the second delay (i.e. any second delay, even if the first one was less then 60 days) and exceeding the date of notice for any subsequent delay (i.e. any subsequent delay, even if the second one was less then 7 days) , shall be regarded as a fundamental breach. Notwithstanding, any delay in any payment by NICE shall bear a default interest, as of the first Day of delay, to be compounded daily, at the rate applicable at Bank Hapoalim B.M. at the relevant time for unauthorized overdrawn current accounts.

15.4. Notwithstanding anything to the contrary contained herein or otherwise, Contractor's liability to NICE for any indirect, special, incidental, exemplary or consequential damages as a result of any claim arising under this Agreement or in connection therewith, regardless of whether Contractor has been advised of the possibility of such damages, shall not exceed five million US dollars ($5,000,000) in the aggregate for all claims, except for infringement of Intellectual Property rights for which Contractor is liable under Section 12.6. This Section shall not be construed or used in the construction of this Agreement as imposing on Contractor any liability for which it is not otherwise liable. Further, this Section shall not be construed as derogating from any applicable law which cannot be changed or waived by contract.

15.5. Notwithstanding anything to the contrary contained herein, NICE' liability to Contractor for any indirect, special, incidental, exemplary or consequential damages as a result of any claim arising under this Agreement or in connection therewith, regardless of whether NICE has been advised of the possibility of such damages, shall not exceed five million US dollars ($5,000,000) in the aggregate for all claims, except for infringement of Intellectual Property rights for which NICE is liable under Section 12.8. This Section shall not be construed or used in the construction of this Agreement as imposing on NICE any liability for which it is not otherwise liable. Further, this Section shall not be construed as derogating from any applicable law which cannot be changed or waived by contract.

16. TERM AND TERMINATION

16.1. TERM AND TERMINATION. The initial term of this Agreement shall commence on the Effective Date and extend for three (3) years thereafter ("INITIAL TERM"), with an automatic renewal for an indefinite period of time ("EXTENDED TERM"), unless terminated by the parties according to Sections 16.2. or 16.3. herein.

16.2. Notwithstanding the aforesaid in Section 16.1. and any possible implication to the contrary herein or as a result of the course of conduct of the parties, NICEshall be entitled, at its sole discretion, to terminate this Agreement, in whole or in part, at any time during the Initial Term or the Extended Term, with or without cause, upon a prior written notice of termination to Contractor of not less than forty-five (45) Days.

16.3. Notwithstanding the aforesaid in Section 16.1. and any possible implication to the contrary herein or as a result of the course of conduct of the parties, Contractor shall be entitled, at its sole discretion, to terminate this Agreement only during the Extended Term, with or without cause, upon a prior written notice of termination to NICE of not less than six (6) months.

16.4. Either party shall be entitled to terminate this Agreement, following a fundamental breach of this Agreement by the other party.

16.5. Either party shall be entitled to terminate this Agreement upon the other party seeking an order for relief under the bankruptcy laws of the State of Israel or similar laws of any other jurisdiction, a composition with or assignment for the benefit of creditors, or dissolution or liquidation. NICE shall be entitled to terminate this Agreement upon the merger or acquisition of all or substantially all the business or assets of Contractor (except if within the Flextronix's group and provided Contractor remains an Israeli entity).

16.6. EFFECT OF TERMINATION.

16.6.1. Upon notice of termination of this Agreement for any reason whatsoever, the parties shall execute rapidly and efficiently the procedure for termination of the Manufacturing Outsourcing Services by Contractor and the transfer of production to NICE as set forth hereunder and agreed between the parties, provided that Contractor will not be required to incur additional costs for the purpose of assisting NICE in the case of termination. During the notice period, Contractor will continue performance of the Manufacturing Outsourcing Services regarding all PO's received according to the Forecast and will, simultaneously, assist NICE and cooperate with it in the transfer of the Manufacturing Outsourcing Services to NICE or anyone designated by NICE and NICE will continue in performing all its obligations hereunder.

16.6.2. Upon termination of this Agreement for any reason whatsoever, without derogating from the generality of the aforesaid, NICE shall be entitled to receive from Contractor, at no charge, subject to the confidentiality obligations hereunder and Contractor's Proprietary Information, all information, know-how, samples, documentation and data, in any form or medium, in

material adverse affect on Contractor's ability to perform this Agreement.

17.8. WAIVER. The failure of either party to insist upon strict performance of any provision of this Agreement, or the failure of either party to exercise any right or remedy to which it is entitled hereunder, shall not constitute a waiver thereof and shall not cause a diminution of the obligations established by this Agreement. A waiver of any default shall not constitute a waiver of any subsequent default. No waiver of any of the provisions of this Agreement shall be effective unless it is expressly stated to be a waiver and communicated to the other party in writing in accordance with the provisions of this Agreement.

17.9. DISPUTE RESOLUTION. Any dispute arising out of or relating to this Agreement or the breach, termination or validity thereof shall be settled in accordance with one of the following procedures. Contractor and NICE shall use the procedures in the following order of priority.

17.9.1. In the event of any dispute, controversy or claim of any kind or nature arising under or in connection with this Agreement (including but not limited to disputes as to the creation, validity, interpretation, breach or termination of this Agreement) (a "DISPUTE"), then upon the written notice of either Party, the Dispute will be submitted to the project manager on behalf of each party to be escalated, in case the parties are unable to resolve such Dispute, to the parties C.E.O.'s

17.9.2. Any dispute that the parties are unable to resolve pursuant to Section 17.9.1. within 30 Days, will be submitted exclusively to the competent courts in the Tel-Aviv-Jaffa District in Israel.

17.9.3. Without derogating from rights of termination as detailed in this Agreement, it is clarified that Contractor will continue to provide the Manufacturing Outsourcing Services and NICE shall continue to perform its obligations hereunder during any litigation, mediation or legal proceedings commenced pursuant to this Section 17.9. above and the existence of a Dispute shall not enable Contractor to stop work or services or otherwise not timely perform its obligations or enable NICE to stop payments or otherwise not timely perform its obligations.

17.9.4. The foregoing shall not affect the right of the parties to seek injunctions before the competent Court.

17.10. Wherever in this Agreement it is provided that the Parties agree to negotiate/review/change any term hereof (including prices), the parties will usetheir best commercial efforts and negotiate in good faith in order to reach such agreement. If the parties fail to agree, no change will be made to the last agreed terms and they shall continue to apply, except as otherwise specifically and explicitly provided herein, and except that the provisions of Section 8.2. and all its subsections will apply with regard to details included in APPENDIX C.

17.11. LAW AND JURISDICTION. This Agreement shall be governed by and construed in accordance with the laws of the state of Israel, without giving effect to choice of law rules.

17.12. SCHEDULES AND APPENDICES. Each Schedule and Appendix hereto is incorporated herein by this reference. The parties may amend any Schedule and Appendix from time-to-time by entering into a separate written agreement, referencing such Schedule and Appendix and specifying the amendment thereto, signed by an authorized representative of each of the parties.

17.13. SET-OFF. NICE shall only be entitled to setoff any amount due to Contractor against any amount due from Contractor to NICE, if the setoff amount is: (i) due according to this Agreement and is subject to an invoice lawfully issued hereunder; or (ii) liquidated damages according to this Agreement. In the event of setoff, Contractor shall receive, at the same time, a written notice signed by vice president operations of NICE detailing the setoff. Contractor shall not be entitled to setoff any amount due to NICE from Contractor hereunder against any amount due from NICE to Contractor according to this Agreement. The setoff provisions in this Agreement are in lieu of any setoff rights under any applicable law but shall not be construed as derogating from any other right or remedy.

17.14. LIEN. Each party hereby waives any right of lien it may have under applicable law.

17.15. COMMUNICATION AND NOTICES. Except as otherwise expressly provided in this Agreement, no communication from one party to the other shall have any validity under this Agreement unless made in writing by or on behalf of an authorized official of Contractor or, as the case may be, by or on behalf of an authorized official of NICE. Each party shall, from time to time, provide the other with a list of personnel designated as "authorized officials" for the purposes of this Section 17.15. Any notice or other communication which either party hereto is required or authorized by this Agreement to give or make to the other