

General Terms and Conditions of Sale
of
Gustav Ernstmeier GmbH & Co. KG
status as of: August 2015

I. Scope of Application of these General Terms and Conditions of Sale / gray fabric quality norm

These General Terms and Conditions of Sale ("GTC") shall govern all present and future offers and supply agreements as well as commission orders of Gustav Ernstmeier GmbH & Co. KG (hereinafter referred to as "ERATEX"). They are only applicable vis-à-vis business persons (within the meaning of Sec. 14 German Civil Code, or "GCC"). These GTC shall also apply exclusively, where the purchaser – or customer (in case of commission orders) – places an order which deviates from the offer of ERATEX whereby it refers to its own General Terms and Conditions of Purchase, even if ERATEX has not expressly contradicted to them. Deviating clauses in orders or General Terms and Conditions of the purchaser or customer shall apply only, if ERATEX expressly agreed upon them in writing. This requirement of form can only be waived by written declaration. In addition to these General Terms and Conditions of Sale the gray fabric quality norm of ERATEX (*ERATEX-Rohgewebestandard*) shall constitute an integral part of the supply agreement where fabric is supplied by the client in case of commission orders. The gray fabric quality norm is published and available/to be requested in its currently valid version on our website www.ernstmeier.de.

II. Offers; Contracts

1. Offers of ERATEX may at any time prior to acceptance be changed in relation to price, quantity, delivery periods and the capability of supply. Likewise, technical specifications and other details contained in offers, brochures and our other information shall initially be non-binding.
2. Orders placed shall only be binding on ERATEX once confirmed in writing, even where the orders are taken by sales representatives or other selling agents of ERATEX. For the contractual relationship the content of the order confirmation of ERATEX is authoritative. The same shall apply to amendments, additions or ancillary agreements, which are made verbally, by telephone, by telex, fax or by electronic transmission.
3. ERATEX reserves the rights of ownership and copyrights on illustrations, drawings, calculations and other documents – including those contained in ERATEX' offers. They must not be made accessible to third parties.
4. Information within the meaning of para. 1 as well as those given in public statements by ERATEX (Sec. 434 para. 1, 3rd sentence, GCC) shall only become an integrating part of the description of performance if explicit reference is made thereto in the corresponding contract.

III. Invoicing

1. The prices are expressed in Euro and – unless agreed otherwise – ex works Herford (EXW according to INCOTERMS 2010), including packaging. Value added tax as shown separately in the supply invoice is to be added to the prices. The deduction of early payment discount is only permissible following individual agreement in writing.
2. Orders will be invoiced at the list prices applicable on the day of the delivery, unless confirmed to the contrary by ERATEX.
3. Measurements, weights and number of items as ascertained by ERATEX will be taken as the basis for the invoicing.

IV. Payment

1. Where no time for payment has been agreed, invoices of ERATEX shall be payable upon receipt by the purchaser or customer on the payment conditions set out in the invoices; otherwise upon the expiration of the agreed period for payment. ERATEX' claims against the purchaser or customer may be assigned to BFS finance GmbH, Verl (Germany) by way of factoring. In case of assignment, payments made will fully discharge the debtor only if made to BFS finance GmbH. The relevant recipient of the payment and his bank details are mentioned on the invoice. Payment shall be made in cash or by bank transfer into one of the accounts as indicated in the invoices. Payments shall be deemed to have been effected only when ERATEX or BFS finance GmbH is definitely able to dispose freely over the money. Other forms of payment require an agreement in writing to that effect.
2. Sales representatives or other sales agents of ERATEX shall only be entitled to collect payment if they produce a written power to collect monies.
3. If the period for payment is exceeded, ERATEX shall charge interest from due date in an amount of 8 percentage points above the base interest rate of the European Central Bank per year. ERATEX reserves the right to claim damages for default beyond that amount.
4. In the event of default with one payment obligation, all claims of ERATEX arising from the business relationship shall immediately become due for payment. Furthermore, ERATEX shall be entitled to refuse performance of outstanding delivery obligations. The same shall apply if a cheque received by ERATEX is not honoured upon presentation.

5. If after ERATEX' confirmation of the supply transaction doubts arise regarding the solvency and credit-worthiness of the purchaser or customer as a result of unfavorable credit reports, protests of cheques, unsuccessful enforcement measures or the like, ERATEX shall be entitled to require payment in advance or other security for its performance under the supply agreement. The same shall apply if the purchaser or customer is in default with payment of a debt due to ERATEX. If payment is not made or security not provided within 12 working days following a request to that effect, ERATEX shall be entitled to rescind all pending supply agreements.

6. A right to set off against claims of ERATEX, or a right of retention may only be asserted or claimed by the purchaser or customer on the basis of counterclaims which have been judicially determined and which have become final and legally binding, or unless ERATEX expressly agrees.

7. Apart from the matters governed by Sec. 354 a German Commercial Code, the purchaser or customer may assign claims to third parties only with the prior written consent of ERATEX. The purchaser or customer shall be entitled to exercise the right of retention or the defense of lack of performance of the supply agreement only within the specific contractual relationship with ERATEX.

8. ERATEX objects against a conflicting prohibition of assignment of the credit. ERATEX shall be entitled to assign the claims arising from the business relationship.

V. Delivery

1. The confirmation of delivery dates commits ERATEX only to use its best endeavors to meet the same. Even the insertion of a calendar date in the delivery confirmation note does not constitute a fixed date transaction or a transaction to be performed by a date determinable by reference to the calendar. ERATEX shall only be deemed to be in default after a reminder is issued following the expiration of the agreed period for delivery.
2. The period for delivery shall begin on the date of dispatch of the order confirmation and shall be deemed to have been met where the goods have left the works/warehouse by the end of the same or, where dispatch is not possible or it has been agreed that the goods be collected, the recipient has been notified of the availability for collection.
3. If the purchaser or customer can reasonably be expected to accept partial deliveries, these may be made and invoiced.
4. Call-off orders which are agreed with no fixed time plan must be called off within six months of ERATEX' notification that the goods are finalized. Should the goods not be called off after ERATEX' second request, ERATEX shall be entitled to rescind the contract or to carry out and invoice the relevant delivery.
5. Deviations in the agreed amount, quality and packaging (e.g. color, measurement, weight, strength (thickness), composition and surface or other chemical or physical characteristics of the goods) shall be admissible within the scope of tolerances normal in the market and within possible error margins, without establishing claims based on material defects or other claims in favor of the purchaser or customer.

VI. Complaints

1. Immediately after their receipt, the supplied goods have to be examined by the purchaser or customer for defects and completeness. Complaints on account of defective or incomplete deliveries will only be considered if they are notified immediately, at the latest, however, within 5 working days following receipt of the goods. Complaints must be made in writing enclosing documentation, samples and control dockets, stating the invoice number and date. Following the expiration of this period, the goods shall be deemed to be approved as in flawless condition. Sales representatives, travelling salesmen and other agents are not entitled to receive complaints.
2. In the case of hidden defects, the complaint must be made in the aforementioned form immediately after discovery of the defect. The period of limitation according to para. IX. of these General Terms and Conditions of Sale as well as additionally applicable statutory periods of limitation remain unaffected hereby. The purchaser or customer shall bear the burden of proof as for the existence of a hidden defect.
3. The purchaser or customer shall make the rejected goods available for examination. They may only be returned to ERATEX with ERATEX' express approval.

VII. Defects in goods

1. The purchaser or customer shall not be entitled to derive any rights from defects in the goods where the defects do not affect the value or suitability of the goods for the purpose that was perceivable to ERATEX, or which impair such value or suitability to an insignificant extent only.
2. If a defect of the goods is manifest at the time when the risk passes, ERATEX shall be entitled and obliged to make subsequent performance. The subsequent performance

shall at ERATEX' option be made either by repair or replacement delivery. The costs of the subsequent performance, in particular transportation, travel, labour and material costs shall be borne by ERATEX. Should these costs amount to more than 50 % of the value of the delivery, ERATEX shall be entitled to refuse subsequent performance.

3. Should the subsequent performance be unsuccessful, not be carried out within a reasonable time limit set by the purchaser or customer, or be refused, the purchaser or customer shall, at his option, be entitled to rescind the supply agreement, to demand a reduction in the purchase price corresponding to the diminished value or – subject to the following paragraphs – to claim damages in lieu of performance.

4. Should damage be caused by a defect, ERATEX' liability shall be in accordance with the statutory provisions in the case of personal injury, if the damage falls under the German Product Liability Act or results from willful intent or gross negligence.

5. Should the damage result from the culpable breach of a fundamental duty under the supply agreement, ERATEX is liable according to statutory provisions. A fundamental duty is such duty the performance of which the purchaser or customer relied on and may rely on in the orderly performance of the supply agreement. For the rest ERATEX shall be liable only for the typical damage under that type of contract.

6. Further-reaching claims of the purchaser or customer either in contract or in tort are excluded. Accordingly, ERATEX shall, in particular, not be liable for damage which has not arisen on the supplied good itself and for loss of profit or other economic loss on the part of the purchaser or customer.

7. Sec. 478 GCC remains unaffected by above para. 1 to 6.

VIII. Other liability for damages

1. The provisions of above clause VII, para. 4 to 6, shall also apply to claims for damages on account of other breaches of duty.

2. In the case of a breach of a pre-contractual duty or a hindrance to performance already existing when the contract was entered into (Sec. 311, para. 2, 311 a GCC), ERATEX' liability for damages shall be limited to the "negative interest" (i.e. to put the purchaser or customer into the situation in which he would have been, had the supply agreement never been made).

3. As for ERATEX' liability in tort, the provisions of clause VII, para. 4 to 6, above shall apply *mutatis mutandis*.

4. Whenever ERATEX' liability is excluded or limited, the same shall be the case of the personal liability of ERATEX' staff, employees, personnel, representatives, servants and agents.

IX. Limitation periods

1. The right of the purchaser or customer to claim subsequent performance shall, subject to Secs. 438, para. 3, 479 GCC, be statute-barred two years after delivery of the goods. Likewise, the right to rescind the contract or to reduce the purchase price according to statutory provisions is excluded.

2. As for claims for damages, the period of limitation shall, subject to the provisions of Secs. 438, para. 3, 479 GCC, be one year.

3. With regard to claims under the German Product Liability Act, and in cases of willful intent or gross negligence, the statutory periods of limitation shall apply.

X. Delayed delivery

1. In the event of default in delivery the purchaser or customer is entitled to demand lump sum damages in the amount of 3 percent of the delivery value per completed week, 10 percent of the delivery value at maximum. The purchaser may set a reasonable extension period to ERATEX in writing, with duration of at least 15 working days. After the period expired without remedy, it may withdraw from the supply agreement or demand compensation in lieu of performance. The liability to compensation is limited to 50% of the damage occurred.

2. Para. 1 shall not apply where the default is caused by willful intent, gross negligence or breach of a fundamental duty. Neither shall it apply if a commercial fixed date transaction has been agreed upon.

XI. Force Majeure; Frustration

1. In case of force majeure of whatever nature, such as war, state of emergency or riots, interruption of operations or traffic, fire damage, flooding or other acts of God, lack of manpower, energy, raw materials or supplies, strikes, lockouts, interruptions in dispatch, decrees from authorities and/or other impediments which ERATEX is not responsible for and which make performance impossible, or which delay performance or make it considerably more difficult, the agreed terms for delivery extend reasonably. Should the impeding circumstances still continue one month following the expiry of the agreed period for performance, either party is entitled to withdraw from the supply agreement in writing.

2. In case of other hindrances, which make fulfillment of the supply agreement impossible or economically unreasonable for ERATEX (e.g. in case of late delivery of raw material suppliers of ERATEX; in case of bankruptcy of a raw material supplier,

with whom ERATEX has concluded covering transactions in favor of one or a set of orders), ERATEX is entitled to rescind the supply agreement.

3. In case of temporary or final disturbance of supplies of raw material caused by one of the reasons stipulated in para. 1. and 2. above, ERATEX gives notice to the purchaser or customer forthwith. Compensation of damage due to the delay or other damage of the purchaser or customer shall be excluded, when the notice about the occurring delay or impossibility is given in due time. Circumstances for which ERATEX cannot be held liable shall include those arising during any period in which ERATEX is in default in delivery.

XII. Dispatch

1. Risk (destruction, loss or damage to the goods) shall pass to the purchaser or customer upon delivery of the goods to the carrier, regardless of who bears the freight costs, but no later than the point in time when the goods leave the works or warehouse. Where the goods are ready for dispatch and the dispatch or collection of the goods is delayed for reasons for which ERATEX is not responsible, risk shall pass to the purchaser or customer upon its receipt of ERATEX' notification that the goods are ready for dispatch.

2. ERATEX reserves the right of choice regarding route and method of dispatch. Additional costs caused by special shipping requests of the purchaser or customer shall be borne by the latter.

XIII. Retention of Title

1. ERATEX reserves title to the goods supplied by ERATEX until all ERATEX' claims against the purchaser or customer arising out of the business relationship, including future claims arising from contracts concluded simultaneously or later, have been settled. The same shall apply if claims have been included in a current account and a balance has been drawn and accepted.

2. The purchaser or customer shall be entitled to sell or process the goods in the ordinary course of business. Any processing carried out by him shall be made on ERATEX' behalf, without ERATEX becoming in any way liable as a result thereof. In the case of processing, composition or commingling of the goods under retention of title with other goods, ERATEX shall acquire a co-ownership share in the new product; in the case of processing, in the ratio of the value of the goods under retention of title (= gross invoice amount including ancillary costs and taxes) to the value of the new item; in the case of composition or commingling in the ratio of the value of the goods under retention of title to the other goods.

In case ERATEX has been processing raw materials provided by the customer ("contract manufacture"), the processing is deemed to be made on ERATEX' behalf and ERATEX and the customer acquire co-ownership in the processed item in the ratio of the value of the item provided by the customer (= gross invoice amount including ancillary costs and taxes) to the value of the new item.

3. The purchaser or customer hereby assigns to ERATEX all claims which it acquires against a customer or third parties from the re-sale of the goods. In case of an account current relationship between ERATEX and the purchaser or customer within the meaning of Sec. 355 para. 2 GCC, the anticipated assignment shall also comprise the acknowledged balance. He shall continue to remain authorized to collect such receivables even after the assignment. ERATEX' capacity to collect the receivables remains unaffected hereby. However, ERATEX shall not exercise such right so long as the purchaser or customer properly complies with its payment and other obligations. Upon request, it shall hand over to ERATEX the receivables assigned and the documents pertaining thereto and shall notify the debtors of the assignment.

4. In the case of breach of contractual obligations on the part of the purchaser or customer, in particular in case of delay in payment, ERATEX shall be entitled to rescind the contract and repossess the goods. For the purpose of repossession of the goods, the purchaser or customer hereby irrevocably grants ERATEX the right to enter upon his business and storage premises without hindrance and to take the goods away.

5. Asserting the retention of title does not require the withdrawal from the contract.

6. The purchaser or customer may so long as the retention of title exists neither transfer by way of security nor pledge the goods or the products produced from the same without ERATEX' consent.

7. In the case of levy of execution or other interference by third parties, the purchaser or customer shall immediately notify ERATEX in writing. It has to refrain from making agreements with his customers which might impair ERATEX' rights.

8. Upon the request of the purchaser or customer, ERATEX will at its option release the securities to which ERATEX is entitled to the extent that the realizable value of the securities exceeds the secured claims by more than 10 % or their appraised value exceeds the secured claims by more than 50 %. ERATEX will select the items to be released.

XIV. Advice in relation to technical application / REACH

1. The application, use and processing of the purchased goods lie exclusively in the area of responsibility of the purchaser or customer. ERATEX provides advice in relation to technical application to the best of its knowledge and belief on the basis of its

research work and experience. All details and information provided in this respect concerning the suitability and application of its products are of a non-binding character and do not release the purchaser or customer from its own duty to perform examinations and tests.

2. If the use of the goods delivered by ERATEX at the purchaser's or – in case of commission orders – at the customer's necessitates a new registration according to the European Chemicals Regulation REACH, the purchaser or customer shall bear the related additional costs.

XV. Place of performance; Severability clause; Court with competent jurisdiction

1. The place of performance for deliveries shall be the respective place of dispatch. The term of delivery is "ex works" (EXW – INCOTERMS 2010), unless the order confirmation states a different delivery term.

2. Should individual provisions of these GTC be invalid, either in whole or in part, the validity of the remaining clauses or their valid parts shall not be affected thereby.

3. Where the purchaser or customer is a businessman, the court venue for all present and future claims arising from the business relationship, including claims from the issue of cheques, shall be Herford. This venue is non-exclusive.

XVI. Applicable Law

All supply agreements and commission orders concluded with ERATEX shall be governed by the laws of the Federal Republic of Germany.