

("IAI") STANDARD PURCHASE ORDER TERMS AND CONDITIONS

I AGREEMENT

This order contains the entire Agreement between IAI and Seller and is not subject to variation, irrespective of the wording of Seller's acceptance, without the prior written agreement by IAI. Any additional or different terms of Seller's acceptance are hereby expressly rejected. This order becomes a binding order including all terms and conditions contained herein and/or contained in documents attached to this order, when it is accepted by the Seller, either by acknowledgement or the commencement of performance hereof.

II INSPECTION, ACCEPTANCE AND REJECTION

- (A) All goods to be delivered and services to be performed hereunder shall be subject to inspection, surveillance and test at all times and places, including the period and place of manufacture or performance, by IAI (and by the United States Government [the "Government"], if this order is placed under a Government contract or subcontract).
- (B) Seller and Seller's subcontractors shall provide and maintain an inspection system acceptable to IAI and, where applicable, the Government. Representatives of IAI and Government inspectors, if any, shall have access to all areas on the premises of the Seller, or of Seller's subcontractors, in which work on this order is being performed. Seller, and Seller's subcontractors, shall provide all reasonable facilities for the safety and convenience of the representatives and inspectors. Seller shall furnish to the representatives and inspectors all information and data as may reasonably be required to perform their inspections. All goods to be delivered hereunder shall be subject to final inspection, test and acceptance by IAI at destination in Israel, notwithstanding any payment or inspection at source. IAI shall accept or give notice of rejection of goods delivered and services performed within ninety (90) days after receipt of such goods or completion of such services. No inspection of goods or work by IAI prior to acceptance shall release Seller of its responsibility for any nonconformity. Acceptance by IAI shall not waive any rights that IAI and/or the Government, if applicable, might otherwise have at law or under Article IV entitled "Warranty", or by express reservation in this order with respect to any nonconformity.
- (C) In the event of any tender of goods or services which is nonconforming, IAI shall be entitled to all remedies as provided by law, and in addition thereto shall have the right to do any or all of the following: (i) to hold nonconforming goods for a reasonable period pending a determination to accept or reject any or all thereof; (ii) to return nonconforming goods to Seller for replacement or correction as IAI may elect; (iii) to accept nonconforming goods and services subject to an equitable price reduction; (iv) to replace or correct nonconforming goods and services and charge to Seller the cost occasioned to IAI thereby; (v) to require Seller to correct nonconforming services at no increase in the price of this contract; (vi) to recover any and all expenses, costs, price reductions and damages paid, incurred, or suffered by IAI as a result of such holding, return, replacement, correction, reductions, or rejections of nonconforming goods and services; or (vii) to terminate this order as provided in Article VIII hereof.

III QUALITY CONTROL

Seller shall provide and maintain a quality control system, which shall be in accordance with the then current state of the art and shall meet the highest quality control standards in the respective industry. Seller shall permit IAI and, if applicable, the Government to review

its procedures, practices, processes and other documents related to its quality control system.

IV WARRANTY

- (A) Seller warrants that all goods and services furnished hereunder will conform to the requirements of this contract (including all descriptions, specifications and drawings made a part of this order) and such goods will be merchantable, fit for their intended purposes, free from defects in materials and workmanship and, to the extent not manufactured pursuant to detailed designs furnished by IAI, free from defects in design. IAI's approval of designs or specifications furnished by Seller shall not relieve Seller of its obligations under this warranty.
- (B) Except as may be otherwise provided in the specifications applicable to this order or other documents incorporated herein by reference and except for latent defects, fraud or gross mistakes of Seller as amount to fraud, notice of any defect or nonconformity must be given to the Seller within the one (1) year period beginning with the latter of receipt and acceptance by IAI. If the goods or the results of services to be provided hereunder are incorporated by IAI in items for resale by IAI, said one (1) year period shall begin as of the date of IAI's delivery of any such resale items to its customers. Goods and services corrected or replaced by Seller shall be subject to all of the provisions of this order in the manner and to the extent as goods and services originally furnished hereunder.
- (C) The above warranties shall not apply if the non-conformity/defect is attributable to a failure to preserve, store, install, operate, or maintain the goods in accordance with Seller's reasonable written instructions furnished to IAI. IAI may, at its option, either return for credit or refund or require prompt correction or replacement of the defective or nonconforming goods or part thereof. All shipping costs with respect to any defective or nonconforming goods shall be at Seller's expense.
- (D) The aforesaid express warranties shall be in addition to any standard warranty or guarantee of and any warranties otherwise created by operation of law or contract. All warranties and guarantees shall run to IAI and IAI's customers including, where applicable, the Government ("IAI's Customers").

V DELIVERY, SHIPPING AND PACKING

- (A) It is agreed that time is of the essence in the performance of this order by Seller. Deliveries shall be in accordance with the schedule and quantities as specified in this order, and Seller shall strictly adhere to the delivery and completion schedules specified herein. If, at any time, Seller believes it may be unable to comply with the delivery or completion schedules, Seller shall immediately notify IAI in writing of the probable length of any anticipated delay and the reasons for it, and shall continue to notify IAI of any material change in the situation. In the event of such notification or of an actual failure by Seller to comply with the delivery or completion schedules: (i) Seller shall, at Seller's expense, make every effort to avoid or minimize the delay to the maximum extent possible including the expenditure of premium time and (ii) IAI may, in addition to all other remedies, require Seller, at Seller's expense, to ship goods via air freight or expedited routing to avoid or minimize delay. In the event of early delivery, IAI may store goods at Seller's expense. Unless otherwise agreed in writing, Seller shall not make material commitment or production arrangements in excess of the amount or in advance of the time reasonably required to meet IAI's delivery schedule. Seller shall not ship goods to arrive at IAI's plant earlier than two (2) weeks in advance of the specified schedule

unless authorized in writing by IAI. At IAI's option, any such deliveries may be returned to Seller at Seller's expense or payment deferred to the date payment would become due according to the specified schedule. At IAI's option, articles furnished in excess of the quantity specified or of any allowable overage may be returned to Seller or retained by IAI at no additional cost, unless Seller notifies IAI within 45 days of shipment that it desires the return thereof. Seller will reimburse IAI for the cost of returning such over shipment.

- (B) All goods to be supplied by Seller hereunder shall be shipped to IAI, at the point designated in this order. Unless otherwise set forth in this order, DDP INCOTERMS 2000 shall be applicable to this order. On date of shipment, Seller shall send original bill of lading, air bill or express receipt reflecting IAI's Purchase Order Number to IAI.
- (C) All goods shall be packed in accordance with best commercial practice to prevent damage or deterioration and secure lowest transportation rates, in shipping containers (unless otherwise provided in this order) provided by Seller which are suitable for protection of said goods during shipment to and storage in Israel. No charges will be paid by IAI for preparation, packing, crating, reusable containers or shipment unless so stated in this order. Damage to any goods resulting from improper packing will be charged to Seller.
- (D) Each container shall be marked with IAI's Purchase Order Number. Each container of a multiple container shipment shall be identified (i) to show the number of the container and the total number of containers in the shipment; and (ii) the number of the container in which the packing list has been enclosed. IAI shipments by Seller must include, in a conspicuous and easily accessible place on the inside of the shipping container, a packing list, containing IAI's Purchase Order Number, quantity, part number/size, description of the goods shipped and appropriate evidence of inspection, including acceptance test reports, material test certificates, certificates of conformance and/or serviceability tags. In addition, a duplicate set of the aforementioned documentation shall be in a conspicuous and easily accessible place on the outside of the shipping container.

VI CHANGES

IAI may, at any time, exclusively by a written order signed by its authorized representative, and without notice to sureties, make changes within the general scope of this contract which affect the (i) drawings, designs, or specifications, (ii) description of services to be performed; (iii) methods of shipment or packing; (iv) place of inspection, delivery or acceptance; (v) delivery/performance schedules; (vi) data requirement, and/or (vii) quality of items to be delivered, and Seller shall comply therewith.

Should any change cause an increase or decrease in the cost of, or the time required for performance of this order, an equitable adjustment shall be made with respect to the order and the order shall be modified in writing accordingly. Notwithstanding the foregoing, IAI shall have the right to postpone receipt of deliveries for up to six months from the scheduled delivery date at no cost to IAI. Any claim by Seller for adjustment under this article must be asserted in writing to IAI not later than ten (10) days after the date of receipt by Seller of the written change authorization or within such extension as IAI may grant in writing. IAI may, in its sole discretion, consider any such claim regardless of when asserted. Such claim shall be in the form of a complete change proposal fully supported by factual information. Pending any such adjustment, Seller will diligently proceed with the contract as modified. Where the cost of property made excess or obsolete as a result of a change is included in Seller's claim for adjustment, IAI shall have the right to direct the manner of disposition of such property. IAI shall have the right to examine any of Seller's pertinent books and records for the purpose of verifying Seller's claim.

IAI and Seller agree that there shall be no adjustment in the price or time for performance hereunder unless IAI shall have directed a change thereto by the issuance of a written notice as provided by this clause. Seller shall advise IAI in writing if Seller receives any

notification that Seller regards as a change to this order from any source other than the written notice referred to in the preceding sentence. Seller shall provide such advice, in writing, no later than five (5) working days from receipt of any such notification, and prior to taking any action in accordance therewith. If this order is placed under a Government contract or subcontract, the provisions of FAR 52.243-7, "Notification of Changes", shall apply, which provisions are incorporated herein by reference, except: "Contractor" shall mean Seller and "Government", "Contracting Officer" and "Administrative Contracting Officer" shall mean IAI; insert "seven (7)" in the blank in (b); and insert "fourteen (14)" in the blank in (d).

VII PRICES, TAXES, INVOICE AND PAYMENT

- (A) The prices stated in this order are firm fixed prices and are stated in U.S. Dollars, unless otherwise specified in this order.
- (B) Unless otherwise specified in this order, Seller shall pay all non-Israeli taxes and import or export or other duties of any kind, including those taxes or duties that may be imposed or assessed on any IAI furnished property (data, information, materials, parts, components or tooling). All such taxes and duties, existing, new or increased, are included in the prices stated in this order.
- (C) For each shipment of goods or completed item of services, Seller shall submit an original invoice marked "original" and two copies marked "copy" to IAI. Taxes and duties, if any are included in this order, must be separately itemized. Purchase order numbers must appear on all shipping documents, invoices, quality certifications, and packing lists. With each invoice, Seller shall deliver a copy of all appropriate evidence of inspection of the goods, including acceptance test reports, material test certificates and certificates of conformance.
- (D) Determination of payment due date, whether under net or discount terms, will be based on the latest of (i) the date goods are received or services are completed; (ii) the date goods are scheduled to be shipped/received or services are scheduled for completion under this order, or (iii) the date an accurate invoice is received.

VIII TERMINATION/CANCELLATION/STOP WORK

- (A) Termination-Convenience
IAI may terminate this order for its convenience in whole or, from time to time, in part in accordance with the clause entitled "Termination for the Convenience of the Government set forth in FAR 52.249-2, which clause is incorporated herein by this reference, except: "Contractor" shall mean Seller and "Government" and "Contracting Officer" shall mean IAI; delete (d); in (e) insert "6 months" in lieu of "1 year"; in (l) insert "45 days" in lieu of "90 days"; and the reference to a Dispute clause refers to Article XX hereof.
- (B) Termination-Default
This order may be terminated, in whole or, from time to time, in part by IAI for default in accordance with the "Default" clause in FAR 52.249-8, which is incorporated herein by reference, except "Government" and "Contracting Officer" in all paragraphs other than (c) means IAI, "Contractor" means Seller and the reference to a Dispute clause refers to Article XX hereof.
- (C) Termination/Cancellation-Other
By written notice to Seller, IAI may cancel this order, in whole or, from time to time, in part, in the event of suspension of Seller's business, insolvency of Seller, institution of bankruptcy, reorganization, arrangement or liquidation proceedings by or against Seller, appointment of a trustee or receiver for Seller's property or business or any assignment by Seller for the benefit of creditors. Such cancellation shall be deemed "for default" in accordance with paragraph VIII(B) hereof and the rights and obligations of the parties shall be determined as therein provided.
- (D) Stop Work
IAI may, by written notice to Seller, require the Seller to stop for a period not to exceed ninety (90) days all or any part of the work

called for by this order in accordance with the "Stop Work Order" clause in FAR 52.242-15, which is incorporated herein by reference, except: "Government" and "Contracting Officer" means IAI and "Contractor" means Seller as used therein, and in (b)(2) insert "20 days" in lieu of "30 days".

IX IAI PROPERTY

Seller shall keep all tools, fixtures, jigs, material and/or equipment (collectively "property") furnished by IAI and all property, to which IAI or the Government, if applicable, acquires title by virtue of this order, segregated and clearly marked and will maintain a complete inventory thereof. Title and right of immediate possession of all such property shall remain vested in IAI/the Government. The property shall be maintained and replaced, if necessary, by Seller at no additional cost to IAI/the Government. Seller assumes all risk of loss, destruction or damage to such property while in Seller's custody or control. Seller will immediately notify IAI in writing of any such loss, destruction or damage. Upon termination or completion of this contract, Seller will deliver such property, as directed by IAI, in good condition subject to ordinary wear and tear and normal manufacturing losses.

X SPECIAL TOOLING

Except as may be otherwise provided for in this order, jigs, dies, fixtures, molds, patterns special gauges, special test equipment and other items of special tooling (collectively, the "special tooling") shall be furnished by and at the expense of Seller. Such special tooling shall be kept in good condition by the Seller and when necessary shall be replaced by Seller all without expense to IAI. Title to such special tooling shall remain with Seller, except that IAI may, at any time, reimburse Seller for the negotiated price of all or part of such special tooling, and upon payment therefor, shall become the owner thereof, entitled to possession at the completion of this order, or such earlier date as the parties may agree.

XI NON-DISCLOSURE; PUBLICITY

- (A) Seller shall not, without the written consent of IAI, either during or after the performance of the work required hereunder, use, other than for such performance, or disclose to any person, other than a duly authorized representative of IAI, any information, data, material or exhibit created, developed, produced or otherwise obtained in the course of the work required hereunder, or any information contained in reports, drawings, documents, or other records furnished to Seller by IAI (collectively, "information"). Information provided by IAI to Seller remains the property of IAI and shall be returned to IAI upon completion by Seller of its obligations under this order or upon demand. Seller further agrees that it will not divulge any matter, the disclosure of which would be detrimental to the interests of IAI. The restrictions of this clause shall not apply to information in the prior possession of Seller or acquired by Seller from a source other than IAI that has the right to disclose such information to Seller, nor shall it limit any rights the Government, if applicable, may have in such information. Any information which Seller may disclose to IAI with respect to the design, manufacture, sale or use of the articles covered by this order shall be deemed to have been disclosed as part of the consideration for this order, and Seller shall not assert any claim against IAI by reason of IAI's use thereof.
- (B) Seller shall not, without the prior written consent of IAI: (i) make any news release, public announcement, denial or confirmation of all or any part of the subject matter of this order, or any phase of any program hereunder; or (ii) in any manner advertise or publish the fact that IAI has placed this order.

XII PATENT, TRADEMARK, COPYRIGHT AND TRADE SECRET INDEMNITY

To the extent that the goods purchased under this order have not originated with IAI, Seller agrees to indemnify and hold harmless IAI and IAI's Customers against any expense, loss or liability (including attorney's fees) for any actual or alleged infringement of any patent, trademark, copyright, or trade secret arising from or

related to the use, sale, manufacture or disposal of such goods. Upon receipt of notice of any claim or suit alleging such infringement, Seller agrees to defend IAI and IAI's Customers at Seller's expense. During the pendency of any such claim or suit, and (where necessary) upon settlement thereof, Seller shall, at Seller's expense, either (i) substitute fully equivalent, noninfringing goods, or (ii) modify the goods so that same no longer infringe but remain equivalent, or (iii) obtain for IAI/IAI's Customers the right to continue use of the goods in accordance with the terms of the order.

XIII SUBCONTRACTING

Seller will not subcontract, without IAI's prior written consent, for the design, development or procurement of the whole or any substantial portion of any goods ordered hereunder. This limitation shall not apply to Seller's purchases of standard commercial supplies or raw material. IAI's consent to any such subcontract shall not relieve Seller from any obligation imposed by this order or impose on IAI any responsibility for the work to be performed under such subcontract.

XIV NOTICE OF LABOR DISPUTES

Whenever Seller has knowledge that any actual or potential labor dispute is delaying or threatens to delay the timely performance of this order, Seller shall immediately give IAI notice thereof and all relevant information with respect thereto, and shall notify IAI of any material changes in the information required hereunder. Seller agrees to insert the substance of this Article in any subcontract hereunder wherein a labor dispute may delay the timely performance of this contract.

XV BANK GUARANTEE/LETTER OF CREDIT AND PERFORMANCE BOND

- (A) Bank Guarantee/Letter of Credit
Unless otherwise specified in this order, Seller shall, at Seller's cost, furnish to IAI prior to and as a condition for payment by IAI of, any advance or progress payment to Seller under this order, an irrevocable bank guarantee or letter of credit in the amount of the advance or progress payment. The said bank guarantee or letter of credit shall be issued by a first class bank acceptable to IAI, shall remain in force until Seller has completed performance of all of its obligations under this order and shall otherwise be satisfactory in form and terms to IAI.
- (B) Performance Bond
If indicated as required on the face of this order, Seller shall, at Seller's cost, furnish to IAI within fifteen (15) days from the date of this order, a performance bond in an amount of ten percent (10%) of the total order price. The said performance bond shall be issued by a first class bank or insurance company acceptable to IAI, shall remain in force until Seller has completed performance of all of its obligations under this order and shall otherwise be satisfactory in form and terms to IAI.

XVI PRECEDENCE

In the event of any conflict between the clauses, attachments, specifications or provisions which constitute this order, the following order of precedence shall apply: (i) terms and conditions appearing on the face of the order (ii) if this order is being placed under a Government Prime Contract or subcontract, the Appendices entitled "Government Contract Provisions, Certifications and Representations" attached hereto; (iii) the terms and conditions contained in these Standard Purchase Order Terms and Conditions; (iv) specifications; (v) the drawings; (vi) the statement of work; and (vii) all other attachments incorporated herein by reference.

All goods listed herein to which IAI's specifications are applicable must comply with such specifications current as of the date of this order. IAI's specifications shall prevail over any subsidiary documents referenced therein.

VII GRATUITIES AND CONTINGENCIES

- (A) Seller agrees that in consideration of this order, neither Seller nor any agent or representative of Seller has nor will pay any fees, commissions, percentages, brokerage fees or other sums to persons contingent upon or resulting from execution of this order nor has or will Seller extend or offer any form of compensation or remuneration to IAI's employees for the purposes of securing this order, or obtaining favorable treatment with respect to Seller's performance of this order.
- (B) In the event of breach or violation of the agreements described in (A) above, IAI shall have the right at its option to terminate this order for default without liability, or at its option may deduct from amounts that otherwise may be owed Seller the full amount of any such fees, commission, remuneration or other sum. Such rights and remedies of IAI shall be in addition to any other rights and remedies provided by law or under the terms of this order.

VIII COMPLIANCE WITH LAWS AND EXPORT APPROVALS

- (A) In the performance of this order, Seller shall comply with all applicable statutes, rules, regulations and orders of Seller's country and of any state or local authority or political subdivision thereof. Seller shall indemnify, save harmless and defend IAI from and against all losses, costs, fees and damages arising, directly or indirectly, from any actual or alleged failure by Seller to comply with any of the aforesaid statutes, rules, regulations and orders.
- (B) Seller shall be responsible for and shall obtain all permits and authorizations required for the export of the goods and services from Seller's country to Israel.

XIX PRICE MOST FAVORED CUSTOMER

Seller warrants and represents that the price of the goods in this order does not exceed the price for the same or similar goods contracted and/or sold by Seller to any other customer during the term of this order. Seller agrees to reimburse IAI promptly upon the discovery of a violation of the foregoing representation in the amount of the difference between the lower price charged and that charged IAI. If during the term of this order, the Seller shall sell any goods of the kind in equivalent quality or quantity described in this order, to any other customer at a price, which is lower than the price then in effect under this order, such lower price shall thereafter apply on all goods shipped under this order so long as said lower price shall remain in effect and the price of this order shall be reduced accordingly and this order shall be modified to reflect the reduction.

XX DISPUTES AND APPLICABLE LAW

This order shall be governed by and construed in accordance with the laws of the State Israel (excluding its choice of law rules), regardless of the places of execution or performance of this order. Except as otherwise provided in the order, the Seller may appeal any decision of IAI concerning an issue of law, fact or contractual interpretation arising under the order which is not disposed of by agreement, by pursuing any right or remedy which Seller may have in law or equity in any Israeli court of competent jurisdiction. Pending the final decision on a dispute hereunder, the Seller shall proceed diligently with its performance of the order obligations in accordance with the direction of IAI.

XXI MISCELLANEOUS

- (A) Any action or inaction by IAI or the failure of IAI, on any occasion, to enforce any right or provision of this order shall not be construed to be a waiver by IAI of its rights hereunder, and shall not prevent IAI from enforcing such provision or right on any future occasion. A determination that any portion of this order is unenforceable or invalid shall not affect the enforceability or validity of any of the remaining portions of this order. The rights and remedies of IAI

herein are cumulative, and are in addition to any other rights or remedies that IAI may have at law or in equity.

- (B) Assignment of this order or any interest therein or any payment due or to become due thereunder, without the written consent of IAI, shall be void. IAI shall be entitled at all times to setoff any amount owing at any time from Seller to IAI or to any of IAI's affiliated companies against any amount payable at any time by IAI.
- (C) Each Party and its representatives, nominated by a party for the performance of its rights and obligations under this order, shall, to the extent such performance takes place in the other party's premises, be subject to such other party's relevant security regulations.
- (D) Notwithstanding any other provision contained herein, the Seller agrees to indemnify and hold IAI harmless against any and all damages (including consequential damages) or claims (whether in contract, tort, negligence or otherwise) which arise out of Seller's performance of this order or are in any way connected with the goods and services delivered hereunder.
- (E) Except if title has heretofore passed to IAI or IAI's customers under other provisions of this order, title to the articles shall pass to IAI upon delivery of the articles to IAI.
- (F) Seller shall notify IAI of every article ordered hereunder which contains material hazardous or injurious to the health or physical safety of persons even though said hazard or injury may only occur due to mishandling or misuse of the article. Seller shall identify the hazardous or injurious material, notify IAI of the effects of such material on human beings and the physical manifestations that could result there from and supply IAI warning labels (and instructions) to warn persons coming in contact therewith of the hazard and its effects.

XXII UNITED STATES GOVERNMENT CONTRACT PROVISIONS

- (A) If this Order is placed under a United States Government ("USG") contract or subcontract, the content of the USG FAR/DFAR Contract Provisions, Certifications and Representations Appendices attached hereto shall apply to this order and the parties' performance hereunder.
- (B) Notwithstanding the provisions of Article XX hereof, the USG FAR/DFAR Contract Provisions, Certifications and Representations Appendices attached hereto shall be construed according to the United States Federal Law of Government Contract as enumerated and applied by United States Federal Judicial bodies and Boards of Contract Appeals.