

Purchasing Agreement

entered into by and between

Vorwerk Teppichwerke GmbH & Co. KG
Kuhlmannstr. 11,
31785 Hameln

- hereinafter "Vorwerk" -

and

- hereinafter "Supplier" -

The parties hereby agree as follows:

1. **Subject Matter**

Vorwerk hereby agrees to purchase from Supplier the products itemized in Schedule 1 hereto subject to the terms and conditions set forth therein. Any orders for additional products shall be made in writing and shall be subject exclusively to the terms and conditions set forth in this Agreement.

Orders shall be placed in writing based upon delivery schedules or orders. If the placement of oral orders should be necessary from time to time, such orders shall be subject to written confirmation by Vorwerk.

2. **Prices**

The prices listed in Schedule 1 hereto shall be valid for the time period stipulated therein. Any price changes shall be made by mutual agreement and shall require a written amendment of Schedule 1. If the parties are unable to agree upon a price change, then each party shall have the right to terminate this Agreement, as a whole or only with respect to certain products, at the end of each month upon six-months' prior notice. Notice of termination shall be effected by registered letter.

All prices shall be net prices exclusive of applicable value-added tax.

3. **Cancelled**

4. **Purchasing Specifications**

The technical specifications and quality standards applicable to each product shall be described in the purchasing specifications for each product (materials specifications, testing specifications, drawing, unit list, color swatch, delivery specifications, etc.).

The purchasing specifications applicable to any new or modified products shall be handed over by the Supplier to Vorwerk for examination and are after release incorporated by reference into this Agreement.

The foregoing provision shall apply, *mutatis mutandis*, to any modifications of the purchasing specifications.

In the event that the composition of materials, design and/or production method used by Supplier for a particular delivery should differ from that used for previous, comparable deliveries, Supplier shall notify Vorwerk thereof in writing prior to the commencement of production. Such changes shall be subject to the prior written consent of Vorwerk.

The Supplier furthermore commits oneself not to use materials and components which are listed as forbidden materials in accordance with the German chemical prohibition regulation (deutsche Chemikalienverbotsverordnung).

5. Cancelled

6. Warranty

Supplier represents and warrants that it has the ability to deliver the agreed products free of defects, in the agreed quality and quantity, and at the agreed time.

7. Quality Control

Supplier shall maintain an effective quality control system in compliance with DIN EN ISO 9000 et seq. as last revised, so as to guarantee that deliveries to Vorwerk will at all times be of consistently high quality.

Supplier shall appropriately monitor, document and statistically - by batch - evaluate compliance with all material quality standards applicable to each product or production process. Supplier shall provide Vorwerk with such documentation and statistical evaluations upon request.

Any defects in quality, including, without limitation, any defects in the installation of products or product failures suffered by customers of Vorwerk shall be input into a supplier evaluation system. Negative quality control results may result in a freeze on the acceptance of deliveries from Supplier. In such case, Vorwerk may cancel the delivery of particular products or terminate the Agreement as a whole, without being bound to any notice requirements.

In addition, Vorwerk shall inform Supplier of any significant negative trends in quality - identifying the deliveries or batches affected - and provide samples thereof to the extent possible ("Qualitätshinweis" – indication of the quality).

Upon prior consultation with Supplier, Vorwerk shall have the right to perform quality and risk audits at Supplier's place of business to verify compliance with the agreed quality standards. Such audits may be performed by Vorwerk employees or duly authorized third parties.

To the extent that any products intended for delivery to Vorwerk include any third party products, Supplier shall immediately inspect such third party products for any safety-relevant defects and, if necessary, segregate such products, document the relevant defects, send a notice of defect to the third party supplier and notify Vorwerk's central product supervisory office.

8. Inspection of Goods

Upon receipt of the goods, Vorwerk shall inspect the number of products and verify that they are undamaged. No other inspections shall be made.

Vorwerk shall promptly notify Supplier of any defects discovered during such inspection.

Vorwerk further shall promptly notify Supplier of any defects discovered during the subsequent processing of the goods.

Except as set forth above, Vorwerk shall have no obligation to perform inspections or provide notices to Supplier.

9. Continuous Improvement

Supplier shall continuously improve the products to be delivered to Vorwerk, in terms of costs, quality and logistics. Improvements shall be made at least once a year.

Supplier further shall at all times during the term of this Agreement maintain its competitiveness in terms of price, quality and logistics with regard to all products listed in Schedule 1 hereto.

10. Environment protection and Sustainability

Vorwerk Carpet is composed by the development of eco-friendly products for a continuous improvement of the environment.

Through our activities we have acquired the reputation to be a trendsetter in sustainability and environmental protection.

We would like to you to follow us on this path and to participate actively in the design process of environmentally friendly products.

11. Remedies for Defects

In the event of any defects, Vorwerk may avail itself all remedies provided by law. In the event of any damages that result from a defect, but go beyond the defective quality of the product as such, -- including, without limitation, economic damages and/or death, personal injury, harmful health effects or loss of freedom -- Vorwerk shall, in addition to other claims, including, without limitation, any claims for repair or replacement, have claims for damages without having to make any further demand.

Any costs incurred in connection with the transport of replacement parts to and from Supplier or the removal or reinstallation of parts shall be borne by Supplier. In such cases, the risk of loss during transport shall be borne by Supplier.

The limitation period for any claims made by Vorwerk in connection with any product defects shall be 60 months from the date the risk of loss passes. Mailing of the notice of defect to Supplier's address shall be sufficient to preserve Vorwerk's warranty rights. The notice of defect shall toll the limitation period until final clarification of the complaint.

12. Industrial Property Rights, Confidentiality

Supplier shall be liable for and indemnify Vorwerk against any infringement claims which may be asserted by third parties in connection with Vorwerk's use of any performances or deliveries rendered by Supplier.

All right, title and interest, including, without limitation, any copyrights in and to any documents and other information provided to Supplier by Vorwerk, including any documents and information provided in connection with inquiries regarding products not listed in Schedule 1, shall remain with Vorwerk, without any further notice. Without the prior written consent of Vorwerk, Supplier shall not reproduce or provide third parties with access to such documents or information, or use such documents or information for any purposes other than those originally agreed upon by the parties.

Supplier shall keep confidential all know-how provided to Supplier by Vorwerk. Supplier further shall not use such know-how in connection with any third party orders or provide any third parties with access to such know-how, either directly or indirectly.

Vorwerk shall, in perpetuity, throughout the world and without consideration, own the exclusive rights to all inventions and know-how produced by Supplier or its employees in connection with any work performed for Vorwerk. Supplier shall promptly notify Vorwerk in writing of all such know-how and inventions.

To the extent that industrial property rights can be registered for such work results, Vorwerk may register such rights in its own name both in Germany and in other countries. In the event that any industrial property rights to inventions made by employees of Supplier are registered in Vorwerk's name, Vorwerk shall directly compensate the inventors in accordance with the provisions of the German Act regarding Inventions of Employees (*Gesetz über Arbeitnehmererfindungen*). The amount and due date of such compensation shall be governed by Supplier's internal guidelines regarding inventions of employees or -- if no such guidelines exist at Supplier -- by Vorwerk's internal guidelines. Vorwerk shall have no obligation to pay any license fees directly to Supplier.

Even if no industrial property rights can be registered for work results delivered by Supplier to Vorwerk, payment by Vorwerk of the products ordered shall be deemed in full and final settlement of all rights granted to Vorwerk pursuant to paragraph 4 above.

Supplier shall take all organizational and legal actions, e.g., claiming inventions made by its employees, and make all representations necessary for the exercise of the aforementioned rights by Vorwerk.

13. Deadlines

13.1 Delivery Deadlines

Supplier shall meet all agreed delivery deadlines, whether or not such deadlines are designated as "firm." Delivery deadlines and delivery periods shall be deemed to have been met only if delivery is attempted on or before the agreed date.

Supplier shall deliver all products ordered by Vorwerk at the time specified in the order. In the event of Supplier's non-compliance with any agreed delivery deadlines, Supplier shall be deemed in default with regard to the outstanding quantities, without any further demand being necessary.

In the event of Supplier's default, Vorwerk may, at its sole option, demand payment of a contractual penalty in the amount of 0.5% of the average monthly requirements (during the three months immediately preceding the default) for each business day on which Supplier continues to be in default, not to exceed 5% of the average monthly requirements, and/or rescind the Agreement. Vorwerk's right to claim additional damages shall remain unaffected thereby.

Agreed delivery periods shall be reasonably extended if Supplier is prevented from performing any obligations under this Agreement as a result of force majeure. If delivery is delayed by more than four weeks, Vorwerk shall have the right to rescind the Agreement, in whole or in part.

Supplier shall promptly notify Vorwerk's purchasing department if delivery is expected to be delayed.

Partial delivery may be made only if agreed in writing by the parties.

13.2 Emergency Plan

Supplier understands that Vorwerk will use the products supplied by Supplier for large scale serial production. Non-compliance with any of the agreed delivery quantities and/or deadlines would result in a halt of production at Vorwerk.

In light of the above, Supplier agrees to submit to Vorwerk prior to execution of this Agreement a written emergency plan that will guarantee the uninterrupted delivery of products to Vorwerk.

The emergency plan agreed upon by Supplier and Vorwerk is hereby incorporated into this Agreement by reference.

14. Deliveries in Accordance with Specifications Drawings, Models of Machinery, Molds and Tools

Any products manufactured by Supplier in accordance with specifications, drawings or models provided by Vorwerk, as well as any special equipment, matrices, etc., necessary for the manufacture of such products, may be sold to third parties only with the prior written consent of Vorwerk. The foregoing provision shall apply, even if Supplier has procured such special equipment, matrices, etc., at its own cost, or if Vorwerk refuses acceptance of any ordered products due to delayed or defective delivery or refrains from placing any further orders despite delivery by Supplier in accordance with the terms of this Agreement.

15. Ownership and Possession of Machinery, Molds and/or Tools

All right, title and interest in and to any machinery, molds, tools and/or equipment provided to Supplier shall remain with Vorwerk.

Vorwerk shall acquire all right, title and interest in and to, or co-ownership of, any machinery, molds, tools and/or equipment manufactured for or sold to Vorwerk by Supplier upon the request of Vorwerk, provided that Vorwerk has paid the agreed purchase price or installments. Vorwerk shall acquire title to such items in as-is condition.

Supplier shall at no charge store, maintain and care for all machinery, molds, tools and/or equipment of Vorwerk with the utmost care until such items are returned to Vorwerk. The foregoing provision shall continue in effect for a period of at least 10 years after termination of

this Agreement. Such machinery, molds, tools and/or equipment may not be scrapped except with the prior written consent of Vorwerk.

Supplier's right to possession of such machinery, molds and/or tools shall terminate if Supplier becomes insolvent or carries an excessive debt burden, at the latest when a petition for initiation of insolvency proceedings is filed with regard to Supplier's assets.

If delayed and/or defective performance by Supplier threatens to disrupt Vorwerk's production process, Supplier shall return all machinery, molds, tools and/or equipment of Vorwerk promptly upon demand.

All machinery, molds, tools and/or equipment owned by Vorwerk shall be clearly marked as such.

16. Terms and Conditions of Delivery and Payment

16.1 Delivery

The delivery specifications agreed upon with Supplier are hereby incorporated into this Agreement by reference (Schedule 1). Supplier shall be responsible for any costs of loading and packaging.

Delivery shall be attempted only on Monday until Thursday from 6:00 a.m. to 2:30 p.m. and Friday from 6:00 a.m. to 11:30 a.m, unless otherwise is agreed in writing.

In the event that acceptance by Vorwerk is substantially obstructed, delayed or made impossible as a result of force majeure or any other circumstances not due to the fault of Vorwerk, Vorwerk may postpone acceptance for the duration of such circumstances plus a reasonable startup period, or rescind the Agreement in whole or in part. In such case, Supplier shall have no claims for specific performance, rescission or damages.

16.2 Insurance

Supplier shall procure liability insurance providing coverage in the amount of Euro 1000,000.00 for personal injuries and property damage and Euro 500,000.00 for economic damages, to cover any damages caused by Supplier or its employees, agents or representatives. As proof of insurance coverage, Supplier shall furnish the certificate of insurance to Vorwerk upon demand. Supplier shall promptly notify Vorwerk of any loss of or change in insurance coverage.

Any loss or reduction of the agreed insurance coverage shall provide good cause for termination within the meaning of section 17 of this Agreement.

16.3 Payment Terms

Payment shall be due within 14 days subject to deduction of a 3% cash discount, 30 days subject to deduction of a 2% cash discount or within 60 days of delivery and receipt of the invoice without any discount. Payment by Vorwerk shall not affect its right to make claims for non-performance, delayed or defective performance at a later date.

17. Liability

Supplier shall be liable to Vorwerk as provided by German law.

If any third parties should claim damages or make any other claims against Vorwerk in connection with any deliveries made by Supplier, then Supplier shall fully indemnify and hold harmless Vorwerk from all liability incurred in connection with such claims, including, without limitation, all costs incurred in or out of court.

18. Term

Unless otherwise provided herein, the initial term of this Agreement shall be 12 months. Thereafter this Agreement shall be extended in increments of 12 months, unless it is terminated at the end of a month, for the first time upon expiration of the initial 12-month term, by either party upon six months' prior notice by registered letter.

The right for cancellation without notice for important reason remains unaffected. The cancellation without notice of this agreement requires writing (registered letter).

19. General Provisions

19.1 Reservation of Title

Supplier reserves all right, title and interest in and to all products delivered to Vorwerk until full payment has been received, except in cases where the products have already been processed.

19.2 General Terms and Conditions

All dealings between the parties shall be governed exclusively by the provisions of this Purchasing Agreement. Any general terms and conditions, whatever their nature, shall have no legal relevance.

19.3 Applicable Law, Place of Performance and Jurisdiction

All legal transactions between the parties shall be governed exclusively by the laws of the Federal Republic of Germany that are applicable to legal transactions of parties residing in Germany. The United Convention on Contracts for the International Sale of Goods (CISG April 11, 1980) shall have no legal relevance.

The place of performance for the obligations of either party under this Agreement shall be Wuppertal. Any disputes arising from or in connection with this Agreement, including, without limitation, the obligation to pay contractual penalties, shall be heard and resolved by a court of competent jurisdiction in Wuppertal. Notwithstanding the foregoing provision, either party shall have the right to file suit against the other party in any competent court located at the other party's general place of jurisdiction.

20. Miscellaneous

The parties have not entered into any oral collateral agreements with respect to the subject matter hereof. Any modifications or amendments to this Agreement shall be invalid unless executed in writing. Any waiver of the foregoing writing requirement shall be invalid unless executed in writing.

If any provision of this Agreement should be held invalid, the validity of the remaining provisions hereof shall remain unaffected thereby. Any invalid provision shall be replaced by such reasonable provision as most closely reflects what the parties intended or would have intended,

had they considered the matter at the time the Agreement was executed. The foregoing provisions shall apply, *mutatis mutandis*, if any provision should have been inadvertently omitted from this Agreement.

Hamel, _____, _____,

**Vorwerk & Co. Teppichwerke
GmbH & Co. KG**

Supplier

Schedules:

Schedule 1 Products (Specifications) and Prices, Delivery Specifications