Talon's business and/or purchasing some or all of Talon's assets, properties and undertakings (the "Property") and have executed a Confidentiality and Non-Disclosure Agreement ("NDA") in connection thereto.
3. The sole purpose of the Data Rooms and the Information contained therein and/or made available to you is to assist you in deciding whether to proceed further with your investigation of a possible purchase or financing agreement with the Companies. This Information being made available to you does not purport to be all-inclusive or to necessarily contain all of the information that a prospective purchaser or investor may require in connection with its investigation of the Companies.
4. The Proposal Trustee, its officers, directors, employees and agents, make no representations or warranties and each expressly disclaims any and all liability for any errors and/or omissions which may be contained in the Information being made available at the Data Rooms or other information obtained in the course of any investigation and/or inspection of the Companies.
5. Except as otherwise indicated, no independent accountant has audited, reviewed, compiled or is in any way associated with the Information presented herein nor has an independent accountant expressed any conclusion thereon or given any other form of assurance with respect thereto.
6. In accordance with the terms of the NDA executed by you, the Information being made available to you at the Data Rooms or any other Information to be made available to you by the Proposal Trustee is to be kept confidential and upon the express understanding that it will be used only for the purposes set forth above.
7. The Information being made available is confidential and may not be photocopied, reproduced or distributed to any other person at any time, except for the purposes of obtaining professional advice, without the prior written consent of BDO. Upon receipt of a written request, you agree to promptly return to BDO all Information, including but not limited to materials printed from the Website, written material and any

notes of your verbal conversations with representatives of BDO obtained in the course of any investigation and/or inspection of the Companies.

8. In providing access to the Data Rooms, BDO does not accept any obligation to provide you with access to any additional information about the Companies. The Information being made available to you at the Data Rooms or any other information to be made available to you by BDO shall not be deemed to be an indication of the current or future state of affairs of Talon nor shall it constitute a representation that there has been no change in the business or affairs of Talon since the date thereof.
9. The Companies reserve the right to negotiate with one or more prospective purchasers and/or lenders at any time and to enter into a Definitive Agreement (as defined in the NDA) without prior notice to you or any other interested party. Also, the Companies reserve the right not to enter into a Definitive Agreement and to terminate, at any time, further participation in the investigation and due diligence process by you or any other party and to modify any data, documentation and other procedures relating to the Companies' sale and investment solicitation process without assigning any reason thereto.
10. Any transaction shall be subject to approval by the Ontario Superior Court of Justice (Commercial List).