

GENERAL CONDITIONS OF CONTRACT (GCC) FOR PURCHASE ORDERS PLACED BY MORGAN HUNGARY KFT.

**Explanatory provisions:**

For the purpose of these "General Conditions of Contract" (hereinafter referred to as GCC), the term "Company" shall mean Morgan Hungary Kft., the term "Purchase Order" shall mean purchase order(s) placed by the Company, and the term "Goods" shall mean any marketable item - irrespective of the purpose thereof - whose right of possessing, using, benefiting from or owning it the Company intends to acquire through a commutative contract (hereinafter referred to as Contract) from the other Contracting party (hereinafter referred to as "Supplier").

**1. APPLYING THESE CONDITIONS**

- I) For any Contract signed by the Company, the conditions set forth in this GCC shall apply in the case where the Company has allowed the Supplier to get to know the content of the present GCC prior to signing the Contract and the Supplier has accepted it. Restricting or modifying any contractual element or part of the GCC relevant to a specific deal shall only be made with a document which has been duly signed by the Managing Director of the Company or his representative authorized in writing for representation in the given deal - including indicating such power and attaching relevant authorization to the Contract. The Company expressly disclaims any liability for any legal consequence of any declaration having any content, made not in accordance with the conditions indicated in this clause, which would restrict or modify the content of the present GCC.
- II) Each deal subject to the present GCC shall be legally integral.
- III) Should the Supplier accept a Purchase Order with a disagreement indicated in the Order Confirmation, the Customer shall consider such acceptance as a new offer from the side of the Supplier.

**2. DISPATCH NOTE / WAYBILL**

A detailed dispatch note / waybill accompanying the Goods shall be an inevitable part of each shipment. The Company shall have the right to lawfully refuse acceptance of any Goods not having the above mentioned accompanying document and in such case the fulfillment by Supplier will not be realized. Each dispatch note / waybill shall contain - in addition to an own product code / stockkeeping code of the Supplier - a "Reference to Stockkeeping Code" of the Company where it is indicated on the Purchase Order.

**3. SPECIAL CONDITIONS**

Any quantity or quality relevant or any other stipulation or reference to a specification or technical description indicated in a Purchase Order of the Company shall form an essential contractual condition and a violation by Supplier of any of them will entitle the Company to refuse performance of its own contractual obligations.

**4. DEADLINES**

- I) The specified deadline shall also be considered as an essential condition of the contract.
- II) Any violation or failure by Supplier of any provision relevant to deadline, specified in the Purchase Order shall entitle the Company to cancel the entire Contract or terminate the unfulfilled part thereof or to assert - at its discretion - a default penalty of 0.5% a day calculated for the net value of the entire Contract by including it into the countervalue payable to the Supplier. The Company shall have the right to assert his rights set out in this clause anytime and to charge to the Supplier all damages, losses and costs that have arisen for the Company due to such delay.

**5. PRICE AND PAYMENT TERMS**

- I) Unless otherwise specified by the Company, each price set out in the Contract shall be fixed and may not increase.
- II) No payment of any sum for a work performed or Goods delivered more than specified in the Purchase Order or having an extent differing therefrom shall be demanded from the Company unless previously agreed upon by the Contracting parties thereon in an amendment to the Contract or if the specific case is qualified as a case fixed in Paragraphs 6:244 and 6:245 of Ptk. (Civil Code). In the case where the Purchase Order is based upon a price related to weight, the quantity delivered may deviate by up to 2.5% as a maximum from the specified quantity only.
- III) Pre-payment or payment in instalments of the contract price shall not mean acceptance by the Company of the performance of obligations of the Supplier.
- IV) Unless otherwise agreed upon in writing, the Company will not pay for crates and packaging materials.
- V) Every invoice relevant to the Goods delivered shall be made - in addition to an adherence of accountancy rules - in such a way that the P.O. no. of the Company shall be indicated thereon. Unless otherwise agreed upon in writing, the Company shall have the right to return the invoice to the Supplier - without any legal consequence of a delay in payment - in order to indicate the missing order no. thereon subsequently.

**6. TRANSPORT**

The Goods shall be delivered to the site of the Company or to a difference place specified by the Company. The delivery is fulfilled when the Goods has been unloaded by the Supplier and the shipment has been accepted by an employee properly authorized or by a representative of the Company. Should the Supplier fail to fulfil delivery according to the Contract and as a result thereof, a more expensive way of transporting the Goods due to the difference from the transport method set out in the Contract becomes necessary, the Supplier shall pay all additional costs arising in connection therewith.

**7. PACKING**

- I) The Company shall be liable for returning the crates and any other durable packaging materials to the Supplier if the Company has accepted this obligation by taking into consideration the demand indicated in the order confirmation by Supplier. In such case, the countervalue for the packaging shall be invoiced at the same time with the countervalue for the Goods in a separate invoice. The latter sum unless otherwise agreed upon by the Contracting parties shall be paid back to the Company. In addition, by returning the packaging as specified herein, all costs arising for the Company shall be borne by the Supplier that will be asserted by the Company through an invoice. The Supplier shall clearly indicate on each crate and packaging the text "returnable/visszaküldendő" and the name of the Supplier. Should the Supplier fail to meet the requirements set forth in this clause, the Company shall not be liable for any damage associated with packaging materials, namely with any damage, returning or possible destruction of crates and packaging, so their value shall not be charged for the Company.
- II) Every Goods shall be prepared, fixed and packed properly and carefully in such a way that an appropriate protection should be provided against a damage arising during the delivery to the place of destination.

**8. PROPRIETARY RIGHT AND RISK**

The proprietary right and risk of the Goods purchased shall pass onto the Company upon delivery. The Supplier shall bear all costs of transport and unloading, and the costs of a full value insurance against all damages and losses caused by anyone before the delivery is fulfilled.

**9. CHECKING A CUSTOM-DESIGNED PRODUCT**

Any inspector or representative authorized by the Company shall have the right - at a justified date - to inspect the Goods at the Supplier's factory or at the site of any subcontractor as required. During such audit, the Company shall communicate all visually detected defects and efficiencies without whose elimination the Goods is anticipated to fail to comply with those set out in the Purchase Order. The fact of a factory test including any statement thereof shall mean neither the acceptance nor the approval of the Goods. The Supplier shall remain liable for the performance according to the Contract.

**10. DRAWINGS AND DESIGNING**

- I) The proprietary right and copyright for all drawings and designs relevant to the Goods or any part thereof and all relevant specifications and data supplied by the Company to the Supplier shall be due to the Company. The proprietary right and copyright for all drawings and designs, relevant specifications and data supplied by the Supplier to his employees, personnel and participants (hereinafter referred to as subcontractors) expressly for the performance of this Contract shall be exclusively due to the Company or shall pass onto the Company.
- II) All drawings and designs for manufacturing tools, moulds and any other items used for manufacturing the Goods or any part thereof, supplied by the Company for the Supplier shall represent the proprietary right and copyright of the Company and the copyright for all drawings and designs, relevant specifications and data supplied by the Supplier to his employees, personnel or subcontractors expressly for the performance of this Contract shall pass onto the Company and shall be exclusively due to the Company.
- III) The Supplier hereby undertakes to transfer, in cases designated in Clauses 10/I and 10/II of the present GCC, the copyright for all drawings and designs or to acquire their copyright from the author thereof in favour of the Company and upon request of the Company free of charge, which are made by the Supplier or any person employed, hired or involved by him in any other manner.
- IV) The Supplier may only use any drawing and design referred to in the present GCC for the performance of this Contract, or use, duplicate or lend for a product having the same specifications as those specified in any Purchase Order sent by the Company to the Supplier.
- V) Upon request, the Supplier shall hand over, free of charge, to the Company anytime all drawings, designs, specifications, data and any other documents relevant to the product or any part thereof and used for its manufacture which are possessed by another natural or legal person belonging to the power of the Supplier.
- VI) The Supplier shall be liable for any deviation, error and deficiency of all drawings and designs and other data supplied by him, irrespective of whether the specific drawings and data have been approved by the Company or not. The Supplier shall be liable for ensuring that every Goods to be delivered, manufactured according to all designs and specifications prepared by the Supplier or any other natural or legal person belonging to its power is safe and not hazardous to health when properly used for its intended purpose.
- VII) The Supplier shall take all reasonable measures to ensure that his managers, officers and employees, personnel and subcontractors for whom he must disclose any part of the drawings, designs, specifications and data belonging to the Company should not be able to disclose the specific drawings, designs, specifications and data including any part thereof to any unauthorized person.

**11. MANUFACTURING TOOLS AND EQUIPMENT**

- I) Should the Supplier prepare manufacturing tools and moulds expressly for manufacturing the Goods or any part thereof, or purchase them from any other source or in any manner, or for the use of any tool and mould of general use which is to be charged as a specific priced item for the cost of the Company, then:
  - a) the proprietary right of such tools and moulds (unless it has previously passed onto the Company) shall pass into an exclusive property of the Company upon occurrence of the above mentioned event,
  - b) all prices offered by the Supplier for the Goods shall contain the price of all manufacturing tools and moulds which are needed for the performance of this Contract. In the case where a quotation does not include the countervalue for manufacturing tools and moulds as an item priced in a separate line, the Supplier shall not be entitled, upon signing this Contract, to charge any additional or separate cost by this title.
- II) The Supplier shall deliver to the Company - upon request - anytime all manufacturing tools and moulds owned by the Company, which are possessed by the Supplier or any other natural or legal person who possesses these manufacturing tools and moulds in the sphere of interest of the Supplier. No withholding demand or counterclaim shall entitle the Supplier against the Company to withhold delivery of such manufacturing tools and moulds unless it has been agreed upon that the amount - priced as a specific

- costs to be borne by the Company - of any tool and/or mould shall be paid by the Company to the Supplier before the Supplier hands over the specific manufacturing tools and moulds.
- III) The Supplier shall only use any mould and tool referred to in the present GCC for the performance of the present Purchase Orders of the Company and for the performance of any other Purchase Order placed by the Company with the Supplier for any product having the same specifications.
- IV) The Supplier shall be liable for keeping any mould and manufacturing tool either owned by the Company or owned by the Supplier or any other natural or legal person who fall in the sphere of interest of the Supplier, including proper maintenance thereof until they are returned to the Company.

**12. QUALITY AND IMPLIED WARRANTY**

- I) All works, services and Goods provided by the Supplier shall strictly comply with the quantities, specifications specified in the P.O., and with quality relevant and any other contractual stipulations and, in addition, with relevant legislation, standards and the good professional practices.
- II) If the Goods is not a product intended for general commercial sale under industrial right protection, the Supplier shall not indicate it with any commercial trade name or means without a written consent thereto from the Company.
- III) The Supplier shall be liable for his skill and expertise and shall confirm, before ordering, the accuracy of all statements and contentions he has made in connection with the Goods, work or services.
- IV) The Company shall have the right to demand from the Supplier the fulfilment of implied warranty obligations before the expiry of the following period reckoned from the date at which the improper performance has been reported, and in case of a failure thereof, to state that his interest in the performance of this Contract does not exist any longer, and to cancel the Contract.
  - a) Should the Company notify the Supplier of any defective or damaged Goods or of an improper skill, the Supplier shall declare to the Company within a period of 14 days on the waste handling, storage and returning of such Goods or on the way how to rectify the improper skill. Should the Supplier fail to make such declaration - depending on the case - the Company shall act at its own discretion. All costs and expenses according to this Clause shall be borne by the Supplier.
  - b) For the rectification of an improper fulfillment, the Supplier shall be responsible for ensuring, as soon as possible and at his own costs, that the Goods should be free of defect and deficiency, including a full replacement, and for all costs of necessary transport and return, and for any consequential damage arising for the Company due to the improper performance of the Contract.

**13. LICENSES AND PERMITS**

Should it be necessary - in order to perform the Purchase Order - for the Company to have any license or permit issued by any domestic or foreign government or authority, the existence of any such license or permit shall be a condition for the ordering.

**14. ADVERTISEMENT**

The Supplier shall not use either the Purchase Order or the Company name for any advertisement or promotional purposes without having a prior consent thereto from the Company.

**15. ASSIGNMENT, SUBCONTRACTORS**

- I) The Supplier shall not assign the Purchase Order either in full or in part without having a written consent thereto from the Company.
- II) The Supplier may - for the performance of his contractual obligations - subcontract provided that upon request he shall communicate the details concerning the subcontractor and the contractual participation to the Company. The liability of Supplier for his subcontractor is specified by provisions set forth in Paragraph 6:148 of Ptk. (Hungarian Civil Code).

**16. WORK PERFORMED BY SUPPLIER AT SITES OF THE COMPANY**

Should the Supplier perform his work according to the Contract either in full or in part at the seat or site of the Company, he shall adhere to all rules specified by the Company, forming Annex 1 to the present GCC, regulating the safety at work, fire protection, environmental protection and security behaviours. The Supplier shall be liable for any damage caused to anyone by violating such rules or by his work.

**17. HEALTH AND SAFETY AT WORK**

- I) The Supplier shall be liable for ensuring that:
  - a) he shall comply in regard to the design, manufacture and delivery and installation (including on site work) of the Goods and related information supply, with all obligations set forth in Act on Safety at Work being currently effective, and with all other central legislation, local orders and authority specifications which apply to his contractual activity and to the place of completion of the Goods and shall fulfil this Contract in such a way that according to the legal sources listed above no obligation should arise therefrom for the Company.
  - b) All Goods delivered shall be supplied with all necessary safety equipment sufficient to meet requirements specified by legislation being currently effective.
- II) If the Goods is to be supplied without safety equipment, the Supplier shall:
  - a) indicate it in writing in his order confirmation and quotation, and
  - b) inform, in writing, the Company on all safety items necessary to meet requirements specified by legislation which he must purchase.
- III) The Supplier shall present - before starting the work - to all employees, personnel and subcontractor performing a work at the seat or site of the Company, belonging to him in a certified manner, the rules set out in Annex 1 designated in Clause 16 of the present GCC, and shall check and enforce an adherence thereto.

**18. INDEMNIFICATION**

- I) The Supplier shall indemnify the Company:
  - a) For all costs, expenses, claims and damages including losses caused for the Company which would have not arisen in case of a performance by Supplier according to the Contract.
  - b) For any claim concerning the illegal use of any right under any industrial right protection (patent, mould design pattern, geographic Goods marker, use pattern, trademark) and the violation of a copyright for which the use or sale of Goods delivered has occurred (except when it has been manufactured according to specifications or drawings supplied by the Company) and for all costs, losses, claims and damages including losses due such violation claims for which the Company may be liable.
  - c) For all royalties payable by the Company, which he shall pay for the Goods fulfilled by the Supplier according to this Contract.
- II) For all claims made against the Company which are due to any behaviour of the Supplier or his subcontractor.

**19. FAILURE BY SUPPLIER**

- I) The Company shall - without prejudice to any other rights and legal remedy options thereof - be allowed to cancel the contract with immediate effect and without any legal consequence and terminate it with a notice if:
  - a) The Supplier is under bankruptcy proceedings, or becomes insolvent or associates with creditors or in the case where a decision is made or a proceedings is started for its liquidation or a trustee or an administrator is appointed for the entire asset or business venture of the Supplier or any part thereof. In that case, the Company shall have the right - without prejudice to any other rights and legal remedy options thereof - to communicate an unilateral declaration in writing to the Supplier in which he cancels the Contract either in full or in any part thereof or terminates it with immediate effect.
  - b) The Supplier violates any of his obligations under the Contract and either does not rectify or fulfil it at all or rectify or fulfil it but not according to the Contract, despite of a relevant written reminder received from the Company, within a period of 8 days upon receipt thereof.

**20. CHANGES AND CANCELLATION**

- I) The Company shall have the right to make, in writing, changes anytime within the general sphere of this Purchase Order and the Supplier shall fulfil such changes. If such change affects the time of completion or the contractual countervalue, the Contracting parties will amend the Contract by mutual agreement concerning the delivery time or the purchase price or both.
- II) The Company shall have the right to cancel this Contract or terminate it with a notice either in full or in part thereof, irrespective of those set out in Items 3, 4, 12 and 19 of the Contract and of any of his rights provided by law - based upon which the Supplier shall stop all works under the Contract. In such case, the Company shall pay to the Supplier that part of the Contract Price which is due to him in proportion to the service provided or Goods delivered according to the Purchase Order and shall bear the costs of all damages caused to the Supplier by cancelling the Contract with the restriction that the indemnification shall not exceed the total contractual price.

**21. VALUE ADDED TAX (VAT)**

Each Supplier subject to VAT shall issue an appropriate invoice including VAT - pursuant to the provisions set forth in Act CXVII of 2007 on value added tax - in order to allow the Company to make payment for the Goods delivered and/or service provided according to the given Contract.

**22. APPLICABLE LAW, JURISDICTION**

For any issue not regulated in this Contract, relevant provisions set forth in Ptk. (Hungarian Civil Code) shall apply. For a dispute, a claim may be lodged against the Company at an ordinary court in Hungary only.

Prior to signing a specific contract to be made as a Supplier with the Company, I have understood and accepted the content of these GCC.

