

GENERAL TERMS OF BUSINESS

Precise arrangements are a prerequisite for a good working relationship. Kindly permit us to inform you of this at the outset. The following terms and conditions shall apply for all performances and deliveries provided by Manger.

- 1. Terms of contract:** The Customer respectively expresses his consent to the following terms and conditions via receipt of our order confirmation or our delivery or another performance from us. The valid terms of delivery and payment will be spelled out for first orders and for the legal validity thereof caused by our order confirmation. Said terms of delivery and payment shall apply for the first order and for subsequent orders. We are solely bound to other terms and conditions if we have formally recognized them in writing.
- 2. Price and Performance:** We will bill our currently valid prices, plus value added tax, to Customers on the respective day of delivery or other performance, e.g. repair service. All prices are deemed effective ex Mellrichstadt. Shipment shall always follow at the Customer's own risk. Deliveries shall ensue without cost for postage or packaging. Shipments of repairs and of spare parts shall principally ensue C.O.D.(cash on delivery). The Customer shall bear respective costs unless otherwise agreed in writing. The Sender shall bear unrestricted risk for return shipments of any kind whatsoever. The Customer shall bear mailing and shipping costs for return shipments to us unless otherwise agreed in writing. We shall solely accept returned goods if we had previously approved their return shipment in writing. All ancillary agreements to the contract of sale, especially verbal agreements with travelling salesmen or representatives or orders placed by telephone, require our confirmation in writing or by means of a form before we can assume liability for them. We reserve the right to modify our terms of delivery and payment at any time.
- 3. Delivery Deadlines:** Statements made regarding delivery times always refer to dispatch of the goods ex warehouse Mellrichstadt, and they are always without engagement on our part. We shall put forth every effort to meet delivery deadlines. Force majeure and other occurrences which are not our fault and which may jeopardize smooth handling of the order, especially delays by suppliers, delivery men, vendors, etc., shall entitle us to partially or fully rescind the contract or to extend delivery without giving rise to claims for damages of any kind whatsoever by the Customer. This shall also apply if the aforementioned occurrences transpire at a time when we are in default. The Customer is required to stipulate in writing a fair and reasonable minimum grace period of 30 days in the event that we enter into default. The Customer may rescind the contract upon expiration of said period provided that he has not been duly notified by such time that the goods are ready for dispatch.
- 4. Terms of Payment:** Our invoices, except for invoices for repair services and spare part deliveries, are also due for payment in the event of partial deliveries that are made in compliance with the terms of payment stated on the order confirmation. Incoming payments shall always set off against the oldest outstanding invoice. Invoices for repairs and spare parts are due for immediate payment without any deductions; dispatch of these performances shall principally ensue C.O.D. Default on payment shall enter into effect 30 days from the date of invoice. In such cases, we are entitled to demand interest on arrears at a rate that is 5% above the discount rate of the German Central Bank, however, 8% at the very minimum. Amounts due for payment shall be initially applied to cover Seller's arising costs. We may demand immediate cash payment for all outstanding accounts receivable from the business relationship, even if we have deferred the same, in the event that the Customer enters into arrears or if his financial status significantly deteriorates; this shall likewise apply if we have accepted bills or checks. We may also demand advance payments or corresponding securities for all current business transactions under the above financial conditions. Rights arising from §326, German Civil Code, shall remain unaffected. The buyer may avert assertion of said rights by providing a fair and adequate security that is acceptable to us.
- 5. Retention of Ownership:** We shall retain ownership of all the goods that we deliver until complete payment of the purchase price and until settlement of all outstanding accounts receivable from the business relationship, including any open account balances. In the event that the buyer assumed commitments under payment by check or bill, then the buyer shall become owner of the goods only upon payment for the same (cashing or honouring of check or bill). Goods, to which we retain ownership, may be sold within the scope, of Customer's ordinary business operations, however they may not be mortgaged or pledged as security. The Customer hereby transfers to us all accounts receivable to which he is entitled that arise from further sale, plus ancillary rights associated therewith, for the sake of securing our aforementioned claims. It is agreed that payments which the Customer receives toward our accounts receivable are deemed as held in escrow for us; the authorisation to hold payments in escrow for the sake of meeting his own payment obligations shall expire if the Customer terminates payment. At our request, the Customer is required to inform us immediately in writing of whom he has sold the goods to and which claims he is entitled to from said sale. We are entitled to demand immediate surrender of the goods belonging to us, which are still in the Customer's custody, in the event of default on payment, termination of payments, or in the event of a significant deterioration of the Customer's financial status.
- 6. Notices of Defect & Warranty:** We provide a three years warranty on our manufactured products, MANGER® speakers, MANGER® Sound System and on our MANGER® Sound Transducer effective as of delivery to the Customer. We will assume the costs of materials, wages and freight under this warranty. Repairs performed during the term of warranty do not extend the warranty period. In principle, user's own negligence may not be present in any instance that activates the warranty. The Customer is obligated to inspect the goods that we deliver for completeness and any defects immediately upon receipt thereof. Complaints regarding incomplete or incorrect delivery as well as perceptible defects must be reported to us within fourteen days following receipt of goods, otherwise the goods shall apply as non-objectionable and claim under warranty, shall lapse. Defects that were not immediately perceptible during careful inspection of goods, yet which are established at a later time, must be reported to us immediately following discovery of the same otherwise claim under warranty shall likewise lapse. All more extensive claims are also excluded, especially claims for loss sustained by defects. The claim under warranty shall lapse if the buyer or third parties have tampered with the goods. The evidenced series number on the original invoice shall apply for performances under warranty. They must be submitted for assertion of claims under warranty. We shall only recognise events that activate the warranty on sound transducers if sound transducers are returned to us in their original packaging.
- 7. Place of Performance and Venue for Courts of Law:** Bad Neustadt/Saale is deemed place of performance and venue for courts of law, also for check and bill commitments. Bad Neustadt/Saale is deemed venue for courts of law, in compliance with §38, Code of Civil Procedure, for non-merchants and non-registered merchants if the buyer moved his domicile to a foreign country following conclusion of contract or if the supplier is not aware of the buyer's domicile at the time that suit is filed. German Law shall solely apply.
- 8.** The "General Terms of Delivery for Products and Services of the Electrical Engineering and Equipment Industry" shall apply for all remaining purposes unless otherwise expressly stipulated under these General Terms of Business.

Mellrichstadt, December 2001

Manger Audio