

General Terms and Conditions

The following General Terms and Conditions shall exclusively apply to all of Seller's goods and services. General terms and conditions of the Buyer shall expressly not be accepted by the Seller, unless the Seller has explicitly consented to their applicability in writing. This shall also apply if the Seller performs the services without objections while being aware of terms and conditions that deviate or are in conflict with these General Terms and Conditions.

The following Terms and Conditions are divided into delivery and payment terms (Part 1) and technical fundamentals (Part 2).

The following General Terms and Conditions shall apply exclusively to business transactions between business professionals.

Part 1 Delivery and Payment Terms

1. Price

Prices shall be quoted freight prepaid to destination, unless otherwise agreed upon and shall be for each kilogram of yarn and for each running meter of fabric.

2. Payment Terms

(1) The invoice shall be issued as of the date of delivery or provision of the goods.

(2) Invoices shall be payable within 30 days after the invoice date, net, unless otherwise agreed upon.

(3) As of day 31, the Buyer shall be in default of payment pursuant to § 286 Sect. 2 No. 1 BGB (German Civil Code). If payments are made after the due date, late payment interest of 9 percentage points above the prime rate as defined in § 247 Sect. 1 BGB shall be charged. Incidentally, § 288 BGB shall apply.

(4) Payments made shall always be offset against the oldest debt items due plus any late interest payments due for these payments.

(5) The payment date for compliance with the payment terms shall be the date on which the Buyer or Buyer's payment processor has verifiably made the payment to the Seller.

(6) Payment shall be made in cash or via bank transfer. Checks issued to banks shall be credited after receipt; bank endorsable drafts, minus interest at the respective prime interest rate, if it can be discounted with the German Federal Bank, otherwise minus the standard bank discount subject to receipt of the funds. Discount rates and fees shall be for Buyer's account. Drafts drawn on ancillary banks shall not be accepted for payment. Self-accepted drafts shall generally not be considered cash payments. The Seller shall reserve the right to make a decision as to whether Seller shall accept self-accepted drafts and if Seller will grant a cash discount on accepted self-accepted drafts.

(7) Offsetting against and the withholding of due invoice amounts shall be permitted only for undisputed counter demands or counter demands that have been found legally effective by a court of law.

(8) Failure to honor drafts, checks returned by Buyer's bank or Buyer's suspension of payments shall render all remaining invoice balances immediately due for payment.

(9) Prior to the full payment of all invoice amounts due, including calculated and demanded late interest, the Seller shall be under no obligation to make further deliveries. The readiness for shipment shall be declared by Seller through the sending of the invoice. If insolvency is imminent or other retroactive significant declines of the Buyer's asset situation, Seller, after setting of a reasonable remedial period, shall have the option to refuse delivery of any pending deliveries that are based on the same legal transaction, or may rescind from the contract or claim compensation for damages. This shall also apply if Buyer fails to promptly eliminate any factually legitimate misgivings Seller claims with regard to Buyer's potential insolvency or creditworthiness. § 321 BGB shall otherwise apply. This shall be without prejudice to § 119 InsO (German Insolvency Act).

3. Packaging

Packaging supply costs are included in the price of yarn, unless otherwise agreed upon. A packaging cost rate shall be agreed upon between the parties for special packaging required by the Buyer. Multi-use logistics support supplies (e.g. multiple use palettes or multiple use separators) shall remain the property of the Seller. Seller shall charge for the former unless they are returned in functional condition within two months.

4. Delivery and Acceptance Obligations

(1) If a delivery time has not been mandated upon closing of the transaction, the merchandise shall be deemed promptly available for delivery, i.e. the fulfillment may be demanded and made at any time after the end of a reasonable time period required for the production and delivery of the goods.

(2) Agreed upon delivery times shall be considered target times. The Seller shall undertake to promptly notify the Buyer of any delivery problems of Seller's vendors. The Parties shall coordinate a new delivery date at that point. If the Parties should be unable to reach an agreement on a new delivery date, the Buyer shall have the right to rescind from the contract if the Seller does not make the goods available to Buyer within a period of 6 additional weeks. Damage compensation claims for non-fulfillment or late fulfillment, on the other hand, shall not be possible. If it is determined that the vendor will not deliver for reasons the Seller is not responsible for, the Seller shall be relieved from Seller's obligation to deliver to the Buyer, if Seller documents that Seller has exercised the required due diligence when choosing the vendor or that performance by the vendor would not even have happened if such due diligence had been exercised.

Damage compensation entitlements of the Buyer shall also be excluded in these cases. The burden of proof for the aforementioned circumstances shall be upon the Seller.

(3) If the delivery of partial shipments within a certain time period should be mandated, the delivery and acceptance shall occur in approximately the same monthly volumes, unless otherwise agreed upon. If the delivery of partial quantities has been agreed upon without a final shipping date, the delivery and acceptance shall occur within three months as of the date of the designated first delivery date, in approximately the same monthly volumes, unless the contracting Parties have agreed otherwise. The same shall apply to call-in orders from a master order.

(4) Deliveries shall be acceptable with technically unavoidable volume deviations, which shall not exceed the following tolerances and if they are, no complaints may be filed: The Seller shall have the right to deliver excess quantities and shortages of up to 10%.

(5) Seller's obligation to perform shall be deemed fulfilled if the goods are made available to Buyer ex warehouse at the latest on the final day of the delivery time. If two or more orders have been closed, the Seller shall have the right to first deliver the order that was placed earliest in full.

(6) If the Seller should have failed to meet Seller's delivery obligations or the Buyer should have failed to meet Buyer's acceptance obligations, a reasonable remedial period shall be set as the first remedy. Upon failure to meet this deadline, the provisions of the German Civil Code (BGB) and Commercial Code (HGB) shall apply.

5. Spinning Allocation

(1) The Buyer shall undertake to provide the spinning allocation in due time. For orders with open number and assortment specifications, the Seller may demand a spinning allocation advance notice period of 12 weeks prior to the beginning of the month of delivery.

(2) If the Buyer, after two requests, should be in default of providing the spinning allocation within the mandated time and also fails to respond to a remedial period of four

weeks set by the Seller, the Seller shall have the right to carry out the affected delivery at Seller's discretion and issue an invoice for it.

6. Shipping

Regardless of any agreement made pursuant to Art. 1, shipping and local delivery shall be carried out for the account and at the risk of the Buyer.

7. Title Retention

Until all payments due arising from the business relationship have been made in full, which shall include ancillary accounts receivable, entitlements to damage compensation, accounts receivable generated in the future and the submission for credit of checks and drafts, the goods shall remain the property of the Seller. The Buyer shall have the right to process and sell the goods subject to compliance with the following provisions:

(1) Buyer's right to sell the title retention goods as part of Buyer's regular business operations shall end, regardless of Seller's right to revoke these conditions at any time, if Buyer suspends payments or if Buyer applies of self insolvency targeting Buyer's assets or if Buyer's assets become the target of an initiated insolvency proceeding.

(2) Pledging or provision as collateral of the title retention goods or of the assigned accounts receivable shall not be permitted.

(3) As a result of the processing of the title retention goods, Buyer, who shall keep the title retention goods in Buyer's custody on behalf of the Seller, shall not acquire ownership of the new objects pursuant to § 950 BGB. Processing shall be performed by Buyer on behalf of the Seller.

If the title retention goods are processed with other items that belong to the Buyer or if they are processed along with other products acquired under a so-called simple title retention arrangement pursuant to § 448 BGB, the Seller shall acquire sole title to the processed product.

If the title retention goods should be processed with other goods that have been delivered under an extended title retention reservation, i.e. subject to the exclusion of the legal consequences set forth § 950 BGB, the Seller shall acquire co-ownership in the new objects at the percentage equivalent to the ratio of the invoice value of Seller's title retention goods and the invoice value of the other processed items.

(4) The Buyer herewith assigns the accounts receivable along with all ancillary rights arising from the resale of the title retention goods to the Seller. This shall also include processed goods. The Seller accepts this assignment.

If, besides Seller's title retention goods the processed product should only contain such objects that either belong to the Buyer or that have been delivered under the so-called simple title retention reservation pursuant to § 449 BGB, the Buyer shall assign the entire purchase price based account receivable to the Seller. In the other case, i.e. if title retention of multiple suppliers exists, the Seller shall be entitled to a percentage of the respective purchase price based account receivable congruent with Section (3).

(5) The Seller shall not collect the assigned accounts receivable as long as the Buyer meets Buyer's payment obligations. However, the Buyer shall undertake to provide the Seller, upon request, with a concise list of the accounts receivable the Seller is entitled to, including the names and addresses of the customers, the amounts of the individual accounts receivable, the invoice dates, etc. Buyer shall also notify Buyer's customers of the assignment and shall provide the Seller with any required information for the collection of the assigned accounts receivable. The Buyer shall have the right to directly collect the accounts receivable until Buyer receives further notice from the Seller.

The Buyer authorizes the Seller to notify Buyer's customers as soon as Buyer is in default of one payment or Buyer's asset situation declines significantly and to collect the accounts receivable. In this case, the Seller may demand that Buyer permits an audit of the inventory of the assigned accounts receivable by Seller's agents based on Buyer's accounting records.

(6) The title retention covenant shall remain in effect even if individual accounts receivable of the Seller are included in a current invoice and the total has been determined and accepted.

(7) If the collateral generated as a result of the title retention mandate should exceed 20%, the Seller shall undertake to re-transfer the excess amount upon Buyer's request.

(8) The Buyer shall immediately notify the Seller of any attachments and disclose the lien-holding creditor.

(9) The Buyer shall undertake to provide the Seller, immediately after Buyer has suspended the making of payments and announced the suspension, with a list of any remaining title retention goods, including goods that have been processed along with a list of the accounts receivable due from third party debtors along with copies of the respective invoices.

(10) Amounts received in payment for assigned accounts receivable shall be kept in a separate ledger until they are transferred.

(11) If the Seller should seize any goods delivered on the title retention condition, a rescission from the contract shall only have occurred if the Seller has made an express written declaration to that effect. The Seller shall credit the revenues generated through monetization with the seized title retention goods.

(12) If it should be impossible to determine whether the product made by the Buyer contains yarns of the Seller, the proof of identity shall be deemed effectively made if the Seller and the other yarn suppliers have transferred their accounts receivable to an escrow agent for collection.

(13) The Buyer shall insure the title retention goods against the risks of fire, theft and water damages. The Buyer herewith assigns Buyer's compensation entitlements vis-à-vis insurance companies or other parties required to cover losses arising from damages stipulated in Sentence 1, to the Seller in the amount of the Seller's accounts receivable. The Seller accepts this assignment.

8. Place of Fulfillment, Jurisdiction and Governing Law

(1) The place of fulfillment for any mandates to be performed under this Contract shall always be the domicile of Seller's company.

(2) The sole place of jurisdiction for any disputes arising between Buyer and Seller, including law suits because of bank drafts and checks, shall be the Circuit or District Court in the district where Seller's company's domicile is located.

(3) The legal relationship between the Parties shall be exclusively governed by German law subject to the exclusion of the UN Convention on the International Sale of Goods (CISG).

9. Deficiencies

(1) For complaints concerning the gross weight of the shipment to be honored, they must be received no later than three business days after the arrival of the goods at the destination.

(2) Deficiency complaints (material damages) shall be accepted only within two weeks after the arrival of the goods at the destination and only if the processing of the goods has not yet begun. If deficiency claims are filed late, the goods shall be deemed accepted. Concealed deficiencies must be reported as soon as they are discovered.

(3) Standard trade or minor deviations that cannot be technically averted and affect the quality, color or finish of the delivered goods (including fiber blending conditions and foreign fiber lint) shall not be subject to complaints.

- a) The Seller shall not assume any liability for deficiencies of products resulting from improper processing and handling of the goods.
- b) Seller reserves the right to deliver yarns with effects and threads that may deviate in terms of the finish of the yarn that cannot be technically averted.
- c) The technical properties of yarns may change as a result of storage periods (aging). Consequently, technical and chemical changes caused by aging shall not be considered deficiencies.
- d) The presence of foreign fibers in yarns and fabrics not made of original spinning materials shall not be considered a deficiency.
- e) The Seller shall not assume any liability for deficiencies that would not have occurred had the fabrics or yarns been properly processed, e.g. if they had been woven using multi-protection or multi-system methods. Seller's liability shall exclude the materialization of errors that are the result of the simultaneous processing of different materials or inserts.

In the event that the Buyer has specified to Seller the use of certain raw materials, certain dyes, certain dyeing processes or certain finishing processes without the option of using alternatives, the Seller shall assume only liability for errors resulting from deficiencies of the raw material, the used dyes and the finishing process and that have not been detected despite thorough inbound goods inspections, if the vendor of the fibers or dyes or the finisher have assumed warranties for the former. In the event of damages, the Seller shall assign Seller's warranty entitlements vis-à-vis the vendors or finishers to the Buyer.

(4) In the event of obvious deficiencies, the Seller shall have the right to attempt remedial action once or to deliver replacements that are free of deficiencies. Either action shall occur within a reasonable time frame for both, Seller and Buyer as of the time the submitted complaint has been acknowledged. The Seller shall verify the complaint right away and shall make a decision as to the return of the deficient goods. During that time, the Buyer shall store the goods for the Seller free of charge. In the event that the remedial action should fail or the replacement delivery should be deficient, the Buyer shall have the option to either reduce the purchase price or rescind the contract, unless Article 11 Sections 2 and 3 applies.

(5) In the event of concealed deficiencies, the Buyer shall be entitled to a reduction of the purchase price of the delivered goods, which are integrated into the resulting manufactured deficient goods. For the remaining portion of the delivered goods that has not yet been processed, the Buyer shall be entitled to remedial action or a one-time replacement shipment. Either action shall occur within a reasonable time frame for both, Seller and Buyer as of the time the submitted complaint has been acknowledged. The Seller shall verify the complaint right away and shall make a decision as to the return of the deficient goods. If this should be unacceptable for the Buyer or if either the remedial action or the replacement shipment have failed, the Buyer shall have the option to either reduce the purchase price or rescind the contract, unless Article 11 Sections 2 and 3 applies.

(6) In the event of minor neglect, the replacement of any other damages resulting from the deficiency of the delivered goods, shall be limited to twice the value of the goods in the affected delivery or partial delivery. In the event of minor neglect, damage compensation shall not be available if the damages are not typical for this type of contract and were not foreseeable by the Seller when executing the contract. In the event of intent, gross neglect or culpable injury to life, physical injury or health damages, the statutory provisions shall apply. The Product Liability Act shall apply without any restrictions.

10. Business Interruption

Acts of force majeure, labor conflicts the Seller is not liable for, government agency actions the Seller is not liable for that occur either in the domestic market or abroad, energy failures the Seller is not liable for as well as unforeseeable, grave operational interruptions and limitations the Seller is not liable for, including those that lead to the impairment of the agreed upon commodities supply or are caused by other cases of force majeure and that lasted or are anticipated to last more than a week, shall give the Seller the right to defer the delivery dates accordingly.

However, this shall be contingent upon the Seller previously having made all reasonable efforts and attempts to prevent or eliminate the consequences of delivery interruptions. If, because of the aforementioned circumstances, the delivery should be delayed by more than three months, both contracting Parties shall have the option to rescind from the contract. In cases of force majeure or the operational interruptions the Seller is not liable for described in Section 1, no compensation for damages shall be available.

As soon as any delivery problems of the type described above becomes foreseeable, the Buyer shall be promptly notified.

11. Compensation for Damages

(1) Damage compensation claims shall not be accepted unless otherwise agreed upon pursuant to these Terms and Conditions.

(2) The exclusion pursuant to Section 1 shall not apply if liability pursuant to the Product Liability Act is mandated or in the event of acts of intent, gross neglect of the owners, statutory representatives and executives of the Seller, in the event of malicious acts, non-compliance with an assumed warranty, in the event of the culpable injury of life, physical injury or health damages or in the event of the culpable violation of cardinal contractual obligations. Cardinal contractual obligations shall be any duties the fulfillment of which define the contract and into which the Buyer may trust. However, any entitlement to damage compensation on the grounds of the violation of cardinal contractual obligations shall be limited to the contract typical and foreseeable damages, unless a different case as defined in Section 2 Sentence 1.

(3) A change of the burden of proof that is disadvantageous for the Buyer shall not occur in connection with the aforementioned provisions.

Part 2 – Technical Terms and Conditions

1. Commercial Weight

Unless otherwise agreed upon, the respective German or Euro pa-standards shall apply as far as the commercial weight policies are concerned (DIN or EN).

Yarns and threads shall be subject to the added moisture weight imposed by the German Textile Labeling Law (Textilkennzeichnungsgesetz = TKG) for the respective fiber types in the version in effect at the time the contract is executed. Incidentally, the EU Textile Labeling Directive of September 27, 2011 (derived from EU L 272/1 of October 18, 2011) shall apply.

Yarns and threads made of fibers not listed in the Textile Labeling Law shall be subject to an added moisture weight to be agreed upon between the contracting Parties.

For blended yarns and threads, the added moisture weight shall be calculated on the basis of the percentage rates used for unblended yarns, depending on the percentage of each fiber in the blend. The thus calculated percentages shall be rounded up by 0.5 % each. Otherwise the German or European standards shall be deemed agreed upon for the determination of the commercial weight (DIN or EN).

If the moisture rate is above 8.5 % the permitted tolerance shall be
 $\pm 1.0 \%$

If the moisture rate is 8.5 % or less
 $\pm 0.5 \%$

If these tolerances are exceeded or not reached, the remuneration shall be calculated on the basis of the permitted moisture additions in both directions.

The results of those packaging units the contents of which exceeds the permitted added moisture weight by a quarter and a minimum of 1% absolute shall not be included in the computation of the average. The German or European standards shall be deemed agreed upon for the determination of the actual added moisture weight (DIN or EN). The Seller shall have the right to demand such a determination; the involvement of third parties shall be deemed agreed upon if necessary (e.g. officially accredited testing office).

The packaging units that exceed the abovementioned tolerance of the permitted added moisture weight shall be deemed undeliverable and may be provided by the Buyer in exchange for the fees incurred for them. The Seller shall have the right to make a replacement delivery in a time period that is reasonable for both, Seller and Buyer, as of the time the packaging units that resulted in the complaint were delivered. A replacement delivery shall be permitted only once.

2. Commercial Number (Commercial Definition)

a) Determination of the Commercial Number (Commercial Definition)

The metric yarn number shall be the relevant number for the definition of the commercial number (commercial definition) of all yarns and threads. Upon Buyer's request, it shall also be possible to use the commercial definition according to dtex. Otherwise, the relevant German or European standards shall apply (DIN or EN).

b) Run Length

The run length of the thread shall be deemed complied with if it is made of the same commercial number (commercial definition) simple yarn.

Singed yarns and threads shall be sold on the basis of the final commercial number (final commercial definition).

The Buyer shall be responsible for modifications of the run length resulting from additional enhancements of yarns and threads.

The deviations of the commercial number (commercial definition) for simple yarns shall apply to threads.

c) Numbers (Definition) Tolerance

Yarn number deviations that cannot be technically averted shall be allowed; however, they shall not exceed the tolerance levels set forth below:

ca) Woolen yarns and respective rotor yarns up to and including Nm 5

(2000 dtex and higher) $\pm 8 \%$

Above Nm 5 through and including Nm 7

(below 2000 dtex up to 1450 dtex) $\pm 7 \%$

Above Nm 7 through and including Nm 10

below 1450 dtex up to 1000 dtex) $\pm 6 \%$

Above Nm 10

(below 1000 dtex) $\pm 5 \%$

cb) Half-woolen yarns and respective rotor yarns up to and including Nm 5

(2000 dtex and higher) $\pm 6 \%$ above Nm 5

(under 2000 dtex) $\pm 5 \%$

cc) Other yarns $\pm 3 \%$

cd) Higher number deviations that cannot be technically prevented and are reasonable are permitted for yarns with effects.

No compensation shall be paid within the above specified tolerances. If deviations fall short of these permitted limits, the full deviation from the agreed upon yarn number (yarn definition) shall be credited.

If

- The acceptance of compensation is unacceptable for the Buyer,
- The number (definition) tolerances are exceeded and acceptance is absolutely not possible,

the Buyer shall have the option to demand that the quantities stipulated in the complaint are exchanged by the Seller within a time period that is reasonable for both, Seller and Buyer, with yarns in the agreed upon number (definition). The Seller shall pay the related costs. For the yarns under cc), this shall apply subject to the condition that the deviation from the agreed upon number (definition) is more than $\pm 5 \%$. If the Buyer should document that a replacement delivery would also impose an unreasonable burden upon the Buyer, the Buyer shall have the right to reduce the purchase price or rescind from the contract.

3. Incorrect Weight and Number (Definition) Variations

If the Buyer should file a complaint related to a shipment because of incorrect weight or number (definition) variations, the Seller shall have the right to demand the determination of the commercial weight and/or the commercial number (commercial definition); the involvement of third parties shall be deemed agreed upon if necessary (e.g. officially accredited testing office).

4. Chains

Chains in single strands or twined, shall be sold and billed on the basis of the calculated weight; however, the Seller shall compensate the Buyer for any weight shortage if it exceeds 3 %.

5. Test Dyes and Other Tests

To recognize potential errors, sufficient quantities of the raw product must be tested in a suitable testing process in conjunction with the weaving, knitting, tufting, blending, braiding and other processing phases. The quantity tested must represent a suitable, smallest possible production quantity, not to exceed 500 m. This test may be immediately followed by a subsequent test.

In all processing phases

- Colored yarn lots shall be checked for stiffness and other changes prior to and while being processed,
- If raw white and colored yarns are processed simultaneously, or if yarns with of different fiber structures are processed at the same time, sufficient tests to determine uniform shrinking and other relevant effects that could adversely affect the intended use, shall be performed.

6. Signage

The Seller shall be permitted to sign raw white yarn lots with water-soluble dyes if the Buyer does not expressly object to this process.

7. Testing and Test Fees

Testing shall be governed by the provisions of the relevant German and European standards (DIN or EN) subject to the inclusion of an officially accredited testing institution. The test fees, including those of any follow-up testing and transportation costs shall be paid by the party that does not prevail only if an express agreement to that effect has been made between the Parties.