Glossary of Terms

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Standard Operating Procedure (SOP): is a set of written instructions that document a routine or repetitive activity that we follow. The creation and implementation of SOPs are an integral part of the Sertus quality system. They provide our people with the information to perform a job or task properly, and facilitate consistency in the quality and integrity of our work. SOPs detail the regularly recurring work processes that are to be conducted or followed within Sertus. They document the way activities are to be performed to facilitate consistent conformance to technical and quality system requirements and to support data quality. The development and use of SOPs minimizes variation and promotes quality through consistent implementation of a process or procedure within the Setus organization, even if there are temporary or permanent personnel changes. We have spent years developing and refining our SOPs and they are a fundamental driver of value for our organization that we happily transfer to our clients.

Quality Assurance (QA): is the planned and systematic activities implemented in the Sertus quality system so that quality requirements and client expectations for a product or service will be fulfilled. Quality assurance is a pre-requisite to quality control (QC). Without a good QA system in place, the control of quality is next to impossible. Sertus quality assurance identifies all critical actions that will mitigate or eliminate risk and ultimately prevent quality problems from occurring. In practice, Sertus devotes significant resources to devising systems for carrying out all tasks which directly affect product and service quality so that our clients' expectations are not only met, but exceeded always.

Quality Control (QC): is the set of procedures intended to ensure that a manufactured product or performed service adheres to defined quality criteria and meets the requirements of our clients. Sertus employs proprietary quality control procedures at many points throughout the production and service cycle to help maintain the integrity of our deliverables. These procedures have been tried and tested through time and are set us apart from our competition.

Procurement: refers to all processes involved in the acquisition of available goods or services. At Sertus, the majority of what we do involves procurement, whether we are managing a private label for one of our retail partners or whether we are sourcing parts for assembly or resale to a manufacturer. Procurement begins with understanding our clients' specific needs and matching these needs with the optimal sourcing solution. We pre-qualify all of our suppliers with a proprietary rating system that helps us in the selection process. In fact, all of the procedures Sertus follows in the procurement process have been methodically defined through experience. It is our rigorous commitment to these procedures that keeps our clients coming back.

Pre-production Inspection (PPI): takes place prior to any order being placed and is a critical differentiator of the Sertus quality system. All suppliers are pre-qualified by Sertus inspectors and rated using our proprietary grading system that examines a wide range of metrics, including: factory operations, history, size, process, systems, and clients/references, to name a few. This information is tabulated and considered, together with other transaction relevant criteria including price and factory location, to properly assess and select the preferred suppliers.

In line inspection (ILI): refers to any inspection that takes place during the production process of an ongoing order, usually when 20% to 80% of the ordered quantity has been produced. The objective of the ILI is to identify problems early on in the production process and to contain them so as not to contaminate the order. These inspections help to reduce end-line defects and to adhere to production schedules by preventing reworking or remaking large quantities of pieces that would otherwise be rejected in the pre-shipment inspection.

Pre-shipment inspection (PSI): also known as the Final Inspection is the random inspection of product after manufacturing/assembly/packaging has been completed and the goods are ready for export. The PSI ensures that the products conform to the pre-determined contractual specifications as agreed with our client and that the order is complete. Sertus inspectors review product appearance, workmanship, safety and functionality, quantity, assortment, colors/dimensions/weight, accessories, labeling & logos, packing & packaging, as well as perform technical tests as required to ensure hardness, material(s) authenticity, finishing, resistance, and any other special requirements you may have.

Container Loading Inspection (CLI): usually takes place at the loading dock of our packaging/assembly facility or at the manufacturer or forwarder's site, wherever goods will be loaded into the container and sealed for delivery to our client. This inspection will convey the condition/status of the container via a 7 point inspection, ensure accuracy of contents, oversee loading and packing to verify goods are secure and free from damage, and confirm container is sealed.

Production Samples: refers to samples that are pulled from the line and reviewed against control samples to verify conformance. Sertus makes it our policy to send production samples to our clients on every first order (where economically viable).

Control Samples: refers to samples provided by client or received from manufacturer that are approved by client and that will be used in the dynamic QC process to ensure that the final production conforms with client specifications. Control samples are used for a variety of visual and functional comparative purposes, including color matching, dimensions, materials, finishing, workmanship, packaging, etc. Sertus will normally hold at least two sets of control samples – one of which will be sent to the client for confirmation purposes prior to order placement and the other will be held with our QC department and used during inspections.

Supply Chain Management: is the coordination of all parties (e.g. external suppliers, partner organizations, internal business units) both inside and outside the organization, involved in delivering the inputs, outputs or outcomes that will meet a specified client requirement. In short, it is the oversight of materials, information, and finances as they move in a process from supplier to manufacturer to wholesaler to retailer to consumer. Sertus helps our clients at each step of the process to shorten time-to market, reduce costs and to improve the management of current resources as well as plan for future needs.

AQL: Acceptable Quality Level / MIL-STD-105E / ISO 2859-1 (1999) is defined as the maximum percent defective (or the maximum number of defects per hundred units) that, for purpose of sampling inspection, can be considered satisfactory as a process average. The Acceptance Quality Limit /

ANSI/ASQC Z1.4-2003 is the quality level that is the worst tolerable process average when a continuing series of lots is submitted for acceptance sampling. The AQL values are defined as percent nonconforming or defects or nonconformities per hundred units (or DUH). At Sertus, we use these guidelines for determining QC sampling and results.

Bill of Materials (BOM): is a list of all of the parts or components required to build a product. It is an integral part to any contract manufacturing agreement and will either be created by Sertus technicians or provided to us by our client. Because it contains all of the required components, it is a basis from which we build out the overall cost structure of sourcing product for our customers.

Product Spec or Information Sheet (PSS or PIS): is a data worksheet that outlines all of the technical standards and specifications of a product. Sertus relies on these as an integral part to the QA and QC process and as such it serves as a critical piece of information to our quality system. It forms the basis of understanding between the client and Sertus and between Sertus and the manufacturer(s) as to the standards, certifications, and all critical specifications that are to be verifiably intrinsic to the product(s) delivered. The PSS includes an explicit set of requirements to be satisfied by product materials, finishes, accessories, and any other relevant component or attribute.

CAD Drawings: are computer aided design drafts or drawings of a product under development. At Sertus, we use this technology to help tool new products for our clients. CAD packages can also frequently allow rotations in three dimensions, allowing viewing of a designed object from any desired angle, even from the inside looking out. This helps our industrial designers in working with manufacturing facilities to tool new components or products and to develop rapid prototype models for review prior to manufacturing.

Brand Identity: involves the outward expression of a brand, including its name, trademark, communications, and visual appearance. Our design team at Sertus has years of experience in designing brands that have been applied to products in a way array of industries. Our designers are managed by Western professionals who have many years of marketing experience and can help you transfer an idea into an identity through the consistent use of particular visual elements to create distinction.

Inner Box (or Carton): is the first paperboard carton into which one or more pieces of merchandise is packaged. The inner carton is usually made of single corrugated boxboard or cartonboard.

Master Carton (or Outer Box): is the second paperboard carton into which one or more inner cartons are packaged and is the shipping carton marked and used for export. Master cartons are usually double corrugated cartonboard.

Packout: is the term used to describe the manner in which product is packaged into inner and master cartons. For example, a packout of 6/12 would indicate that there are six pieces of merchandise in the inner box and two inner boxes or 12 pieces of merchandise in the master carton. Packout is an important consideration as it not only will have a potential impact on logistics (depending on how containers are broken down or product is delivered to the end consumer) but can also affect the overall cost of the offer (as a greater number of cartons can inflate price).

Product Packaging: references the type and style of packaging used to display your product. There are a large number of packaging options, depending on the item. At Sertus, we have designed new packages to better highlight the products functionality as well as innovative packaging that helps to reduce the footprint of product on display, using less packaging material and floor space.

Packing Guide: refers to the specifications of all packaging, including type, materials and any other relevant information concerning the packaging used to deliver product to our client and end consumer. At Sertus, we are very specific about these requirements given that there is a wide range of materials and terminology used. It is therefore extremely important that everything be clearly broken down and detailed so that there is no confusion as to expectations. The Packing Guide includes mention of: materials and type of packaging; hanging hole standards, locations and types; shipping marks; drop test requirements; barcode locations and symbologies; and other key packing information.

Artwork: comprises all of the branding that will be transferred to the product and packaging. Sertus employs a team of designers that can create for our clients the entire visual identity of a brand and transfer that identity onto the product and packaging to build out complete lines for retail or wholesale channels. Artwork includes: product markings, printing, logo and branding transfer, inner box markings, master carton markings, and any other illustrative or textual render that needs to be transferred to a product or package to give it a unique look/feel.

Minimum Order Quantity (MOQ): is the least number of pieces that the manufacturer will accept for any single order. At Sertus, we attempt to understand our clients order quantity requirements up front so that we can

Full Container Load (FCL): refers to an order that will completely fill a container. At Sertus, we work with our clients to help consolidate orders and manage full container loads, which in turn help to minimize shipping costs for our customers. In addition, there are many suppliers that will not accept any orders less than a full 20' container and so it is important to understand how many pieces represent a 20GP FCL (20' Standard Container fully loaded).

Less than Container Load (LCL): indicates that the quantity will fall short of filling a container and therefore there will be excess space paid for but unused unless additional product from another order is consolidated. There are additional costs to ship LCL quantities and therefore it is avoided generally by most buying entities. However, by consolidating a variety of orders with Sertus, we can work with our clients to efficiently manage logistics and reduce expenses due to LCL shipments.