



HUNGEMA

YOUR MANUFACTURING PARTNER

HUNGEMA REALIZATION KFT.

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MANUFACTURING TERMS AND CONDITIONS

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ARTICLE 1.0 UNDERTAKING OF MANUFACTURE

HUNGEMA shall manufacture the Products for Client according to the design and specifications provided by Client.

ARTICLE 2.0 DEFINITIONS

2.1 "Product" or "Products" shall mean each of the Products described on the order forecast or the confirmed Purchase Orders from the client, as such products may be changed, developed, improved or modified in accordance with the terms of this Agreement from time to time by or on the behalf of either Client or HUNGEMA, provided that the Client agrees to pay a mutually agreeable price adjustment (increase or decrease) reflecting the cost of the changes, developments, improvements or modifications versus the original cost and accepts any reasonable related delivery schedule changes.

2.2 "Technical Information" shall mean all technical know-how, information, data, drawings, trade secrets, manufacturing and test data, and specifications involving or relating to the manufacture, production, maintenance and operation of the Products as have heretofore been or may hereafter be disclosed by Client to HUNGEMA.

2.3 "Delivery" shall mean Delivery of Products to Client, F.O.B. HUNGEMA factory, or to any other place with the prior written consent from Client, which consent shall not be unreasonably withheld by Client, taking into account any increased shipping costs.

2.4 "Engineering Change" shall mean any change(s) to the electrical or mechanical design of the Product(s) and/or manufacturing process therefor proposed by Client and/or HUNGEMA and which would affect the cost, performance, reliability, safety, serviceability, appearance, dimensions, tolerances, or composition of materials thereof. All such changes shall include testing for reliability and safety.

ARTICLE 3.0 GENERAL

3.1 Client shall provide HUNGEMA with all Technical Information, which is reasonably necessary to enable HUNGEMA to manufacture the Products, covered by this Agreement.

3.2 HUNGEMA acknowledges that it does not obtain any right, title or interest in or to the Technical Information or to any change, development, improvement, or modification involving or relating to the Technical Information of Client made or conceived exclusively by Client, other than is necessary for HUNGEMA to perform its obligations hereunder.

3.3 Any changes to the Product(s) requiring rework of the design or manufacturing process will be negotiated between the parties.

3.4 HUNGEMA will package individual units of the Products according to the Packaging Specification as defined by the appropriate Bill of Materials or an acceptable substitute as may be agreed between Client and HUNGEMA.

3.5 Client may make available to HUNGEMA certain materials for use in manufacturing the Product, which HUNGEMA shall take for such purpose and pay therefore, with price and payment terms to be negotiated between the parties.

ARTICLE 4.0 ORDERS, PRICE, AND PAYMENTS

4.1 The manufacturing and selling of products under this agreement shall be carried out through purchase orders placed by the Client and accepted by HUNGEMA. The Client shall provide HUNGEMA with a separate Purchase Order for any Tooling Charges necessary for the manufacture of the product(s). These Tooling Charges will be clearly outlined and detailed to the Client by HUNGEMA. Payment of the Tooling Charges shall be made in two installments: 50% in advance, and the balance to be paid upon completion and approval of tooling.

4.2 The Client shall provide HUNGEMA with order forecasts six (6) months prior to the desired delivery date and shall issue a confirmed purchase order to HUNGEMA at least four (4) months prior to the designated shipment date. When a six-month forecast of orders is released, the Client shall advise HUNGEMA of the shipment method (whether by sea or air) for the shipment to be effected within the month of the projected release.

4.3 According to the Client's rolling forecast and purchase order, HUNGEMA shall procure materials to meet the delivery within the first four (4) months of the forecast. Furthermore, HUNGEMA shall provide the Client with a list of long-lead time materials within a week after

receiving the rolling forecast from the Client. HUNGEMA shall seek approval from the Client to procure the long-lead time materials to meet the shipment forecast during the fifth to sixth month or later, and shall proceed with procurement upon receiving approval from the Client. Any materials that are procured according to the forecast and approval of long-lead time items, but subsequently not used due to cancellations or rescheduling by the Client, will be the responsibility of the Client. However, HUNGEMA will make its best effort to use any excess parts in other products ordered by the Client. HUNGEMA will make reasonable efforts to maintain its inventory to meet the forecast and in a manner to minimize the Client's exposure to potentially unused materials.

4.4 For the first purchase order under this agreement, the F.O.B. price (Hungary) for the products covered shall be as set forth in Exhibit A. Unless otherwise stated, all prices are exclusive of: (1) state and local sales, use, and similar taxes; and (2) freight and insurance charges.

4.5 The Client's payment for products purchased under this agreement shall be settled by an Irrevocable Letter of Credit at sight opened by the Client with the bank of their choice, together with a Purchase Order, in which the letter of credit shall be payable in the currency of the United States of America and shall name HUNGEMA as Beneficiary, and which shall be redeemable by HUNGEMA. The Irrevocable Letter of Credit allows HUNGEMA to draw with Beneficiary's signed statement worded as follows: "The amount drawn represents and covers the material and/or merchandise purchased on behalf of the Client relating to the Purchase Order with the purchase order number of the Client, and partial drawings are permitted."

ARTICLE 5.0 CHANGES TO ORDERS

5.1 Changes to orders are not allowed within 8 weeks from the scheduled ex-factory date. Between 8 to 12 weeks from the scheduled ex-factory date, changes up to 25% are allowed. Any changes beyond 12 weeks from the scheduled ex-factory date are allowed. If changes result in excess material, the client will pay a 1% carrying cost per month. If the excess material is not consumed within six months, HUNGEMA will charge and bill the client for the cost of the material, which must be paid within 30 days.

5.2 Engineering Changes (ECO's and ECN's) for processes or components may be made by the client or HUNGEMA. Such changes must be documented in writing using forms and procedures to be agreed upon between HUNGEMA and the client. In the case of a change precipitated by HUNGEMA, approval must be granted by the client before the change is

implemented. If an engineering change creates unused material or order cancellations, all excess material shall be the responsibility of the client.

ARTICLE 6.0 SHIPMENT

6.1 The HUNGEMA factory is in Hungary, and the hub of export is in Győr.

6.2 The client may choose to have the product(s) shipped by airfreight, in which case HUNGEMA shall cooperate.

6.3 The title to and risk of the products shall transfer to the client when the products reach the client's facility, based on the F.O.B. terms and pricing.

ARTICLE 7.0 TESTS, QUALITY CONTROL AND INSPECTION

7.1 HUNGEMA will manufacture the product according to IPC-A-610D and/or Test Specifications as provided by the client and accepted by HUNGEMA.

7.2 The client will inspect each shipment from HUNGEMA according to MIL-STD-105E, Single Sampling Plan, Level II with an Acceptable Quality Level (AQL) of 1.0% for major defects and 2.5% for minor defects. The client shall inspect each shipment and confirm non-acceptance of the shipment within 15 days after receiving the shipment. In case a shipment fails to meet the quality criteria, the client shall notify HUNGEMA in writing of the nature of the defect, and HUNGEMA will use its reasonable efforts to correct the problem and will confer with the client to reach an agreement upon a recovery plan.

ARTICLE 8.0 WARRANTY

8.1 HUNGEMA warrants to the client that all products manufactured for the client under this Agreement will strictly comply with the specifications and designs supplied to HUNGEMA by the client and will be free from all defects in workmanship and materials for a period of one year from the date of delivery. However, this warranty will not cover defects caused by any additional manufacturing processes at the client or any third party, or by any actions of the product's end-users. HUNGEMA shall, at its option, either repair or provide replacement parts for the defective product qualified for this warranty.

8.2 There are no other warranties than those stated in this Agreement. HUNGEMA disclaims all other warranties to the client or third parties by virtue of this Agreement or otherwise, either expressed or implied, including but not limited to implied warranties of merchantability, of fitness for a particular purpose, and arising from usage of trade or course of dealing or performance, with respect to the products and accompanying written materials. This limited warranty gives the client specific legal rights, and the client may have others that vary from state to state or country to country.

8.4 In no event will HUNGEMA's aggregate liability to Client or third parties whether for negligence, breach of contract, misrepresentation or otherwise exceed the cost of the defective, damages or undelivered Products as determined by the net price invoiced to Client in respect of any single occurrence or series of occurrences. Client understands that HUNGEMA's charges depend in part on this exclusion of representations, terms and liabilities.

ARTICLE 9.0 CONFIDENTIALITY

9.1 HUNGEMA agrees that all confidential information, including, without limitation, the Technical Information, furnished to it by or belonging to Client, will be received and held in confidence by HUNGEMA and will be used by HUNGEMA for the sole purpose of manufacturing the Products as set forth herein. HUNGEMA shall take at least as stringent measures to safeguard such confidential information or Technical Information as it uses for its own confidential information. All such confidential information or Technical Information shall be the sole and exclusive property of Client. HUNGEMA has or will require all of its employees, consultants, agents, or others who have access to any of such confidential information or Technical Information owned by Client to execute agreements with it similar in content to this Article 9.1 and will exercise due diligence to obtain compliance therewith.

9.2 HUNGEMA agrees that it will not publish or otherwise use for its own benefit confidential information or Technical Information received from Client without the prior written consent of Client. The provisions of this Article 9 shall survive any expiration or termination of this Agreement, but shall not apply to confidential information of Client which (i) was known to HUNGEMA, as evidenced by its written records, prior to the receipt of such confidential information. (ii) was publicly available at the time of disclosure or subsequently becomes publicly available through no fault of HUNGEMA or (iii) is subsequently disclosed to HUNGEMA by a third party who is under no obligation of confidentiality to Client. (iv) is developed by HUNGEMA independent of the received material from the Client.

ARTICLE 10.0 INDEMNIFICATION AND LIMITATION OF LIABILITY

10.1 HUNGEMA shall indemnify and hold the Client harmless from and against all losses, costs, claims and damages relating to or arising out of any allegation that HUNGEMA's manufacturing processes furnished under this Agreement infringe or violate any patent, copyright, trade secret or any other proprietary right provided that this indemnity shall not apply to any infringement which is due wholly to HUNGEMA's compliance with the design or instruction furnished or given by the Client.

10.2 Client shall indemnify and hold HUNGEMA the harmless from and against all losses, costs, claims and damages resulting from HUNGEMA's compliance with the design or instruction furnished or given by the Client.

ARTICLE 11.0 TERM OF AGREEMENT

11.1 This Agreement, which shall become effective upon the Effective Date, shall continue for a period of eighteen (18) months after the date of first Delivery to Client at the port of export, unless this Agreement is otherwise terminated pursuant to Article 12 hereof, and shall be renewed every twelve (12) months thereafter unless either party gives the other written notice of termination at least one hundred twenty (120) days prior to the expiration of the original term or any extension thereof.

ARTICLE 12.0 TERMINATION OF AGREEMENT

12.1 Client and HUNGEMA shall be entitled to terminate this Agreement and cancel all outstanding purchase orders immediately upon written notice to the other party on the occurrence of any of the following events:

12.1.1 Client or HUNGEMA breaches any provision of this Agreement or fails to perform any of its obligations hereunder, which breach or failure shall not have been remedied by the breaching party within thirty (30) days after written notice thereof;

12.1.2 Under the law of any applicable jurisdiction, Client or HUNGEMA becomes insolvent, suspends business or goes into liquidation, bankruptcy or receivership or becomes a party to any procedure for the settlement of its debts or to a dissolution proceeding, or the equivalent or any of the foregoing in Hungary;

12.1.3 Upon one hundred twenty (120) days written notice to the other party following the merger or consolidation of Client or HUNGEMA with, or the sale or assignment by Client or HUNGEMA (or the sale or assignment by its stockholders) or a majority of its voting stock to, or the sale, assignment, lease or other disposition of/or voluntary parting with the control (whether in one transaction or series of transactions) of a material portion of the assets of Client or HUNGEMA to any person or entity except for sales or other dispositions of assets in the ordinary course of business.

12.2 Client may cancel purchase releases under this Agreement for any reason by notifying HUNGEMA in writing. Cancellation shall become effective after twenty-four (24) hours following the sending by a telex or cable to HUNGEMA promptly followed by HUNGEMA's receipt from Client of a written cancellation notice in the form of a registered air mail letter from Client, or thereafter upon the date specified in such telex, cable, facsimile, or letter. HUNGEMA shall cease operation on all existing purchase order(s) in accordance with the cancellation notice. Client shall have no liability for cancelled purchase orders other than as set forth in this subsection. In the event of a cancellation under this subsection, Client will pay HUNGEMA for the materials and labor costs incurred prior to the effective date of the cancellation for Products which are in process or completed under the outstanding Client purchase orders, and HUNGEMA will deliver to Client all completed products, assemblies in process, manuals, spare parts, and all components processed on account of outstanding purchase orders.

12.3 Upon termination of this Agreement, HUNGEMA shall promptly return to Client all confidential information and related data that is then in the possession of HUNGEMA, custody or control, including, but not limited to, all documentation concerning the Product provided by HUNGEMA at any time during the term of this Agreement, and HUNGEMA shall warrant to Client in writing, within ten (10) days of returning all confidential information, that it no longer possesses any of the Proprietary Information in any form.

ARTICLE 13.0 FORCE MAJEURE

13.1 Any failure of HUNGEMA or the counterparty to comply with the terms of this Agreement if such failure is caused by circumstances not directly under the control of the party concerned, including but not limited to, failures resulting from force majeure, acts of God, natural disasters, fire, storm, flood, earthquake, explosion, accident, acts of the public enemy, war, rebellion, insurrection, sabotage, epidemic, quarantine restrictions, riots, labor disputes, transportation embargoes, boycotts, failures or delays in transportation or the mails, inability to secure necessary materials (including but not limited to fuel), acts of any government, whether national, state, local or otherwise, or any agency thereof, or judicial action, shall be excused for performance continues, provided that the nonperforming party makes a reasonable effort to anticipate the effect of the intervening condition, and promptly performs when said condition ceases to exist.

ARTICLE 14.0 NOTICES

14.1 Any notice required or permitted to be given hereunder shall be in writing and shall be deemed to be properly given when sent by registered air mail, return receipt requested, or fax addressed as follows:

Matthaeus Unger

Founder

HUNGEMA Realization Kft. (Contract Manufacturing Services)

9163 FEHERTO, HUNGARY

Tel: +436766115363

Email: unger@hungema.com

or to such other address as either party may give the other party notice of pursuant to this Article 15.0. Any notice given by mail shall be deemed to have been given on the tenth day after the mailing thereof; provided, however, that if the contents of any such notice are sent by fax, such notice shall be deemed to have been received on the business day following the date of such fax.

ARTICLE 15.0 GOVERNING LAW

15.1 It is expressly agreed that the validity, performance and construction of this Agreement shall be governed by, and construed in accordance with, the laws of Hungary.

ARTICLE 16.0 WAIVERS; AMENDMENTS

16.1 No waiver of any right hereunder by either party shall operate as a waiver of any other rights, or of the same right with respect to any subsequent occasion for its exercise, or of any right to damages. No waiver by either party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a continuation of the same breach. All remedies provided by this Agreement are in addition to all other remedies provided by law. This agreement may not be amended except by writing signed by each of the parties hereto.

ARTICLE 17.0 ASSIGNMENT

17.1 HUNGEMA shall be entitled to subcontract or assign some or all of its rights and obligations hereunder, provided, however, that any such transfer should not relieve HUNGEMA of its responsibilities hereunder incurred prior to the assignment.

17.2 Any assignment by client of any of its rights or obligations hereunder without HUNGEMA's prior written consent shall be void.

ARTICLE 18.0 SEVERABILITY

18.1 Every provision hereof is intended to be severable. The unenforceability, invalidity, or illegality of any provision for any reason whatsoever, shall not render the other provisions unenforceable, invalid or illegal. If any provision of this Agreement is or becomes or is deemed invalid, illegal or unenforceable under the applicable laws or regulations of any jurisdiction, either such provision will be deemed amended to conform to applicable laws or regulations or, if it cannot be so amended without materially altering the intention of the parties, it shall be stricken and the remainder of this Agreement shall remain full force and effect.

ARTICLE 19.0 ENTIRETY

19.1 The foregoing Agreement by reference and purchase orders issued hereunder, constitutes the entire agreement of the parties and supersedes and cancels all prior communications, negotiations and agreements, oral and written, with respect to the subject matter hereof.