



Supplementary Clause: Extended Retention of Title

Basis issued by the ZVEI- the German Electrical and Electronics Manufacturers Association
(last amended November 2005)

The following retention of title and extended retention of title shall be agreed:

1. The goods supplied under retention of title ("ROT goods") shall remain the property of the Supplier until all claims against the Buyer arising from the business transaction have been met in full. Insofar the total value of the goods to which title is retained exceeds the value of such claims by more than 10%, the Supplier may release a corresponding portion of the ROT goods from this clause at the Buyer's request, whereby the Supplier shall have the right to choose which ROT goods are released.

2. During the period of retention of title, the Buyer shall not be allowed to assign the ROT goods or use them as security, but may only sell them to resellers in the course of ordinary business transactions on the condition that the reseller obtains payment for them from its customers or makes transfer of title to the customer conditional upon fulfilment of the customer's payment obligations.

3. If the Buyer sells the ROT goods, title to all future claims against its customers in connection with such sale, together with all subsidiary rights – including any receivables – will hereby be assigned to the Supplier as security without the need for any separate declaration to this effect. In case ROT goods are sold together with other items without a separate price being agreed for the ROT goods, the Buyer hereby assigns to the Supplier the portion of the total price that corresponds to the amount invoiced by the Supplier for the ROT goods.

4. a) The Buyer shall be allowed to process the ROT goods, or to mix or combine them with other items. Processing shall be performed for the Supplier. The Buyer shall store the resulting new items for the Supplier with the diligence of a prudent businessman. The new items shall be deemed to be the ROT goods.

b) The Supplier and the Buyer herewith agree that if the goods are mixed or combined with other items that do not belong to the Supplier, the Supplier shall receive co-ownership of the new items based on the proportionate value of the ROT goods in the mixed or combined items in relation to the other components at the time of mixing or combination. Insofar the new items shall be deemed to be the ROT goods.

c) The provision on the assignment of receivables set out in Article 3 shall also apply to the new items.

However, the assignment shall only apply up to the amount invoiced by the Supplier that corresponds to the ROT goods processed, combined or mixed.

d) If the Buyer combines the ROT goods with properties or movables, it shall, without need for any further declaration, also assign its claims as compensation for such combination, together with all subsidiary rights, to the Supplier up to the proportionate value of the ROT goods included in the new items in relation to the other components.

5. Until revoked, the Buyer shall be authorized to collect the assigned receivables relating to the resale of the goods. The Supplier may revoke this authorization with good cause, especially default of payment, suspension of payment, the initiation of insolvency proceedings, the protest of bills of exchange or substantiated indications of overindebtedness or imminent insolvency of the Buyer. Further, providing prior warning is given and a reasonable deadline is observed, the Supplier may disclose the assignment of such security, utilize the assigned claims and demand that the Buyer discloses the assignment of the security to the customer.

6. In the event of seizure, distraintment or other alienation of the goods or intervention in these rights by third parties, the Buyer shall be obliged to promptly notify the Supplier. If a legitimate interest can be substantiated, the Buyer shall provide the Supplier with the information required to enforce its claims against customers and deliver the necessary documents.

7. If the Buyer fails to comply with its obligations, especially in the case of default of payment, the Supplier may – upon expiration of a reasonable period notified to the Buyer – recover the ROT goods and withdraw from the contract. This shall not affect the statutory provisions permitting dispensation of such period of notice. In such case the Buyer shall be obliged to return the ROT goods. The recovery of the ROT goods or the enforcement of title to them, or the seizure of the ROT goods by the Supplier shall not be deemed to constitute Withdrawal from the contract, unless this has been specifically declared by the Supplier.