

GENERAL TERMS OF SALE OF FINISHED FABRICS

Between

Ratti S.p.A., with registered office in Via Madonna 30 - 22070 Guanzate (Como) – Italy, taxpayer’s ID, V.A.T. reg. no. and Como Business Register no. 00808220131, represented herein by the Chief Executive Officer Sergio Tamborini (below “Seller” or “Ratti”),

and

....., with head office in, taxpayer’s ID, V.A.T. reg. no. and Business Register no. (below “Purchaser” or “.....”)

generically referred to jointly as “Parties” or individually as “Party”.

Whereas

- a) Ratti is a leading company in the creation and production of printed, plain and yarn-dyed fabrics for clothing, ties, shirts, swimwear, underwear and furnishing, and in the production and worldwide distribution of men’s and women’s accessories for the most important international fashion labels;
- b)is a company that produces and/or sells
- c)wishes to purchase Fabrics from Ratti, the quality and quantity of which will be subsequently agreed by Orders/Order confirmations;
- d) Ratti is willing to supply said Fabrics to, under the terms and conditions set forth below;

the Parties therefore agree that the supply orders proposed by the Purchaser and confirmed by Ratti by means of order confirmation (below “Orders” or individually “Order”), are governed by the following terms and by the relative annexes which form an integral and binding part of this agreement.

COMMERCIAL PART

1. Definitions

“Fabrics”/“Fabric” or “Product”/“Products” or “Article”/“Articles” mean the finished Fabrics subject of the Orders.

“Standard Piece” means the first piece of Fabric produced by industrial manufacturing, therefore it can be reproduced; it is deemed to be a sample piece pursuant to art. 1522 par. 2 of the Italian Civil Code and provides a reference for the Fabric supplies.

Swatches, cuts pre-prints, prototypes, lengths for fashion shows or for press and media purposes, independently of the length, are not considered “Standard pieces”, but mere “sample pieces” and the Seller cannot guarantee the industrial reproducibility thereof.

2. Negotiations and stipulation of the contract

Pursuant to article 1326 of the Italian Civil Code, the purchase order (which must specify the intended use of the Fabrics and any manufacturing processes which the Fabric will undergo), shall have the status of a contractual offer (so-called purchase offer). Said purchase offer, even if undertaken by agents or employees

of the Seller, does not bind the Seller until the latter has accepted it in writing, via order confirmation, also by fax or email, preferably certified.

Within 10 working days from receipt of the purchase offer, the Seller can confirm the Order, via order confirmation, or notify the need for industrialization tests, at the end of which it can confirm the Order.

Following acceptance by the Seller, the contract is considered stipulated.

Any modifications subsequent to stipulation of the contract shall be agreed between the Parties in writing.

In the absence of a reply from the Seller within 10 working days, the purchase offer is understood to be forfeited.

3. Calculation of terms

The terms are calculated according to the ordinary calendar, unless specified otherwise in the individual articles.

Terms that expire on a Saturday or a holiday, recognised as such by the law, are extended to the following working day.

The terms contained in the warnings or notices to abide run from the date of receipt thereof by the addressee.

4. Standard Piece

Sales to the Purchaser are understood to be made keeping as a sample reference the Standard Piece provided with the data sheet (annex 1 – data sheet format) and any risk analysis, delivered by the Seller to the Purchaser.

The Purchaser carries out all the tests necessary on the Standard Piece to verify the suitability thereof with respect to the Fabrics it wishes to order and the use for which they are intended.

The same Standard Piece and relative fabric data sheet will be the reference for the subsequent supplies as regards appearance, handling/touch, colour variation and performance for which the Fabric is intended, with the exception of any modifications agreed in writing between the Parties.

The above-mentioned characteristics are understood to refer to the Standard Piece that has not undergone further treatments.

It is essential for the Purchaser to previously inform the Seller of any matching of Fabrics/designs/colours differing from one another in terms of weight and/or composition.

The costs sustained by the Seller for manufacture of the Standard Piece will be paid by the Purchaser with separate invoicing.

In the case of reorders of Fabrics for which a Standard Piece already exists, it may be necessary to carry out a further industrialisation process, due to external causes independent of the will of the Seller (e.g. change in raw materials/dyes) which could affect the result.

5. Price validity and confirmation

The Seller notifies the Purchaser of the sample and production prices with relative minimum quantities per Article/variation and the validity expiry, reserving the right to vary them, also subsequently, where necessary due to supervening industrialization/production costs.

Any variations in the characteristics of the Fabric or the production cycle, requested by the Purchaser and subsequent to the Order confirmation, automatically entails suspension of the Order to allow consequent verification of prices and delivery times; the Order will then be re-confirmed with any modifications.

6. Terms of payment

The terms of payment will be as agreed between the Parties in each Order and relative Order confirmation, and the provisions of Italian law will apply.

The Purchaser forfeits the time limit, with the consequence that the payment will be immediately due, in the event of occurrence of one of the hypotheses envisaged by art. 1186 of the Italian Civil Code.

In the case of deliveries made in several stages, the payments run from the date of each invoice.

The payment shall always be made directly to the office of the Seller, unless agreed otherwise.

Unless the Parties agree otherwise, sale of the Products is subject to retention of title, according to the provisions of art. 1523 of the Italian Civil Code.

If the Purchaser is aware that it will have difficulty in making payment at the deadline, it shall promptly notify the Seller thereof, so that the Parties can agree on the appropriate measures.

Failure to pay by the agreed deadline results in forfeiture of the right to any discount conditional on payment, and entails charging of the relative interest as established by the Legislative Decree 231/2002 and subsequent amendments and additions.

Once the deadline has elapsed without the Purchaser fulfilling the payment, the Seller has the right to temporarily suspend all the deliveries, and is also entitled to order the Purchaser in writing to make the payment, establishing a further appropriate term for fulfilment of no less than 15 days; once said term has elapsed without payment, the Seller can consider the contract terminated, without prejudice, in any case, to the interest accrual running automatically from the day immediately subsequent to the payment deadline, as established in the previous paragraph.

In the event of delayed or non-payment, any penalties that may be agreed between the Parties will also be applied.

7. Delivery terms and procedures

The delivery term is agreed by the Parties and specified in the order confirmation.

In the event of modification of the initial Order, the new delivery date agreed via a new Order confirmation will apply.

The piece delivered must be rolled up open-width on a cardboard tube with all due diligence, protected by appropriate standard packaging (as per annex 2), right side of the Fabric inside the roll; in case of pile fabrics, rolling must be done in the direction the pile. Unless agreed otherwise between the Parties, the Seller fulfils its obligation to deliver the Products by making them available to the Purchaser at its warehouse, on the day and at the time agreed or previously notified to said Purchaser (incoterms Ex Works latest version available). The Products travel at the risk of the Purchaser.

If the Purchaser collects the Products more than 15 days after the confirmed delivery date or, if subsequent, the date on which the Products are made available, the Seller will have the right to charge the Purchaser a sum of money by way of refund for the storage expenses, calculated on the basis of the general customs warehouse tariffs.

Unless agreed otherwise between the Parties, the shipment costs are sustained by the Purchaser.

8. Delivery delays

Any delays or unforeseen events shall be promptly notified by the Seller to the Purchaser, so that the Parties can agree on how to manage the delay/unforeseen event.

Failing the above-mentioned agreement, a tolerance of 10 working days on the delivery terms agreed between the Parties is allowed in favour of the Seller.

Once said tolerance has elapsed, the following penalties will be exclusively applied to delayed delivery or non-delivery:

- delay from 11 to 20 working days - penalty 2% on the price agreed for the Products subject of the delayed delivery;
- delay of 21 working days and more - penalty 3% on the price agreed for the Products subject of the delayed delivery.

If the delivery delay concerns only a part of the Order, the Purchaser may not refuse the partial delivery of the Fabrics ready. In the event of refusal of the Purchaser, the penalties for the delay will be applied only on the part of the Order for which delivery is delayed.

Delivery delays due to causes of force majeure (e.g. sudden strikes, restrictions on the use of energy or other elements essential for production, war, revolutions, fires, natural calamities, epidemics and any other element that cannot be predicted or avoided by the implementation of due diligence) may not give rise to penalties, cancellations, terminations, returns or damage compensation claims.

9. Protection of intellectual property

If the Purchaser, in formulating the Order, requests a Product characterised by a design supplied by the Purchaser over which it holds an intellectual property right, it shall inform the Seller of said circumstance and the latter will consequently be barred from reproducing, imitating or disclosing said design in any future production for itself or for third parties.

In the above-mentioned hypothesis, it is understood that the Purchaser is in possession of the legitimate right to use the design which it requests to be reproduced, undertaking all relative liabilities and risks, consequently the Seller is indemnified against any liability, claim, complaint or action of third parties connected with the rights of ownership/use of the design.

If the Seller sells to the Purchaser Products characterised by a particular pattern/design/model, developed by the Seller also by means of its own archive and/or taken from its own archive and/or over which the Seller holds an intellectual property right (below the "Design"), the Seller remains the owner of the intellectual property rights on the Design and also retains the possibility of reproducing it on any product, also supplied to third parties who may or may not be competitors of the Purchaser.

The Parties can agree in writing, and for a limited period of time, the exclusive right of the Purchaser to purchase, from the Seller, Products on which the Pattern is affixed; in this case, the exclusivity agreement is governed by the conditions established in the annexes no. 3A or 3B purposely signed by the Parties.

In any case, the Purchaser is forbidden to: - reproduce, deposit, modify, copy or otherwise draw inspiration from the Design, wholly or partly, on own and/or third party account, acting directly or also via third parties; - disclose any technical information on the Design; - have the Design reproduced/copied by third parties; - sell or otherwise use the Design for uses other than those resulting from the supplies made directly by the Seller, also with reference to Products different from those supplied by the Seller, unless agreed otherwise in writing between the Parties; - carry out any other action damaging to the intellectual property right of the Seller and its economic interests relating to exploitation thereof.

The technical know-how used by the Seller to produce the Products and/or the Pattern is the result of research and development activity by the Seller and therefore constitutes secret information of a strictly confidential nature which is the property of Ratti pursuant to art. 98 and 99 of the Legislative Decree 30/2005.

The Seller is not required to inform the Purchaser of its know-how.

If, in any case, the Purchaser obtains knowledge of said know-how, it is forbidden to use it or cause it to be used in relations with third parties, or disclose it to third parties, even beyond the duration of this contract, likewise it is forbidden to behave in any way that may have the effect of harming the right of Ratti to commercially exploit said technical know-how.

10. Fabric defects

Visible or evident defects are all the imperfections that can be eye-spotted on fabrics at the time of delivery and may cause prejudice to the finished garments.

Concealed or non-visible defects are non-compliances with the specifications set out in the technical data sheet of the Fabric and/or the characteristics of the Standard Piece and/or from any risk analysis of the Fabric, and can either be spotted only with technical detection systems, or detected during or after standard

processing or making operations permitted by the Fabric technical data sheet. In any case, the intrinsic characteristics of the Fabric specified in the Fabric data sheet and/or in any risk analysis of the Fabric and evaluated on the basis of the Standard Piece cannot be considered defects.

As regards the tolerance on defects in the Fabrics, the specifications in the Fabric data sheet, in the Technical Part of this Agreement and in any risk analysis on the Fabric shall prevail.

In the case of fabrics characterised by particular research and innovation, declared beforehand by the Seller, the tolerances for acceptability of the Fabric and the discounts shall be specifically communicated by the Seller.

To verify whether the Fabrics are defective (i.e. have defects beyond the tolerance limits), the Parties apply the provisions of the following articles (i.e. art. 11, 12, 13 and 14).

If the Parties ascertain that the Fabrics are defective, the Purchaser will be entitled to opt for one of the following remedies: 1) return the pieces for reprocessing (if possible) or replacement, within a term agreed between the Parties; 2) agree with the Seller a discount on the price of the defective Products; 3) if the non-fulfilment is of such importance as to warrant it, cancel the part of the Order concerning the Products affected by the defects without prejudice, in any case, to the supplies already made.

The Parties agree that compensation for any damage/indemnification to be sustained by the Seller cannot in any case be higher than the price agreed between the Parties for the defective Fabrics subject of the Order.

11. Complaints

The Purchaser is required to ascertain, prior to use, the characteristics of the Fabrics supplied and their suitability for the intended use, carrying out normal checks on the external characteristics and the technical requirements.

The Purchaser is required to notify defective Fabrics in writing by registered letter, fax or email, preferably certified.

Said notification must be prompt and complete (i.e. accompanied by sample and photographs, etc.) so that the specifications of the fabric in question and the types of defects identified can be clearly understood.

Any complaint/notification due to visible/evident defects shall be communicated in writing within the term of 8 days from the date of delivery of the Products to the Purchaser.

Since the Products are transported from one place to another, the above term for the notification of evident defects runs from the date of receipt of the Products by the Purchaser or third party to whom they have been sent on behalf of the Purchaser.

Concealed defects shall be reported in writing within the term of 8 days from discovery thereof by the Purchaser.

For concealed defects, any action to enforce the warranty shall be taken within the term of one year from delivery in accordance with the statute of limitations.

The Purchaser shall also indicate in the notification the place where the Products subject of the complaint are located.

The Purchaser is required to indicate the defects found on the Fabric by affixing stickers on the selvage, without metal staples, or in any case so as not to damage the Fabric.

The disputed pieces must be provided with their original identification tags and they must not be cut.

In the case of inspection of the fabrics by the Purchaser, or by a third party on behalf of the latter, prior to delivery, the accepted Fabrics are understood to be without visible defects and no further complaints may be made concerning said Fabrics.

If the Seller explicitly authorises in writing continuation of the manufacture, said Seller will be liable for any or further damage to the fabric; vice versa if the Seller has not explicitly authorised continuation of the manufacture, the Purchaser accepts all liability if it nevertheless decides to proceed with the manufacture.

The Seller is required to refund the ascertained damage deriving from the defects in the fabrics already used only if the defects were not previously recognisable via the aforementioned checks or in the course of the manufacturing process.

Unless agreed otherwise between the Parties, the Fabrics subject of the complaint must remain available to the Seller for 10 working days, running from the notification as per par. II of this article, in order to carry out all and any examinations necessary; in said period, the Fabrics shall be kept by the Purchaser with all due diligence.

If the Seller challenges the existence of the defects notified by the Purchaser, it shall agree with the Purchaser the Laboratory and/or Inspection Centre at which to perform the relative joint checks, agreeing also on the relative timescale and taking account of the indications of the subsequent articles no. 12 and 13.

12. Inspection of fabrics by laboratories (chemical/physical examinations)

If, pursuant to the last paragraph of art. 11, objections are raised concerning the existence of the defects subject of the complaint which the Parties are not able to solve by mutual agreement, the Seller and Purchaser agree that the relative tests be necessarily performed by a laboratory, selected by mutual agreement, from among those normally used by Ratti and accredited by ACCREDIA for the specific test.

The costs of the laboratory tests will be sustained by the losing Party according to the results of the chemical/physical examinations performed.

13. Inspection of Fabrics by visual examination

If, pursuant to the last paragraph of art. 11, objections are raised concerning existence of the defects subject of the complaint which the Parties are unable to settle by mutual agreement, the Seller and Purchaser agree that visual examination of the piece by means of fabric inspection machine can be jointly carried out in a department within the factory/premises of the Seller or Purchaser or, alternatively, by an Inspection Centre, in any case in the presence of a representative of each of the Parties.

In the latter case, the Parties agree that the examination will necessarily be performed by an Inspection Centre able to document the procedures followed, making them available to the Parties also before the inspection is performed.

Specifically, the Parties agree that each Fabric piece inspected must be uniquely identified by Article number, design, colour and piece number.

Also the Article examined by the Inspection Centres must be accompanied by its data sheet and by the Standard Piece in order to evaluate design, colour, handling/touch and appearance, in addition to any document certifying agreements in said regard between the Parties, so that each parameter examined corresponds to the quality required of the Products and their end use.

The length of the piece at delivery must be checked, allowing for a measurement uncertainty as established in the relative Technical Part of this Agreement.

Marks/labels on the piece ends – if any - must be kept.

The fabric inspection by machine examination, comprising the length/width of the piece and its evident defects, must be performed within the times agreed (as established in the last subsection of art. 11), by notification, numbering and immediate identification of the defects according to the defect record list accepted by the parties.

The procedures for notifying the evident defects on the fabric are those indicated in the preceding article 11 par. IX and the relative Technical Part of this Agreement, or shall be agreed beforehand between the parties, in any case in such a manner as to allow for any corrections or industrial re-processing at a subsequent stage.

14. Return of goods

Within 10 calendar days from notification as per article 11 or receipt of the results of any joint inspections

pursuant to art. 12 and 13, having ascertained the soundness of the complaint, the Seller shall authorise the returns of the Products in writing or, if possible, propose the correction of the Products indicating the relative timescale.

The returned Products travel at the expense of the Seller.

The returned piece must be must be duly rolled open-width on a cardboard tube, and must be properly wrapped and packed, right side inside, and protected by suitable packaging; in case of pile fabrics, rolling must be done in the direction the pile.

If the returned Fabrics are damaged due to clumsy handling or packaging, the Buyer is liable for the damage to the Seller. Said rule also applies to ordinary delivery of the pieces by the Seller to the Purchaser.

The stickers (or other means) identifying the defect will be present only on the selvage of the returned pieces, if the reason for the return is a defect identified during inspection of the piece by the Purchaser.

The return of Products not authorised by the Seller will be rejected; furthermore, said non-authorised return will not entail automatic recognition of the liability of the Seller for the defect and therefore will not entitle the Purchaser to issue a debit note.

In any case, any acceptance by the Seller of a non-authorised return, or authorised only in order to carry out checks on the disputed Products, will not entail automatic recognition of liability for the defect on the part of the Seller.

15. Tolerances on quantities supplied

The tolerances permitted with respect to the quantities of each Order and for each quality and design (which shall be collected by the Purchaser paying the full agreed price), are the following:

- Up to 500 m: +/- 8%
- 501 to 1,000 m: +/- 5%
- 1,001 to 5,000 m: +/- 2% (with minimum 50 m, 35 m for silk fabrics)
- over 5,000 m: +/- 1% (with minimum 100 m)

Measurement of the length of the individual piece must be made before performing any work process (e.g. steaming, decatizing, etc.) and without having cut the Fabric for laboratory tests or other purposes. If not, the cut quantities shall be compensated for cut quantities.

Between the length invoiced and the length actually supplied, the Purchaser will accept a minus tolerance of 1% for woven Fabrics and 2% for warp stretch Fabrics, without prejudice to the tolerance established for the quantities supplied. Other tolerances will be negotiated between the Parties.

16. Labels/pendants possibly supplied by Ratti

When the Order relates to made in Italy Fabrics and also provides for the supply, on the part of the Seller, of the labels/pendants bearing the "made in Italy" descriptor or similar statements referable to the non-preferential origin (for example, "fine Italian fabrics"), it is understood that such labels/pendants may be used exclusively with reference to Fabrics supplied by the Seller and for which the Seller has issued a declaration of "non-preferential origin: Italy - Made in Italy", normally included in the invoice.

The Purchaser shall be solely responsible - subject to its exclusive assessment - for the correct application of such labels/pendants on the garments made through the use of the Fabrics, thereby undertaking the relevant and exclusive responsibilities about the compliance with, and adherence to, the rules and regulations governing the non-preferential origin of the finished garments and their labelling, which can be in force in those nations where the finished garments are introduced and/or marketed; in such cases, it is therefore understood that the Seller shall not undertake any liability whatsoever about the decisions made by the Purchaser.

Any additional labels, pendants or presentation packaging - even if they do not refer to any origin - supplied by the Seller to the Purchaser together with the Orders for Fabrics, may be used by the latter exclusively on the Fabrics supplied by the Seller, it being understood that failure to fulfil such an obligation shall result in

material breach of contract for the infringement of trademarks and/or other distinctive signs of the Seller.

17. Cancellations and modifications

Requests for cancellation or modifications of Orders by the Purchaser will be evaluated by the Seller according to the state of progress of the work.

If the Seller accepts the cancellation of one or more Orders, the Purchaser will bear the costs sustained by the Seller for procurement of the raw materials and, if the Fabrics have already been produced or are undergoing production, also the relative production cost.

18. Contract transfer

The Parties are expressly forbidden to transfer the Contract to third parties, unless written consent has been obtained from the opposite party. If the Party transfers the Contract without said written consent, it will remain bound first and foremost vis-à-vis the opposite party.

19. Express termination clause

Without prejudice to all other remedies established by the Italian Civil Code for all cases of non-fulfilment, the Parties agree that the Contract/Order may be terminated by the Seller, in accordance with and for the purposes of art. 1456 of the Italian Civil Code, by notification to be sent to the Purchaser by registered letter with recorded delivery, in the event of occurrence of one of the following conditions:

- failure to perform any warranties which the Purchaser has specifically undertaken to provide to cover the payments or subsequent cessation thereof (e.g. withdrawal of credit lines, credit insurance uncoverage, etc.);
- overt insolvency of the Purchaser such as to jeopardize complete fulfilment of the contract, unless a suitable guarantee is provided;
- breach by the Purchaser of the provisions of article 18 concerning the ban on transfer of the Contract to third parties;
- breach by the Purchaser of any Intellectual Property right of the Seller and in any case breach of the obligations and prohibitions incumbent upon the Purchaser pursuant to art. 9 of this agreement.

20. Code of conduct and Legislative Decree 231/2001

The Seller declares that it has a code of conduct, which can be consulted on the website <http://www.ratti.it/it/societa/sostenibilita/> (annex 4), which it follows in the course of its business.

The Seller furthermore declares that it has obtained the SA 8000 certification (social accountability management system), ISO 14001 certification (environmental management system), OHSAS 18001 (system for the management of health and safety in the workplace), ISO 9001 (quality management system), ISO 50001 (energy management system).

The Purchaser declares that it is familiar with the provisions of the Legislative Decree no. 231 of 8th June 2001 ("Decree") and undertakes to conduct itself, in the course of its business, in compliance with the provisions of the Decree, abstaining from unlawful conduct.

21. Applicable law

This Agreement, and likewise all Orders between the Parties, are governed in all their aspects by Italian law.

22. Disputes

The Parties shall refer any disputes arising from this Agreement and/or from the Orders between them solely to the court of Como, including disputes concerning the validity, interpretation, performance and

termination of the Contract/Orders.

23. Duration

This Agreement is valid and effective from the date of signing thereof and will have an indefinite duration. Each Party may withdraw at any time and without the obligation to provide justification, by sending written notification by registered letter with recorded delivery or by certified email, with notice of 90 (ninety) days. No Party will be obliged to pay the other Party any amount by way of compensation for interruption of the Contract. It is understood that the Orders already sent and accepted by order confirmation shall be correctly carried out and delivered even if the deadlines thereof are subsequent to the date of effectiveness of the withdrawal, unless agreed otherwise in writing by the Parties.

Likewise, the provisions as per art. 9 "Protection of intellectual property" will remain fully effective also after termination of this contract for any reason.

TECHNICAL SECTION

1. Technical Data Sheet

All the Standard Pieces shall be supplied with the fabric technical data sheet including all technical details using bold fonts to highlight the standard parameters of the Article and using normal fonts and/or other type of fonts for parameters the Purchaser may request thus sustaining any additional costs.

The Purchaser, after acknowledgment of the technical data sheet in all its sections, shall decide on his own responsibility whether to use the proposed Article on the basis of the intended use.

Any other parameters that the Purchaser may request by means of tests not included in the technical data sheet of the Fabric shall be provided at a premium that will cover the costs of the relative analysis

The parameters given in the technical data sheet can be verified by both Parties in compliance with stated procedures

Unless otherwise agreed by the Seller and the Purchaser, any values of parameters listed in the technical data sheet make reference to those provided by the "SMI Quality Standard" (annex 5A and 5B) which is an integral part of this agreement and can be unloaded from the website <http://www.sistemamodaitalia.com/it/standard-qualita/downloads>.

2. Standard Piece Length

Each piece is supplied in a standard length as detailed in the technical data sheet of the Fabric. However, the length shall never be shorter than 15 cm

3. Effective Fabric Width

The effective fabric width shall correspond to the details of the technical data sheet of each Article.

The "effective width" is the actual usable width without selvages and pinning.

The effective width will be measured on the Fabric prior to any treatment or inspection except for the necessary sample inspection or if otherwise agreed by Purchaser and Seller.

In case the effective width is narrower than the declared one, the Parties may agree upon a discount.

4. Weight of the Fabric

The weight of the Fabric per square meter refers to the finished Product with +/- 5% tolerance on the value stated in the technical data sheet of the Fabric. However, this parameter does not apply to some very special fabrics such as stretch fabrics, etc.. Tolerances applied to these fabrics are given by the Seller in the technical data sheet.

5. Skew (weft not perpendicular to warp) and bowing (warp way sinuosity)

Both non-conformities may be different according to the type of Fabric.

The following tolerances can be applied, if not differently specified by the technical data sheet of the Fabric, and/or otherwise agreed upon between the Parties:

Weft skew:

(the percentage refers to the effective width of the piece)

- Fabrics with visible weft: 2% / 2,5% for silk Fabrics

- Fabrics with invisible weft: 3%

- Knitted Fabrics: 5%

Sinuosity:

(the percentage refers to the effective fabric width of 1 metre)

- Fabric with visible weft: 1%

- Fabric with invisible weft: 2%

- Knitted Fabric: 3%

Stretched, loose or sinuous selvages are not acceptable and should be included in the tolerances. If present, they must be stated on the technical data sheet of the Fabric.

“Movement” (only for piece-washed and piece-dyed fabrics of cellulosic fibres): applied to Fabrics with visible as well as invisible weft \leq 2%.

6. Measurement of Repeats

Fabrics with repeat designs may be supplied with a +/- 2% tolerance (for knitted Fabrics +/- 4%) on the size of the repeat itself, unless differently stated on the Fabric data sheet.

Measurements will be carried out as follows:

Materials:

- A flat table, at least the size of the sample being examined.
- A Line meter

Procedure:

Measure the length of no less than 10 repeats. If repeats are smaller than 10 cm, one meter of fabric is the minimum test length.

At least 5 measurements must be taken along the piece, in fault-free areas.

Results

Readings must be crosschecked with values listed on the technical data sheet of the Fabric. If no specification is made, the Standard Piece must be regarded as a standard.

The largest difference, because of smaller or larger repeats, will be determined

7. Dimensional Stability

Standard tolerances of dimensional stability cannot be defined because of the variability of texture, yarn, patterns and typology of the Product. It is therefore recommended to refer to the dimensional stability reported in the technical data sheet of individual Articles.

The Seller undertakes to keep to the technical data sheet which should include the maximum dimensional variation. Should values exceed the admitted tolerance, the Purchaser and the Seller will reach an agreement on the most appropriate corrective action that might bring stability back within the agreed limits. Whenever the Seller deems it impossible to improve stability, the Purchaser is entitled to reject the Fabric or to keep it anyway and negotiate a fair discount

8. Repeatability of Colours

The colours of the piece must be verified under a D65 light source and in compliance with the gray scale for assessing change in colour ISO 105-A02, or using a spectrophotometer

The Purchaser is supposed to declare the final application of fabric, in case of companion fabrics or ready for mixing & matching.

Perfect repeatability of sample book colours, based on lab tests and small scale printings, cannot be guaranteed on a mass production scale.

The Seller shall endeavor to keep the colour of pieces being produced as close as possible to one of the points here below:

1. Colour cards as made available by the Purchaser. Digital codes and colours must be approved and cards must be signed and returned to Purchaser. In case a colour is not available in the colour sample book of the Seller, the Buyer shall approve a lab-dip sample;
2. Colour cards as made available by the Seller;
3. Swatch samples.

Any difference in the colour between the Standard Piece and the various production batches shall not exceed index 4 of the grey scale with a half point allowance for eye assessment, and ΔE 1.0 in case of instrumental test by spectrophotometric assessment (specifications: CMC (2:1) – D65).

Upon request, the Seller undertakes to write the labels of each piece with the reference of the relevant batch. Nevertheless, it is understood that each garment will be made up solely of parts to be cut from the same piece. When the fabric is cut in multi-ply lays, the Purchaser should be very careful as to ensure that pieces are kept and processed separately. Should the Purchaser clearly specify that several fabrics made of different fibres and weights are coordinated, companion fabrics and/or ready for mixing & matching, the Seller shall endeavor to maximize colour matching of each and all articles purchased, submitting them if necessary to the Purchaser for final approval

9. Colour variation on centre-to-selvedge and head-to-tail

9.1 “Centre-to-selvedge” means:

- a. The difference in shade between the centre and the 2 selvedges;
- b. The difference in shade between selvedges;
- c. The difference in faded shade between selvedges.

Evenness assessment shall be carried out by visual inspection of the piece and relevant sample under D65 illuminant conditions (ISO 105-A02, Grey Scale for assessing change in colour) or by spectrophotometric testing and readings.

In the case of visual inspection, uneven colouring shall not exceed 4/5 on the gray scale with a half point allowance for eye subjectivity.

In the case of instrumental assessment, uneven colouring must be measured by a spectrophotometer on the basis of the CMC (2:1) - D65 formula and the resulting delta should not exceed 0.5 ($\Delta E = 0.5$) for all plain fabrics, piece and yarn-dyed alike.

If fabrics will be given special finishing treatment such as emerising, washing-out, open-width dyeing, uneven coloring shall be measured with a spectrophotometer on the basis of the CMC (2:1) - D65 formula and the resulting delta should not exceed 0.7 ($\Delta E = 0.7$) unless otherwise stated on the technical data sheet. For fabrics featuring greater centre-to-selvedge differences in colour shades that cannot be reconditioned but still can be cut in different width or laying plan, the Purchaser shall be compensated with a discount.

9.2 “Head-to-tail” means the uneven coloring between the beginning and the end of the sample.

In case of visual inspection unevenness shall not exceed 4 on the gray scale- with a half point allowance for

eye subjectivity.

In case of instrumental assessment all uneven coloring must be measured by a spectrophotometer on the basis of the CMC (2:1) - D65 formula and the resulting delta should not exceed 0.7 ($\Delta E = 0.7$) for all plain fabrics, piece and yarn-dyed alike.

10. Colour Fastness

The item refers to the technical data sheet and the provisions of "SMI Quality Standard", unless otherwise agreed upon between Seller and Purchser.

11. Discounts

Defects shall be marked by the Seller with white labels/marks on the selvages and positioned in the centre point for medium to major defects. If the defect is constant, the label/mark shall be positioned at beginning and end.

Defects shall be highlighted as follows:

- "minor defect": green label
- "medium defect": yellow label
- "major defect": red label
- "constant defect": blue label

Unless otherwise defined between the parties, reference is made to the list below:

Cotton – Linen/Hemp – Wool	Silk
"minor defect" Any defect not exceeding 5 cm both warp and weft wise	"minor defect" Any defect not exceeding 10 cm both warp and weft wise
"medium defect" Any defect between 5 and 60 cm both warp and weft wise;	"medium defect" Any defect between 10 and 70 cm both warp and weft wise;
"major defect" Any defect exceeding 60 cm weft wise (eg.: sewing belongs to this category)	"major defect" Any defect exceeding 70 cm weft wise (eg.: sewing belongs to this category)
"constant defect" any defect over 60 cm weft wise and in the usable fabric width	"constant defect" any defect over 70 cm weft wise and in the usable fabric width

Unless otherwise settled, the discounts are listed here below:

Cotton – Linen/Hemp – Wool	Silk
"minor defect" : 15 cm	"minor defect" : 15 cm
"medium defect" : 30 cm	"medium defect" : 30 cm
"major defect" : 60 cm	"major defect" : 70 cm
"constant defect" : length of defect up to 3 m; over 3 m, the defect must be agreed upon by the Parties	"constant defect" : length of defect up to 3 m; over 3 m, the defect must be agreed upon by the Parties

For cotton, linen, hemp and wool items, pieces shall be accepted by the Buyer provided that defects are limited to 16 over 100 metres.

For silk items, pieces shall be accepted by the Purchaser provided that defects do not exceed 4% in addition to the defects stated on the technical data sheet of the Fabric.

For menswear fabrics, pieces shall be accepted by the Buyer provided that defects are limited to 6 over 50 metres.

Beyond the limits mentioned above, the provisions set forth in the article on fabric defects included in Legal Section of this Agreement shall be applied.

All the intrinsic features of the Fabric specified in the technical data sheet and/or in the risk analysis – if any - cannot be taken into account for discounts.

“Place and date”

Seller’s Signature

Purchaser’s signature

“The Purchaser, pursuant to Articles 1341 and 1342 of the Italian Civil Code, hereby declares to have read and approved all the above mentioned clauses and in particular those under points 9 (Protection of intellectual Property), 10 (Fabric Defects), 11 (Complaints), 16 (Labels possibly supplied by Ratti), 18 (Contract Transfer), 19 (Express Termination Clause), 20 (Code of Conduct and Legislative Decree 231/2001), 21 (Applicable Law), 22 (Disputes), 23 (Duration)

“Place and date”

Purchaser’s signature