

GENERAL CONDITIONS V15-05 E

Valid as of 13.03.2008

These General Conditions of AS Baltic Disc (hereinafter referred to as General Conditions) apply to AS Baltic Disc (hereinafter referred to as Producer) and to the person (hereinafter referred to as Client) who orders from the Producer compact discs (CD) and/or digital video discs (DVD) and/or audio tapes (MC) and their packages (hereinafter generally referred to as Production) pursuant to the Production and Sales Agreement (hereinafter referred to as Agreement) concluded between the Parties, unless they have agreed otherwise in writing. The Producer and the Client shall hereinafter be referred to individually as Party and collectively as Parties.

1. OBJECT OF THE AGREEMENT AND SALES AGREEMENT

1.1. The Producer is obliged to produce the Production according to the documentation and original materials submitted by the Client and to sell it to the Client. The name of the Production, description, volume, delivery dates, prices, the name and identification code of the person receiving the delivery of the Production and other essential conditions are set forth in the order, every time submitted by the Client in writing or in a format which can be reproduced in writing (hereinafter referred to as Order). The General Conditions apply to each Order unless the Parties have agreed otherwise in writing.

2. SUBMISSION AND IMPLEMENTATION OF THE ORDER

- 2.1. For ordering the Production, the Client submits to the Producer the Order in writing or in a format which can be reproduced in writing. The Order shall be formalized according to the form determined by the Producer.
- 2.2. Orders with a total volume of less than 20,000 units are to be completed by the Producer generally within 7 working days from the date of submission of all necessary documentation and original materials (hereinafter referred to as Original documentation) to the Producer as required pursuant to p. 2.4. of the Agreement (hereinafter referred to as Order deadlines), unless otherwise agreed in the Order. With regard to digipacks, cardboard packages and special packages, the shipment date is to be agreed upon separately. Also the shipment terms can be longer in the period of October-January.
- 2.3. The shipment date is to be calculated from the date of submission of the correct Original documentation which is suitable for production (see 2.5.) if the Original documentation is provided by 13.00 pm at the latest.
- 2.4. The Producer informs the Client about the confirmation of the Order within 3 working days from receiving the Order. The Agreement is considered as concluded from the date of confirmation of the Order by the Producer. In the event that the Producer amends the conditions specified by the Client in the confirmation of the Order (for example price, volume, terms etc.), this is considered to be a new offer to the Client. The Client shall notify at latest within 1 working day in writing or in a format which can be reproduced in writing whether he agrees with the conditions of this new offer. The Agreement is considered as concluded on the basis of the new offer from the date on which the Client receives the conformation from the Producer in writing or in a format which can be reproduced in writing.
- 2.5. To give effect to the Order, the Client is obliged to submit at least the following Original documentation to the Producer:
 - 2.5.1. CD/DVD master pursuant to the "Requirements for submission and preparation of the original data of CD/DVD" which is suitable for the industrial production of CD/DVD's according to the test results (testograms) carried out by the Producer (<http://www.balticdisc.ee/eng/ordering/delivering-masters>)
 - 2.5.2. The graphic design files prepared for the printing of CD/DVD and printed matters, which correspond to the document "Requirements for the submission of layout material" (<http://www.balticdisc.ee/eng/ordering/delivery-of-design-files>)
 - 2.5.3. In the event that the Client submits confirmed control copies of CD/DVD and the control design for the printing matters (hereinafter referred to as Etalon), the further works and the determination of the later Production quality shall be made on the basis of Etalon. Etalon must be also previously approved by the Producer.
 - 2.5.4. In the event that the Original material is submitted as audio recordings, the Estonian Authors' Society and/or the copy of the license for the mechanical recordings of NCB (Nordisk Copyright Bureau) or production permission issued by Estonian Authors' Society/NCB is to be submitted, unless the Parties have agreed otherwise.

- 2.6. If during the manufacturing process of the Production is discovered that the Original documentation as set forth in p. 2.5. is insufficient and/or the Client has submitted false data to the Producer, the Producer has the right to immediately suspend manufacturing, which will also suspend the expiration of the Order deadline. The Producer is obliged to immediately notify the Client about the defects and hindrances occurred and grant a reasonable term for the remedy of these to the Client. The Client is obliged to rectify all defects before the end of the determined term. The manufacturing continues and the Order deadline is reinstated when the Client has rectified the defects. In the event that the Client fails to rectify the defects on time, the Producer has the right to withdraw from the Agreement and to claim from the Client a compensation for the expenses already incurred in the preparation of the manufacturing.
- 2.7. If the manufacturing of the Production has not started or the manufacturing is suspended due to reasons independent of the Producer (also defects in the Original documentation), the Producer has the right to claim compensation from the Client for the expenses already incurred in the preparation of the manufacturing.
- 2.8. In the event that the Original documentation (masters, design files) provided by the Client are to be brought into accordance with requirements referred in 2.5.1. and 2.5.2 by the Producer at the request of the Client, the costs for these works are to be borne by the Client according to the agreement.
- 2.9. If the Producer determines that the substance of the audio or video recordings or the Original documentation for the manufacturing of the Production and /or software provided by the Client is not in conformity with the valid law or principles of morale and ethics, this is seen as an essential violation of the Agreement and the Producer has the right to refuse the further manufacturing and performance on Orders already signed and to withdraw from concluded agreements. In this case the Client cannot claim a judicial remedy arising from violation of the Agreement, but the Producer has the right to claim compensation from the Client for the expenses already incurred in the preparation of the manufacturing.
- 2.10. In the silk and offset print used with the products, a deviation from the colour gamma in Pantone or CMYK from the colours presented on the graphical design Etalon is permissible until 5%. A deviation within this limit is not considered to be a violation of the Agreement.
- 2.11. The Producer warrants the manufacturing of 5 circulations from the same matrix at the condition that none of the individual Orders exceeds 3,000 units.
- 2.12. Depending on the nature of the production, the Producer has the right to apply the following tolerances in the volumes of the Orders (more or less in relation to the Order):
 - 2.12.1. For volumes until 1,000 units maximal +/- 100 units
 - 2.12.2. For volumes until 10,000 units maximal +/- 10 %
 - 2.12.3. For volumes over 10,000 units +/- 5% but not more than 1,000 units.
- 2.13. The Producer has the right to unilaterally amend the price agreed for the Order in the event that the world market prices for raw materials needed for the manufacturing of the Production have changed by more than 6%. The producer is obliged to notify the Client about this price amendment at the latest 30 days ahead.

3. PRODUCTION HANDOVER

- 3.1. The Producer shall pack the Production for maintenance as generally necessary for the transportation of goods of this kind and hand it over at the Producer's premises unless otherwise agreed in the Order.
- 3.2. The Client is obliged to accept the delivery of the Production within seven days from the Order deadline according to the terms and conditions set forth in the Order. The acceptance of the goods can be made only by the person authorized by the Client, and the representative of the Producer has the right to request the submission of a personal identification document prior to the handover of the Production. The certification document for the handover of the Production is the invoice, accompanying document or some other handover document signed by the authorized representative of the Client.
- 3.3. In the event that the Client does not accept the delivery of the Production on the date set forth in p. 3.2. or at some other agreed date, the production is considered as handed over to the Client at the agreed date.
- 3.4. The Client is obliged to inspect the Production immediately at handover. Possible non-conformity in volume or other established abnormalities shall be notified by the Client to the Producer in writing within at the

latest seven (7) working days from the date of handover of the Original documentation disregarding previous agreements or norms Production to the Client. not on time, the Producer has the right to claim compensation for

- 3.5. Simultaneously to the submission of the claim, the Client is obliged to describe precisely enough the non-conformity of the Production to the Producer. If the Client fails to fulfil the obligations set forth in p. 3.4. and p. 3.5., he loses his right for submission of claims against the Producer regarding abnormalities of the Production.
- 3.6. Unless the Parties have otherwise agreed, the Producer shall submit to the Client the proposal of a price discount for the faulty Production or replace the faulty Production within reasonable time with equivalent non-defect Production under the precondition that the Client returns the faulty Production at the request of the Producer. If the Client refuses to return the faulty Production, he loses his right for judicial remedy arising from violation of the Agreement. The Client has the right to invoke another judicial remedy only in case the Parties do not agree on a price discount and the Producer refuses without any reason to replace the faulty Production.
- 3.7. In the event that the Producer disagrees with claims submitted by the Client regarding the quality of the Products, the Parties shall assign the task of quality evaluation to an expert accepted by both Parties. The expertise shall be made on basis of Etalon and its costs are to be borne by the Client. In the event that the claim turns out to be reasoned, the Producer shall compensate to the Client a reasonable expenses incurred for expertise.
- 3.8. The risk of damage to the Production is transferred to the Client at the moment of handover of the Production.
- 3.9. The conditions regarding the transportation of the Production are set forth in writing in the Order or in a format which can be reproduced in writing.
- 3.10. The right of ownership of the goods is transferred to the Client after settlement of all payments for the Production.

4. PRICE AND PAYMENT CONDITIONS

- 4.1. The price for the Production is agreed in the Order. The Client is obliged to pay for the Production by bank transfer to the bank account of the Producer. In the event of payment delay, the Client cannot rely on an invoice missing from the Producer if the terms of payment can be established by other documents formalized on the basis of the Agreement.
- 4.2. Unless the Parties have agreed otherwise in writing, the Client is obliged to pay an advance payment of 50% from the Order price at the latest within two days after the Order is confirmed by the Producer and 50% before the handover of the Production. The Client does not have the right to require the handover of the Production before he/she has settled all payment obligations according to this provision unless the Parties have agreed otherwise.
- 4.3. The Client is obliged to pay for the manufactured Production pursuant to the actual volumes manufactured by the Producer, which are indicated on the submitted invoices.
- 4.4. In the event of a Rush Order (less than 7 working days; in the event of digipacks and cardboard packages less than 2 weeks), an additional Rush Order fee of 15% of the Order is applicable.
- 4.5. From all contractual obligations, the ones to be performed first are all expenses in connection with violations of the Agreement (incl. legal costs, expenses for legal advice and debt collection charges), followed by late penalty charges and contractual penalties, followed by late penalty charges not settled on time according to their temporal order and starting with earlier penalties, followed by the main debt if not settled on time. This order of obligations can be modified only through corresponding agreement concluded by the Parties.
- 4.6. In the event of a payment default, the Producer has the right to claim a penalty charge of 0.1% for each day of delay. The Client is obliged to settle the penalty charge pursuant to the issued late penalty invoice.
- 4.7. No matter which terms of payment are violated by the Client, the Producer has the right to immediately and unilaterally revoke all previous agreements for the extension of payment obligations and to claim the immediate settlement of all debt obligations from the Client.
- 4.8. The invoices issued by the Producer may be contested by the Client within 10 calendar days from the date of issuing of the invoice.
- 4.9. The Producer issues the invoices in PDF-format and delivers them via e-mail to the Client.

5. ORIGINAL MATERIALS AND MEANS OF PRODUCTION

- 5.1. If the Producer cannot use the Original documentation provided by the Client due to the technical peculiarities of the production process and the Parties do not agree on other solutions, the Producer has the right of withdrawal. In the event that the Client has submitted the

- 5.2. The Client is obliged to follow all instructions given by the Producer and all requirements laid down for the Original documentation.
- 5.3. In the event that there are unusual effects in the recordings provided by the Client for manufacturing (incl. unusual pauses, sounds, intended distortions, cut endings, hidden sound trails, etc.), the Client is obliged to describe these corresponding circumstances clearly and precisely in the Original documentation. Otherwise the Client may not submit claims concerning defects regarding the effects described at a later stage.
- 5.4. The Producer maintains the Original documentation in the form provided by the Client for a minimum of 48 calendar months after the fulfilment of the corresponding Order.
- 5.5. The means, technologies and semi-finished products developed by the Producer for the performance of the Order are in the property of the Producer, which the Producer shall maintain for 48 calendar months after the fulfilment of the corresponding Order.
- 5.6. The Producer confirms that he/she uses the Original documentation provided by the Client and the means developed for the performance of the Order only within the limits of the written permission of the Client, in the interests of the Client and according to the agreements concluded with the Client.

6. LIABILITIES AND OBLIGATIONS OF THE PARTIES

- 6.1. In the event of delays of contractual deadlines (incl. obligations of the Parties as set forth in p. 2.2., p. 3.2. and p. 4.2.), the Parties are obliged to pay to the other Party a contractual penalty of 0.1 % of the Order sum per calendar day, but no more than 15% of the Order sum.
- 6.2. Default of the Agreement is to be accepted if occurred due to force majeure (incl. forces of nature, fire, war, traffic abnormalities, disease outbreak, abnormalities in the delivery of raw materials which are beyond the control of the Producer, or some other similar hindrance, which cannot be overcome with a reasonable effort by the Party).
- 6.3. The Producer is not liable for compensation of damage caused due to the violation of the Agreement, except if the Client proves that the Producer caused the damage intentionally. The Producer is liable to the Client for damages occurred only to the maximum limit of the Price of the Order. In any case the Producer is not liable for direct or indirect damages caused to third persons.

7. COPYRIGHT

- 7.1. With the submission of Orders and Original materials, the Client confirms that he has the right to use the contents of the original data submitted to manufacture the Production and that the manufacturing and/or repeated manufacturing of the Production does not violate the copyright of the author protected by law. All claims regarding the copyright of the Producer shall be forwarded to the Client. The Client confirms that he accepts to immediately compensate all expenses as well as claims for compensation against the Producer regarding controversies of copyright in the context of the performance of the Order.

8. NOTIFICATIONS BETWEEN PARTIES AND AUTHORIZATIONS

- 8.1. The Producer submits the contractual notifications in writing or in way of reproduction in writing to the contact data notified in the Order.
- 8.2. The Client submits contractual notifications to the Producer in writing or in a format which can be reproduced in writing to the contact data of the Producer: Baltic Disc OÜ, Pärnu mnt. 499, Tallinn, Estonia, e-mail: sales@balticdisc.ee

9. MISCELLANEOUS

- 9.1. Any controversy or claim arising out of or relating to these General Conditions or/and Agreement will be settled through negotiations on a regular basis. In case of not arriving at an agreement, the dispute shall be settled by a court proceeding in accordance with the laws of the Republic of Estonia.