

**General Terms and Conditions of Purchase of
HUGO KERN UND LIEBERS GMBH & CO KG Federn- und Platinenfabrik
and KERN-LIEBERS KNITTING PARTS GMBH**

I. Scope

1. These general terms and conditions of purchase apply between Hugo Kern und Liebers GmbH & Co. KG Federn- und Platinenfabrik, based in Schramberg, Germany (District Court of Stuttgart; HRA 480240) and Kern-Liebers Knitting Parts GmbH, based in Schramberg, Germany (District Court of Stuttgart; HRB 480986)– hereinafter the “**customer**” – and companies, corporate bodies under public law or special funds under public law within the meaning of Section 310 (1) BGB (German Civil Code) – hereinafter “**suppliers**”.
2. Our orders and all deliveries, services and offers from our suppliers are based exclusively on these general terms and conditions of purchase. These general terms and conditions of purchase constitute part of all contracts that we conclude with our suppliers for the deliveries or services offered by our suppliers. They also apply to all future deliveries, services or offers to the customer, even if they are not agreed again separately.
3. Terms and conditions of our suppliers or third parties do not apply, even if we do not separately object to their validity in individual cases. Even in cases where we refer to a letter that contains or makes reference to the terms and conditions of the supplier or a third party, no agreement to the validity of those terms and conditions is implied. The same applies to the acceptance or payment of goods or services.

II. Orders and contracts

1. Unless otherwise agreed with the supplier, our orders or delivery call-offs must be in writing to be effective. The requirement for the written is also deemed to have been met if the order or delivery call-off is by means of electronic data interchange (EDI) as agreed.
2. Unless our order expressly sets out a different provision, our order is deemed to have been accepted if the supplier does not object within 7 working days of receipt of our order.
3. Delivery call-offs within the scope of an ongoing business relationship generally become binding if the supplier does not object within 3 working days of receipt of the call-off. Other provisions apply if otherwise expressly agreed with the supplier.
4. Delivery schedules, delivery forecasts and comparable documents are always legally non-binding notifications to the supplier which are intended to inform the supplier about our potential requirements and to simplify the supplier’s planning. The quantities indicated here may change or be entirely inapplicable. Unless otherwise agreed in individual cases and if we do not inform the supplier in advance of a change in requirements, the requirements notified on the basis of our non-binding delivery schedules and delivery forecasts become binding orders for a maximum period of the last 4 weeks in the case of raw materials and for a maximum period of the last week in the case of non-raw materials.

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5. We are entitled to change the time and place of delivery as well as the type of packaging at any time by means of written notification with a reasonable period of notice before the agreed delivery date. The same applies to changes to product specifications where these changes can be implemented as part of the supplier's normal production process without significant additional effort. We will reimburse the supplier for any proven and reasonable additional costs incurred as a result of the change. If such changes result in delays in delivery which cannot be avoided with reasonable effort in the normal production and business operations of the supplier, the delivery date originally agreed will be postponed accordingly. The supplier will notify us in writing in good time before the delivery date of any additional costs or delays in delivery expected by the supplier after careful assessment on receipt of our notification pursuant to sentence 1.
6. Changes to the delivery item with regard to quantity, design, construction, production process and production location always require our prior written consent. The same applies to the inclusion of or changes to sub-suppliers or subcontractors.
7. Unless expressly agreed otherwise, the supplier's cost estimates are binding and not to be remunerated.

III. Prices, terms and conditions of payment, invoice details

1. The agreed prices are in EURO and are binding. Unless otherwise agreed in writing, the price includes delivery and transport to the shipping address specified in the order, including packaging, taxes, customs duties and other charges.
2. If the price does not include packaging or transport and the remuneration for packaging or transport is not expressly defined under the agreement reached, it must be charged at the verifiable cost price. At our request, the supplier must take back packaging at the supplier's expense.
3. The price is payable within 30 days with a 3% discount or within 60 days net, in each case from the date of receipt of the goods/services and proper invoicing. For the timeliness of the payments owed by us, the receipt of our transfer order by our bank is sufficient.
4. All order confirmations, delivery documents and invoices must state our order number, the item number, delivery quantity and delivery address. If one or more of these details are missing and processing by us in the normal course of business is delayed as a result, the payment periods set out above will be extended by the period of the delay.
5. In the event of delays in payment, we will owe interest on arrears in the amount of five percentage points above the base interest rate pursuant to Section 247 BGB (German Civil Code).
6. In the event of defective delivery, we will be entitled to withhold payment in proportion to the value until proper performance.

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IV. Delivery time and delivery, transfer of risk

1. The delivery time (delivery date or period) specified in the order is binding. Early deliveries require our prior consent. If delivery "ex works" has not been agreed, the supplier must provide the goods in good time, making allowance for the time required for loading and shipping.
2. The supplier is obliged to inform us immediately in writing if circumstances under which it is not possible to adhere to the delivery time arise or become apparent.
3. If the latest date on which the delivery is to take place can be determined on the basis of the contract, the supplier's delivery is deemed to be delayed at the end of that day without a reminder from us being required.
4. In the event of a delay in delivery, we are entitled to assert legal claims without limitation, including the right of withdrawal and the right to compensation in lieu of performance after a reasonable grace period has elapsed without success.
5. In the event of delays in delivery, we are entitled after prior written warning to the supplier to demand a contractual penalty of 0.5%, up to a maximum of 5%, of the relevant order value for each week of delay in delivery commenced. The contractual penalty is to be offset against the damages caused by delay to be compensated by the supplier.
6. The supplier is not entitled to make partial deliveries without our prior written consent.
7. Even if shipment has been agreed, risk is transferred to us only when the goods are handed over to us at the agreed destination.
8. We are obliged to carry out incoming goods inspections with regard to identity, quantity and obvious defects, i.e. transport damage. There is an obligation to immediately give notice of any such open defects. Defects identified at a later date (latent defects) must be reported immediately after they become known. If and to the extent that further requirements are imposed on the incoming goods inspection to be carried out by the customer pursuant to Section 377 HGB (German Commercial Code), the supplier will not invoke such requirements.

V. Defects; warranty

1. The supplier warrants that the goods are free from defects, have the agreed quality and any specifications set out in our drawing, and comply with statutory provisions and generally accepted codes of practice.
2. By accepting or approving submitted samples or specimens or by agreeing quality targets (e.g. ppm specifications), we do not waive our warranty rights, and nor are these rights curtailed.
3. The warranty period is extended beyond Section 438 (1) (3) BGB (German Civil Code) to 36 months. Section 438 (3) BGB remains unaffected.

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4. In the event of delivery of defective goods, we may assert the statutory warranty rights and, under the conditions set out below, also demand the following:
 - a) Before the start of production (machining, processing or installation), the customer must first give the supplier the opportunity to separate out and rectify defects or to make a subsequent (replacement) delivery, unless this cannot be reasonably expected of the customer in individual cases. In the event that the supplier does not begin to rectify a defect without delay after a request from us to do so, or if the supplier cannot be contacted, we have the right in urgent cases to undertake the remedy ourselves or to have it carried out by a third party at the supplier's expense, in particular to avert present dangers to other legally protected interests or to avoid major damage. The costs arising from this are borne by the supplier. We will inform the supplier about the rectification of the defect without delay.
 - b) If a nonconformity is not discovered until after the start of production or processing, the customer may demand supplementary performance and reimbursement of the expenses incurred for the purpose of supplementary performance, in particular transport and travel costs, labor costs (e.g. inspection, sorting, removal and installation costs) and material costs. This also applies in particular to costs arising from the installation or removal of the defective goods in or from other property.
5. On receipt of our written notice of defects by the supplier, the limitation of warranty claims is suspended. In the event of replacement delivery and rectification of defects, the warranty period for replaced and reworked parts recommences, unless we had to assume on the basis of the supplier's conduct that the supplier did not feel obliged to take the measure and instead made the replacement delivery or rectified the defect simply as a gesture of goodwill.
6. Other statutory or contractual rights of the customer remain unaffected by the provisions of this section.
7. The supplier's quality records must record when, in what manner and by whom defect-free manufacture of the supplier's deliveries was ensured. This evidence must be retained for 15 years and submitted to the customer as required and requested. Within the scope of what is legally possible, the supplier must oblige sub-suppliers or subcontractors to the same extent.

VI. Liability

1. Subject to any provision to the contrary, the supplier is liable in accordance with the statutory provisions.
2. If a non-negotiable claim is made against the customer on the basis of statutory liability in respect of third parties, the supplier takes responsibility for the customer to the extent that the supplier would also be directly liable. For the compensation of damages between the customer and supplier, the relevant principles of Section 254 BGB (German Civil Code) apply.

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3. The supplier is liable for measures to prevent damage (e.g. recall campaigns) if these measures are based on the defectiveness of the goods delivered by the supplier or any other breach of duty by the supplier. We will inform the supplier in such cases and provide the opportunity to cooperate wherever possible.

VII. Force majeure

Force majeure, unrest, administrative measures and other unforeseeable, unavoidable and serious events release the parties from their performance obligations for the duration of the disruption and to the extent of its effect. This also applies if such events occur at a point in time at which the contract partner concerned is in default, unless the default was caused willfully or through gross negligence. The parties are obliged, within reasonable limits, to provide each other with the necessary information without delay and to adapt their obligations to the changed circumstances in good faith. If the challenge lasts for more than 3 months, each party may withdraw from the contract with regard to the part not yet fulfilled.

VIII. Termination of the contract

Each party may terminate a contractual relationship for good cause without providing notice. Good cause includes in particular cases where insolvency proceedings have been instituted against the assets of the other contract partner, where judicial or extra-judicial settlement proceedings have been opened, where an application to this effect has been made, even if such an application has been rejected for lack of sufficient assets, where the grounds for instituting insolvency proceedings or comparable proceedings against the assets of the other contract partner are in place, or where compulsory execution proceedings have been instituted against the entire assets of the other contract partner or a substantial share of those assets.

IX. Insurance

1. The supplier is obliged to ensure adequate insurance coverage with regard to the supplier's deliveries and services at the supplier's own expense.
2. In the case of deliveries of goods, this also includes extended product liability insurance (including cover for combination/mixing, further processing, further treatment, removal and installation) with an adequate amount of cover, but at least EUR 10 million for each case of personal injury or property damage, which also applies to financial losses and must also include losses abroad, including North America and worldwide cover for motor vehicle recall costs in this amount. The supplier must provide evidence of insurance coverage upon request.
3. The supplier must ensure that, at a minimum, the extended product liability insurance taken out by the supplier meets the recommendations of the German Insurance Association (GDV) in the general insurance conditions for liability insurance and the special conditions for product liability insurance for industrial and commercial enterprises in the currently valid version.

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4. In the event that the supplier has insurance coverage that goes beyond the warranty and liability rights of the customer set out in these general terms and conditions of purchase (e.g. longer warranty periods; simplifications in the provision of evidence, etc.), the customer is also entitled to assert claims against the supplier in this respect or to invoke the provisions of the insurance coverage in place in favor of the supplier.

X. Spare parts

If the supplier intends to discontinue the production of spare parts for the products delivered to us, the supplier will inform us without delay after the decision on discontinuation has been taken. This decision must be at least 6 months prior to the discontinuation of production.

XI. Ownership protection

1. We reserve the ownership or copyright to orders placed by us, as well as drawings, illustrations, calculations, descriptions and other documents made available to the supplier. Without our express consent, the supplier may not make these materials available to third parties, nor may the supplier disclose them, use them internally or through third parties or reproduce them. At our request, the supplier must return these documents to us in full if they are no longer required by the supplier in the ordinary course of business or if negotiations do not lead to the conclusion of a contract. In this case, any copies made by the supplier must be destroyed. The only exceptions to this are retention within the scope of statutory retention requirements and the storage of data for backup purposes as part of normal data backup.
2. Tools, equipment and models that we make available to the supplier or that are manufactured for contractual purposes and charged to us separately by the supplier remain our property or become our property. They must be marked by the supplier as our property, stored carefully, protected against damage of any kind and used only for the purposes of the contract. The costs of maintenance and repair of these items are borne by the supplier. The supplier will notify us without delay of any damage to these items that is not merely insignificant. Upon request, the supplier is obliged to return these items to us in proper condition if they are no longer required for the performance of the contracts concluded with us.
3. Models, matrices, templates, samples, tools and other means of production, as well as confidential information provided to the supplier by the customer or paid for in full by the customer, may be used for deliveries to third parties only with the prior written consent of the customer.
4. Parts and materials provided by us remain our property. Any processing or assembly is carried out in the name and for the account of the customer as manufacturer; we acquire ownership directly or – if the processing takes place using materials from several owners or if the value of the manufactured item is higher than the value of the parts and materials provided – co-ownership of the newly created item.
5. Retentions of title by the supplier apply only insofar as they relate to our payment obligation for the products in each case to which the supplier retains title. In particular, extended or prolonged title retentions are not permitted.

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6. If we remunerate supplier development services by means of one-off payment, allocation to the part price or in any other manner, the supplier will grant us, with respect to the copyright-protected results (e.g. drafts, drawings, sketches, layouts, plans, design data, information) obtained by the supplier in connection with this development and delivery, a non-exclusive, irrevocable, transferable right, unlimited in time, place and content, to use, modify, process and distribute these results at our discretion and free of charge.

XII. Property rights

1. The supplier warrants that, in connection with the supplier's delivery, no property rights of third parties are infringed in countries of the European Union, North America or other countries in which the supplier manufactures the products or has the products manufactured.
2. The supplier is obliged to indemnify us against all claims made against us by third parties as a result of infringement of industrial property rights referred to in the preceding paragraph and to reimburse us for all necessary expenses in connection with such claims. This right exists irrespective of any fault on the part of the supplier.

XIII. Secrecy

1. The parties undertake to treat all commercial and technical details that are not in the public domain and that become known to them as a result of the business relationship as business secrets. Sub-suppliers or subcontractors must be subject to the same obligation.
2. Without our prior written consent, the supplier may not refer to the business relationship with us in advertising materials, brochures, etc. and may not exhibit delivery items manufactured for us.

XIV. Offsetting, retention, assignment

1. We are entitled to offsetting and retention rights to the extent permitted by law.
2. The supplier is not entitled to assign claims arising from the contractual relationship to third parties. This does not apply to monetary claims.

XV. Place of performance, place of jurisdiction, applicable law

1. The place of performance is the registered office of the customer. The exclusive place of jurisdiction for all disputes arising from the contractual relationship is Rottweil, Germany.
2. The contracts concluded between us and the supplier are governed by the laws of the Federal Republic of Germany to the exclusion of the Convention on Contracts for the International Sale of Goods (UN Sales Convention).

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XVI. Severability clause

Should any provision of these general terms and conditions of purchase and the other agreements made be or become invalid, the validity of the remaining provisions of the contract remains unaffected. The contract partners are obliged to replace the invalid provision with a provision that comes as close as possible to it in terms of economic success.

Schramberg, 18 July 2014
The management