

Lapp Insulators GmbH

General Terms and Conditions of Sales and Payment

1. General

Our products and services are delivered under the exclusion of any terms of purchase by the contracting party exclusively according to the terms and conditions stated hereinafter. Additionally the INCOTERMS of the International Chamber of Commerce, Paris, in their current version are in force.

2. Offers, Purchase, Orders, Specifications

Our quotations are subject to alternation and are not binding. Purchase orders and oral agreements are only binding for us, if and insofar we agree to them in written or by form or by dispatching the goods and invoice. Specifications on measures and weights, descriptions and illustrations in our brochures and other documents are approximate and not binding, except on our express written confirmation.

3. Prices

Our prices are "ex works" plus package and VAT. In case of doubts, our list prices valid at the delivery date are valid; if these have raised more than 10 % from the date of contract, the buyer has the right to refrain from the portion of the contract that has not been fulfilled so far during 14 days after notification of the rise. This right does not apply if the rise was caused by a rise of freight costs.

4. Special Makes, Tools

For products that are produced on demand, the delivered quantity may be higher or lower than the order quantity due to production processes. Such over/under deliveries are permissible without notification if they do not exceed 10 % of the ordered quantity. In the case of special makes or the order of new types we are entitled to invoice the development costs, costs for matrices, tools, engravings, forms and any other production device completely or partly; thereby no claims are granted to the buyer, however. If the seller has to buy or make new manufacturing devices, especially because of wear, these have to be paid by the buyer.

5. Payment

Our invoices will be net and payable within thirty(30) days from date of invoice, independent of the date of reception of the goods.

The buyer is authorized a set-off or retainment against our claims only when we do not dispute his claims or when his claims have been legally determined to exist. If the client is in arrears with payment or if there are justified doubts in his solvency or credit standing, we reserve the right, irrespective of our rights, to demand prepayments or corresponding securities for out-standing deliveries and to demand that all outstanding claims of the business relation be settled immediately.

6. Delivery, Passing of Risk, Acceptance

Our deliveries are "ex production site" on the cost and risk of the buyer. In case of delays in delivery due to the will of the buyer, we are entitled to claim compensation for the corresponding storage costs.

Our obligation to deliver is suspended for the time the buyer is in arrears with payment. If we fail to meet the specified delivery date and are unable to cure such failure within an appropriate additional period of time stated in written by the buyer, the buyer has the right to refrain from the hitherto unfulfilled part of the contract, in case of objective unusability of already fulfilled deliveries from the complete contract or claim compensation of damage according to these items and conditions.

Partial deliveries are permitted to appropriate extent. If delivery on request was agreed, we have the right to execute and invoice these deliveries, if such deliveries are not requested by the buyer and performed by two months from the date of confirmation of order.

In case of unforeseen problems, especially during the firing of the ceramics, delivery delays or failures of our vendors, shortage of manpower, energy or raw materials, strikes, lockouts, difficulties in procuring the transport means, traffic disruption, official orders and cases of force majeure we are freed for the duration of the disruption and to the extent of its effect from our obligation to deliver.

7. Quality of Delivery Goods and Services, Warranted Characteristics

The quality of our deliveries and services shall conform to the specifications agreed with the buyer, otherwise to our material tables and specifications. Unless otherwise agreed, our goods adhere to the state of the art at the time of order under consideration of the relevant VDE-regulations and DIN-pages. The above statements as to the quality of our deliveries and services may only be considered warranted characteristics, if expressly agreed upon with you.

8. Notifications of Defects, Warranty

The buyer shall verify to due extent, that the goods conform in respect to quantity, quality, design and description with the particulars stated in the contract and are suitable for the designated purpose. Any recognizable deviations (open defects) must be claimed immediately upon reception of the goods at the delivery address, any hidden defects must be claimed immediately upon recognition, however not later than one year after receptions of goods. Notifications of defects have to be in written with the mentioning of the order data, invoice- and delivery number as well as the lot number. Objectionable goods may only be returned upon our express consent. We will cure all properly claimed and reasoned defects at our choice by diminution of the purchase price, redhibit, repair (whereas we are entitled to two attempts for repair) or replacement. As far as legally allowed, claims for defects shall be limited to a period for one year after receipt of goods.

9. Damage Claims

Damage claims of the buyer due to non-fulfillment, defects, or default in delivery shall be limited; this is not applicable insofar, as we are liable according to imperative legal regulations or in case of intent or gross negligence or in case of breach of essential contractual duties, whereas our liability is limited to damages to be expected typically.

10. Reservation of ownership

The sold goods remain our property until complete payment and settlement of all liabilities. The buyer is entitled, however, to use the acquired goods in normal business procedures, insofar as he properly fulfills his liabilities. Should the goods be processed mixed or amalgamated, we become the owner, or in case of ownership rights of third parties the co-owner of the new goods; any processing is done on our behalf as producer.

The buyer assigns already now his claims from the sales of such reserved products from our current and future product deliveries including all secondary rights to the extent of our part of ownership to us for security purposes; he is, however, still entitled to collect the assigned liabilities. In case of arrears in payment or justified doubts in the solvency or credit standing of the buyer we reserve the right to withdraw our delegation to collect assigned claims and collect these claims ourselves as well take back existing reserved goods; however, this means no cancellation of contract except upon our express written declaration.

If the value of the securities assigned to us exceeds our claims by more than 20%, we shall on demand of the buyer insofar release further securities our choice.

The buyer is obligated to notify us, if third parties claim rights concerning the goods under our reservation of ownership and furthermore on our demand give us further information on the assigned claim.

11. Copyrights, Confidentiality, Tools

We reserve all copyrights and other property rights for all drawings, specifications, business documents, samples and models, matrices, forms, tools and any other production means handed over to the buyer. All mentioned items remain our sole property, even when the buyer assumes part or all of their production or acquisition costs.

To the extent the buyer entrusts us with the aforesaid items to us, he assumes the pole warranty for their completeness, correctness and suitability for agreed or usual purposes. He is also liable that by their use no property rights of third parties are violated and insofar indemnifies us against all claims of third parties and the cost of legal defence. We are entitled, without having to verify the justification of claims made by third parties, to cease delivery to the buyer and to claim indemnification for any occurring costs. This does not affect our claims for compensation of damages.

The use of trademarks and similar distinguishing features for our products, especially in the case of further processing, blending or amalgamation with other products requires our prior written assent.

The buyer shall keep our business secrets and any other confidential information about us in strict confidence and shall not make them available to any third party without our express permission, except when the buyer proves that he is legally entitled to use business secrets and confidential information.

12. Governing Law and Place of Jurisdiction

This agreement shall be governed by the material laws of the Federal Republic of Germany. Unless imperative legal regulations impair, the place of jurisdiction is Hof or the court being competent for the main office of the buyer. Place of performance for our deliveries and for the payments of the buyer is Wunsiedel.

February 2002

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