

STANDARD TERMS AND CONDITIONS OF THE GERMAN TEXTILE INDUSTRY

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§ 1 Scope of Application

1. The standard terms and conditions apply exclusively between merchants.
2. All deliveries and services of the seller are subject exclusively to the following standard terms and conditions of the German textile industry. The seller does not recognize general terms and conditions of the buyer unless the seller has expressly agreed to their validity in writing. This also applies if the seller performs the services without reservation in the knowledge of conflicting or deviating terms and conditions of the buyer.

§ 2 Place of Performance, Delivery and Acceptance

3. The place of performance for all services arising from the delivery contract is the place of the seller's commercial establishment.
4. The goods are delivered ex works within the country. The shipping costs shall be borne by the buyer. The buyer may designate the carrier. The goods are to be shipped uninsured. A dispatch notification may be agreed.
5. Packaging costs for special packaging shall be borne by the buyer.
6. Sorted and, in the case of combinations, sale-ready partial deliveries must be made promptly and shall be announced in advance. Unsorted partial deliveries are only permissible with the buyer's consent.
7. If acceptance is not made in due time due to the fault of the buyer, the seller shall, at its discretion, have the right, after the expiry of a grace period of 12 calendar days to be set, either to invoice the goods with immediate due date (backorder invoice) or to withdraw from the contract or claim damages.

§ 3 Place of Jurisdiction

8. The place of jurisdiction (also for actions relating to bills of exchange and cheques) shall, at the plaintiff's discretion, be the place of a German commercial establishment of one of the parties. The plaintiff is also entitled to bring action at the registered office of the competent professional or cartel organization for the seller (Stuttgart).
9. The court first seized shall have jurisdiction.

§ 4 Content of the Contract

1. The delivery of the goods shall take place on fixed dates (working day or a specific calendar week). All sales are concluded only for specific quantities, articles, qualities, and fixed prices. Both parties are bound thereby. Commission transactions shall not be carried out.
2. Blanket orders are permissible and must be limited in time upon conclusion of the contract. The period for acceptance may not exceed 12 months.

§ 5 Interruption of Delivery

1. In cases of force majeure, industrial disputes not attributable to either party, and other operational disruptions for which neither party is responsible, and which have lasted longer than one week or are expected to last longer, the delivery or acceptance period shall automatically be extended by the duration of the hindrance, but not longer than 5 weeks. The extension shall only take effect if the other party is informed immediately of the reason for the hindrance as soon as it becomes foreseeable that the delivery or acceptance period cannot be met.
2. If delivery or acceptance has not taken place within the extended period in the cases mentioned in para. 1, the other contracting party may withdraw from the contract after the

expiry of an additional grace period of 12 calendar days to be set.

3. Claims for damages are excluded in the cases of para. 1, provided that the respective contracting party has complied with its obligations pursuant to para. 1.

§ 6 Grace Period for Subsequent Delivery

1. After expiry of the delivery period, a grace period of 12 calendar days shall commence without declaration. After expiry of this period, the buyer may withdraw from the contract by written declaration. If the buyer wishes to claim damages in lieu of performance, the buyer must set the seller a period of 4 weeks in writing after expiry of the agreed delivery period. The statutory provisions on the dispensability of setting a period (§ 281 para. 2, § 323 para. 2 BGB) remain unaffected.
2. For ready-to-ship stock goods and NOS goods ("Never-out-of-Stock"), the grace period shall be 5 working days. In the event of non-delivery, the buyer shall be informed immediately. Otherwise, the provisions of para. 1 shall apply.
3. Before expiry of the grace period, claims of the buyer due to delayed delivery are excluded unless § 8 paras. 2 and 3 apply.

§ 7 Notice of Defects

1. Complaints about obvious defects must be sent to the seller no later than within 12 calendar days after receipt of the goods. Hidden defects must be notified by the buyer to the seller immediately upon discovery.
2. After cutting or any other commenced processing of the delivered goods, any complaint about obvious defects is excluded.
3. Minor, technically unavoidable deviations in quality, color, width, weight, finishing, or design shall not constitute a material defect. This also applies to customary trade deviations unless the seller has

declared a delivery true to sample in writing.

4. In the case of justified complaints, the buyer shall, at the seller's discretion, be entitled to subsequent improvement or delivery of defect-free replacement goods within 12 calendar days after return of the goods. In this case, the seller shall bear the freight costs. If subsequent performance fails, the buyer shall only have the right to reduce the purchase price or withdraw from the contract unless § 8 paras. 2 and 3 apply.
5. If the complaint is not made in due time, the goods shall be deemed approved.

§ 8 Damages

1. Claims for damages by the buyer are excluded unless otherwise stipulated in these conditions.
2. The exclusion in para. 1 shall not apply in cases of liability under the Product Liability Act, in cases of intent, gross negligence by owners, legal representatives and executive employees, fraudulent intent, non-compliance with an assumed guarantee, culpable injury to life, body or health, or culpable breach of essential contractual obligations; essential contractual obligations are those whose fulfillment characterizes the contract and on which the buyer may rely. However, a claim for damages for breach of essential contractual obligations is limited to the damage typical for the contract and foreseeable, unless another case mentioned in sentence 1 applies.
3. A change in the burden of proof to the detriment of the buyer is not associated with the above provisions.

§ 9 Payment

Omitted and agreed separately with each customer.

§ 10 Payment after Due Date

1. In the event of payments after due date, interest of 9 percentage points above the

respective base interest rate within the meaning of § 247 BGB shall be charged. Otherwise, § 288 BGB shall apply.

2. Prior to full payment of due invoice amounts including interest, the seller shall not be obliged to make further deliveries under ongoing supply contracts. The right to claim damages for delay remains reserved.
3. In the event of a significant deterioration in financial circumstances, such as imminent insolvency or delay in payment, the seller may refuse performance under all delivery contracts based on the same legal relationship or withdraw from these contracts after setting a grace period of 12 calendar days. § 321 BGB shall apply accordingly. § 119 InsO remains unaffected.

§ 11 Set-off and Retention

The set-off and retention of due invoice amounts are only permissible with undisputed or legally established claims, unless these are claims for damages closely related to the buyer's claim for defect-free contractual performance.

§ 12 Retention of Title

1. The goods shall remain the property of the seller until full payment of all claims arising from deliveries of goods from the entire business relationship, including ancillary claims, claims for damages, and redemption of cheques and bills of exchange. The retention of title shall also remain in effect if individual claims are included in a current account and the balance is drawn and acknowledged.
2. If the reserved goods are combined, mixed or processed by the buyer into a new movable item, this is done for the seller without any obligation for the latter. Through such combination, mixing or processing, the buyer does not acquire ownership pursuant to §§ 947 et seq. BGB of the new item. In the case of combination, mixing or processing with items

not belonging to the seller, the seller acquires co-ownership of the new item in proportion to the invoice value of its reserved goods to the total value.

3. If a central regulating entity that assumes del credere is involved in the transaction between seller and buyer, the seller transfers ownership of the goods to the central regulating entity upon dispatch subject to the suspensive condition of payment of the purchase price by the central regulator. The buyer is released only upon payment by the central regulator.
4. The buyer is entitled to resale or further processing only under the following conditions:
 - a. The buyer may resell or process the reserved goods only in the ordinary course of business, provided its financial circumstances have not subsequently deteriorated significantly.
 - b. The buyer hereby assigns to the seller the claim from the resale of the reserved goods, including all ancillary rights and any balance claims. The seller accepts this assignment.
 - c. If the goods have been combined, mixed or processed and the seller has acquired co-ownership, the seller shall be entitled to the purchase price claim proportionate to the value of its rights in the goods.
 - d. If the buyer has sold the claim within the framework of genuine factoring, the buyer assigns to the seller the claim against the factor that replaces it and forwards the proceeds of sale proportionately to the value of the seller's rights in the goods to the seller. The buyer is obliged to disclose the assignment to the factor if it is more than 10 days in arrears with payment of an invoice or if its financial circumstances deteriorate significantly. The seller accepts this assignment.
 - e. The buyer is authorized to collect the assigned claims as long as it meets its payment obligations. The authorization to collect expires in the event of default or significant deterioration in the buyer's financial circumstances. In this case, the seller is authorized by the buyer to inform the customers of the assignment and to collect the claims itself. To assert the assigned claims, the buyer must provide the necessary information

and allow verification of this information. In particular, it must provide the seller, upon request, with a detailed list of the claims to which it is entitled, including the names and addresses of customers, the amount of each claim, invoice dates, etc.

5. If the value of the securities exceeds the seller's total claims by more than 10%, the seller shall be obliged to release securities of its choice at the buyer's request.
6. Pledging or transfer by way of security of the reserved goods or assigned claims is not permitted. The seller must be informed immediately of any seizures, stating the seizing creditor.
7. If the seller takes back the delivered item in exercising its retention of title, this shall not automatically constitute withdrawal from the contract. The seller may satisfy itself by private sale of the returned goods.
8. The buyer shall store the reserved goods free of charge for the seller. It must insure them against usual risks such as fire, theft, and water to the customary extent. The buyer hereby assigns to the seller its claims for compensation against insurance companies or other parties liable for damages of the aforementioned kind in the amount of the invoice value of the goods. The seller accepts this assignment.
9. All claims and rights arising from the retention of title in all special forms set out in these conditions shall remain in force until full release from contingent liabilities (cheque/bill of exchange) assumed by the seller in the interest of the buyer. In the case of sentence 1, the buyer is generally permitted to use factoring for its receivables. However, it must inform the seller before entering into contingent liabilities.

§ 13 Applicable Law

The law of the Federal Republic of Germany shall apply. The United Nations Convention on Contracts for the International Sale of Goods dated 11 April 1980 is excluded.