

CUSTOMER CONTRACT REQUIREMENTS
ICLS RNLAH AH-64D/CH-47D/F
CUSTOMER CONTRACT 93-162-12-7506-01

CUSTOMER CONTRACT REQUIREMENTS

1. Prime Contract Special Provisions The following prime contract special provisions apply to this purchase order

Article 7 Audit

7.1 According to the provisions of this article, the State is authorized to cause examinations to be made by or on behalf of the ADD (Defence Audit Board) through the Defense Contract Management Agency (DCMA) and Defense Contract Audit Agency (DCAA) of all calculations and pricing in Sellers proposals submitted in connection with this Contract in accordance with US Government practices under the Annex VI (Principles Governing Defense Contract Audit Services, date 14 January/2 February 1991) to the Memorandum of Understanding (*MOU) between the Government of the Kingdom of The Netherlands and the Government of the United States of America Concerning the Principles Governing Mutual Cooperation in the Research and development, production, and procurement of defense equipment, signed at the Hague on 24 August 1978, as amended for parts and/or Services that are above US \$650,000, and are not catalog priced, and of the correct compliance in a general sense with the financial terms and terms having financial aspects included in the Contract and of the acceptability of any deviations from such terms.

7.2 For the purpose of the above examinations, the Seller shall promptly grant DCMA and DCAA inspection of all books and records and shall further provide as a minimum the below mentioned cost and pricing information and also all additional information as the ADO. DCMA and DCAA will deem necessary for properly carrying out such examinations in accordance with DCAA audit guidelines applicable for USG price audits. Specifically the breakdown of the calculation in all its aspects (from bottom lines to end price) will be made available to DCMA and DCAA. The Seller shall ensure that the information required by the ADD DCMA and DCAA can be derived by DCMA and DCAA from the accounting records in a simple and timely Manner.

7.3 In accordance with the above-mentioned DCAA audit guidelines, Seller agrees to provide to DCMA and DCAA the following cost and pricing data as may be available concerning the proposals.

- a. Work breakdown structure information that is related to the Seller statement of work
- b. Task sheets that substantiate the Seller labor hours estimates.
- c. Full supported material estimates including copies of vendor quotes, subcontractors proposed price, interdivisional work authorizations proposed price together with information on vendor/subcontractor strategy and value for money assessments on vendors/subcontractors.
- d. Full supported rates and factors by year applicable to b and c in accordance with the Seller's accounting system.
- e. Travel costs including the basis for the estimates of these costs.
- f. Data sufficient to compare the projected payment schedule against the projected expenditure profile.
- g. Any other needed additional information that may be requested as the audit progresses.

7.4 In addition to the above, DCMA is authorized to conduct an assessment of the applied profit to Sellers proposal. Comparison shall be made to other Direct Commercial Sales (DCS)

contracts to assure the applied profit is no less favorable than for other DCS contracts for similar products/quantities and/or services under comparable circumstances including but not limited to program risks, comparable terms and conditions, and delivery periods. In addition to that and if applicable, a recommendation will be included for a reduction of the profit in the form of a dollar amount if the applied profit is not in keeping with the aforementioned criteria.

7.5 DCMA and DCAA will thru DoD CCP issue a report to ADD, this report shall include any difference between the Seller's submission and the DCMA/DCAA recommendation, the so called questionable elements, on a summarized level. This summarization shall be made at the price level for the categories of total labor, total material, overhead, "IWA, other direct costs and non ground rules and assumptions" and "travel" split into non-recurring and recurring per category and shall not include any pricing details or factors which the Seller considers to be Seller proprietary/competitive sensitive information. Prior to release of the audit report by DCMA/DCAA to DoD CCP and ADD, the contents of the report will be discussed and disclosed between DCMA/DCAA and Seller in a so called "exit meeting". The Seller will submit a release letter as appropriate within 14 calendar days, enabling DCMA/DCAA and DoD CCP to release the report to the ADD.

7.6 The examinations shall be confidential and shall extend no further than will be necessary for the assessment of the matters provided for in this article. The information gathered with regard to these examinations will not be disclosed to any one not involved with this Contract and no further than necessary for the negotiations. In no event DCMA and DCAA will release rates & factors and the profit or the profit rate to the State. The State and its employees shall not disclose any information furnished hereunder in any manner contrary to the laws and regulations of the United States of America and the Kingdom of the Netherlands.

7.7 The Seller declares that to the best of its ability all information involving financial aspects which has been or will be presented to the ADD, DCMA and DCAA for assessment was or will be current, complete and accurate as of the date of submittal of the its proposal to the States procurement officer.

7.8 The Seller shall to the best of their abilities pursue that the clauses as stated in this article shall be stipulated in every other contract between Seller and its prospective major sub-suppliers and subcontractors.

7.9 Upon mutual agreement between the Parties a proposal review similar to that conducted for this Agreement may be conducted with the ADD for State directed changes that exceed the US \$650,000 threshold as defined in paragraph 7.1 above.