CUS TOMER CONTRACT REQUIREMENTS C-17 Aircraft CUS TOMER CONTRACT FA8614-04-C-2004

CUSTOMER CONTRACT REQUIREMENTS

The following customer contract requirements apply to this contract to the extent indicated below. If this contract is for the procurement of commercial items under a Government prime contract, as defined in FAR Part 2.101, see Section 3 below.

1. FAR Clauses The following contract clauses are incorporated by reference from the Federal Acquisition Regulation and apply to the extent indicated. In all of the following clauses, "Contractor" and "Offeror" mean Seller.

52.203-6 Restrictions on Subcontractor Sales to the Government (JUL 1995). This clause applies only if this contract exceeds \$100,000.

52.203-7 Anti-Kickback Procedures (JUL 1995). Buyer may withhold from sums owed Seller the amount of any kickback paid by Seller or its subcontractors at any tier if (a) the Contracting Officer so directs, or (b) the Contracting Officer has offset the amount of such kickback against money owed Buyer under the prime contract. This clause applies only if this contract exceeds \$100,000.

52.203-8 Cancellation, Rescission, and Recovery of Funds for Illegal or Improper Activity (JAN 1997). This clause applies to this contract if the Seller, its employees, officers, directors or agents participated personally and substantially in any part of the preparation of a proposal for this contract. The Seller shall indemnify Buyer for any and all losses suffered by the Buyer due to violations of the Act (as set forth in this clause) by Seller or its subcontractors at any tier.

52.203-10 Price or Fee Adjustment for Illegal or Improper Activity (JAN 1997). This clause applies only if this contract exceeds \$100,000. If the Government reduces Buyer's price or fee for violations of the Act by Seller or its subcontractors at any tier, Buyer may withhold from sums owed Seller the amount of the reduction.

52.203-11 Certification and Disclosure Regarding Payments to Influence Certain Federal Transactions (APR 1991). This clause applies only if this contract exceeds \$100,000.

52.203-12 Limitation on Payments to Influence Certain Federal Transactions (JUN 2003). This clause applies only if this Contract exceeds \$100,000. Paragraph (c)(4) is modified to read as follows: "(c)(4) Seller will promptly submit any disclosure required (with written notice to Boeing) directly to the PCO for the prime contract. Boeing will identify the cognizant Government PCO at Seller's request. Each subcontractor certification will be retained in the subcontract file of the awarding contractor.

52.204-2 Security Requirements (AUG 1996). Changes clause means the changes clause of this contract. This clause applies only if access to classified material is required.

52.208-8 Helium Requirement Forecast and Required Sources of Supply for Helium (JUN 1997). This clause only applies if helium is required.

52.211-5 Material Requirements (AUG 2000). Any notice will be given to Buyer rather than the Contracting Officer.

52.211-15 Defense Priority and Allocation Requirements (SEP 1990). This clause is applicable if a priority rating is noted in this contract.

52.215-2 Audit and Records - Negotiation (JUN 1999). This clause applies only if this contract exceeds \$100,000 and (i) is cost-reimbursement, incentive, time-and-materials, labor-hour, or price-redeterminable type or any combination of these types: (ii) Seller was required to provide cost or pricing data, or (iii) Seller is required to furnish reports as discussed in paragraph (e) of the referenced clause.

52.215-14 Integrity of Unit Prices (OCT 1997). This clause applies except for contracts at or below \$100,000; construction or architect-engineer services under FAR Part 36; utility services under FAR Part 41; services where supplies are not required; commercial items; and petroleum products.

52.215-15 Pension Adjustments and Asset Reversions (DEC 1998). This Clause applies to this contract if it meets the requirements of FAR 15.408(g).

52.215-18 Reversion or Adjustment of Plans for Postretirement Benefits Other Than Pensions (PRB) (OCT 1997). This Clause applies to this contract if it meets the requirements of FAR 15.408(j).

52.215-19 Notification of Ownership Changes (OCT 1997). This Clause applies to this contract if it meets the requirements of FAR 15.408(k).

52.215-21 Requirement for Cost or Pricing Data or Information Other Than Cost and Pricing Data -Modifications (OCT 1997). This clause applies only if this contract exceeds the threshold set forth in FAR 15.403-4. The term "Contracting Officer" shall mean Buyer.

52.215-23 Limitations on Pass-Through Charges. (OCT 2009). This clause applies to all cost-reimbursement subcontracts that exceed \$100,000. If the contract is with DoD, then this clause applies to all cost-reimbursement subcontracts and fixed-price subcontracts, except those identified in 15.408(n)(2)(i)(B)(2), that exceed \$650,000. In paragraph (c), "Contracting Officer" shall mean Buyer.

52.215-22 Limitations on Pass-Through Charges-Identification of Subcontract Effort (OCT 2009). When responding to a solicitation, Seller/Bidder shall comply with the requirements of this clause.

52.219-8 Utilization of Small Business Concerns (OCT 2000).

52.219-9 Small Business Subcontracting Plan (JAN 2002). This clause applies only if this contract exceeds \$500,000 and Seller is not a small business concern. Seller shall adopt a subcontracting plan that complies with the requirements of this clause. In addition, Seller shall submit to Buyer Form X31162, Small and Small Disadvantaged Business and Women-Owned Small Business Subcontracting Plan Certificate of Compliance.

52.222-1 Notice to the Government of Labor Disputes (FEB 1997). Contracting Officer shall mean Buyer.

52.222-20 Walsh-Healey Public Contracts Act (DEC 1996). This clause applies only if this contract exceeds \$10,000.

52.222-21 Prohibition of Segregated Facilities (FEB 1999).

52.222-26 Equal Opportunity (APR 2002).

52.222-35 Equal Opportunity for Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans (DEC 2001). This clause applies only if this contract exceeds \$25,000.

52.222-36 Affirmative Action For Workers With Disabilities (JUN 1998). This clause applies only if this contract exceeds \$ 10,000.

52.222-37 Employment Reports on Special Disabled Veterans, Veterans of the Vietnam Era, and Other EligibleVeterans (DEC 2001). This clause applies only if this contract exceeds \$25,000.

52.223-3 Hazardous Material Identification and Material Safety Data (JAN 1997). This clause applies only if Seller delivers hazardous material under this contract.

52.223-11 Ozone Depleting Substances (MAR 2001).

52.225-13 Restrictions on Certain Foreign Purchases (JUL 2000).

52.227-1 Authorization and Consent (JUL 1995).

52.227-2 Notice and Assistance Regarding Patent and Copyright Infringement (AUG 1996). A copy of each notice sent to the Government will be sent to Buyer. "Contracting Officer" shall mean "Buyer". This clause applies only if this contract exceeds \$100,000.

52.228-3 Workers' Compensation Insurance (Defense Base Act) (APR 1984).

52.228-5 Insurance - Work on a Government Installation (JAN 1997). Seller shall provide and maintain insurance as set forth in this contract.

52.229-8 Taxes-Foreign Cost Reimbursement Contracts (MAR 1990).

52.234-1 Industrial Resources Developed Under Defense Production Act Title III (DEC 1994).

52.237-2 Protection of Government Buildings, Equipment, and Vegetation (APR 1984). This clause applies only if work will be performed on a Government installation. "Contracting Officer" shall mean Buyer.

52.242-15 Stop-Work Order (AUG 1989). Change "90 days" and "30 days" to "100 days" and "20 days" respectively. The terms "Contracting Officer" and "Government" shall mean Buyer.

52.244-5 Competition in Subcontracting (DEC 1996).

52.244-6 Subcontracts for Commercial Items (APR 2003).

52.245-2 Government Property Installation Operation Services (JUN 2007).

52.245-17 Special Tooling (Deviation) (APR 1984). This clause applies only if tooling is acquired for or furnished by the Government and to be retained for use by the Seller.

52.245-18 Special Test Equipment (FEB 1993). Change "30 days" to "45 days" in paragraph (b) and (c). The notice of intent to procure special test equipment required by this clause shall be forwarded to the Buyer.

52.247-63 Preference for U.S.-Flag Air Carriers (JUN 2003). This clause only applies if this contract involves international air transportation.

52.247-67 Submission of Commercial Transportation Bills to the General Services Administration for Audit (JUN 1997).

52.248-1 Value Engineering (FEB 2000). The term "Contracting Officer" means Buyer. This clause applies only if this contract is for \$100,000 or more. If Value Engineering Change Proposal is accepted by the Government, Seller's share will be 50% of the instant, concurrent and future contract net acquisition savings and collateral savings that Buyer receives from the Government. Seller's negotiated share of the net acquisition savings and collateral savings shall not reduce the Government's share of concurrent or future savings or collateral savings. Buyer's payments to Seller under this clause are conditioned upon Buyer's receipt of authorization for such payments from the Government.

2. DoD FAR Supplement Clauses DoD Contracts. The following contract clauses are incorporated by reference from the Department of Defense Federal Acquisition Regulation Supplement and apply to the extent indicated. In all of the following clauses, "Contractor" and "Offeror" mean Seller except as otherwise noted.

252.203-7001 Prohibition on Persons Convicted of Fraud or Other Defense-Contract Related Felonies (excluding paragraph (g)) (MAR 1999). This clause applies only if this contract exceeds \$100,000 and does not apply to the purchase of commercial items or commercial components. "Contractor" and "contract" are not changed in paragraphs (a) and (b). In paragraph (e), "Government" shall mean Government or Buyer. In paragraph (f), "through the Buyer" is inserted after "Contracting Officer". Paragraph (g) is deleted and "Contracting Officer" shall mean Contracting Officer.

252.204-7000 Disclosure of Information (DEC 1991). Seller will submit requests for authorization to release through Buyer.

252.209-7000 Acquisition From Subcontractors Subject to On-site Inspection Under the Intermediate-Range Nuclear Forces Treaty (NOV 1995). This clause applies only if this contract exceeds \$100,000 and does not apply to the purchase of commercial items or commercial components.

252.211-7000 Acquisition S treamlining (DEC 1991). This clause applies only if this contract exceeds \$1 million.

252.215-7000 Pricing Adjustments (DEC 1991). This clause applies only if this contract exceeds \$650,000.

252.222-7000 Restrictions on Employment of Personnel (MAR 2000).

252.223-7001 Hazard Warning Labels (DEC 1991). This clause applies only if Seller delivers hazardous material under this contract.

252.225-7001 Buy American Act and Balance of Payment Program (APR 2003).

252.225-7002 Qualifying Country Sources as Subcontractors (APR 2003).

252.225-7012 Preference for Certain Domestic Commodities (APR 2002).

252.225-7013 Duty-Free Entry (APR 2003). This clause applies if Seller is located in a qualifying country (as defined in the Trade Agreements clause, the Buy American Act and Balance of Payments Program clause, or the Buy American Act-Free Trade Agreements-Balance of Payments Program clause of this contract) or if Seller is located in any other country and the estimated U.S. duty for the deliverable items will exceed \$200 per unit. Seller shall include the prime

contract number on all shipping documents submitted to Customs for supplies for which duty-free entry is claimed pursuant to this clause.

252.225-7014 Preference for Domestic Specialty Metals Alternate I Deviation (JAN 2008).

252.225-7016 Restriction on Acquisition of Ball and Roller Bearings (APR 2003). This clause does not apply to the purchase of commercial items other than ball or roller bearings or to items which contain no ball or roller bearings.

252.225-7043 Antiterrorism/Force Protection for Defense Contractors Outside the United States (JUN 1998). This clause applies only if this contract requires Seller to perform or travel outside the United States and Seller is not (i) a foreign government, (ii) a representative of a foreign government, or (iii) a foreign corporation wholly owned by a foreign government...

252.226-7001 Utilization of Indian Organizations and Indian-Owned Economic Enterprises - DoD Contracts (SEP 2001). This clause applies only if this contract exceeds \$100,000 and is for other than commercial items.

252.227-7013 Rights In Technical Data -- Noncommercial Items (NOV 1995). This clause applies only if the delivery of data is required for noncommercial items under this contract.

252.227-7014 Rights In Noncommercial Computer Software And Noncommercial Computer Software Documentation (JUN 1995). This clause applies only if the delivery of noncommercial computer software or noncommercial computer documentation may be originated, developed or delivered under this contract.

252.227-7015 Technical Data -- Commercial Items (NOV 1995). This clause applies only if the delivery of data is required for commercial items under this contract.

252.227-7016 Rights in Bid or Proposal Information (JUN 1995).

252.227-7019 Validation of Asserted Restrictions - Computer Software (JUN 1995). This clause applies only if computer software may be originated, developed, or delivered under this contract.

252.227-7030 Technical Data -- Withholding of Payment (MAR 2000). In this clause, "Government" and "Contracting Officer" shall mean Buyer. This clause applies only if the delivery of technical data is required under this contract.

252.227-7036 Declaration of Technical Data Conformity (JAN 1997). This clause applies only if the delivery of data is required by this contract.

252.227-7037 Validation of Restrictive Markings on Technical Data (SEP 1999). This clause applies only if the delivery of data is required by this contract.

252.228-7005 Accident Reporting and Investigation Involving Aircraft, Missiles, and Space Launch Vehicles (DEC 1991).

252.229-7008 Relief From Import Duty (United Kingdom) (JUN 1997).

252.231-7000 Supplemental Cost Principles (DEC 1991).

252.234-7001 Notice of Earned Value Management System (APR 2008). This clause applies only if 252.234-7002 is applicable.

252.244-7000 Subcontracts for Commercial Items and Commercial Components (DoD Contracts) (MAR 2000).

252.247-7023 Transportation of Supplies by Sea (MAY 2002). This clause applies only if the supplies are of a type described in paragraph (b)(2) of this clause. In paragraph (d), "45 days" is changed to "60 days." In paragraph (g) "Government" means Buyer. If this contract is at or below \$100,000, paragraphs (f) and (g) are excluded.

252.247-7024 Notification of Transportation of Supplies by Sea (MAR 2000). Contracting Officer and, in the first sentence of paragraph (a), Contractor mean Buyer. This clause applies only if the supplies being transported are noncommercial items or commercial items that (i) Seller is reselling or distributing to the Government without adding value (generally, Seller does not add value to items that it contracts for f.o.b. destination shipment); (ii) are shipped in direct support of U.S. military contingency operations, exercises, or forces deployed in humanitarian or peacekeeping operations; or (iii) are commissary or exchange cargoes transported outside the Defense Transportation System in accordance with 10 U.S.C. 2643.

252.249-7002 Notification Of Anticipated Contract Termination Or Reduction (DEC 1996). This clause applies only if this contact is \$500,000 or more. Seller will comply with the notice and flowdown requirements of paragraph (d)(2) of the referenced clause.

252.251-7000 Ordering From Government Supply Sources (OCT 2002). This clause applies only if Seller is notified by Buyer that Seller is authorized to purchase from Government supply sources in the performance of this contract.

3. Commercial Items If goods or services being procured under this contract are commercial items and Clause H203 is set forth in the purchase order, the foregoing Government clauses in Sections 1 and 2 above are deleted and the following FAR/DFARS clauses are inserted in lieu thereof:

52.219-8 Utilization of Small Business Concerns (OCT 2000). Include in all subcontracts that offer further subcontracting opportunities. If a subcontract (except subcontracts to small business concerns) exceeds \$500,000 (\$1,000,000 for construction of any public facility), Seller and any lower tier subcontractor must include 52.219-8 in lower tier subcontracts that offer subcontracting opportunities.

52.222-26 Equal Opportunity (subparagraph (b)(1) through (11)) (APR 2002).

52.222-35 Affirmative Action for Special Disabled and Vietnam Era Veterans (DEC 2001). This clause applies only if this contract exceeds \$25,000.

52.222-36 Affirmative Action For Workers With Disabilities (JUN 1998).

52.247-64 Preference for Privately-Owned U.S. Flag Commercial Vessels (APR 2003). In paragraph (C)(2) "20" and "30" are changed to 10 and 20 respectively.

252.225-7014 Preference for Domestic Specialty Metals Alternate I (JAN 2008).

252.247-7023 Transportation of Supplies by Sea (MAR 2000).

252.247-7024 Notification of Transportation of Supplies by Sea (MAR 2000). "Contracting Officer" and, in the first sentence of paragraph (a), "Contractor" mean Buyer. This clause applies only if the supplies being transported are noncommercial items or commercial items that (i) Seller is reselling or distributing to the Government without adding value (generally, Seller does not add value to items that it contracts for f.o.b. destination shipment); (ii) are shipped in

direct support of U.S. military contingency operations, exercises, or forces deployed in humanitarian or peacekeeping operations; or (iii) are commissary or exchange cargoes transported outside the Defense Transportation System in accordance with 10 U.S.C. 2643.

4. Cost Accounting Standards

52.230-2 Cost Accounting Standards (APR 1998). (1) (Applicable if this contract incorporates clause H001). The version of FAR 52.230-2, Cost Accounting Standards, incorporated by clause H001 is the version dated April 1998.

52.230-3 Disclosure and Consistency of Cost Accounting Practices (APR 1998). (2) (Applicable if this contract incorporates clause H002). The version of FAR 52.230-3, Disclosure and Consistency of Cost Accounting Practices, incorporated by clause H002 is the version dated April 1998.

52.230-5 Cost Accounting Standards - Educational Institution (APR 1998). (3) (Applicable if this contract incorporates clause H004). The version of FAR 52.230-5, Cost Accounting Standards - Educational Institution, incorporated by clause H004 is the version dated April 1998.

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

Safety and Accident Prevention .

(1) In performing work under this Contract on a Government installation, Seller shall

(a) Conform to the specific safety requirements established by this Contract;

(b) Comply with the safety rules of the Government installation that concern related activities not directly addressed in this contract;

(c) Take all reasonable steps and precautions to prevent accidents and preserve the health and safety of Seller, Buyer and Government personnel performing or in any way coming in contact with the performance of this contract; and

(d) Take such additional immediate precautions as Buyer or the Contracting Officer under Buyer's Government contract may reasonably require for health and safety purposes.

(2) Buyer may, by written notice to the Seller, direct Air Force Occupational Safety and Health Standards (AFOSH) and/or health/safety standards as may be required in the performance of this contract and any adjustments resulting from such direction will be in accordance with the article set forth in the General Terms and Conditions entitled "Changes"

(3) Any violation of these safety rules and requirements, unless promptly corrected as directed by Buyer or the Contracting Officer, shall be grounds for termination of this Contract in accordance with the default provisions hereof.

(4) If Form MD-1965 or MDA-TA 26-858 is applicable to this contract, Article 30 of said Form is deleted in its entirety and this Article A. is substituted in lieu thereof

Seller shall provide immediate notice to Buyer in the event of being suspended, debarred or declared ineligible by any Department or other Federal Agency, or upon receipt of a notice of proposed debarment from any DoD Agency, during the performance of this Contract.

MATERIAL INSPECTION AND RECEIVING REPORT

Applicable only to final inspection and acceptance for over and above repair of reparables:

(1) As specified by DFARS, Appendix F, Table 2, a copy of DD Forms 250 shall be forwarded to the following address:

(a) Forward the Government purchasing office copy to ASC/YCKC, Bldg 558, Loop Road West, Wright – Patterson AFB, OH 45433-7142.

(b) For shipments involving foreign Military Assistance Program (MAP), Grant Aid (GA), or Foreign Military Sales (FMS) requirements, an additional copy shall be sent to: N/A.

(c) Additional distribution of DD Forms 250 is to be made to the following addresses: WR-ALC/LHK, 205 Perry St., Suite 107, Bldg. 228, Robins AFB, GA 31098-1607.

(2) If delivery of MAP, GA, or FMS items to foreign destinations is required, the copies of DD Forms 250 required by DFARS, Appendix F, Table 2, Material Inspection and Receiving Report, Special Distribution, shall be forwarded to the "ship to" address designated in the contract.

PACKAGING AND MARKING OF HAZARDOUS MATERIAL

If hazardous materials will be shipped under this contract, such materials shall be prepared for shipment in accordance with the following applicable regulations for the individual shipment hazard, ultimate destination, and mode of transportation:

(1) Code of Federal Regulations (CFR) Title 29, Part 1910-1200;

(2) Code of Federal Regulations (CFR) Title 49

(3) Air Force Joint Manual (AFJAM) 24-204, Preparing Hazardous Materials for Military Air Shipment;

(4) International Civil Aviation Organization (ICAO) Technical Instructions for the Safe Transport of Dangerous Goods by Air; and

(5) International Maritime Dangerous Goods (IMDG) Code.

FUTURE GOVERNMENT ORGANIC OR COMPETITIVELY PROCURED SUSTAINMENT

(1) The Government's sustainment strategy for the C-17 fleet may change depending on future circumstances. In the event the Government decides to use organic sustainment or competitively procured sustainment for any C-17 item for which Buyer or Seller is the assigned Inventory Control Point (ICP), the parties shall negotiate an equitable adjustment to this contract for the formal delivery of a support package (SP).

(2) The SP shall contain all data required to either return the item to Government organic support/repair or to facilitate competitive re-procurement of Seller-provided support/repair (Procuring Contracting Officer (PCO)

will specify whether SP is to facilitate organic or re-procurement scenario). The SP shall also identify all associated Government-owned items which are being utilized for support/repair of the item. The SP will not include the Seller's propreitary Sustainment Data System.

(3) It is anticipated that any equitable adjustment made in accordance with this clause will include only those costs (with overhead, FCCOM, and fee as appropriate) associated with reproduction, data gathering, and delivery unless one or more of the following conditions apply:

(a) The data is to be delivered in other than Seller's (or its subcontractor's) format and media.

(b) The data has not been previously developed/generated for use in this contract.

(c)The data has not been previously delivered under this or another Government contract.

(d) The Government requires additional rights to the data beyond the rights it is already entitled to in association with the "Data Rights" clause of this contract.

If the Government requests Seller proprietary data be included in a SP, the Seller will make its best efforts to negotiate with its components and subcontractors for the release of same; however, the Seller is under no obligation to provide such proprietary data if its component(s) or subcontractor(s) refuses (subject to the "Data Rights" clauses of this contract).

(4) DFARS Clause 252.246-7001, Warranty of Data, shall not apply to any SP containing data developed/generated under prime contract F33657-01-C-2002, or prime contract F33657-97-C-0008, that has not been previously delivered under a CDRL requirement.

(5) In the event one or more additional non-U.S. Government C-17 customers are identified for a Seller-managed C-17 unique item, the item will no longer be considered C-17 unique and management responsibility will be transferred from the Seller to the Buyer/Government unless otherwise directed by the Buyer. While the management responsibility transfer is in process, the Seller shall support all requirements from the added user(s) until the cognizant Government agency is in a support position. An equitable adjustment to the negotiated cost, award fee and cost/price of this contract will be negotiated for the impact of this transfer of responsibility.

WARRANTY

Delete the Article set forth in the General Terms and Conditions/General Provisions entitled "Warranty", and insert in lieu thereof the following:

"All Seller warranties, if any, shall inure to and be passed on to the Government. The Seller shall perform all work hereunder in workmanlike manner. The Seller shall, when requested by the Government, determine if a returned part is under warranty. In the event that a failed part is under warranty, the Seller shall notify Buyer and the Government of such fact."

OZONE DEPLETING SUBSTANCES

The Seller shall notify the Buyer Purchasing Representative if any Class 1 Ozone depleting Substances (ODS) are used or anticipated to be used in the design, manufacture, test, operation, or maintenance of any system, subsystem, item component or process set forth in this Contract.

FOREIGN OBJECT DAM AGE/CONTROL

Seller shall establish and maintain systems and procedures necessary to provide a program of foreign object damage/control.

REQUIREMENTS AFFECTING CONTRACTOR PERSONNEL PERFORMING MISSION ESSENTIAL SERVICES

(1) The Contracting Officer has identified all or a portion of the services performed under this contract as "Essential DoD Contractor Services" as defined and described in DoD Instruction (DoDI) 3020.37,
"Continuation of Essential DoD Contractor Services During Crises." Hereafter, the personnel identified by the contractor to perform these services shall be referred to as "Mission Essential Contractor Personnel."

(2) Within (insert the number of days required to institute any necessary safety and health precautions) days after contract award or incorporation of this clause into a contract by modification, the Contractor shall provide a written list of all "Mission Essential Contractor Personnel" to the Contracting Officer or designee. The list shall identify names and country(ies) where each employee will perform work under this contract.

(3) As required to comply with or perform pursuant to DoD or Air Force requirements, the contracting officer shall direct the contractor to comply with requirements intended to safeguard the safety and health of Mission Essential Contractor Personnel. The Contracting Officer may communicate the requirements through a letter of notification or other means, and subsequently modify the contract to incorporate the requirements via full text or by reference. The Contractor may file a proposal for cost or other impacts under the Changes clause or a Request for Equitable Adjustment.

(4) This clause shall be inserted in all subcontracts meeting the criteria in paragraph (1) of this clause.