

1. Scope of validity

1. The following contractual terms shall apply to this transaction as well as all and any previous and future business transactions between us and the customer placing an order. All purchase orders are deemed to have been placed in recognition of our terms; the same applies to any supplies made on the basis of our offers. Any contradictory terms and conditions on the part of the customer shall not be valid, even if we do not object to them. This shall also apply, if new and further orders are placed with terms and conditions not consistent with ours and/or if we confirm the receipt of the purchase order on forms of the customer for organizational reasons.

2. Offers for twisted and other yarns are only made, and purchase orders for such materials are only accepted, on the basis of the terms and conditions of the *Deutscher Garnkontrakt* (German Yarn Contract), in the version currently registered in the (public) cartel register, and, additionally, on the basis of the following supplementary terms. Deviating terms of the purchaser shall not become part of the contract, even if we do not explicitly object to them. The acceptance of purchase orders shall only be binding – provided the offer has been made by the purchaser –, if we have confirmed it in writing.

2. Place of performance, place of jurisdiction, governing law

1. The place of performance and the place of jurisdiction shall exclusively be Zeulenroda- Triebes, which shall also apply to actions on bills of exchange and checks. However, we shall also be entitled to bring action at the purchaser's place of jurisdiction.

2. The substantive law of the Federal Republic of Germany, excluding the uniform laws on the conclusion of international purchase contracts and on the international sale of goods, shall exclusively be applicable to all and any legal relations between the customer and us. As regards the interpretation of any terms of delivery, the INCOTERMS in their currently valid version shall apply.

3. Based on Article 6 of the United Nations Convention on Contracts for the International Sale of Goods (Vienna UN-Convention of 11 April 1980), subject to Articles 12 and 96 thereof, the contracting parties shall explicitly exclude the application of this Convention.

3. Prices

The prices and conditions are subject to changes without notice and shall be published in our latest offers or price lists. They shall only become legally binding after the purchase order has been confirmed in writing.

4. Delivery

1. The goods shall be delivered ex works, unless something else has been explicitly agreed. The shipping costs shall be borne by the purchaser.

2. In the case of shipments by rail, freight and supplementary charges for the transport to the railway depot shall not be added.

3. Our obligation to deliver is deemed to have been performed, as soon as the goods have left our works or warehouse or have been handed over to the carrier. The insurance of the goods shall be charged separately.

4. The goods shall be accepted within the agreed call-off deadlines and in the same monthly quantities, if possible. The maximum call-off period shall be 12 months.

5. If, due to the purchaser's fault, the goods are not accepted as scheduled, it shall be in our discretion to either issue an invoice for outstanding amounts or to withdraw from the contract or to demand damages after having set a grace period of 10 days in any case.

6. If delivery periods cannot be honored, although they have been confirmed, the customer shall not be entitled to claim damages or to withdraw from the contract.

5. Suspension of the delivery

1. In the event of Force Majeure, industrial disputes, official measures (of the administration) as well as operational disruptions beyond our control and taking longer than one week, or expected to take longer than one week, the delivery period or the acceptance deadline shall be extended by the duration of the obstruction, but not for longer than 5 weeks plus the grace period for the delivery. The extension shall not be effective, if the other contracting party has not been informed about the reason of the obstruction, as soon as it can be foreseen that the agreed deadlines cannot be met.

2. Any claims for damages as well as the right of withdrawal on the part of the customer on the grounds of outstanding or delayed deliveries shall be excluded.

6. Grace period

If the seller delays the delivery, the purchaser must grant a reasonable grace period of 4 weeks for the delivery. This grace period for the delivery shall count from the day, when the purchaser's written notification in form of a registered letter is received by the seller. The seller can neither be put in default nor can the consequences of default become effective before the agreed delivery period has expired.

7. Notices of defect

1. Notices of defect can only be issued within one week after the goods have arrived at their place of destination.

2. Once the goods have been cut to measure or processed in any other way, no complaints shall be admissible any more.

3. Minor deviations in quality, color, width, weight, design or pattern which are customary in the trade or technically unavoidable cannot be subject of a complaint.

4. In the case of justified complaints we shall have the right of rectifying the defect or making a replacement delivery with goods free from defects, both within 10 days after the defective goods have been returned to us.

5. Rejected goods must only be returned to us after having obtained our approval and as directed by us. We shall be entitled to accept the rejected goods and replace them in any case by goods in conformity with the contract. This cannot be construed as recognition of the customer's notice of defect. Complaints must only concern the actual value of the goods delivered. Complaints exceeding the goods' value and concerning goods manufactured or connected in any way with the delivered items shall be explicitly excluded. Any claim for damages shall be forfeited, if, in the case of defects obviously visible from the outside, the recipient has not asked the carrier to have the conditions of the goods ascertained in writing before their acceptance by the latter. The delivery notes accompanying the deliveries shall be submitted in the case of a complaint, after the weight stated there has been compared with the weight of the goods actually received.

6. Problems with foreign particles or fibers

According to the state-of-the-art, the complete removal of foreign particles (foreign fibers) is impossible, although the supplier subjects the cotton to several checks and cleans it.

When processing the material further, the purchaser must take all possible and reasonable precautions (e.g. a 100 % inspection of the goods or pre-bleaching in the case of sensitive colors), so as to avoid any consequential losses for the purchaser himself or third parties.

8. Payment

1. Payments shall only be made to us. Agents and traveling salesmen shall not be entitled to collect payments. Any payment periods agreed shall always begin on the invoice date.

2. Invoices shall be due for payment:

- 1. within 10 days from the invoice date with an express discount of 2 %;
- 2. net between the 11th and 30th day after the invoice date.

3. Payments shall always be used to settle first the oldest items of the debt and the default interest accrued thereon.

4. The postmark date is in any case decisive for the payment being processed. In the case of a bank transfer the day before the seller's bank has credited the amount is deemed to be the day of processing the payment.

5. The seller reserves the right, under exceptional circumstances from case to case, to accept acceptances or bills of exchange, which are only accepted as forms of payment. Bills of exchange and checks are deemed to have been accepted as payment only after they have been cashed. Until then, claims of the seller are not deemed to be deferred. Discount and bill of exchange charges shall be settled by the purchaser in cash.

6. Once the invoice is due for payment, the purchaser shall be in default without any further warning.

7. If a purchaser's bill of exchange is protested or a check is not cashed, or if the purchaser defaults on any of his payments due, all claims arising from the business relationship shall become due immediately. Notwithstanding any further rights, default interest at a rate of at least 6 % above the relevant discount rate of the German Federal Bank shall be payable on the outstanding amount. If the purchaser fails to settle the claim within a reasonable period, or if the seller has strong reasons to suspect that the purchaser is unable to pay, the seller shall be entitled to withdraw from the contract without having to set another grace period and irrespective of his rights arising from such withdrawal. The seller can also ask for the goods to be returned even without withdrawing from the contract. In the case of transactions involving partial or successive deliveries, the seller shall also be entitled, at his own discretion, to subse-

quently demand prepayments or sufficient securities for any deliveries still outstanding, provided the purchaser is in default with the payment for previous deliveries. Payments shall always be used to settle first the oldest debts and the default interest possibly accrued thereon.

8. In the event of delayed payments, the purchaser shall pay all and any debt collection and lawyers' fees incurred in connection with asserting the outstanding claims.

9. Delay of payment

1. In the event of a delayed payment, default interest at a rate of 6 % above the applicable discount rate of the German Federal Bank shall be charged without any further warning. If the purchaser fails to pay when the amount is due, or if we are informed that the purchaser's creditworthiness has deteriorated, we shall be entitled, at our own discretion, either to demand the payment of all outstanding invoices, whether due or not, and/or to withdraw from all delivery obligations that are still existing and/or to demand advance payment or securities for any further deliveries.

2. The purchaser shall not be entitled to retain payments due on the ground of any counterclaims existing against us, or to set off our claims against such counterclaims, even if made by way of asserting the right of retention pursuant to Articles §§ 273 and 274 of the [German] Civil Code (BGB) or Article § 369 et seq. of the [German] Commercial Code (HGB), or by way of defense of unperformed contract pursuant to Article § 320 BGB.

10. Withdrawal

We shall be entitled to withdraw from a delivery contract without giving notice, if

- a) we receive negative information about the customer's reputation and solvency after the contract has been concluded, even if we had access to such information before the conclusion of contract;
- b) the customer's business is transferred to another owner after the contract has been concluded; and
- c) the customer is in default of payment, especially if a bill of exchange is protested or a check is not cashed, or if there are changes in the customer's financial situation so that our claims seem to be at risk.

If deliveries have already been made, all our claims shall immediately become due for payment, also those not normally due as yet.

Apart from the right of withdrawal from contract, we shall also be entitled to demand the performance of contract on condition that the agreed payment targets cease to exist and that we can demand both securities and advance payment.

11. Protective rights

The customer shall warrant and assume full liability that the articles manufactured in accordance with his specifications (customized items) do not infringe any third-party rights whatsoever.

12. Retention of title

1. The goods shall be delivered under retention of title pursuant to Article § 455 BGB with the following extensions.
2. The goods shall remain our property until they are paid in full, also any other future claims we have against the purchaser. The adjustment of individual claims for current invoices or the balancing of accounts and the accepting of the same shall not affect the retention of title.

3. The purchaser shall be entitled to re-sell the goods which are subject to retention of title in the course of his ordinary business, although he must not pledge them or transfer them by way of security. The goods which are subject to retention of title can be processed or transformed on our behalf in accordance with Article § 950 BGB without imposing any obligations on us. When, during the processing, the purchaser mixes the goods with other goods not belonging to us, we shall acquire a co-ownership share in the product thus generated, namely in the ratio of the invoice value of the processed goods which are subject to retention of title to the total invoice values of all goods used for the processing.

4. If our goods are mixed or mingled with other things, so that our ownership in the goods which are subject to retention of title is extinct (Articles §§ 947, 948 BGB), it is hereby agreed that the purchaser's ownership in the mixed or mingled inventory or in the uniform thing passes to us to the extent of the invoice value and that the purchaser stores and safeguards these goods on our behalf free of charge. The things generated by processing, or by mixing and mingling with other things, are goods subject to retention of title in accordance with these terms.

5. The purchaser hereby assigns his claims to us which arise from the re-sale of goods which are subject to retention of title, irrespective of, whether the goods which are subject to retention of title are sold without or after processing and irrespective of, whether they are re-sold to one or several buyers; the seller hereby accepts this assignment.

13. Resale

It is not permitted to pass on our (unprocessed) articles at the same trade level, or from manufacturer to manufacturer, without having obtained our explicit approval.

14. Export

The direct or indirect sale of our (unprocessed) articles abroad, including at any free port areas, shall not be allowed without our written approval.

15. Other provisions

Verbal agreements of any kind and irrespective of, whether they have been made with us, our agents or our traveling salesmen, require our written confirmation to become effective.

16. Separability

The legal ineffectiveness of individual provisions shall not affect the effectiveness of the remaining provisions hereof.

17. Data collection

We shall collect and store data in accordance with the Data Protection Act.

18. EU clause

The purchaser must state his VAT ID number when placing a purchase order for deliveries into EU member states. In the absence of this VAT ID number we must charge and invoice sales tax at the currently valid rate.

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