

CONTRACT

NUMBER OF CONTRACT: 736/14.05.2012

THE BUYER:

JOTOV AND SON Ltd., with its legal address at REPUBLICA str., bl. 272, entr. G, ap. 94, j.k. "NADEJDA-2", SOFIA, REPUBLIC OF BULGARIA, and address for correspondence at 27 B SREDNA GORA STR. VUZRAJDANE, B 5-3 ZONE, 1303 SOFIA, Republic of Bulgaria, represented by Eng. IVAYLO YOTOV, M. Sc. Econ, President

Bank connection: UniCredit Bank Slovakia

IBAN: BG79UNCR 7630 1475 7238 38

BIC: UNCRBGSF

Registered No 121287266

VAR No BG 121287266

Account Number: BG79UNCR 7630 1475 7238 38

THE SELLER:

Vojenský opravárenský podnik Trenčín, a.s. with registered office at Kasárenská 8, 911 05 Trenčín, Slovak Republic branch having a place of business at Sládkovičova 29, 974 03 Banská Bystrica, Slovak Republic, represented by Ing. PAVOL BLAŽEJ, Chairman of the Board of Directors and Director General. The company is incorporated in District Judgment in Trenčín, data division: Sa, rider num.: 10407 R Slovak Republic

Bank connection: Tatrabanka, a.s. pobočka Trenčín

IBAN: SK94 1100 0000 0029 4170 4148

BIC: TATRSKBX

Registered n. 36350583

VAT No. SK2022107890

Account Number: 2941704148/1100

ARTICLE 1

SUBJECT OF THE CONTRACT

The Seller agrees to sell to the Buyer and the Buyer agrees to buy from the Seller deliverables and services as listed and described in Annex 1, Annex 2 and Annex 3 herein, hereinafter referred to as "Product".

ARTICLE 2

CONTRACT PRICE

2.1. The Buyer will pay to the Seller a total, all inclusive Contract price for the Product of EUR 57 031,00 (IN WORDS - EURO Fifty Seven Thousand and Thirty One only) according to the terms stated in Annex 1, Annex 2 and article 3 of this Contract.

2.2. Price is firm and fixed for deliveries in 2012 and is computed without VAT (Value added tax) and free of any other tax, duty, levy or any other charge existing or to be created in Bulgaria. In case such taxes/levies arise, they will be borne by the Buyer.

2.3. Price includes standard commercial packaging suitable for transportation by truck and airplane. The Seller shall provide such packing of the Product to prevent its damage or

deterioration of the quality and the functionality during transportation to their final destination in accordance with International Standards.

ARTICLE 3

TERMS OF PAYMENT

3.1. After the Contract signing the Seller will issue a pro-forma invoice for the total amount of the Contract price - EUR 57 031,00 (IN WORDS - EURO Fifty Seven Thousand and Thirty One only). The price includes 2640,00 Eur for Training Commissioning and SAT and 1465,00 Eur for the Seller's expert compulsory expenses. For breakdown of the expenses see Annex 2.

3.2. The Contract price shall be paid through irrevocable and divisible Letter of credit (L/C) by the Buyer in favour of the Seller in an amount of EUR 57 031,00 (IN WORDS - EURO Fifty Seven Thousand and Thirty One only). which represents 100% one hundred percent) of the Contract price. The Letter of Credit will be issued in accordance with the rules of ICC UCP 600 within 7 (seven) banking days after the Contract signing, for validity for at least 2 (two) months from the date of issuance of Letter of Credit.

3.3. All the expenditures for the L/C in the country of the Seller shall be borne by the Seller. The expenditures for the L/C in the country of the Buyer, shall be borne by the Buyer.

3.4. The Contracted price shall be paid from the divisible L/C as follows:

3.4.1. 75% (seventy five percent) that represents EUR 42 773,00 payable against presentation to the bank of the following documents:

- (a) Signed commercial invoice for 100% (one hundred percent) of the price of the Product in 1 (One) original;

- (b) Packing list for the Product in 1 (One) original, signed by the Seller and stating that the Product are packed in accordance with this the Contract;

- (c) Certificate of Quality in 1 (One) original;

- (d) Certificate of origin in 1 (One) original and;

- (e) Acceptance protocol signed in Banska Bystrica by the Seller's and the Buyer's representatives after FAT in 1 (One) original

- (f) Certificate of delivery signed in the factory by the Seller's and the Buyer's representatives in 1 (One) original

3.4.2. 20% (Twenty percent) that represents EUR 11 406,00 payable 20 (twenty) working days after the day of presentation to the bank of the original acceptance protocol signed by the representatives of the Buyer and the transportation company for the delivery of the NDB NAVYRA-M and NAVYRA ANTENNA SYSTEM, Type 10Q N 404 002 to Sofia, Bulgaria.

3.4.3. 5% (Five percent) that represents EUR 2 852,00 payable upon submission of an original protocol for the successful site installation of the product (SAT), signed by representatives of Seller and Buyer. The protocol will be signed in 6 (six) originals (three for each Party).

3.4.4. Buyer will cover travel expenses from Slovakia to the customer site and back, inland transportation and accommodation in three star hotel near the site of the product installation.

ARTICLE 4

DELIVERY TERMS

4.1. Seller shall deliver the contract product on terms FCA Banska Bystrica, Slovakia, according to INCOTERMS 2000.

4.2. Buyer's Specialist will accept the equipment at the factory after Factory acceptance test (FAT) and will receive from the Seller a Certificate of origin and a Certificate of product quality, all in English, each in 2 (two) originals.

4.3. The Buyer's and the Seller's representatives will sign Certificate of delivery (in 6 /six/ originals three for each party) in Banska Bystrica. After signature of Certificate of delivery by the Seller's and the Buyer's representatives, a Protocol for transfer of the title from the Seller to the Buyer will be issued and signed in 6 (six) originals three for each party.

4.4. The final Site acceptance test (SAT) will be performed by the Buyer and the Seller on the Site or place specified by Buyer after the Buyer will expertly ensure undamaged and complete construction of a mobile antenna NAVYRA, and delivery of complete and undamaged NAVYRA NDB, and an appropriate container or appropriate installation (with air conditioning) for the location of NDB NAVYRA-M, and the Seller's experts accomplish putting into operation, debugging, setting the operating parameters of the Product during testing and flight test, on the assumption that this will be managed by the Buyer at the agreed time during procedure of test (SAT). Within 5 (five) days after the signature of this Contract the Seller shall present to the Buyer the requirements of the appropriate container or appropriate installation for the location of NDB NAVYRA-M.

4.5. Acceptance test (SAT) shall be carried out at site or at place designated by the Buyer not later than 2 (two) days after successful installation. After the installation and execution of test of product an authorized representatives of the Buyer and the Seller shall sign the Site acceptance test protocol (in 6 /six/ originals three for each party).

4.6. NDB NAVYRA, Antenna NAVYRA, including relevant documentation will be delivered within 3 (three) days after the factory acceptance test in the presence of representatives of the Buyer and the Seller, but no later than 30 (thirty) days after the signature of the Contract by the both Parties.

ARTICLE 5

INSURANCE

5.1. The insurance of the product shall be covered by the Buyer for 110% of total Contract price covering all risk.

ARTICLE 6

WARRANTY

6.1. The Seller guarantees that the Product delivered is brand new and unused as well as correspond in all respect with quality, specifications and performance as stated in this Contract.

6.2. The Seller warrants that the documents, all in English, which will be given to the Buyer, are complete and precise without any mistakes and omissions. If the Seller himself or the Buyer notes a mistake in the documentation, the Seller is obliged to eliminate such mistakes at his own expense without any delay.

6.3. The warranty period for the documentation lasts as long as the Product warranty.

6.4. The Seller warrants that the Product is free from defect in material and workmanship and complies with the specification under normal usage, provided that notice of any defects occurred during the warranty must be provided to the Seller without delay. Upon receipt of the substantial notice of defects or malfunction and subject to the claim being in accordance with the warranty terms and conditions, the Seller shall at its own expense repair or totally replace the defective component of the Product under warranty was given as soon as possible and in any case not later

than 20 (twenty) days + time for transport to site, from the date of receipt of the defective object, or the full device to the Seller's country.

6.5. The Seller's sole liability under this warranty shall be, in case of a justified complaint, repair or replacement of the Contract Product returned to the Seller, at Seller's option. The refund of the price shall be the latest option of Buyer if repair and replacement finally failed. Notice of any defect shall be given to the Seller in writing within 5 (five) working days and Buyer shall prepay transportation to and from Seller's plant.

6.6. The Seller shall have no liability under Warranty for:

1. the Product or any modifications not authorized by Seller;
2. deliverables, which Buyer has not maintained in accordance with Seller's supplied maintenance instructions ;
3. deliverables that have been abused or misused by Buyer or third parties;
4. damages caused by the external intervention.
5. damages caused by improper use.

6.7. Should the parts be returned and covered by warranty, Seller shall reimburse Buyer for adequate prepaid freight charges incurred for the return of the Contract Product and will pay all correspondent freight costs and reasonable insurance charges for return of the Contract Product.

In the case of claims for which the Seller is not liable as per article 6.6. the costs for eliminating defects, including shipping costs in full will be reimburse by the Buyer.

6.8. Warranty period shall be 24 (twenty four) months starting from the date of the signing of the Certificate of delivery signed in Banska Bystrica after FAT.

6.9. After the delivery and during the whole warranty period the Seller shall provide for distance support (via internet) to the Buyer's specialists for identification of troubles and defects and their elimination.

ARTICLE 7

LATE DELIVERY PENALTY AND LATE PAYMENT PENALTY

7.1. LATE DELIVERY PENALTY

7.1.1. In case the Seller fails to deliver the Product for his own reason, except Force Majeure as stated in Article 8 of this Contract, the Seller is obliged to pay to the Buyer Late delivery penalty. This amount shall be calculated from the Contract price of the Product not delivered.

A penalty for each day of delay should be the amount of 0.5% (half percent) of the calculated price of the Product, whose delivery has been delayed.

Both Contractual parties agreed that the penalty for late delivery shall not exceed 5% (five) of calculated price of the Product.

7.2. LATE PAYMENT PENALTY

7.2.1. In case the Buyer fails with the payment according to Article 5 of this Contract for his own reason, the Buyer is obliged to pay to the Seller Late payment penalty.

7.2.2. A penalty for each day should amount of 0.5% (half percent) of the calculated unpaid price. Both Contractual parties agreed that the penalty for late payment shall not exceed 5% (five) of calculated unpaid price.

ARTICLE 8

FORCE MAJEURE

8.1. Principle

8.1.1. A Party shall not be held liable in the event it provides proof that it is unable to perform its obligations or if their fulfilment has been delayed, hindered or prevented due to an event of force majeure, that is to say any cause, the occurrence and/or the consequences of which cannot be avoided from a reasonable industrial or commercial standpoint, and beyond the reasonable control of the affected Party, including but not limited to the following cases:

- a) government order or restriction or compliance with any order or request of any international, national, provincial, public authority or any person purporting to act for such authority, shipping restrictions or cross-border interruptions, decisions of the courts;
- b) embargo, requisition, mobilisation, quarantine, blockade, expropriation or confiscation of facilities;
- c) riot, war, whether declared or not, civil war, coup d'Etat, revolution, piracy, acts of terrorism, boycott, lock-out, strike, or labour dispute of all kinds and, in particular, strike or blocking in transports, occupation of factory and premises;
- d) fire, sabotage, accident, explosion, destruction of installations or premises, breakdown of machinery, interruption in transports or in communications, shortage of raw materials;
- e) act of God, natural disasters such as earthquake, storm, tidal wave, flood, landslide, destruction by lightning, drought, ice, frost, fire, epidemic.

8.1.2. Each Party shall bear all the expenses for which it is responsible and resulting from the occurrence of the event of force majeure.

8.2. Notification and return to performance

8.2.1. The Party affected by an event of force majeure shall notify, within 5 (five) days, by registered mail the other Party of its nature and extent and of the estimated duration of the event of force majeure. Verifying occurred "force majeure" shall be made by force majeure certificate issued by the Chamber of Commerce and Industry of the party claiming Force Majeure. Without such a certificate declared force majeure circumstance should be considered invalid

8.2.2. The Party affected shall endeavour to mitigate the effects of the event of force majeure and to resume proper performance of the Agreement as soon as feasible.

8.3. Termination

8.3.1. If a Party is prevented from performing its obligation under the Agreement due to an event of force majeure, the time for performance of such obligation shall be extended by a period equal to the period of delay caused by such event of force majeure.

8.3.2. The Parties shall endeavour to find, by mutual agreement, a solution to the difficulties caused by the event of force majeure. However, where the event of force majeure continues for more than three (3) months, and in the absence of an agreement between the Parties, each of them may then terminate this Agreement fully and automatically, by written notice sent to the other Party by registered mail and without incurring any compensation or indemnification whatsoever.

ARTICLE 9 ARBITRATION

9.1. The Contract parties shall try to settle any possible disputes arising from execution of this Contract in a friendly way.

9.2. Any dispute, controversy, claim or difference arising out of or relating to this Contract, or the breach, termination or invalidity thereof which cannot be settled amicably within thirty (30) days after receipt by one Party of the other Party's written notice by registered letter, for such

amicable settlement, shall be submitted by either Party for arbitration in accordance with the regulations of Arbitration of the International Chamber of Commerce in Paris. The place of Arbitration shall be Zurich, Switzerland.

9.3. Official language for the Arbitration shall be English. The substantive law of Switzerland shall be applied.

9.4. The decision of Arbitration is final and binding for both parties.

9.5. Arbitration taxes and costs shall be borne by the Contract party, which loses a dispute.

ARTICLE 10

FINAL PROVISIONS

10.1. If any provision of this Contract is held invalid or unenforceable, the remainder of the Contract shall continue in full force and effect. The invalid or unenforceable provision shall be deemed to be replaced by a valid or enforceable provision, which comes closest to the original purpose intended by the Seller and the Buyer. For the replacement the Parties shall sign an Amendment to this Contract which will come into force immediately upon its signature by the Parties.

10.2. This Contract, together with its Annexes 1 constitutes the final, complete, and exclusive statement of all the terms of agreement between the Seller and the Buyer. No prior oral or written agreement shall be a part of, or serve to modify, this Contract. This Contract can only be modified by a written instrument referencing this Contract, denoted as an "Amendment", and executed by the parties after the effective date hereof.

10.3. This agreement is made in English in two originals – one for each party.

10.4. The following Annexes are integral part of this Contract:

10.4.1. Annex 1 - List of delivery.

10.4.2. Annex 2 - Training, commissioning and SAT.

10.4.3 Annex 3 – NDB NAVYRA-M and NAVYRA ANTENNA SYSTEM, Type 10Q N 404 002, description/technical specification.

ARTICLE 11

EFFECTIVE DATE / TERMINATION

11.1. This Contract is valid and comes into force as of the date of its signature. It shall automatically terminate upon complete fulfilment of the Parties' obligations.

**FOR AND ON BEHALF
OF THE SELLER**

**FOR AND ON BEHALF
OF THE BUYER**

Date

Ing. PAVOL BLAŽEJ,
Chairman of the Board of Directors
and Director General

Date

Eng. IVAYLO YOTOV, M. Sc. Econ
President