

General Terms and Conditions

Section 1: Place of Performance

Place of performance for all deliveries in accordance with the delivery contract shall be Limbach-Oberfrohna.

Section 2: Place of Jurisdiction

Place of jurisdiction (also for actions on bills of exchange or cheques) shall be Chemnitz.

Section 3: Terms of contract

1. All sales shall be subject to certain delivery dates, items, qualities and fixed prices. In addition to the agreed price, the Buyer shall pay the statutory value and any added tax.
2. Any rearrangement of the order placed shall be admissible only upon mutual consent.
3. Delivery will only be performed under the terms specified on the cover note by the Seller's credit insurer. Any follow-up sales exceeding the volume of the insured sum will only be rendered under the reservation of confirmation of cover by the credit insurer.

Section 4: Delivery

1. The goods shall be delivered ex works. The shipping costs shall be borne by the Buyer.
2. The goods shall be dispatched uninsured unless otherwise agreed.
3. If the Buyer fails to accept the goods in good time, the Seller may choose, at his discretion, after having granted an additional period of 10 days, either to submit a backorder invoice or withdraw from control or claim damages.

Section 5: Grace Period for Delivery Delays

1. After expiry of the delivery period, a grace period of the same duration as the normal delivery period shall be set which is not longer than 18 days. For stock goods ready for dispatch, the grace period for completing delivery shall be a maximum of 10 days. After expiry of the grace period the withdrawal from contract (excluding any claim for damages) shall be considered done if supplier requests statement by the Buyer during the grace period, or after the expiry of the same, whether the performance of contract is requested and the Buyer fails to demand performance of contract within another 14 days. Transactions for delivery by a fixed date shall not be entered into.
2. If the Buyer wants to claim damages due to non-performance or withdraw from contract, the Buyer shall set the Seller a grace period of four weeks, warning the Seller that performance will be rejected after expiry of said period. The grace period shall begin on the date the Buyer has sent the relevant notification by registered mail or telex. These provisions shall also apply if the Buyer demands contract performance pursuant to Paragraph 1, Sentence 3.
3. Prior to expiry of the grace period any claims by the Buyer concerning delayed delivery shall be excluded.

Section 6: Disruption of Delivery

1. In case of force majeure, labour disputes, government actions and disruptions of operations not due to a party's fault that last, or are expected to last, longer than one week, the delivery period or period of acceptance shall be extended by the period of hindrance, but not longer than five weeks, plus the grace period for delivery. Such extension shall not be granted if the other party was not informed forthwith about the cause of the hindrance as soon as it becomes clear that the set delivery periods cannot be kept.
2. If delivery or acceptance did not take place in time, the other party may withdraw from the contract. Such withdrawal, however, must be notified by way of registered mail or telex at least two weeks prior to exercising the right of withdrawal.
3. If the hindrance takes longer than five weeks and the other party is not informed forthwith after its inquiry that delivery will be rendered or accepted in time, the other party may cancel the contract with immediate effect.
4. If raw material deliveries fail to take place through no fault of one party, the Seller shall be entitled to exceed the delivery times or cancel the unfinished order with no claim for subsequent delivery.
5. Claims for damages shall be excluded in the above cases.



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Section 7: Notice of Defect

1. Notices of defect shall be sent to the Seller no later than two weeks after receipt of the goods. Each complaint shall be accompanied by one sample indicating the piece number and the relevant delivery note number.
2. No claims can be accepted after the delivered goods have been custom-cut or otherwise processed.
3. Any customary or minor, technologically unavoidable variations in terms of quality, colour, width, weight, equipment or designs shall not be the subject of a complaint.
4. In case of justified complaints, the Seller shall have the right of rectification of defect or delivery of defect-free replacements within a period of 10 days after receipt of objected goods.
5. After expiry of the deadline as indicated in Paragraph 4 the legal provisions shall apply.
6. For any hidden defects the legal provisions shall apply.
7. If knitted fabrics are sold, the foregoing paragraph of these terms and conditions shall be complemented by the technical terms and conditions of delivery of the German Machine Building Industry, as amended, if they provide a restriction for the benefit of the Seller as against the provisions of this paragraph.

Section 8: Payment

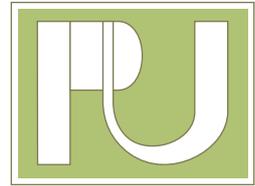
1. The invoice will be made out on the day of delivery or the day on which the goods are ready for dispatch. Any postponement of the maturity date (value date) shall be principally excluded. If an early delivery is justified in the interest of the contracting parties, the implementing regulations may provide exceptions from this rule.
2. Invoices shall be payable from the date of invoice within the agreed periods for payment.
3. If the Seller accepts bills of exchange in lieu of cash, cheques or transfers, a surcharge of 1 per cent of the amount of the bill will be charged when taking the bill after the net target from the 61st day from the date of invoice. In other respects, bills will be accepted, if at all, only against payment of bank, discount and collecting charges.
4. Payments will always be used for settlement of the oldest debts, plus any default interests accrued.
5. Relevant for the date of settlement of payment shall always be the date of the postal receipt stamp. For bank transfers, the previous day of credit entry by the Seller's bank shall be considered the date of settlement of payment.

Section 9: Mode of Payment

1. Payments shall be made by cash, cheque, bank transfer or postal giro transfer. Bills of exchange will only be accepted upon prior agreement.
2. Any offset against counterclaims shall only be admissible if such counterclaim is uncontested and has been recognized by declaratory judgement. Other deductions (e.g. postage) shall not be allowed.

Section 10: Default in Payment

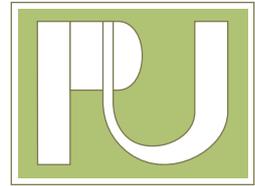
1. After due date, the Buyer enters into arrears without the need of a separate warning.
2. For payments after due date, the Seller shall be entitled to charge default interests amounting to 3 % above the discount rate of Deutsche Bundesbank.
3. The Seller shall not be obligated to render further deliveries from any current contract before due invoiced amounts have been paid in full.
4. If the Buyer defaults in payment or a major deterioration occurs, the Seller may ask cash payment for any outstanding delivery from any current contract prior to delivery of goods, with set period of payment ceasing to apply.
5. If the debtor's financial situation deteriorates materially, all invoices not yet due shall fall due with immediate effect. A material deterioration shall be as a result of adverse information by a credit agency, bank or credit insurer, or if the Buyer's cheques or bills are protested.



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Section 11: Retention of Title

1. Up until payment in full, including any future accounts receivable by the Seller, the goods shall remain the Seller's property.
2. The Buyer shall be entitled to process or resell the goods under consideration of the provisions below:
 - a) The Buyer's right in the ordinary course of business to resell goods being under reserve shall end, with no prejudice to the Seller's right of revocation at any time, with the Buyer's cessation of payment, or if bankruptcy or composition proceedings to avert bankruptcy have been instituted against the Buyer.
 - b) Pledging or transfer by way of security of the goods under reserve or claims assigned shall not be allowed.
 - c) By processing the goods under reserve the Buyer will not acquire title in the new product. Processing is done on behalf of the Seller. If the goods under reserve are reworked with objects being the Buyer's property or have been purchased under the so-called simple reservation of title, pursuant to Sect. 455 of German Civil Code, the Buyer shall acquire the sole property of the reworked product. If the goods under reserve are worked, assembled or compounded with objects also being under extended reservation of title, i.e. by excluding the legal consequences of Sect. 950 of German Civil Code, the Seller will acquire co-ownership in the new product in relation to the invoice amount of the Seller's goods as against the invoice amount of the other re-worked objects.
 - d) The Buyer shall hereby assign the claim from the resale of goods under reserve to the Seller, i.e. to the extent the goods have been reworked. If the reworked products contain, in addition to the Seller's goods under reserve, only objects that are either the Buyer's property or have been delivered under the so-called simple reservation of title pursuant to Sect. 455 of German Civil Code, the Buyer shall assign the entire purchase price claim to the Seller. Otherwise, i.e. in case of coincidence of advance transfer to several suppliers, the Seller shall be owed a fractional part of the relevant purchase price claim in accordance as defined by Paragraph 2c.
 - e) The Seller will not collect the assigned claims as long as the Buyer meets his payment obligations. However, the Buyer will undertake to provide the Seller information on the third party debtors if so requested, and inform third party debtors of said transfer. The Buyer shall be entitled to collect the sums due as long as the Seller does not instruct otherwise.
 - f) The reservation of title shall also be maintained if individual claims by the Seller are included in a current invoice and the balance has been struck and recognized.
 - g) If the security provided by the reservation of title exceeds the claim to be secured by 25 %, the Seller will release fully paid deliveries at his discretion.
 - h) Seller shall be notified forthwith of any seizures with indication of the attaching creditor.
 - i) If a situation according to Section 10 Default in payment occurs or the Buyer suspends payment, the Buyer shall make out a list of all available goods under reserve, including those re-worked, as well as a list of accounts receivable from third party debtors, plus copies of invoices.
 - j) Amounts received from assigned claims shall be kept separately until being transferred.
 - k) The Buyer shall pass on the retention of title in delivered, reworked and compounded goods to his clients. The title reserved by the Buyer in resale shall be transferred to the Seller. The Buyer shall make sure that goods under reserve can be traced back as the Seller's goods in every production stage, including the claim arising out of sale.
 - l) The Seller shall be entitled to demand immediate return of the goods under reserve if the Buyer delays in payment or runs into financial difficulties. The Buyer undertakes to immediately release the same, even if the goods under reserve are at third party's premises. The taking back of the goods under reserve shall only be considered a withdrawal from contract if the Seller has expressly stated the same in written form.
 - m) The Seller undertakes to insure the goods under reserve and still held at his premises against fire and theft, and furnish evidence of the same on request. The Buyer shall assign his claims from the insurances to the Seller. The Seller accepts such assignment.



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Section 12: Settlement of Disputes

Any disputes arising out of a contract shall be settled by a court of law or agreed arbitration court.

Section 13: Prohibition of Circumvention

Any circumvention of payment or delivery terms, especially also by way of transactions on a commission basis shall not be allowed.

1. By these payment and delivery terms, all other deviating terms of the Buyer shall be excluded, unless expressly accepted by the Seller in written form. The Buyer's silence with regard to these payment and delivery terms shall be considered acceptance, even if the Buyer has based his order for delivery on different terms.
2. The ineffectiveness of individual provisions of these payment and delivery terms shall not affect the effectiveness of the other provisions.

Section 14: Fees for Returns and Processing

Fees for returns and processing will not be accepted. No costs incurred in this connection will be compensated.

Section 15: Foreign Business

For foreign business, the German laws governing transaction between German parties shall apply in addition to the above terms. Exclusive place of jurisdiction shall be Limbach-Oberfrohna.