

CUSTOMER PROVISIONS
ARROW ENHANCED COMPONENTS PRODUCTION PROCESS
CUSTOMER CONTRACT H7221100

CUSTOMER CONTRACT REQUIREMENTS

If Form GP1 is applicable to this procurement, this Attachment constitutes the Government clauses contemplated by Article 29. If Form GP2 is applicable to this procurement, this Attachment constitutes the Government clauses contemplated by Article 28. If Form GP3 is applicable to this procurement, this Attachment constitutes the Government clauses contemplated by Article 41. If Form GP4 is applicable to this procurement, this Attachment constitutes the Government clauses contemplated by Article 31.

The following customer contract special provisions apply to this contract:

A. CUSTOMER ACCESS (Customer Contract Article 3.3)

Seller shall, subject to reasonable security considerations and applicable laws, regulations and export licenses, grant Israeli Aircraft Industries (IAI) access to its and its subcontractors' premises in accordance with the provisions of the SOW. Seller and its subcontractors shall provide, at no additional cost, all reasonable facilities and assistance for the safety and convenience of IAI in accordance with the provisions of the SOW. Seller shall provide IAI's personnel, upon request, with all written and other information required for performance of Contract-required reviews, tests, meetings, etc.

B. IAI AND AECPP PROPERTY AND INFORMATION (Customer Contract Article 4)

This Article only applies to those subcontractors who have been furnished IAI/AECPP property or who acquire such property on behalf of IAI/AECPP.

1 Title and Use

(a) Seller hereby acknowledges and agrees that:

(i) it has no right, title or interest in IAI Property and Information and/or AECPP Property and Information other than the rights to possess and use such property and information for the purposes of performing this Contract;

(ii) IAI is the owner and/or sole authorized representative of the owner/s of the IAI Property and Information and the AECPP Property and Information. Without derogating from the foregoing, title to AECPP Property and Information shall vest in the Israeli Ministry of Defense (IMOD) upon the earliest to occur of acquisition, manufacture, creation, construction, obtaining, compilation, or establishment (as applicable) of the relevant item of the AECPP Property and Information by Seller and/or its subcontractors;

(iii) it shall look to and follow IAI's directions with respect to all matters relating to the IAI Property and Information and AECPP Property and Information (including, but not limited to, its use, handling, transfer and safeguarding);

(iv) it shall not create or permit to be created, suffer any lien upon or encumber, and shall discharge promptly at Seller's sole expense, any liens, charges, pledges, claims or demands that may attach to any of the IAI Property and Information and AECPP Property and Information while such IAI Property and Information and AECPP Property and Information is in the possession or control of Seller and/or its subcontractors;

(v) title to IAI Property and Information and/or AECPP Property and Information shall not be affected by their incorporation into or attachment to any property not owned by IAI, nor shall any item of the IAI Property and Information and/or AECPP Property and Information that is personal property become a fixture or lose its identity as personal property by being attached to any real property; and

(vi) none of the IAI Property and Information and/or AECPP Property and Information shall be used for any purpose other than performance by Seller and its subcontractors of this Contract and/or production of Seller Items pursuant to a serial production agreement between IAI and Seller.

(b) Facilities modified (fixed improvements or structural alterations that cannot be removed without loss of value or damage to the premises) to accommodate the AECPP Program will be the property of Seller and its sub-

contractors, provided that (i) Seller provides IAI with a written facility item list detailing such planned modifications and obtains IAI's written approval that title shall vest in Seller, and (ii) such change is necessary to the performance of the Contract.

2. Notice of Loss - Seller shall be responsible for the risk of loss, destruction or damage (as set forth in Article G) to the IAI Property and Information and AECPP Property and Information while in Seller's or its subcontractors' care, custody or control. Seller shall obtain and maintain insurance coverage for the IAI Property and Information and AECPP Property and Information as set forth in Article G below. In the event of any loss of or destruction or damage to the IAI Property and Information and/or the AECPP Property and Information (or any part thereof), Seller shall immediately notify IAI (through the Buyer) in writing of any such loss, destruction or damage.

3. (a) Marking - Seller shall clearly mark and identify each item of IAI Property and AECPP Property as such (including, if applicable, the provider of such items) and Seller and its subcontractors shall only use IAI Property and Information and AECPP Property and Information for the purpose of performing its obligations under this Contract. Seller and its subcontractors shall maintain written records of all IAI Property and Information and AECPP Property and Information that is in its care, custody or control.

(b) Maintenance - Seller shall perform normal maintenance, as applicable, on the IAI Property and Information and AECPP Property and Information in accordance with sound industrial practice, including protection, preservation, and repair and normal parts replacement. Seller shall perform any maintenance work directed by IAI or the Buyer in writing.

(c) Transfer - Seller and its subcontractors shall not sell, lease, lend or otherwise transfer title to or possession of, or disclose, (as applicable) any of the IAI Property and Information and AECPP Property and Information to any third party except as authorized by IAI. IAI shall have the sole authority for permitting such transfers of IAI Property and Information and AECPP Property and Information, as applicable, specifying the methods and conditions for implementing such transfers. Seller shall, in accordance with Buyer's instructions, return the IAI Property and Information and AECPP Property and Information to IAI or transfer the IAI Property and Information and AECPP Property and Information to another entity or location as directed by Buyer, in the condition in which same was received, acquired or manufactured, except for normal wear and tear. Costs for transfer/disposition of IAI Property and Information and AECPP Property and Information shall be borne by IAI and reimbursed to Seller and or its subcontractors, to the extent such transfer/disposition occurs in the context of a termination except for termination pursuant to Article F, in which case the cost of any transfer/disposition shall be borne by the Seller.

(d) License - IAI, in its own right and as the sole authorized representative of the owner/s, hereby grants Seller a royalty-free license to use the IAI Information and AECPP Information for the purposes of performing its obligations under this Contract. Seller may, subject to obtaining IAI's prior written approval, sub-license such IAI Information and AECPP Information to its subcontractors.

(e) Warranties - Seller shall ensure that any AECPP Property and Information that it purchases shall have standardized warranties from the vendors and Seller shall pass the benefit of such warranties to IAI.

4. Non-Disclosure Agreement - For the avoidance of doubt, proprietary and/or confidential information furnished by either Party under this Contract shall be maintained in accordance with separate Non-Disclosure Agreement/Proprietary Information Agreement (NDA) executed by the parties which is incorporated herein by reference and made an integral part of this Contract.

5. Without derogating from the foregoing provisions of this Article, Seller's responsibilities under this Article with respect to IAI Property and Information and AECPP Property and Information shall also include those obligations set forth in FAR 45.505 to and including 45.505-14; 45.506; 45.507; 45.508 to and including 45.508-3; 45.509 to and including 45.509-2; 45.510; 45.511, as applicable.

6. The Parties recognize the importance of the protection and preservation of IMOD's rights in AECPP Property and Information and IAI's rights in IAI Property and Information. Accordingly, Seller (and its subcontractors holding such property and information) shall provide IAI with any and all assistance that Buyer may reasonably request in order to register and demonstrate the rights and interests of IMOD and IAI in and to the AECPP Property and Information, and

the IAI Property and Information, respectively (including, without limitation, UCC-1 filings, and registrations with the United States Patent and Trademark Office).

C. CONFIDENTIALITY AND SECURITY (Customer Contract Article 6)

1. Seller shall act in accordance with the security and confidentiality provisions established set forth in the ASIP Agreement clauses, and the security guidelines and classifications formulated on the basis of these provisions.

2. All classified information or material (as determined under the relevant laws/regulations of Israel and the United States of America) transferred or provided to, or generated by, either Party with respect to this Contract shall be stored, handled, transmitted, and safeguarded in accordance with the relevant security agreements between the Governments of Israel and the United States of America.

3. Classified information and material shall be transferred only through official government-to-government channels or through channels approved by the relevant governmental security authorities. Such information and material shall bear a label designating the level of classification; denote the country of origin, the conditions of release, and the fact that the information relates to this Contract.

4. Seller shall take all steps to ensure that all classified information and materials transferred or provided to, or generated by, it with respect to this Contract shall be used only in accordance with the relevant laws/regulations, for the purposes permitted in this Contract and shall ensure that access to such classified information and materials is limited to those persons who possess the requisite security clearances and have a specific need for access to such information and materials in order to participate in the AECPP Program. Seller shall flow down to its subcontractors and vendors these measures for safeguarding the use, handling, disclosure, storage, and transmittal of information and materials

5. Seller shall not disclose or transfer classified information and/or materials to any third part whatsoever without the prior written approval of Buyer and the relevant governmental authorities.

6. The Parties shall jointly establish a secured Electronic Data Exchange (EDE) channel for the transfer of classified information. Use of the said EDE shall be subject to the approval of appropriate governmental authorities.

7. Controlled Unclassified Information provided or generated under this Contract shall be handled in accordance with the provisions of the NDA and controlled as follows:

- Such information shall be used only for the purposes provided in this Contract.
- Access to such information shall be limited to personnel whose access is necessary in order to participate in the AECPP Program.
- Seller shall not further disclose such information unless IAI consents to such disclosure.
- Nothing contained herein shall be construed to derogate in any way the obligations or responsibilities of the Parties as set forth in the NDA.

D. WARRANTY (Customer Contract Article 8)

1. Notwithstanding inspection, reviews, tests, approvals and/or acceptance by BUYER of the Seller Items that are delivered to BUYER, Seller warrants that for a period of twelve (12) months after delivery to BUYER of the Production Prototype, the Seller Items (and every sub-part, sub-system or unit thereof) shall be new and free from all defects in design (to the extent Seller and/or its subcontractors make any modifications to the design or introduce their own designs), materials, or workmanship and shall conform with the requirements of the Contract (including all descriptions, plans, patterns, designs, samples, specifications and drawings). Seller shall be notified within 30 calendar days after a defect is identified and shall effect repairs at its cost. Failures arising from defects in BUYER Property and Information are excluded.

2. At any time during the above-referenced warranty period, BUYER may require Seller to replace or correct any non-conforming Seller Items. Except as otherwise provided in Section D.4 below, the cost of replacement or correction shall be included in allowable cost, determined in Article H below, but no additional Fee (defined therein) shall be paid. Seller shall not tender for acceptance Seller Items required to be replaced or corrected without disclosing the former requirement for replacement or correction, and, when required, shall disclose the corrective action taken.

3. If Seller fails to proceed with reasonable promptness to perform required replacement or correction, BUYER may-
 - (a) By contract or otherwise, perform the replacement or correction and charge to Seller any increased cost or make an equitable reduction in the Fee;
 - (b) Require delivery of undelivered Seller Items at an equitable reduction in the Fee; or
 - (c) Terminate this Contract pursuant to Article F.

Failure to agree on the amount of increased cost to be charged to Seller or to the reduction of the Fee shall be a dispute.

4. Notwithstanding Sections D.2 and D.3 above, BUYER may at any time require Seller to correct or replace, without cost to BUYER, non-conforming Seller Items, if the non-conformances are due to (a) fraud, lack of good faith or willful misconduct on the part of Seller's managerial personnel or (b) the conduct of one or more of Seller's employees selected or retained by Seller after Seller's managerial personnel has reasonable grounds to believe that the employee is habitually careless or unqualified. For the avoidance of doubt, Seller's managerial personnel shall be determined at the Air & Missile Defense Systems business segment level.

5. Notwithstanding inspection, reviews, tests, approvals, and/or acceptance by BUYER with respect to any of the activities/tasks/services (including, but not limited to, establishment of the U.S. Co-Production Infrastructure) performed by Seller or its subcontractors pursuant to this Contract, Seller warrants that such activities/tasks/services shall be performed in a professional and workmanlike manner.

6. The applicable warranty period specified in Article D.1 above shall be extended in the case of any repair or replacement of an item by the time required to effect such repair. For items repaired or replaced pursuant to this provision, the repaired item shall be warranted:

- (a) until the end of the original 12-month warranty period, plus the period commencing upon the date of BUYER's notification to Seller of the warranty claim and ending upon the receipt by BUYER of the relevant repaired or replaced item (the "Tolling Period"), if BUYER receives the repaired or replaced item during the first nine (9) months of the warranty period for such item; and
- (b) until the end of the third month following BUYER's receipt of the repaired or replaced item, plus the Tolling Period, if BUYER receives the repaired or replaced items after the first nine (9) months of the warranty period for such item.

E. TERMINATION FOR CONVENIENCE (Customer Contract Article 9) If applicable to this purchase contract, this provision applies in lieu of the article entitled "Termination for Convenience" or "Termination/Cancellation" set forth in The Boeing Company General Provisions.

1. BUYER shall have the right, at its convenience and discretion, to terminate this Contract, in whole or in part, from time to time, by giving Seller a Notice of Termination for Convenience given in accordance with the provisions of this contract, specifying the extent to which this Contract is terminated, and the date upon which such termination shall become effective. Such termination for convenience shall be subject to the terms and procedures for termination set forth below. Costs included in Seller's termination claim may be verified by the Auditor and/or the U.S. Government. In addition, in the event of such termination, any licenses granted to Seller and its subcontractors hereunder shall be automatically revoked and cancelled, as applicable. In such event (and without limiting any of BUYER's rights under this Contract) the provisions of Articles F.3 and F.4 shall apply.

2. Seller shall not have any contention and/or claim (other than as set forth in this Article) against Buyer, IAI, IMOD and/or the United States Government in respect of the termination, for any reason whatsoever, of the ASIP Agreement, and/or the AECPP Program, and/or the AECPP Agreement between the U.S. Government and IMOD, and/or this Contract and/or any purchase order canceled in consequence thereof.

3. Seller acknowledges that Buyer, IAI and the IMOD do not warrant that production by Seller will take place. Seller shall not have any claim and/or contention against Buyer, IAI, the IMOD and/or the United States Government for the absence of such production.

4. After receipt of the Notice of Termination, Seller shall act immediately according to the provisions in the Notice of Termination for Convenience. Following such Notice, Seller shall not enter into any additional commitments/engagements in the framework of this Contract without BUYER's prior written authorization and except

as directed by BUYER, Seller shall immediately proceed with the following obligations, regardless of any delay in determining or adjusting any amounts due under this Article:

(a) Stop work as specified in the notice.

(b) Place no further subcontracts or orders (referred to as "subcontracts" in this Article), except as necessary to complete the continued portion of the Contract (if applicable).

(c) Terminate all subcontracts to the extent they relate to the work terminated.

(d) Assign to Buyer, as directed by Buyer, all right, title, and interest of Seller under the subcontracts terminated, in which case Buyer shall have the right to settle or to pay any termination settlement proposal arising out of those terminations.

(e) With approval of Buyer, settle all outstanding liabilities and termination settlement proposals arising from the termination of subcontracts, the cost of which would be reimbursable in whole or in part, under this Contract.

(f) Transfer title (if not already transferred) and, as directed by Buyer, deliver to Buyer:

(i) the fabricated or unfabricated parts, work in process, completed work, supplies, and other material produced or acquired for the work terminated;

(ii) the completed or partially completed plans, drawings, information, and other property that, if the Contract had been completed, would be required to be furnished to Buyer; and

(iii) the jigs, dies, fixtures, and other special tools and tooling acquired or manufactured for this Contract, the cost of which Seller has been or will be reimbursed under this Contract.

(iv) For the avoidance of doubt, to the extent not covered in (i) to (iii) above, Seller's obligations under the provisions of this Article E.4(f) shall also apply to all items of Buyer Property and Information and all AECPP Property and Information.

(g) Complete performance of the work not terminated.

(h) Take any action that may be necessary, or that Buyer may direct, for the protection and preservation of the IAI Property and Information and AECPP Property and Information that is in the possession of Seller (and/or its subcontractors).

(i) Use its best efforts to sell, as, and to the extent, directed or authorized by Buyer, any property of the types referred to in subparagraph E.4(f); provided, however, that Seller (i) is not required to extend credit to any purchaser and (ii) may acquire the property under the conditions prescribed by, and at prices approved by, Buyer. The proceeds of any transfer or disposition will be applied to reduce any payments to be made by Buyer under this Contract, credited to the price or cost of the work, or paid in any other manner directed by Buyer.

5. Seller shall submit complete termination inventory schedules no later than 120 days from the effective date of termination, unless extended in writing by Buyer upon written request of Seller within such 120-day period.

6. After termination, Seller shall submit a final termination settlement proposal to Buyer in the form and with the certification prescribed by the United States Government for termination of cost-reimbursement contracts. Seller shall submit the proposal promptly, but no later than 180 days from the effective date of termination, unless extended in writing by Buyer upon written request of Seller within this 180-day period. However, if Buyer determines that the facts justify it, a termination settlement proposal may be received and acted on after 180 days or any extension. If Seller fails to submit the proposal within the time allowed, Buyer may determine, on the basis of information available, the amount, if any, due Seller because of the termination and shall pay the amount determined.

7. Subject to paragraph E.6 above, Buyer and Seller may agree on the whole or any part of the amount to be paid (including an allowance for the Fee) because of the termination. In such event, the Contract shall be amended, and Seller paid the agreed amount.

8. If Seller and Buyer fail to agree in whole or in part on the amount of costs and/or Fee to be paid because of the termination of work, Buyer shall determine, on the basis of information available, the amount, if any, due Seller, and shall pay that amount, which shall include the following:

(a) All costs reimbursable under this Contract, not previously paid, for the performance of this Contract (excluding costs reimbursable under paragraphs (b) and (c) below) before the effective date of the termination, and those costs that may continue for a reasonable time with the approval of or as directed by Buyer; however, Seller shall discontinue these costs within 75 days of the effective date of termination.

(b) The cost of settling and paying termination settlement proposals under terminated subcontracts that are properly chargeable to the terminated portion of the Contract if not included in subparagraph E.8(a) above.

(c) The reasonable costs of settlement of the work terminated, including --

- (i) Accounting, legal, clerical, and other expenses reasonably necessary for the preparation of termination settlement proposals and supporting data;
- (ii) The termination and settlement of subcontracts (excluding the amounts of such settlements); and
- (iii) Storage, transportation, and other costs incurred, reasonably necessary for the preservation, protection, or disposition of the termination inventory.

(d) A portion of the Fixed Fee payable under the Contract equal to the percentage of completion of work contemplated under the Contract, but excluding any portion of the fee allocable to costs to be reimbursed in accordance with Article E.8(b), less previous payments for fee.

9. The cost principles and procedures in Part 31 of the Federal Acquisition Regulation, in effect on the date of this Contract, shall govern all costs claimed, agreed to, or determined under this Article.

10. Seller shall have the right of dispute, under the Disputes clause, from any determination made by Buyer under paragraphs E.6, E.8, or E.12 of this Article, except that if Seller failed to submit the termination settlement proposal within the time provided in paragraph E.6 and failed to request a time extension, there is no right to dispute. If the Buyer has made a determination of the amount due under paragraphs E.6, E.8, or E.12, Buyer shall pay Seller (1) the amount determined by Buyer if there is no right to dispute or if no timely dispute has been commenced, or (2) the amount finally determined after the dispute is resolved.

11. In arriving at the amount due Seller under this Article E, there shall be deducted --

(a) All unliquidated advance or other payments to Seller, under the terminated portion of this Contract;

(b) Any claim which Buyer has against Seller under this Contract; and

(c) The agreed price for, or the proceeds of sale of materials, supplies, or other things acquired by Seller or sold under this Article and not recovered by or credited to Buyer.

12. Seller and Buyer must agree to any equitable adjustment in the Fixed Fee for the continued portion of the Contract when there is a partial termination. Buyer shall amend the Contract to reflect such agreement.

13. (a) Buyer shall, under the terms and conditions prescribed herein, make partial payments and payments against costs incurred by Seller for the terminated portion of the Contract, if Buyer believes the total of these payments will not exceed the amount to which Seller will be entitled.

(b) If the total payments exceed the amount finally determined to be due, Seller shall repay the excess to Buyer upon demand, together with interest computed at the rate of then annual LIBOR plus 2%. Interest shall be computed for the period from the date the excess payment is received by Seller to the date the excess is repaid. Interest shall not be charged on any excess payment due to a reduction in the Seller's termination settlement proposal because of retention or other disposition of termination inventory until 10 days after the date of the retention or disposition, or a later date determined by the Buyer because of the circumstances.

14. If following the payment of the costs referred to in Article E, Seller acquires any asset or right, the title to such asset or right shall be vested in Buyer.

15. To eliminate doubt, it is emphasized that Seller shall not be entitled to any remedy, compensation and/or additional payment due to the termination of the Contract according to this Article E, apart from the payments specified in this Article.

F. TERMINATION FOR DEFAULT (Customer Contract Article 10.1)

1. (a) Buyer may terminate this Contract, in whole or in part, from time to time, by giving Seller a Notice of Termination for Default, specifying the nature of Seller's default, the extent to which this Contract is terminated, and the date upon which such termination shall become effective. Such termination for default shall be subject to the terms and procedures set forth below.
- (b) Buyer may terminate this Contract for Seller's default in any of the following circumstances:
 - (i) If Seller fails to perform one or more of its obligations under this Contract in strict compliance with the terms of this Contract; or
 - (ii) If Seller fails to deliver any item or to achieve any milestone or to perform any services required by this Contract within the time specified herein; or
 - (iii) If Seller so fails to make progress of its performance under this Contract as to endanger performance of this Contract in accordance with its terms; or
 - (iv) In the event of suspension of Seller's business, Seller's insolvency, institution of bankruptcy, liquidation proceedings by or against Seller, appointment of a trustee or receiver for Seller's property or business, or any assignment, reorganization or arrangement by Seller for the benefit of creditors.

and in any of the circumstances listed in (i) to (iii) above, Seller does not cure such default within thirty (30) days after receipt of such written notice from Buyer.

G. SUB-CONTRACTOR FLOW-DOWN OF ARTICLE 31

1. The IMOD and U.S. Government Arrow Program Office ("APO") have management, oversight and control powers with respect to the AECPP Program. Supplier undertakes to extend to the IMOD any assistance required for the exercise of its management, oversight and control powers.
2. For said purpose IMOD's representative in all that pertains to and derives from this Contract shall be the director of the ARROW Program Administration (IMOD) or anyone acting on his behalf. Supplier undertakes to cooperate with the IMOD representatives and to aid them in the performance of their function. Without derogating from the general nature of the foregoing, Supplier shall place at Seller's disposal all the information and/or documents and/or data required by Seller.
3. For classified contracts only, Supplier shall be subject to the security directives and guidelines found in the National Industrial Security Program Operating Manual, DOD 5220.22-M. The Proprietary Information Agreement between Seller and Supplier governs disclosure of unclassified proprietary information.
4. Without derogating from the foregoing IMOD and DoD shall have the following rights with regard to this Contract:
 - (a) to review performance, technical, and schedule aspects of this Contract, including receiving copies of technical data, engineering drawings, computer software and listing and test data generated by the Supplier.
 - (b) to monitor the Supplier Schedule.
 - (c) to manage and control transfer of IAI and/or AECPP Property and Information whether furnished by Seller, Buyer or IAI, or acquired.
 - (d) to maintain oversight of the security aspects of the Contract, including reviewing and obtaining approval for transfer of Classified Information.
 - (e) Buyer, IAI/MLM, IMOD, & DOD shall have the right, at reasonable times during the course of the AECPP Program and subject to coordination with Seller and the Supplier, to review, on a non-interference basis, the Arrow work performed. Access may be limited due to security, or export control matters. During each review, Seller shall provide, and shall require its Subcontractors to provide, all reasonable support and assistance (including the necessary security and export approvals) as well as access to all relevant drawings, documentation, test results and reports for the Buyer, IAI/MLM's, IMOD's and DOD's representatives.

H. GOVERNMENT ACCESS

United States Department of Defense shall have the right, at reasonable times during the course of the Arrow program and subject to coordination with Seller and the supplier, to review on a non-interference basis the Arrow work performed. Reasonable support and assistance including access to all relevant drawings, documentation, test results and reports shall be provided.