

General Terms and Condition

1 **DEFINITIONS**

Shilat: Shilat Optronics Ltd.

Supplier: The legal entity specified in the Order Form to whom the Order is addressed.

Each of them defined herein as "Party" and both of them as "Parties".

Goods: The deliverable items detailed in the Order.

Services: The activities and obligations to be carried out by the Supplier beyond the design and/or development and/or production and/or supply of the Goods, detailed in the Order.

Work: The Supply of Goods and the performance of the Services.

Order Form: The document bearing the title Purchase Order.

Order: The Order Form, this GTC and all annexes attached to the Order Form.

2 **INTEGRAL AND ENTIRE AGREEMENT**

This Order supersedes all prior understandings and/or agreements of the parties with respect to the Work and constitutes the entire agreement between the parties.

3 **MANNER OF PERFORMING THE ORDER**

The Supplier is obliged to perform the Work in the highest professional manner and in accordance with the terms of the order.

4 **PRICE AND PAYMENT**

The Prices indicated in the Order represent the full and complete price to be paid by Shilat in relation to the Order and Shilat shall not be required to pay any further amounts without its prior written authorization.

4.1 Unless otherwise specified in the Order, Shilat will make payment sixty (60) days of receipt of Supplier's invoice, together with the packing list, signed Acceptance Test certificate(s), evidence of shipment or delivery in accordance with Shilat's instructions and such other documents as are specified in the Order, all in proper form.

5 **SUPERVISION**

5.1 Shilat's representative(s) shall be entitled to monitor, inspect and/or audit the performance of the Work as and when requested by Shilat and to audit/inspect amongst others the production process, quality of materials used, to test produced items and to be present at all tests.

6 **QUALITY CONTROL AND ACCEPTANCE TESTS**

6.1 Supplier warrants that the Goods and/or the components of the work to be supplied will be new and not used or reconditioned or repaired.

6.2 The Goods shall conform all requirements as specified in the Order and all applicable documents and shall pass all Acceptance Test(s), as specified in the Order (the "Acceptance Tests").

- 6.3 Except otherwise specified in the Order, Shilat shall have the right to appoint authorized representative(s) to attend all of the Acceptance Test/s.
- 6.4 If any defect exists at the time of completion of an Acceptance Test, Shilat shall not be obligated, and Supplier shall not be entitled to sign the applicable Certificate of Acceptance or accept the item until Supplier has corrected such defect to Shilat's satisfaction.
- 6.5 In its fulfillment of this Order, the Supplier is required to abide by all legal requirements with respect to Conflict Minerals, including, but not limited to the Conflict Minerals Rule of the US Security and Exchange Commission. Necessary information to ascertaining Supplier abiding by such requirement shall be available for presentation to Shilat and/or its final customer within 30 days from Shilat's request.

Forms for reporting Supplier's fulfillment of the relevant legislation is available on the following web site:

<http://www.conflictreesmelter.org/ConflictMineralsReportingTemplateDashboard.htm>

- 6.6 The Supplier shall apply all necessary effort and use all available means to prevent supply of counterfeit components/material, as defined in standards AS5553 and AS6174.

Shilat has a right to visit from time to time the Supplier at its facilities, main location and/or registered office, to review the actual implementation of the control plan/processes for prevention of the counterfeit components/material.

7 PACKING, MARKING AND DELIVERY OF THE GOODS

- 7.1 Supplier shall pack and preserve the Goods in the manner normally used for shipment of the same kind of goods by sea or air, whichever shall be applicable, so as to protect them from damage or deterioration during transit and/or storage, subject to any specific packing instructions set forth in this Order.
- 7.2 Delivery of the Goods shall be in accordance with the relevant Incoterms 2000 specified in the Order.
- 7.3 Upon the delivery of the Goods in accordance with said Incoterms, title to and risk of loss of or damage to the Goods shall pass from Supplier to Shilat, save in the event of loss or damage resulting from Supplier's fault or negligence which shall forever remain with the Supplier.

8 WARRANTY

- 8.1 For a period of twenty four (24) months commencing from the date of receipt and acceptance of the Goods (hereinafter "The Warranty Period") at Shilat's facility or as otherwise specified in the Order, the Supplier warrants that they will be free from defects in material, workmanship and design, shall meet the specifications as called for in this Order and will meet any performance criteria set forth in this Order. In the event that the Supplier was informed that the Goods are for an end customer other than Shilat the Warranty Period shall begin upon delivery to such end customer.

In case of defects in material and/or workmanship and/or design that could not be revealed by Shilat in a reasonable inspection after delivery ("**Latent Defects**"), the Warranty Period shall begin upon the day that such Latent Defect is discovered by Shilat.

- 8.2 Upon notice of any defect, Supplier shall within a maximum period of thirty (30) days, starting from the date of Suppliers receipt of Shilat's notice and ending upon Shilat's receipt and acceptance at Shilat's facility of the modified, replaced or repaired Goods, modify, replace or repair, at Shilat's facility or the Suppliers facility, all according to the discretion of Shilat, any part or all of the Goods, which fail to meet the warranties set forth above.
- 8.3 The Warranty Period will automatically be extended for a period equal to the period commencing with the notice of breach of warranty by Shilat to Supplier and ending with the receipt by Shilat at its facility of the repaired/ modified /replaced item.
- 8.4 Documentation supplied by Supplier shall be complete, accurate, up-to-date, free from errors and/or defects and/or omissions and shall enable Shilat to successfully integrate and/or operate and/or maintain the Goods or any unit thereof, as the case may be and as specified in the Order.

9 RIGHTS IN DATA AND KNOW HOW AND PROPRIETARY INFORMATION

- 9.1 Title to and all rights (including but not limited to intellectual property rights) in all information, know how and data that is delivered by Shilat to the Supplier shall be and remain vested in Shilat only (hereinafter "Shilat Data").
- Title to and all rights (including but not limited to intellectual property rights) in all information, know how and data designed and/or developed and/or acquired and/or generated in connection with the performance of this Order shall be owned by Shilat (hereinafter "Program Data").
- 9.2 Supplier shall be entitled to use the Shilat Data and Program Data (collectively the "Data") for the purpose of performing this Order only. The Data shall be clearly marked as Shilat's property. The Supplier shall maintain the Data in confidence and secrecy and shall not disclose and/or transfer and/or reveal said Data to any third party. Supplier may make available the Data only: (A) to those of Supplier's employees who have a "need to know" in connection with the performance of the Order provided that such employees shall comply with the requirement of this Section (B) in order to comply with any applicable law provided that prior to making any such disclosure, Supplier shall notify Shilat of any proceeding of which it is aware which may result in disclosure and use reasonable efforts to limit or prevent such disclosure (C) to the extent that the Data is or becomes publicly available through no fault of the Supplier.
- 9.3 For the purpose of this Order, Data shall include but is not limited to copyrights, patents, sketches, planning documents, methods of work, tool designs, software, instructions and procedures relating to development, production, assembly, quality control for acceptance tests, including those which relate to production tools, tests and maintenance, production, operational and maintenance files and all other written material and information related to the development, production, tests, maintenance of the Goods, all ideas, systems, information, whether or not protected by patents, copyrights or any other legislation and regardless of form (such as magnetic media).
- 9.4 Any information proprietary to Supplier and disclosed in any Goods furnished to Shilat or Services performed for Shilat shall be deemed to have been disclosed as part of the consideration hereof and Shilat shall have the right to use same for any purpose and for any reason as Shilat may deem fit as if such information were Shilat's Data.

10 THE RETURN OF SHILAT EQUIPMENT AND DATA

Upon the earlier of, Shilat's first demand or the completion of the performance of this Order or if the Order is cancelled, in whole or in part, for any reason whatsoever, the Supplier shall immediately return or provide (as the case may be) to Shilat, as and when determined by Shilat, Shilat Equipment and the Data, , in a good condition and fit for use, but in any event not in any worse condition as when received from Shilat's, all at Supplier's expense.

11 EXPORT LICENSE

11.1 When applicable, Shilat's obligations to the Supplier under a Order will be dependent upon the issuance and maintenance by Supplier of a valid export license. Supplier will inform Shilat in case an export license is needed.

12 TERMINATION FOR CONVENIENCE

Shilat may for any reason, at its discretion, terminate the Order in whole or in part. Supplier shall be entitled, subject to proper mitigation of costs satisfactory to Shilat, to the following payments:

- (i) the Order price for completed Goods that are delivered to, accepted and retained by Shilat;
- (ii) the Order price for Services completed and performed; and
- (iii) all reasonable direct costs incurred for Work in process, up to the time and to the extent of termination, but not including costs caused by termination. In return, title to the Goods shall vest in Shilat and Supplier shall deliver to Shilat all the Goods or any part or unit thereof, in the manner and to the extent requested by Shilat.

13 TERMINATION FOR DEFAULT

Shilat may by written notice to Supplier and without prejudice to Shilat's other rights and remedies under this Order or law, terminate the Order for Supplier's default in whole or in part if Supplier fails to make progress so as to endanger the schedule of the Order or Supplier breaches any term of the Order or if Supplier cease to conduct its operations in the normal course of business. In the event of termination, Supplier shall not be entitled to receive any further payment with regard to the Order and Supplier shall compensate Shilat for all costs, liabilities, losses, and damages of any nature whatsoever, incurred by Shilat (including, without limitation consequential damages). In addition, the Supplier shall return to Shilat all payments made in connection with the Order plus interest at the rate of LIBOR plus two percent (2%).

14 PATENT RIGHTS

14.1 The Supplier warrants and represents that it owns or is licensed or otherwise has the right to use all of the patents, trademarks, service marks, trade names, copyrights, contractual franchises, authorizations and other rights that are reasonable necessary for the operation of its business, without conflict with the rights of anyone else ("**Proprietary Rights**").

Supplier further undertakes that the Goods and/or Services or any part thereof do not infringe or allegedly infringe any Proprietary Rights of third parties.

14.2 If the Goods or any part thereof, infringes or allegedly infringes any Proprietary Rights, Supplier shall defend and indemnify Shilat and/or its customers and hold Shilat and/or its customers harmless, from any loss, expense, damage, claim, action or liability (including attorney's fees and legal expenses).

15 CHANGES

Shilat's authorized representative may, at any time, by a written order, make changes to the Order. If Supplier is of the opinion that a change requires a change in the terms of the Order, it shall submit a substantiated change proposal within thirty (30) days after receipt of the order for said change.

16 STOP WORK ORDER

Shilat may, at any time, by written order to Supplier, require Supplier to stop immediately all, or any part of the Work called for by this Order for a period of up to ninety (90) days.

17 SET OFF

Shilat shall have the right to set off, withhold and/or deduct all amounts owing to it, by virtue of this Order and/or any other agreement or order with the Supplier and/or any law, from the amounts that the Supplier is entitled to under this Order.

18 INDEMNITY

18.1 Supplier shall be solely liable for any loss for and/or damage to Shilat and anyone on its behalf, the Supplier and anyone on its behalf and/or any third party, including, but not limited to, bodily injury, illness, disease or death and/or property damage, occurred during the performance of this Order or in connection with the Goods delivered and/or the Services provided and/or the performance of this Order.

19 INSURANCE

19.1 The Supplier shall at its own cost and expense arrange for and maintain insurance policies to cover the liabilities imposed upon the Supplier under this agreement and under applicable law.

20 COMPLIANCE WITH LAWS

Supplier shall comply with all its country's applicable laws, regulations and orders and applicable Israeli laws, regulations and orders and shall reimburse Shilat for - any and all costs, damages and expenses (including attorney's fees) incurred by Shilat as a result of any failure by Supplier to comply with any such laws, regulations, or orders.

21 GOVERNING LAW & JURISDICTION

This Order shall be governed by and construed in accordance with the laws of the State of Israel, without reference to its conflict of law rules. The sole and exclusive jurisdiction for any judicial issue hereunder shall be in the courts of the District of Haifa, Israel to the explicit exclusion of any other court.

22 Delay in Delivery

In addition to any other rights and remedies which Shilat may have under the law and under this Order, Shilat shall have the right to deduct from the Order price or collect from the Supplier as damages, a sum equal to 1% of the price of the Order for each day of delay, maximum 10%.

23 MISCELLANEOUS PROVISIONS

- 23.1 Supplier shall not assign, delegate or subcontract any of its rights or obligations under this Order or any interest therein, in whole or in part, to a third party without the prior written approval of Shilat.
- 23.2 All notices in connection with this Order shall be in writing and shall be delivered by hand, telefax or registered mail according to the respective contact information and addresses of the parties set forth in the Order.
- 23.3 Supplier represents and warrants that it is and will continue to be in compliance with all anticorruption legislation.
- 23.4 Shilat's aggregate liability in connection with the Order shall not exceed the amount paid by Supplier under the Order.