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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549
FORM 8-K
CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):

April 22, 2019

AROTECH CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

0-23336

(Commission
File Number)

95-4302784

(IRS Employer
Identification No.)

1229 Oak Valley Drive, Ann Arbor, Michigan

(Address of principal executive offices)

48108

(Zip Code)

Registrant's telephone number, including area code:

(800) 281-0356

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

SEC 873 (09/17)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Item 1.01 Entry into a Material Definitive Agreement.

Amendment to Chase Credit Agreement

Arotech Corporation (“Arotech” or the “Registrant”) maintains credit facilities with JPMorgan Chase Bank, N.A. (“Chase”), whereby Chase provides (i) a \$15,000,000 revolving credit facility (“Revolver”), (ii) a \$10,000,000 Term Loan (“Term Loan A”), (iii) a \$1,730,895 Mortgage Loan (“Term Loan B”) and (iv) a \$1,358,000 Mortgage Loan (“Term Loan C”); collectively referred to as the “Credit Facilities,” pursuant to a Credit Agreement between Chase and Arotech and certain of Arotech’s subsidiaries dated March 11, 2016, as amended (the “Credit Agreement”).

On April 22, 2019, Arotech and Chase entered into a new amendment to the Credit Agreement (the “Eighth Amendment”). Pursuant to the terms of the Eighth Amendment, the parties have incorporated, among other changes, amended definitions of fixed charge coverage ratios and leverage ratios for specific quarters in 2019, and Arotech has been given a second revolving line in the amount of \$6,000,000, reducing to \$3,000,000 at the end of 2019 and due to be paid in full by February 28, 2020.

The foregoing description of the Eighth Amendment is qualified in its entirety by the terms of the Eighth Amendment, which is filed herewith as Exhibit 10.1 and incorporated herein by reference.

Employment Agreement with Dean Krutty

On April 23, 2019, the Company entered into an amended and restated employment agreement with its President and CEO, Dean Krutty (the “Restated Employment Agreement”).

According to the terms of the Restated Employment Agreement, Mr. Krutty will serve as Arotech’s President and Chief Executive Officer, at a base salary of \$275,738.65 per annum, and will be eligible for a bonus with a target, if earned, equal to between 20% and 50% of his base salary. The actual bonus payout shall be determined based upon achievement by the Company of performance metrics set by the Company’s Board of Directors. The Restated Employment Agreement is terminable by either party on 45 days’ notice.

The Restated Employment Agreement further provides that if the Company terminates the Restated Employment Agreement other than for cause (defined as conviction of certain crimes, willful failure to carry out directives of our board of directors or gross negligence or willful misconduct) or if Mr. Krutty terminates it under certain circumstances (reduction in salary or responsibilities or a change in control), the Company must pay Mr. Krutty severance in an amount of one year’s salary, and Mr. Krutty’s restricted shares shall immediately vest.

The foregoing description of the Restated Employment Agreement is qualified in its entirety by the terms of the Restated Employment Agreement, which is filed herewith as Exhibit 10.2 and incorporated herein by reference.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

Item 1.01 above is hereby incorporated by reference into this Item 2.03.

Item 9.01 Financial Statements and Exhibits.

As described above, the following Exhibits are furnished as part of this Current Report on Form 8-K:

<u>Exhibit Number</u>	<u>Description</u>
10.1	<u>Eighth Amendment to Credit Agreement between the Registrant and JPMorgan Chase Bank, N.A. dated April 22, 2019</u>
10.2	<u>Amended and Restated Employment Agreement between the Registrant and Dean Krutty dated April 23, 2019</u>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AROTECH CORPORATION

(Registrant)

/s/ Yaakov Har-Oz

Name: Yaakov Har-Oz

Title: Senior Vice President and General Counsel

Dated: April 25, 2019

EIGHTH AMENDMENT TO CREDIT AGREEMENT

THIS EIGHTH AMENDMENT TO CREDIT AGREEMENT, dated as of April 22, 2019 (this “Amendment”), is among **AROTECH CORPORATION** (collectively, the “Borrower”), the other Loan Parties party to the Credit Agreement described below and **JPMORGAN CHASE BANK, N.A.** (the “Lender”).

RECITAL

The Borrower, the other Loan Parties and the Lender are parties to a Credit Agreement dated as of March 11, 2016, as amended by a certain First Amendment to Credit Agreement dated as of, as further amended by a certain Second Amendment to Credit Agreement dated as of June 25, 2016, as further amended by a certain Third Amendment to Credit Agreement dated as of June 1, 2017, as further amended by a certain Fourth Amendment to Credit Agreement dated as of June 20, 2017, as further amended by a certain Fifth Amendment to Credit Agreement dated as of September 30, 2017; as further amended by a certain Sixth Amendment to Credit Agreement dated as of July 16, 2018; and as further amended by a certain Seventh Amendment to Credit Agreement dated as of July 19, 2018 (as may be further amended or modified from time to time, the “Credit Agreement”), and desire to amend the Credit Agreement on the terms and conditions of this Amendment.

TERMS

In consideration of the premises and of the mutual agreements herein contained, the parties hereby agree as follows:

ARTICLE I AMENDMENTS. Upon fulfillment of the conditions set forth in Article III hereof, the Credit Agreement shall be amended as follows:

1.1 The following definitions are added to Section 1.01 of the Credit Agreement:

“Beneficial Ownership Certification” means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

“Beneficial Ownership Regulation” means 31 C.F.R. § 1010.230.

“Dividing Person” has the meaning assigned to it in the definition of “Division.”

“Division” means the division of the assets, liabilities and/or obligations of a Person (the “Dividing Person”) among two or more Persons (whether pursuant to a “plan of division” or similar arrangement), which may or may not include the Dividing Person and pursuant to which the Dividing Person may or may not survive.

“Division Successor” means any Person that, upon the consummation of a Division of a Dividing Person, holds all or any portion of the assets, liabilities and/or obligations previously held by such Dividing Person immediately prior to the consummation of such Division. A Dividing

Person which retains any of its assets, liabilities and/or obligations after a Division shall be deemed a Division Successor upon the occurrence of such Division.

“Eighth Amendment” means the Eighth Amendment to this Agreement among the parties hereto.

“Eighth Amendment Effective Date” means the date the Eighth Amendment is effective.

“Revolving B Loan Commitment” means the commitment of the Lender to make Revolving Loans and issue Letters of Credit Hereunder, as such commitment may be reduced from time to time pursuant to Section 2.07. As of the Eighth Amendment Effective Date, the amount of the Lender’s Revolving B Loan Commitment is \$6,000,000. As of December 31, 2019, the amount of the Lender’s Revolving B Loan Commitment shall be \$3,000,000 and Borrower shall promptly repay to Lender any amounts outstanding greater than \$3,000,000.

“Revolving B Loan Expiration Date” means February 28, 2020.

“Revolving B Loans” means Loans made pursuant to Section 2.01(e).

“Revolving B Loan Maturity Date” means February 28, 2020.

1.2 The following definitions in Section 1.01 are restated as follows:

“Applicable Rate” means, for any day, with respect to any Loan, or with respect to the commitment fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption “Revolving Commitment CBFR Spread”, “Revolving Commitment Eurodollar Spread” “Term A Loan CBFR Spread”, “Term A Loan Eurodollar Spread”, “Term B Loan CBFR Spread”, “Term B Loan Eurodollar Spread”, “Term C Loan CBFR Spread”, “Term C Loan Eurodollar Spread”, or “Commitment Fee Rate”, as the case may be, based upon the Borrower’s Leverage Ratio as of the most recent determination date, provided that until the delivery to the Lender, pursuant to Section 5.01, of the Borrower’s consolidated financial information for the Borrower’s first fiscal quarter ending after the Effective Date, the “Applicable Rate” shall be the applicable rates per annum set forth below (all numbers are in basis points) below in Category I:

<u>Leverage Ratio</u>	<u>Revolving Commitment CBFR Spread</u>	<u>Revolving Commitment Eurodollar Spread</u>	<u>Term A, B and C Loan CBFR Spread</u>	<u>Term A, B and C Loan Eurodollar Spread</u>	<u>Commitment Fee Rate</u>
<u>Category I</u> < 2.00:1.00	0	175	25	200	25
<u>Category II</u> ≥ 2.00:1.00 but < 2.50:1.00	25	200	50	225	30
<u>Category III</u> ≥ 2.50:1.00 but < 3.00:1.00	50	250	75	275	35
<u>Category IV</u> ≥ 3.00:1.00 but < 3.50:1.00	75	300	100	325	40
<u>Category V</u> ≥ 3.50:1.00	125	350	100	325	50

Notwithstanding anything herein to the contrary, the Applicable Rate with respect to (x) Revolving B Loans that are CBFR Loans shall be 50 basis points, (y) Revolving B Loans that are Eurodollar Loans shall be 250 basis points and (z) the Commitment Fee Rate with respect to the Revolving B Loans and Revolving B Commitment shall be 35 basis points.

“Fixed Charge Coverage Ratio” means, on any date, the ratio of (a) EBITDA minus 50% of depreciation expenses for such period to (b) Fixed Charges, all calculated for the Borrower and its Subsidiaries on a consolidated basis in accordance with GAAP, for the period of four consecutive fiscal quarters ended on or most recently prior to such date.

“Revolving Loan” means a Loan made pursuant to Section 2.01(a) or 2.01(e).

1.3 The following Section 2.01(e) is added to the Credit Agreement as follows

(e) Subject to the terms and conditions set forth herein, the Lender agrees to make Revolving B Loans in dollars to the Borrower from time to time on or after the Eighth Amendment Effective Date, but prior to the Revolving B Loan Expiration Date, in an aggregate principal amount outstanding not to exceed the Revolving B Loan Commitment. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow the Revolving B Loan.

1.4 Section 2.07(a) of the Credit Agreement is amended and restated as follows:

(a) Unless previously terminated, (i) the Term A Commitment shall terminate at 5:00 p.m., Detroit time, on the Effective Date, (ii) the Term B Commitment shall terminate on the Term B Draw Expiration Date, (iii) the Term C Commitment shall terminate on the Term C Draw Expiration Date, (iv) the Revolving Commitment shall terminate on the Revolving Credit Maturity Date; and (v) the Revolving B Loan Commitment shall terminate at 5:00 p.m., Detroit time on the Revolving B Loan Expiration Date.

1.5 Section 2.08(a) of the Credit Agreement is restated as follows:

(a) The Borrower hereby unconditionally promises to pay the Lender (i) the then unpaid principal amount of each Revolving Loan on the Revolving Credit Maturity Date, (ii) the then unpaid principal amount of the Revolving B Loan on the Revolving B Loan Maturity Date, (iii) in the event and on such occasion that the Revolving Exposure exceeds the lesser of (A) the Revolving Commitment and (B) the Borrowing Base, the Borrower shall prepay the Revolving Loans made pursuant to Section 2.01(a), and/or LC Exposure (or, if no such Borrowings are outstanding, deposit cash collateral in the LC Collateral Account in an aggregate amount equal to such excess, in accordance herewith, and (iv) in the event and on such occasion that the aggregate outstanding principal balance of the Revolving B Loans exceeds the Revolving B Commitment, the Borrower shall prepay the Revolving B Loans in an aggregate amount equal to such excess.

1.6 Section 2.10(a) of the Credit Agreement is restated as follows:

(a) The Borrower agrees to pay to the Lender a commitment fee, which shall accrue at the Applicable Rate (i) on the daily amount of the undrawn portion of the Revolving Commitment of the Lender during the period from and including the Effective Date to but excluding the date on which the Lender's Revolving Commitment terminates (it being understood that the LC Exposure shall be included in the drawn portion of the Revolving Commitment for purposes of calculating the commitment fee) and (ii) on the daily amount of the undrawn portion of the Revolving B Commitment of the Lender during the period from and including the Effective Date to but excluding the date on which the Lender's Revolving B Commitment terminates. Accrued commitment fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Revolving Commitment terminates, commencing on the first such date to occur after the date hereof. All commitment fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

1.7 Section 3.11 of the Credit Agreement is amended by adding the following to the end thereof: "As of the Eighth Amendment Effective Date, to the best knowledge of the Borrower, the information included in the Beneficial Ownership Certification provided on or prior to the Eighth Amendment Effective Date to the Lender in connection with this Agreement is true and correct in all respects."

1.8 Section 5.01(j) of the Credit Agreement is restated as follows:

(j) promptly following any request therefor, (x) such other information regarding the operations, material changes in ownership of Equity Interests, business affairs and financial condition of any Loan Party or any Subsidiary, or compliance with the terms of this Agreement, as the Lender may reasonably request and (y) information and documentation reasonably requested by the Lender for purposes of compliance with applicable “know your customer” and anti-money laundering rules and regulations, including the USA PATRIOT Act and the Beneficial Ownership Regulation; and

(k) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of any Loan Party or any Subsidiary, or compliance with the terms of this Agreement, as the Lender may reasonably request.

1.9 Section 5.02(e) of the Credit Agreement is restated as follows:

(e) (i) any change in the information provided in the Beneficial Ownership Certification delivered to such Lender that would result in a change to the list of beneficial owners identified in such certification and (ii) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

1.10 The following new Section 6.03(f) is added to the Credit Agreement:

(f) No Loan Party will, nor will it permit any Subsidiary to, consummate a Division as the Dividing Person, without the prior written consent of the Lender. Without limiting the foregoing, if any Loan Party that is a limited liability company consummates a Division (with or without the prior consent of Lender as required above), each Division Successor shall be required to comply with the obligations set forth in Section 5.14 and the other further assurances obligations set forth in the Loan Documents and become a Loan Party under this Agreement and the other Loan Documents.

1.11 Section 6.12 of the Credit Agreement is restated as follows:

(a) Leverage Ratio. The Borrower will not permit the Leverage Ratio, on the last day of each fiscal quarter set forth below, to be greater than the ratio set forth below opposite such date:

<u>Quarter End Date</u>	<u>Ratio</u>
March 31, 2019	3.75:1
June 30, 2019	5.50:1
September 30, 2019	6.25:1
December 31, 2019	4.00:1
March 31, 2020 and each quarter thereafter	3.00:1

(b) Fixed Charge Coverage Ratio. The Borrower will not permit the Fixed Charge Coverage Ratio, on the last day of each fiscal quarter set forth below, to be greater than the ratio set forth below opposite such date:

<u>Quarter End Date</u>	<u>Ratio</u>
March 31, 2019	1.20:1
June 30, 2019	1.00:1
September 30, 2019	1.00:1
December 31, 2019 and each quarter thereafter	1.20:1

ARTICLE II REPRESENTATIONS. Each Loan Party represents and warrants to the Lender that:

2.1 The execution, delivery and performance of this Amendment are within its powers, have been duly authorized and are not in contravention with any law, or the terms of its articles of incorporation or organization (as applicable), by-laws or operating agreement (as applicable), or any undertaking to which it is a party or by which it is bound.

2.2 The Amendment is the valid and binding obligation of each Loan Party, enforceable against such Borrower in accordance with its terms.

2.3 After giving effect to the amendments and waivers herein contained, the representations and warranties contained in the Credit Agreement and the other Loan Documents are true on and as of the date hereof with the same force and effect as if made on and as of the date hereof and no Default has occurred and is continuing.

ARTICLE III CONDITIONS OF EFFECTIVENESS. This Amendment shall be effective as of the date hereof when each of the following is satisfied:

3.1 Each Loan Party and the Lender shall have executed this Amendment.

3.2 The Lender shall have received, to the extent the Borrower qualifies as a “legal entity customer” under the Beneficial Ownership Regulation, a Beneficial Ownership Certification.

3.3 The Lender shall have received such other documents requested by the Lender, including without limitation resolutions approving this Amendment and officers’ certificates.

ARTICLE IV MISCELLANEOUS.

4.1 References in the Loan Documents to the Credit Agreement shall be deemed to be references to the Credit Agreement as amended hereby and as further amended from time to time. This Amendment is a Loan Document. Terms used but not defined herein shall have the respective meanings ascribed thereto in the Credit Agreement. Without limiting the foregoing, each of the Loan Parties acknowledges and agrees that all references to Secured Obligations in any of the

Collateral Documents shall be deemed references to Secured Obligations as such term is amended hereby and as further amended or modified from time to time in accordance with the Loan Documents.

4.2 Except as expressly amended hereby, each Loan Party agrees that the Loan Documents are ratified and confirmed and shall remain in full force and effect and that it has no set off, counterclaim, defense or other claim or dispute with respect to any of the foregoing.

4.3 This Amendment may be signed upon any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument and signatures sent by facsimile or other electronic imaging shall be enforceable as originals.

[Remainder of Page Intentionally Left Blank – Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed and delivered as of the day and year first above written.

AROTECH CORPORATION

By: /s/ Kelli L. Kellar

Name: Kelli L. Kellar

Title: VP Finance & CFO

FAAC INCORPORATED

By: /s/ Kelli L. Kellar

Name: Kelli L. Kellar

Title: Treasurer

ELECTRIC FUEL BATTERY CORP.

By: /s/ Kelli L. Kellar

Name: Kelli L. Kellar

Title: Treasurer

UEC ELECTRONICS, LLC

By: /s/ Kelli L. Kellar

Name: Kelli L. Kellar

Title: Treasurer

JPMORGAN CHASE BANK, N.A.

By: /s/ Michelle L. Montague

Name: Michelle L. Montague

Title: Vice President

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT is signed on the 23rd day of April, 2019, effective as of the 23 day of April, 2019, by and between **Arotech Corporation**, a Delaware corporation with its offices at 1229 Oak Valley Drive, Ann Arbor, Michigan 48108 (the “Company”), and **Dean M. Krutty**, an individual residing at 8025 Trillium Lane, Canton, Michigan 48187 (the “Executive”).

WITNESSETH:

WHEREAS, the Company and the Executive are parties to an employment agreement dated in March 2017 (the “Original Agreement”); and

WHEREAS, the Company and the Executive desire to extend the Executive’s employment and to supersede the Original Agreement in its entirety in accordance with the terms of this Amended and Restated Agreement;

NOW, THEREFORE, the parties hereto do hereby agree as follows:

1. Title and Duties.

(a) The Executive will serve as President and Chief Executive Officer of the Company, except that the Company may, from time to time, change the title and/or duties of the Executive in such manner as shall not unduly prejudice the rights of the Executive hereunder. The Executive will report to the Board of Directors of the Company.

(b) The Executive shall devote his full working time, attention, energies and best efforts to the business and affairs of the Company and the performance of his duties hereunder and during the term hereof shall not undertake or accept any other employment or occupation, whether paid or unpaid. The Executive acknowledges and agrees that, although ordinary working hours are expected to be Monday through Friday, 8 a.m. to 5 p.m., under certain circumstances the performance of his duties hereunder may require additional time and/or domestic and international travel. The Executive acknowledges that this is a managerial position, and that accordingly overtime hours will be worked as needed, without additional compensation.

(c) The Executive’s place of work will be in Ann Arbor, Michigan, or at such other place as the Company may from time to time specify, provided that the employment of the Executive on a permanent basis at a place which is located more than fifty (50) miles from Ann Arbor, Michigan shall be done only with the Executive’s prior consent.

2. Compensation and Benefits.

(a) The Company shall pay the Executive, as compensation for all of the employment services provided by him hereunder during the term of this Agreement, an annual base salary of two hundred seventy-five thousand seven hundred thirty-eight dollars and sixty-four cents (\$275,738.64) (the “Base Salary”). The Base Salary will be paid semi-monthly in arrears on the fifteenth and final day of each month. The Base Salary will, effective January 1 of each year

beginning January 1, 2020, be increased annually in accordance with the change in the Consumer Price Index for Urban Wage Earners and Clerical Workers in Detroit-Ann Arbor-Flint, Michigan (All Items), as reported by the Bureau of Labor Statistics of the United States Department of Labor, during the previous year. Additionally, the Base Salary shall be evaluated annually for an increase based upon the Executive's performance during the prior year, effective January 1 of each year beginning January 1, 2020, in accordance with the Company's procedures, and in the Company's sole discretion.

(b) The Company agrees to pay or cause to be paid to the Executive, in a single lump-sum payment in cash on each March 31 following the first anniversary of this Agreement, or as soon thereafter as may be possible in order to determine the relevant results of the Company (but in no event later than May 31 of each year), an annual bonus (if and to the extent earned according to the criteria below), as follows:

(i) If, as of such anniversary, the Company shall have attained 100% of the Company's Budgeted Number (as defined below) for the year preceding such anniversary, then Executive's bonus shall be equal to 20% of Executive's gross annual Base Salary as then in effect for the year preceding such anniversary;

(ii) If, as of such anniversary, the Company shall have attained 110% of the Company's Budgeted Number (as defined below) for the year preceding such anniversary, then Executive's bonus shall be equal to 50% of Executive's gross annual Base Salary as then in effect for the year preceding such anniversary;

(iii) If, as of such anniversary, the Company shall have attained more than 100% but less than 110% of the Company's Budgeted Number (as defined below), then Executive's bonus shall be calculated as follows:

$$B = (S \times 20\%) + (N-100)/10 \times (S \times 30\%)$$

Where:

B = The amount of Executive's annual bonus;
and

N = The percentage of the Budgeted Number (as defined below) that was attained by the Company in the immediately preceding fiscal year; *provided, however*, that N is more than 100 and less than 110;

S = Executive's gross annual Base Salary.

For the purposes of this Section 2(b), the Budgeted Number shall be the budgeted results of the Company as agreed by the Board prior to the end of each fiscal year for the fiscal year designated in such budget, and may include targets for any or all of the following factors: (i) revenues; (ii) cash flow, and (iii) EBITDA. In the event that some but not all targets are reached, the Compensation

Committee shall make a determination as to what percentage of the Budgeted Number was attained. It is hereby clarified that no bonus shall be due unless the Company shall have attained at least 100% of the Company's Budgeted Number.

(c) The Executive shall be entitled to a paid annual vacation of twenty-four (24) business days with respect to, and during, each twelve (12) month period of his employment hereunder, provided that up to five days of the unused portion of any such vacation, in respect to any year, may be carried forward only to the next year, with the remainder being redeemed by the Company for cash. Upon termination Executive shall be paid for all accrued but unused vacation. Any vacation days taken by Executive in advance of their actual accrual shall be considered an advance on wages and deducted from any wages owing at termination. Timing of vacations will be cleared in advance with the Company.

(d) The Company shall provide the Executive and his family with medical insurance and related insurance benefits in accordance with its policies from time to time for all employees generally.

(e) The Company shall reimburse the Executive's work-related expenses, against proper receipts, subject to and in accordance with policies adopted, from time to time, by the Company.

3. Confidential Information; Return of Materials; Inventions; Non-Solicitation.

(a) In the course of his employment by the Company hereunder, the Executive will have access to, and become familiar with, "Confidential Information" (as hereinafter defined) of the Company. The Executive shall at all times hereinafter maintain in the strictest confidence all such Confidential Information and shall not divulge any Confidential Information to any person, firm or corporation without the prior written consent of the Company. For purposes hereof, "Confidential Information" shall mean all information in any and all media which is confidential by its nature including, without limitation, data, technology, know-how, inventions, discoveries, designs, processes, formulations, models, customer lists and contact people, prices and any other trade and business secrets relating to any line of business in which the Company's marketing and business plans relating to current, planned or nascent products.

(b) The Executive shall not use Confidential Information for, or in connection with, the development, manufacture or use of any product or for any other purpose whatsoever except as and to the extent necessary for him to perform his obligations under this Agreement.

(c) Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret if (a) Executive makes such disclosure in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney and such disclosure is made solely for the purpose of reporting or investigating a suspected violation of law; or (b) Executive makes such disclosure in a complaint or other document filed in a lawsuit or other proceeding if such filing is made under seal.

(d) Notwithstanding the foregoing, Confidential Information shall not include information which the Executive can evidence to the Company by appropriate documentation is in, or enters, the public domain otherwise than by reason of breach hereof by the Executive.

(e) All Confidential Information made available to, or received by, the Executive shall remain the property of the Company, and no license or other rights in or to the Confidential Information is granted hereby. Within forty-eight hours of termination of employment for any reason Executive agrees that Executive will take all reasonable steps necessary to deliver to the Company headquarters either in person or by DHL or other courier (normal overnight collect) at Company expense all equipment, demonstration units and other property owned by the Company. Executive understands and agrees that there is no circumstance under which Executive shall not take all reasonable steps necessary to return Company equipment, demonstration units and other Company property to the Company within forty-eight hours of any termination. In addition, Executive will deliver to the Company promptly upon termination (and will not keep in Executive's possession, recreate or deliver to anyone else) any and all devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, other documents or property, or reproductions of any aforementioned items developed by Executive pursuant to Executive's employment with the Company or otherwise belonging to the Company, its successors or assigns unless otherwise authorized by the Company.

(f) All files, records, documents, drawings, specifications, equipment, and similar items relating to the business of the Company, whether prepared by the Executive or otherwise coming into his possession, and whether classified as Confidential Information or not, shall remain the exclusive property of the Company. Upon termination or expiration of this Agreement, or upon request by the Company at any time, the Executive shall promptly turn over to the Company all such files, records, reports, analyses, documents, and other material of any kind and in any medium concerning the Company which the Executive obtained, received or prepared pursuant to this Agreement without retaining any copies thereof in any medium.

(g) The Executive hereby assigns to the Company all right, title and interest he may have or acquire in all inventions (including patent rights) developed by the Executive during his employment by the Company ("Inventions") and agrees that all Inventions shall be the sole property of the Company and its assigns, and the Company and its assigns shall be the sole owner of all patents, copyrights and other rights in connection therewith. The Executive further agrees to assist the Company in every proper way (but at the Company's expense) to obtain and from time to time enforce patents, copyrights or other rights on said Inventions in any and all countries. The foregoing shall not apply to inventions developed by the Executive exclusively on his own time without use of the Company's equipment, supplies or facilities and which do not relate to the Company's business or to work performed by the Executive for the Company.

(h) Until one (1) year after the last day of the Executive's employment under this Agreement (irrespective of the reason for such termination) (the "Termination Date"), the Executive shall not, directly or indirectly, except on behalf and at the request of the Company: (i) control, manage, be employed or engaged by, provide services to or otherwise be connected with – whether as an individual proprietor, partner, officer, director, employee, consultant, 3% or greater

shareholder, broker, finder, joint venturer or otherwise – any company or other entity which competes or intends to compete with the business then being conducted by the Company; (ii) sell, license, lease or otherwise transfer – or offer to sell, license, lease or otherwise transfer – any competitive products (*i.e.*, products similar to and/or competing with those then being offered by the Company) to any of the “Company’s Customers” (as defined below), or (iii) render any services to any of the “Company’s Customers” of the type rendered by the Company to its customers generally or to any of its customers. As used herein, the “Company’s Customers” means and includes (x) customers of the Company with whom the Executive had business contacts during the course of his employment hereunder, and (y) anyone who is then a customer of the Company. This restrictive covenant is of the essence of the Agreement, and the Executive understands that he would not be offered employment by the Company were he not willing to make this commitment.

(i) Until two (2) years after the Termination Date (irrespective of the reason for such termination), the Executive shall not solicit nor in any manner encourage other employees of the Company to leave its employ. The Executive further agrees that during that two (2) year period he will not offer, or cause to be offered, employment to any person who was employed by the Company at any time during the three months prior to the termination of this Agreement.

The Executive acknowledges that the Company will be irreparably harmed if the Executive’s obligations under this Section 3 are not specifically enforced and that the Company would not have an adequate remedy at law in the event of an actual or threatened violation by the Executive of the Executive’s obligations. Therefore, and in addition to any and all other remedies to which it may be entitled, the Company shall be entitled to an injunction or any appropriate decree of specific performance for any actual or threatened violations or breach by the Executive without the necessity of the Company showing actual damages or that monetary damages would not afford an adequate remedy, and without posting a bond.

(j) The provisions of this Section 3 shall survive the expiration or termination of this Agreement regardless of the reasons therefor. Furthermore, the period of time during which the restrictions set forth in subsections (h) and (i) above shall be in effect shall be extended by the length of time during which the Executive is in breach of any of the terms of such respective subsections.

4. Prohibition on Trading While in Possession of Material Non-Public Information.

(a) The Executive acknowledges that the Company is a publicly-listed company, and that the Executive is a “person having a duty of trust or confidence” as defined in Rule 10b5-2 promulgated under the United States Securities Exchange Act of 1934, as amended, and that the Executive is accordingly prohibited from trading in shares of the Company on the basis of material non-public information. The Executive covenants and agrees that the Executive will not trade in, or, without the express consent of the Company, exercise any option to purchase securities of the Company (“Company Shares”) (1) until at least one Trading Day (a “Trading Day” being a day on which the U.S. Financial markets are open for trading) has passed since such material information was released to the public, and (2) during the period beginning on the eleventh calendar day of the third month of each fiscal quarter and ending at the close of the first Trading Day following the

release of quarterly or annual financial results. The Executive understands and acknowledges that the most appropriate time to trade in Company Shares is the period beginning on the second Trading Day and ending on the twelfth Trading Day following the release of quarterly or financial information, provided that during such period the Executive possesses no other material non-public information which is not disclosed in such release.

(b) If at any time the Executive is working on securities matters regarding the Company, or is aware that the Company is offering or selling its own securities or is involved in a tender offer situation, the Executive shall consult with the General Counsel of the Company before trading in Company Shares.

(c) The provisions of this Section 4 shall survive the expiration or termination of this Agreement regardless of the reasons therefor.

5. Term and Termination. This Agreement shall remain in effect throughout the term of the Executive's employment with the Company and shall govern the relationship between the parties until terminated in accordance with the terms hereof. This Agreement may be terminated at any time, as follows:

(a) This Agreement shall terminate upon the death or incapacitation of the Executive. For purposes hereof, the Executive shall be deemed to be incapacitated if he is unable to perform his duties hereunder, as evidenced by a certificate(s) to that effect, signed by a doctor reasonably satisfactory to the Company, for a continuous period of one hundred fifty (150) days or for shorter periods aggregating more than two hundred (200) days in any period of twelve (12) consecutive months.

(b) The Company shall have the right to terminate this Agreement and the employment relationship hereunder for Cause, at any time, by informing the Executive that such termination is for Cause and by further informing the Executive of the acts or omissions constituting cause. In such event, this Agreement and the employment relationship between the Company and the Executive shall be terminated as of the time Executive is informed that such termination is for Cause. For purposes hereof, "Cause" shall mean: (1) a breach of trust by the Executive, including, for example, but without limitation, commission of an act of moral turpitude, theft, embezzlement, self-dealing or insider trading; (2) the intentional or grossly negligent disclosure by the Executive of confidential information of or relating to the Company in violation of the restrictions in Section 3(a); (3) a material breach by the Executive of this Agreement and, if such breach is susceptible of remedy, the failure to remedy such breach within ten (10) business days after the Executive receives written notice from Arotech or the Company to the Executive identifying such breach and demanding such remedial action; (4) failure in any material respect to follow the reasonable directives of the Board of Directors of the Company; or (5) any act of, or omission by, the Executive which, in the reasonable judgment of the Company, amounts to a serious failure by the Executive to perform his responsibilities or functions or in the exercise of his authority, which failure, in the reasonable judgment of the Company, rises to a level of gross nonfeasance, gross misfeasance or gross malfeasance. Any notice of termination for cause must be in writing and must specifically identify the conduct forming the basis of such termination.

(c) Each party shall have the right to terminate this Agreement at any time, for any reason or for no reason, upon advance written notice of no less than forty-five (45) days, delivered in accordance with the provisions of Section 6(a) below.

(d) All Company benefits will cease upon the Termination Date, except as otherwise required by law; *provided, however*, that in the event that the Company terminates this Agreement without Cause, health insurance for the Executive and his immediate family will continue for a period of twelve months from the Termination Date or until the Executive commences employment that includes health insurance elsewhere, whichever is the sooner. *Further provided, however*, that in the event such continuation is not permitted under the terms of the Company's then-current health insurance plan, the Company will, instead, pay the COBRA premiums for such continuation coverage for a period of twelve months from the Termination Date or until the Executive commences employment that includes health insurance elsewhere, whichever is the sooner.

(e) In the event the Company decides to terminate the Executive's employment other than for Cause, or if the Executive's employment is terminated by reason of his death or disability, or if the Executive terminates his employment within 60 days of (i) a reduction in the Executive's salary, or (ii) any material uncured breach by the Company of any material provision of this Agreement, or (iii) a change of control of the Company, including (1) the dissolution or liquidation of the Company, or (2) a merger, consolidation, reorganization or similar transaction involving the Company (A) in which the Company is not the surviving corporation or other surviving entity, or (B) that results in the Company becoming a subsidiary of another corporation, or (3) a sale or other disposition of (A) a majority of the capital stock of the Company, or (B) all or substantially all of the assets of the Company to another corporation or other entity:

(i) the Company will pay the Executive upon termination, in cash, severance equal to one (1) year's salary;

(ii) the Company shall pay the Executive a bonus, *pro rated* based on the number of days in such year that occurred prior to the Termination Date, at the rate that would otherwise be payable pursuant to the provisions of Section 2(b) above for the year in which the termination occurs, based on the assumption that the Budgeted Number attained for the year in which termination occurs would be equal to an annualized version of the Budgeted Number attained through the Termination Date (but in no event shall such annualized Budgeted Number attained be deemed to be less than 100% of the Budgeted Number); and

(iii) all of the Executive's stock options, whether or not they have yet vested, shall immediately vest and shall be extended for a period of the earlier of (x) the expiration date thereof, and (y) the second anniversary of such termination, and all of the Executive's restricted stock shall immediately become unrestricted and freely tradable (subject to applicable securities laws).

As a condition to receiving any payments described in this Section 5, the Executive shall execute and deliver to the Company within forty-five (45) days following the Termination Date, a separation and general release agreement in a form to be provided by the Company. Subject to Section 6(g),

the salary continuation severance payments, if any, will be made beginning on the next regular pay date following the sixtieth (60th) day following the Termination Date. Subject to Section 6(g), any lump sum payment (including the pro-rated bonus) will be made on the next regular pay date following the sixtieth (60th) day following the Termination Date.

(f) The parties agree that irrespective of the reasons for the termination of this Agreement, including in the event that this Agreement shall have been terminated for the reasons set forth in subsection (b) above, they will not at any time make any disparaging or derogatory statements concerning the other or, in the case of the Executive, the Company's business, products or services. Nothing in the foregoing shall require the Company to provide the Executive with a particular type of reference beyond confirming dates of employment.

6. Miscellaneous.

(a) All notices and other communications required or permitted under this Agreement shall be in writing and shall be sent by email to the other party at the email address set forth below, with a copy sent by first class mail or express courier to said party at the address set forth below, or to such other email address and/or physical address as a party may hereinafter designate by notice to the other. All notices and communications shall be deemed to have been received on the date of delivery thereof or on the fifth business day after the mailing thereof, except that notice of change of address shall be effective only upon receipt. Notices sent by email shall be effective on the date they are sent by email if the email transmission confirms delivery. The initial addresses of the parties for purposes of this Agreement shall be as follows:

The Company: Arotech
Corporation
1229 Oak Valley Drive
Ann Arbor, Michigan 48108
Attention: Jon B. Kutler, Chairman of the Board
Email: chairman@arotech.com

with a copy to: Yaakov Har-Oz, Senior Vice President and General Counsel
Email: yaakovh@arotech.com

The Executive: Dean M.
Krutty
8025 Trillium Lane
Canton, Michigan 48187
Email: krutty@arotechusa.com

(b) This Agreement shall be subject to, governed by and construed in accordance with the laws of the State of Michigan without regard to the conflict of laws provisions thereof. The Federal and state courts located in Washtenaw County, Michigan shall have exclusive jurisdiction and venue over any action brought to enforce the rights and obligations in or arising from this Agreement.

(c) This Agreement contains the entire agreement between the Executive and the Company with respect to all matters relating to the Executive's employment with the Company and will supersede and replace all prior agreements and understandings, written or oral, between

the parties relating to the subject matter hereof. This Agreement may be amended, modified, or supplemented only by a written instrument signed by both of the parties hereto. No waiver or failure to act by either party with respect to any breach or default hereunder, whether or not the other party has notice thereof, shall be deemed to be a waiver with respect to any subsequent breach or default, whether of similar or different nature.

(d) If any provision of this Agreement, under all the then relevant circumstances, is held to be invalid, illegal or unenforceable, the other provisions shall remain in full force and effect, and the relevant provision shall automatically be modified by substituting for the unenforceable provision an enforceable provision which most closely approximates the intent and economic effect of the invalid provision.

(e) This Agreement shall inure to the benefit of the Company and its successors and assigns.

(f) The headings contained in this Agreement are intended solely for ease of reference and shall be given no effect in the construction or interpretation of this Agreement.

(g) All payments under this Agreement are intended to comply with or be exempt from the requirements of Section 409A of the Code and regulations promulgated thereunder ("Section 409A"). As used in this Agreement, the "Code" means the Internal Revenue Code of 1986, as amended. To the extent that any provision in this Agreement is ambiguous as to its compliance with Section 409A, the provision shall be read in such a manner so that no payments due under this Agreement shall be subject to an "additional tax" as defined in Section 409A(a)(1)(B) of the Code. If necessary to comply with the restriction in Section 409A(a)(2)(B) of the Code concerning payments to "specified employees," any payment on account of the Executive's separation from service that would otherwise be due hereunder within six (6) months after such separation shall be delayed until the first business day of the seventh month following Executive's date of termination and the first such payment shall include the cumulative amount of any payments (without interest) that would have been paid prior to such date if not for such restriction. For purposes of Section 409A, each payment made under this Agreement shall be treated as a separate payment. In no event may Executive, directly or indirectly, designate the calendar year of payment. Notwithstanding anything contained herein to the contrary, Executive shall not be considered to have terminated employment with the Company for purposes of Section 5(d) hereof unless he would be considered to have incurred a "termination of employment" from the Company within the meaning of Treasury Regulation §1.409A-1(h)(1)(ii). Any tax liability incurred by Executive under Section 409A is solely the responsibility of Executive. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on the Executive under Section 409A or damages for failing to comply with Section 409A.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the effective date set forth above:

AROTECH CORPORATION

/s/ Dean Krutty

DEAN M. KRUTTY

By: /s/ Jon Kutler

Name: Jon B. Kutler

Title: Chairman of the Board