

## GENERAL TERMS AND CONDITIONS

### § 1 Scope of Application

The standard conditions shall apply solely between merchants.

All deliveries and services of the seller shall be subject to the following standard conditions of the German textile industry. General Terms and Conditions of the purchaser shall not be recognized by the seller, unless the seller has agreed to their validity in writing. This also applies if the seller unconditionally performs the services in the knowledge of contrary or deviating conditions to the present Standard Conditions.

### § 2 Place of Performance

1. Place of performance for all aspects of the delivery shall be the place of the commercial business of the seller - D-Aalen-Unterkochen.

### § 3 Place of venue

The place of venue (also for litigation with respect to bills and cheques) shall be, at the plaintiff's discretion, the location of a German commercial establishment of one of the parties or the address of the registered office for the competent specialist or cartel organization of the seller (Stuttgart). The court to which recourse is first sought shall have jurisdiction.

### § 4 Transportation

Loading and transport will be made uncovered at the risk of the buyer.

### § 5 Interruption of Delivery

1. In the event of force majeure, labour disputes a party is not responsible for, and other operational disruptions that are beyond a party's control and have lasted or are expected to last longer than a week, the delivery or acceptance period shall readily be extended by the duration of the obstruction, but not exceeding 5 weeks. The extension shall only be granted if the other party is immediately made aware of the reason for the obstruction, as soon as it is clear that the delivery or acceptance deadline cannot be met

2. If the delivery or acceptance in the cases referred to in clause 1 does not take place within the extended delivery or acceptance period the other party may withdraw from the contract, after the expiry of a grace period of 12 calendar days to be set.

3. Claims for damages shall be excluded in the cases referred to in clause 1 if the relevant party has sufficiently fulfilled their obligation in accordance with clause 1.

### § 6 Notice of Defects

1. Notice for obvious defects shall be sent to the seller no later than 12 calendar days after receipt of the goods. The purchaser must report hidden defects to the purchaser without delay upon discovery.

2. Any claim for defects shall be excluded after the supplied goods have been cut or processed in any other way.

3. Little, technically unavoidable deviations in quality, colour, width, weight, finish or design may not be rejected. This also applies for standard deviations, unless the seller has declared in writing that the delivered goods must match the sample.

4. In case of justified complaints relating to obvious defects, the purchaser has the right to request at the seller's discretion repair of the goods or delivery of replacement goods within 12 calendar days after receipt of the returned goods. In this case, the seller shall pay the freight costs. If subsequent performance fails, the purchaser shall only be entitled to reduce the purchase price or withdraw from the contract, unless section 8 clauses 2 and 3 apply.

5. In the case of a hidden defect, the purchaser only has the right to reduce the purchase price or withdraw from the contract, unless section 8 clauses 2 and 3 apply.

6. If the notice of defect is not made in a timely manner, the goods shall be deemed to be approved.

### **§ 7 Compensation for damages**

1. Claims for damages made by the purchaser shall be excluded unless otherwise agreed in these conditions.
2. The exclusion in clause 1 shall not apply to liability in accordance with the German Product Liability Act, in case of intent, gross negligence on the part of the owners, legal representatives and officers, fraud, failure to comply with a provided guarantee, in the event of culpable injury to life, body or health or in the event of a material breach of contract by fault; material contractual duties are obligations, the performance of which shapes the contract and on which the purchaser may rely. A claim for compensation of damages due to a breach of material contractual obligations shall be limited to foreseeable damage typical for a contract of this kind, unless another case referred to in clause 1 applies.
3. A change to the burden of proof to the detriment of the purchaser is not connected with the above regulations.

### **§ 8 Payment**

1. The invoice shall be issued on the day of delivery or the day of provision of the goods. Postponement of the due date (valuation) is fundamentally excluded.
2. Invoices are payable within the contracted term.
3. Payments will be used to pay the oldest debt due plus the accrued interest on arrears.
4. The timelines of payments is determined by the date the payment is credited to the account of the seller.

### **§ 9 Payment after the Due Date**

1. For payments made after the due date interest of 9% percentage points above the base rate shall be charged in accordance with section 347 BGB (German Civil Code). Otherwise section 288 BGB shall apply.
2. The seller is not obligated to make any further deliveries on the basis of the ongoing delivery contracts before complete payment of invoice amounts due including interest is made. The right to claim for damages caused by the delay is reserved.
3. In the event of substantial deterioration in the financial circumstances, such as imminent insolvency of default of payment, the seller can refuse his contractually agreed services regarding all supply contract that are based on the same legal relationship agreed services or withdraw from this delivery agreement after a grace period of 12 calendar days. In addition section 321 BGB and section 119 of the Insolvency Act shall remain unaffected.

### **§ 10 Off-setting and retention of payments**

Off-setting and retention of invoice amounts due shall only be permitted with undisputed or legally established claims, insofar as they do not refer to claims for damages that are not closely related to a claim from the purchaser for contractual performance without any defects.

### **§ 11 Retention of Title**

1. The goods shall remain the property of the seller until full payment of all receivables for the delivery of goods arising from the business relationship, including ancillary claims, damages as well as payment of cheques and bills of exchange. The right of retention of title shall remain even if individual claims by the seller are included in a current invoice and the balance is drawn and recognised.
2. If the goods supplied under retention of title are combined by the purchaser into a new movable, mixed or processed asset, this shall be done for the seller, without him being liable as a result. By combining, mixing or processing the goods, the purchaser does not acquire ownership of the new item in accordance with sections 947 ff. BGB. By combining, mixing or processing items that do not belong to the seller, the seller acquires ownership of the new item in proportion to the value of his goods under retention of title in relation to the total value.
3. If a centralised authority is invoked in the business between the seller and purchaser, which assumes the risk guarantee, the seller shall transfer ownership on dispatch of the goods to the central authority subject to the condition of payment of the purchase price by the central authority. The purchaser will only be released from their payment obligation upon payment by the central authority.

4. The purchaser is entitled to resell or further process the goods only under consideration of the following conditions:

4a. The purchaser may sell or process the goods under retention of title in the ordinary course of business, provided that his financial situation does not subsequently significantly deteriorate.

4b. The purchaser hereby assigns any claim with all ancillary rights arising from the resale of the goods under retention of title - including any balance claims - to the seller. The seller accepts this assignment.

4c. If the goods were combined, mixed or processed and the seller has acquired joint ownership by the amount of the invoiced value, then he shall be entitled to the purchase price in proportion to the value of his rights to the goods.

4d. If the purchaser sells the claim within the framework of factoring, the purchaser will assign the claim against the factor replacing the original claim to the seller and will pass on its sales proceeds proportionately to the seller for the value of the rights of the seller of the goods. The purchaser is obliged to disclose the assignment to the factor if it is more than 10 days past its due date with an invoice or if his financial situation deteriorates significantly. The seller accepts this assignment.

4e. The purchaser is authorised, provided it meets its payment obligations to recover the assigned receivables. The right to recover these claims shall expire in case of default of payment by the purchaser or significant deterioration of the assets of the purchaser. In this case the seller is authorised by the purchaser to inform the customers of the assignment and recover the receivables. To assert the assigned claims, the purchaser shall provide the necessary information and permit verification of the information. In particular, he shall provide the seller with a detailed listing of all outstanding claims with the names and addresses of customers, amount of each claim, invoice date, etc.

5. If the value of the existing security provided for the seller exceeds the total amount of the seller's claims by more than 10%, then the seller shall be obligated at the purchaser's request, to release securities at his discretion.

6. Pledging or transferring ownership of the goods by way of security or the assigned claims is inadmissible. The seller should inform the creditor immediately of any seizures naming the creditor of the seizure.

7. If the seller, in the exercise of its retention of title requests the delivery item back, this shall not automatically be deemed a withdrawal from the contract. The seller is free to sell the returned goods subject to the retention of title by private sale.

8. The purchaser shall store the goods under retention of title for the seller free of charge. He shall insure them against standard risks, such as fire, theft and water within the usual scope. The purchaser hereby assigns his claims to the seller for damages from the above risks that he would be entitled to from the with respect to insurance companies or other obligated parties at the invoiced amount of the goods. The seller accepts the assignment.

9. All claims and rights arising from the retention of title of all special forms defined in these conditions shall remain until there is a complete release from contingent liabilities (check-bill of exchange) that the seller has incurred in the interest of the purchaser. The purchaser is in the case of sentence 1 as a matter of principle allowed to carry out factoring for his accounts receivables. However, he must inform the seller before incurring contingent liabilities.

## **§ 12 Applicable Law**

The law of the Federal Republic of Germany shall apply. The United Nations Convention on Contracts for the International Sale of Goods from April 11, 1980 is excluded.