

PURCHASE ORDER TERMS AND CONDITIONS

1. DEFINITIONS

"The Buyer" BET SHEMESH ENGINES LTD.

"The Seller" the person, firm or company to whom the order is addressed.

"The Order" the Purchase Order to which these Terms and Conditions are attached including any other attachments.

2. GENERAL

a) This Purchase order is placed subject only to the Terms and Conditions in this Order and the reference to any proposal from Seller (if any) is only for the purpose of specifying basic information concerning price, the description of the goods, quantities, terms of payment and conditions herein.

b) Any of Seller's Terms and Conditions which are in addition to or are construed as proposals for addition to this Order will not be binding unless agreed to in writing by the Buyer. Commencement of performance or Seller's signed acknowledgment will constitute Seller's acceptance of these Purchase Order Terms and Conditions.

3. SPECIFICATION OF GOODS

Goods are to be supplied complete in all respects in accordance with the Order. The Buyer may refuse to accept any goods delivered which are not in accordance with original specification or modified specifications as agreed between the Buyer and the Seller in writing. In such a case the Buyer shall have the right to return the goods and/or withhold payment for same.

Notwithstanding the above, Buyer may request Seller to replace, if necessary by airfreight, such goods to the proper and agreed specification. All charges, including transportation expenses, for such replacement, are to be borne by the Seller. In such event, the Seller may request the Buyer to return the goods incorrectly supplied, but in all cases the Seller shall bear all expenses involved including any repacking and/or transportation charge. Should the Seller elect not to have such goods returned, he shall forego any claim on the materials concerned and the Buyer may dispose of them in any manner incorrectly supplied with the goods of the proper and agreed specification, or to make alternative arrangements mutually agreed upon between the Buyer and the Seller within a reasonable time, the Buyer, at his option, may require the Seller to indemnify the Buyer for all losses or damages resulting therefrom and the Seller shall be obliged to do so. The foregoing is in addition to any other rights Buyer may have in contract or at law.

4. FACILITIES AND SPECIAL EQUIPMENT

The Seller confirms that it now has or can readily procure without assistance of the Buyer, all facilities, tools and special equipment necessary for the timely performance of this order. Special dies, tools, patterns and the like used in manufacture of the good herein ordered shall be furnished by and at the expense of the Seller.

5. MATERIALS AND INSURANCE

Any material furnished by the Buyer on other than a charge basis in connection with this Purchase Order will be deemed loaned to the Seller for purposes of the Order only, and title thereto shall at all times remain with the Buyer. Seller agrees to fully compensate Buyer for such materials which are not returned to Buyer either as originally loaned or as an integrated part of goods ordered.

In order to ensure the fulfillment of all the obligations of the Seller to the Buyer, and without derogating from them, the Seller shall maintain all necessary insurances in connection with its liability as stated in section 3 above. At the minimum, such insurance shall include:

(A) Third party Liability insurance with limits of liability of not less than 1 million NIS, per occurrence and in the aggregate for the period of insurance.

(B) Employers' liability insurance with limits of liability of not less than 6

only accept those items that successfully pass all tests together with goods. Buyer will attach all documentation relation to the tests.

b) Rejected goods or lots which are returned shall be returned at Seller's risk and expense for sorting, correction, repair, replacement free of charge or refund. Exercise of these remedies shall not be exclusive of any other remedies provided in law or equity which are available to Buyer.

c) All articles ordered will be subject to final inspection and approval by Buyer after delivery to Buyer's warehouse. Notwithstanding prior payment it is expressly agreed that payment shall not constitute final acceptance. Buyer may reject and return at its discretion goods which do not conform to the order applicable drawings, specification or samples. Parts so rejected will be returned to Seller at Seller's risk and expense for replacement or reimbursement as the Buyer may elect.

9. CHANGES

Buyer may at any time by written Change Order make changes in the articles or services furnished hereunder or their quantities or delivery time is increased or decreased as a result of such Change Order, an equitable adjustment in the order price and or delivery schedule will be made in the Change Order. If a price and/or delivery adjustment is not included in the Change Order, no increase in price or delay in delivery will be allowed unless Seller notifies Buyer in writing, within 30 days from the date of the Change Order. This Purchase Order shall not be deemed or construed to be modified amended, canceled or waived, in whole or in part, except by written Change Order hereto signed by the Buyer's authorized representative.

10. DELIVERY

a) If Seller's deliveries fail to meet the schedules herein specified, with the result that Buyer requires and Seller makes express and/or air shipments, partial shipments, or both, then seller, agrees to assume all resulting excess shipping charges. Without prejudice to Buyer's rights and remedies, in the event of late delivery and following a grace period of seven (7) calendar days, a late delivery charge of 1% (one percent) per week (or partial week thereof) will be applied, up to a maximum of 10% (ten percent) of the total delivery value. Invoices covering material shipped in advance of requested delivery schedules will not be paid until their normal maturity after the date specified for delivery.

b) Notwithstanding the above, neither party shall be liable for delays or defaults due to causes beyond its control which were unforeseeable and unavoidable, on condition that Seller immediately notifies Buyer or any such case upon its occurrence.

c) Without derogating from Buyer's rights under this order, or in accordance with the law, the Buyer may at its sole discretion, cancel this order where there is a delay in delivery for any reason. In such a case, Seller shall have no right to claims against the Buyer for cancellation or any other charges.

11. WARRANTIES

a) Acceptance of the Order by the Seller is a guarantee of all goods supplied, for a period of twelve months from date of receipt by Buyer

Order includes experimental, developmental, or research effort and such work is paid for in whole or in part as such by Buyer. Seller agrees to disclose to Buyer all Confidential Processes or know-how or trade secrets resulting therefrom, and/or request to assign to Buyer such invention and property rights resulting therefrom without additional charge.

13. TERMINATION

a) Buyer reserves the right to terminate the Order or any part hereof and cancel all or any part of the undelivered portion of this order if Seller does not make deliveries as provided in this Contract or if Seller breaches any of the terms hereof including the warranties or if Seller fails to meet turn-around-time or any other terms and conditions of the Contract. Buyer may also cancel the order 30 days after Seller's filing for bankruptcy. In such a case, the Buyer will have no obligation to the Seller for the cancellation of the order, or for the parts that have already been supplied.

b) Buyer may at its convenience, terminate work under this Order, in whole or in part, at any time by giving notice to Seller in writing. Seller will thereupon immediately stop Work on the Order on the terminated portion thereof and notify any subcontractors to do likewise. Seller shall be entitled to reimbursement for its actual for its actual cost incurred up to and including the date termination, such costs to be determined in accordance with recognized Accounting Principles. Seller shall also be entitled to a reasonable profit On the work done prior to such termination at a rate not exceeding the rate used in establishing the original purchase price. The total of such a claim shall not exceed the pro rata portion of this Order which is canceled.

c) Termination claims shall be subject to inspection and audit by the Buyer in the event of cancellation under this clause.

14. PRICES

If not otherwise specified, prices indicated in the Order are firm, fixed and final, and not subject to any change unless agreed to by the Buyer in writing.

15. PAYMENT TERMS

As agreed between Buyer and Seller as specified in writing in the Order. All bank's charges outside Israel will be on Seller's account.

16. INDEMNITY

Seller shall indemnify and hold harmless the Buyer, its officers, employees, agents and invitees from and against all claims, judgments, liabilities, losses, injuries, and damages of every and or any nature including costs and expenses Incident thereof caused by the acts or omissions to act by the Seller, its officers, employees, agents, invitees or vendors, directly or indirectly arising out of the performance of this Order or any act or failure to act by subcontractors or suppliers of the Seller. Seller shall perform its obligation under this Order in accordance with all applicable laws and regulations.

17. SECRECY AND LOYALTY OBLIGATIONS

a) Seller agrees that all information contained in drawings, specifications etc. which are submitted by Buyer to Seller under or pursuant to this Order, is proprietary to Buyer, and Is submitted with the understanding and agreement by Seller that such information shall not be utilized in whole or in part by Seller, except for fulfillment of this Order without written permission by Buyer. Receipt by Seller hereunder of Buyer proprietary information shall not be deemed as a grant of any right or license to Seller with respect to such information.

b) Seller undertakes not to receive from or give to any persons, other than the Buyer,

million NIS, per employee, per occurrence and in the aggregate for the period of insurance.

- (C) Product liability insurance / aviation product liability (insofar as the Seller provides physical products within the framework of the order) with limits of liability of not less than 10 million NIS, per occurrence and in the aggregate for the period of insurance. The Seller will continue to maintain this insurance, as long as it legally liable in connection with the products supplied as part of this order.
- (D) Contractors All Risks Insurance (insofar as the Seller performs work as part of the order and / or insofar as the services involve the arrival of contractors to perform physical work on the Buyer's premises), in its name, on the name of the Buyer, contractors and subcontractors. The policy shall include the following sections of coverage: (1) Property Damage on "All risks" basic, with extensions for property being worked upon and adjacent property, removal of debris and direct damage due to fault planning, materials and workmanship, with limits of liability of not less than 10% of the value of the works and a minimum of NIS 500,000, (2) Third party liability insurance with limit of liability of not less than 4 million NIS, per occurrence and in the aggregate for the period of insurance. In this section client's property will be considered as third party property, except for property insured under in section 1 above, and (3) Employers' liability.
- (E) Seller's insurances shall include the conditions set forth below:
- (E)1. The insurance shall include a waiver of the right of subrogation clause towards the Buyer, his employees, managers and anyone acting on its behalf, provided that the waiver does not apply in favor of a person who caused the damage maliciously.
- (E)2. The insurances shall be extend to indemnify the Buyer for liability which may be imposed on Buyer due to an error or omission of the Seller, subject to a cross liability clause Seller, except for the Contractors All Risks Insurance, which shall be extend to include the Buyer as an additional insured.
- (E) 3. The insurances shall be primary to any insurance maintained by the client and the Seller's insurers shall waive any allegation or demand regarding contribution by the insurance covers of the Buyer.
- (E) 4. The insurances shall not be cancelled or detrimentally amended during the insurance period, unless a written notice is given by registered mail to the Buyer, 30 days in advance.
- (E) 5. The Seller alone will be responsible for the payment of the insurance premiums and the deductible in respect of the Seller's insurance.
- (F) The Seller exempts the Buyer and anyone acting on its behalf, from any liability for damage to property of any kind and type used by the Seller in the framework of the services / works, whether or not the property is insured, provided that such exemption shall not apply to any person who caused the damage maliciously.

6. PACKING MARKING AND SHIPPING

Unless the Seller advises the Buyer in writing to the contrary, the prices quoted by the Seller shall include the packing of the goods in containers suitable for export via air freight, as well as labeling and marking to Buyer's so as requirements and delivery in accordance with the Order. Seller further agrees to execute the packing so as to accomplish, without involving delay, minimum transport charges. Should the order, or any part thereof, be sent by surface, the foregoing provisions shall apply except that the packing will be suitable for surface shipment. Goods should be shipped in one lot unless specific authorization for partial shipment has been issued by the Buyer. Goods should be dispatched to the authorized shipper as per buyer instruction

7. INVOICES AND SHIPPING DOCUMENTS

at its warehouse in BSEL, against any defect which may arise due to faulty design, workmanship, material or performance. Any defective item will be promptly replaced by Seller without cost to Buyer and the guarantee terms renewed for items replaced. The defective items will be held at the disposal of Seller for return at its expense.

12. PATENTS

Seller agrees to save Buyer, its customers and agents, harmless against loss, damage or liability incurred on account of any infringement of any infringement of any patent with respect to any products furnished under this Purchase Order provided that such product is not manufactured pursuant to Buyer's design. Seller also agrees that it will at its own expense, defend any action, suit or claim in which

any benefit or promise of benefit of any nature whatsoever either directly or indirectly.

c) Any information which is proprietary to Seller and which is disclosed in the products or documents furnished to Buyer hereunder shall be deemed to have been disclosed as part of the consideration for this Order and Buyer shall have full right to its use as Buyer deems fit.

18. ASSIGNMENT

Any advertising of this Purchase Order including the articles supplied hereunder and pictures, descriptions or samples thereof by Seller is prohibited except with Buyer's written approval. Seller shall not be entitled to assign its rights and obligations under this Order without Buyer's prior written consent.

19. TAXES AND PERMITS

Packing lists and invoices should show Manufacturer's Parts Numbers and a short description of the components shipped. A carton must have its individual Packing List showing the contents of the carton. One each of the packing List must be attached to the outside of the carton, a resealable plastic envelope and an additional copy should be placed inside the same carton. Five copies of invoice and two copies of the Packing List must be attached to Airway Bill or Bill of Lading to accompany shipment. Two copies of invoice and one of Packing List should be sent via air mail to Bet Shemesh. Failure to comply with the above will delay identifying shipments at customs thus delaying payment.

8. INSPECTION AND TESTING

a) The Buyer is obliged to have a Quality Control and Acceptance Test on products during production and after its completion. The Buyer will

infringement is alleged, provided Seller is duly notified as to such a case. The product or any other part thereof is held to constitute an infringement of use of the product or any part thereof is an infringement. Seller shall, at its own expense, either procure for Buyer the right to continue using the product or any part thereof, or replace same with non-infringing product or part thereof, or modify the product so that it becomes non-infringing, or in the event of the impossibility of the foregoing options, grant Buyer a cash rebate for the Purchase Price of such product. Seller not be liable to Buyer if any patent infringement or claim thereof is based upon the use of the product in combination with other items where such infringement or claim thereof would not have occurred from the normal use for which the product was designed. Where performance under this Purchase

a) Buyer shall not be liable for any governmental, municipal or other taxes, levies and/or compulsory payments.

b) Seller shall be responsible to procure an export permit, if required, and Buyer shall be responsible to procure an import permit if required. Seller shall be responsible for obtaining all other approvals, permits and licenses required to meet its obligation under this Order.

20. DISPUTES

All disputes between parties hereto which cannot be settled, the agreement between the parties shall be finally settled by litigation in the courts of Israel exclusively.

21. GOVERNING LAW

The law governing this Order shall be the law of Israel.

22. NOTICES

All notices should be sent by registered mail to the address specified in the Order.