

Boeing Defense & Space Group

Date: September 1997

EXHIBIT A

GOVERNMENT PROVISIONS

APPLICABLE TO

PRIME CONTRACT [F19628-95-C-0041](#)

The clauses contained in the following Government regulations are incorporated by reference. Where necessary or appropriate to derive proper meaning in a subcontract situation, "Contractor" shall mean Seller. Government clauses listed below or cited elsewhere in the contract shall be those in effect in November 1995.

FAR/DFARS Reference Title

52.203-6	Restrictions on Contractor Sales to the Government
52.204-2	Security Requirements (Applies only if the contract requires access to classified information, "Government" means Buyer or the Government.)
52.208-1	Required Source for Jewel Bearings and Related Items (Applies only if items to be delivered contain such items.)
52.211-5	New Material ("Contracting Officer" means Buyer.)
52.211-7	Used or Reconditioned Material, Residual Inventory and Former Government Surplus Property ("Contracting Officer means Buyer.)

52.211-15	Defense Priority and Allocation Requirements
52.215-26	Integrity of Unit Prices (Excluding paragraph (c))
52.215-27	Termination of Defined Benefit Pension Plans ("Contracting Officer" means Buyer and Seller's cognizant ACO.) (Applicable only if contract is other than firm-fixed-price, or if certified cost or pricing data is provided.)
52.219-8	Utilization of Small, Small Disadvantaged and Women-Owned Small Business Concerns
52.222-1	Notice of Labor Disputes ("Contracting Officer" means Buyer.)
52.222-29	Notification of Visa Denial
52.225-10	Duty-Free Entry
52.225-11	Restrictions on Certain Foreign Purchases ("Contracting Officer" means Buyer.)
52.227-1	Authorization and Consent
52.227-10	Filing of Patent Applications - Classified Subject Matter (Applies if contract involves classified subject matter.)
52.234-1	Industrial Resources Developed Under Defense Production Act Title III

52.237-2	Protection of Government Buildings, Equipment and Vegetation. (Applies only if work will be performed on a government installation. "Contracting Officer" means Buyer.)
52.242-15	Stop Work Order
52.244-6	Subcontracts for Commercial Items and Commercial Components
52.246-23	Limitation of Liability
52.247-63	Preference for U.S.-Flag Air Carriers
252.215-7000	Pricing Adjustments
252.223-7001	Hazard Warning Labels
252.223-7006	Prohibition on Storage and Disposition of Toxic and Hazardous Materials
252.225-7002	Qualifying Country Sources
252.225-7009	Duty-Free Entry-Qualifying Country End Products
252.225-7010	Duty-Free Entry--Additional Provisions
252.225-7012	Preference for Certain Domestic Commodities
252.225-7016	Restriction on Acquisition of Anti-Friction Bearings
252.225-7028	Exclusionary Policies and Practices of Foreign Governments

252.231-7000 Supplemental Cost Principles

252.247-7024 Notification of Transportation of Supplies by Sea

The following clauses also apply if the contract price exceeds \$2,500:

52.222-36 Affirmative Action for Handicapped Workers

The following clauses also apply if the contract price exceeds \$10,000:

52.222-20 Walsh-Healy Public Contracts Act

52.222-35 Affirmative Action for Special Disabled and Viet Nam Era Veterans

52.222-37 Employment Report on Special Disabled Veterans and Veterans of the Viet Nam Era. (Applies if order price is \$10,000.)

The following clauses also apply if the contract price exceeds \$25,000:

52.246-25 Limitation of Liability - Services

252.203-7001 Special Prohibition on Employment

The following clauses also apply if the contract price exceeds \$100,000. [Except see item (37)]:

- 52.203-11 Certification and Disclosure Regarding Payments to Influence Certain Federal Transactions (Seller's signed proposal provided the required certification.)
- 52.203-12 Limitation on Payments to Influence Certain Federal Transactions. (The disclosures of Seller and its lower tier subcontractors required by paragraph (c) shall be submitted to Buyer's Material Representative.)
- 52.215-2 Audit and Records -- Negotiation
- 52.223-2 Clean Air and Water (Also applicable if Seller's facility has been the subject of a conviction under the Clean Air Act or Federal Water Pollution Control Act.)
- 52.223-14 Toxic Chemical Release Reporting
- 52.227-2 Notice and Assistance Regarding Patent and Copyright Infringement ("Contracting Officer" means Buyer.)
- 252.209-7000 Acquisition from Subcontractors Subject to On-Site Inspection Under the Intermediate - Range Nuclear Forces (INT) Treaty
- 252.225-7026 Reporting of Contract Performance Outside the United States (not applicable if only commercial products are involved.)
- 252.247-7023 Transportation of Supplies by Sea
- 252.249-7002 Notification of Proposed Program Termination or Reduction

The following clauses also apply if the contract price exceeds \$500,000:

52.215-39 Reversion or Adjustment of Plans for Post-Retirement Benefits other than Pensions. (Applicable only if certified cost or pricing data is provided.)

52.219-9 Small, Small Disadvantaged and Women-Owned Small Business Subcontracting Plan. (Applies only if Seller is not a small business. "Contracting Officer" in paragraphs (b) and (c) means Buyer.)

252.249-7001 Notification of Substantial Impact on Employment

The following clauses also apply if the contract price exceeds \$1,000,000:

252.211-7003 Acquisition Streamlining

The following clauses also apply if Technical Data or Computer Software will be Generated or Delivered:

252.227-7013 Rights in Technical Data--Noncommercial Items

252.227-7014 Rights in Noncommercial Software and Noncommercial Software Documentation

252.227-7019 Validation of Asserted Restrictions - Computer Software

252.227-7027	Deferred Ordering of Technical Data or Computer Software
252.227-7030	Technical Data - Withholding of Payment ("Contracting Officer" and "Government" means Buyer.)
252.227-7036	Certification of Technical Data Conformity
252.227-7037	Validation of Restrictive Markings on Technical Data

The following NAPMO provisions are applicable:

1. EXPORT OF TECHNOLOGY. In the event that any participating Government does not provide to the Seller written I R

approval of Manufacturing License and Technical Assistance Agreements and any other licenses, export or import licenses, visas, resident permits, work permits, or other similar governmental actions or approvals necessary: (1) to perform this contract; (2) to export from or to deliver to NAPMO or the United Kingdom any items or data involved in the performance of this contract; or (3) to permit the Seller and its subcontractors to contract to their Industrial Benefits Program subcontractors (at any tier) consistent with the performance and delivery schedules of this contract; an equitable adjustment shall be negotiated pursuant to the "Changes" clause hereof.

2. RIGHTS OF PARTICIPATING NATO GOVERNMENTS TO AUDIT REPORTS. Seller agrees that NAPMO and governments participating in the RSIP Production and Retrofit Program may receive from the Contracting Officer reports of audit of the Contractor and Euro-Canadian subcontractors, derived pursuant to the clause titled "Audit and Records - Negotiation." The Seller shall identify proprietary or sensitive data and/or information in source documentation for the aforementioned audit reports. The Contracting Officer will delete this proprietary or sensitive data prior to release to NAPMO and governments participating in the Joint Cooperative RSIP Production and Retrofit Program. This clause will be included in all subcontracts.

3. LEVIES, CUSTOMS OR DUTIES. This contract contains no provisions or costs for customs or duties imposed by E-C countries. In the event a foreign Government imposes any national levies, European levies, customs, duties or similar charges, Seller incurred costs are reimbursable to the Seller. Reimbursement shall be limited to those Seller incurred costs, including applicable overhead and G&A expense, but excluding profit. The contract price will be increased accordingly.

EXHIBIT B

NAPMO PROVISIONS
APPLICABLE TO
U.S. SUBCONTRACTORS
WITH
EURO-CANADIAN SUBCONTRACTORS

1. CURRENCY CONVERSION

a. This clause is intended to protect E-C Subcontractors from financial loss or gain due to currency exchange rate fluctuations. The Seller agrees to require flowdown of the principles of this provision to first tier E-C Subcontractors who are required in support of the Industrial Benefits program. However, E-C Subcontractors shall not include this clause in lower tier subcontracts.

b. The Seller shall provide forecasts of required currencies, as requested by the Buyer. Forecasts shall also state the actual currency amounts which were invoiced for payment in all prior periods.

c. The face amount of this contract will administratively cite the mix of participating nation currencies required for contract total performance. The following fixed rates of exchange per U.S. Dollar shall apply to this contract:

Belgium/LUX Franc 31.8500

Canada Dollar 1.3660

Denmark Krone 6.0562

Germany Deutschemark 1.5485

Greece Drachma 238.4000

Italy Lira 1,586.4500

Netherlands Guilder 1.7354

Norway Krone 6.7798

Portugal Escudo 158.0700

Turkey Lira 36,287.5100

d. The Seller is responsible for the selection of all subcontractors including Euro-Canadian subcontractors. The Seller shall employ competitive practices whenever possible in the selection of subcontractors. The evaluation of Euro-Canadian firms, whether on a competitive basis with each other, with U.S. firms, or as part of a make/buy analysis, shall be based on currency exchange rates, as described below.

e. Price evaluation for Euro-Canadian subcontractors for make/buy decisions shall be based on (the closing date of the bid) exchange rates. These exchange rates shall be defined as the Spot Rate published in the Wall Street Journal on (the closing date of the bid) for the selected subcontractor's national currency.

2. DEFERRED PAYMENTS

a. Changes in Billing Limitation Tables (BLT) proposed by the Seller including changes to the currency mix which do not affect the cumulative budget year totals, must be submitted 120 days in advance of the BL period affected in order for the Contractor to be eligible for interest on deferred payments. In the event sufficient NAPMO funds are not available to assure timely Government payments to the Seller due to NAPMO's inability to obtain funds to cover contractual cumulative Billing Limitations in accordance with the "PROGRAM FINANCIAL MANAGEMENT" clause, payment of interest is authorized. This applies equally to certified invoices/progress payments against BL adjustments requested 120 days in advance of the BL period affected, but not modified by the Buyer due to inability to reach agreement within the negotiation period. The Seller must accept payment of interest on overdue amounts in consideration of deferred payment and continued contract performance.

b. In the event sufficient NAPMO funds are not available to assure timely payments due to Seller notification of a change to the BL in less than

120 days, the Seller shall continue performance and accept deferred payments without interest. Buyer will exert all reasonable effort to make progress payments/pay invoices out of existing resources, and to obtain additional funds when necessary.

c. In the event an adjustment to the BLT is required due to phasing of requirements within the budget year which do not affect the cumulative budget year total, no deferred payments will be necessary.

d. Interest will be computed and paid subject to the following:

(1) Unpaid amounts of a (any) voucher(s) that have been submitted and Government approved pursuant to the payment provisions of this contract shall be used as a base to compute the daily finance charge. Such charge will accumulate daily on the unpaid amounts from the first USG working day following the date the payment is due to the contractor.

(2) The daily interest shall be computed by dividing the Treasury rate plus 2 percent by 360. The Treasury Rate is defined as results of the most recent auction of 13-week U.S. Government treasury bills sold at discount from face value. "Most Recent" is defined as the 13-week rate published in the Wall Street Journal on the first USG working day following the date the payment is due to the contractor.

(3) Authorization to pay specific interest to the Seller will be set forth in a contract modification(s) issued by the Buyer.

e. After a deferral of payment(s) under this provision, when NAPMO funds next become available, payments of outstanding vouchers will resume with the oldest outstanding voucher and will be paid to the extent of the availability of such funds.

f. To permit the Seller to plan for any needs to finance unpaid vouchers, the Buyer will provide the Seller an estimate of any anticipated funding shortages as early as possible.

3. TRAVEL

(a) The Seller will furnish the Buyer with the following information fifty (50) days (ten (10) days in the event of a genuine emergency) in advance of the planned departure, when a theater clearance is desired:

(1) Full name of traveler(s)

(2) SSAN

(3) Home address

(4) Date and place of birth

(5) Citizenship and passport number

(6) Security clearance (to include date and place of issuance)

(7) Date of departure and duration of trip

(8) Itinerary

(9) Detailed justification for variations in itinerary (if applicable)

When travel is under an existing clearance, the information will be provided twenty (20) days in advance of normal travel and two (2) days in advance of emergency travel.

(b) Upon receipt of the above data, the Buyer will forward the data to the Contracting Officer who will be responsible for obtaining any required theater clearance.

(c) The Seller agrees to insert, in all non-Euro-Canadian subcontracts hereunder, provisions which conform substantially to the language of this clause.

(d) The Seller agrees to insert, in all Euro-Canadian subcontracts herein under, provisions that require the subcontractor to process Requests for Visits in accordance with the procedures prescribed by the National Security Authority of the country concerned to the appropriate U.S. User Agency (host Military Department) thirty (30) days (one (1) day in the event of a genuine emergency) in advance of any planned departure to visit any contractor or government facility located in the U.S. The Visit Request shall contain the full name, date of birth, citizenship, and security clearance of each visitor, contractor or government facilities to be visited, date or period of visit, and purpose of visit to include program and/or information classified or unclassified, which access is required.

4. PROVISIONS FOR EURO-CANADIAN SUBCONTRACTS

(a) Definitions. For the purposes of this clause and the clauses referenced herein, the following definitions shall apply:

(1) Subcontract - Any purchase order, license or other contractual arrangement awarded by the Seller to industrial firms of contributing nations. These industrial firms will hereinafter be referred to as Euro-Canadian (E-C) subcontractors.

(2) U.S. Subcontractor - Any first tier subcontractor to the Buyer having a subcontract with an E-C subcontractor.

(3) National Audit Authority - Audits will be performed by the respective Ministries of Defense.

(b) None of the provisions hereof shall relieve the Seller of the need to comply with the International Traffic in Arms Regulation, the Industrial Security Manual, or other laws and regulations governing foreign procurement and disclosure of information to foreign nationals.

(c) Contract clauses requiring flow down to subcontractors shall be flowed down to E-C subcontractors unless exempted by the provisions of this clause or by the FAR instructions regarding applicability of the clause. Unless specifically exempted in d. below, all clauses of this contract shall be applicable to E-C subcontractors to the same extent as these clauses will apply to U.S. subcontractors, with the following exceptions/modifications:

(1) Audit and Records -Negotiation - The requirement in (b) of the clause shall, for E-C subcontracts, be applied with the term "Contracting Officer or his representatives (who are employees of the United States Government)" replaced by "National Audit Authority or in exceptional circumstances, the USG DCAA."

(2) Filing of Patent Applications - Classified Subject Matter - Applications may be filed with the host nation.

(3) Restrictive Markings on Technical Data - The Seller will assure that the intent of this clause is satisfied by E-C subcontractors.

(4) ST/STE - ST/STE shall be classified in accordance with those ST/STE definitions which are applicable to military I R contracts between the E-C subcontractor and its government as approved by the PCO.

(d) The following FAR and DFARS clauses which are included in the General Provisions, Special Provisions, Typing Notes and Exhibit A do not apply to E-C subcontractors:

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FAR 52.219-8 Utilization of Small Business and Small Disadvantaged

Business Concerns

FAR 52.219-9 Subcontracting Plan for Small Business and Small

Disadvantaged Business Concerns (Negotiated)

FAR 52.220-3 Utilization of Labor Surplus Area Concerns

FAR 52.220-4 Labor Surplus Area Subcontracting Program

FAR 52.220-20 Walsh-Healy Public Contracts Act I A

FAR 52.222-4 Contract Work Hours and Safety Standards Act -

Overtime Compensation

FAR 52.222-26 Equal Opportunity

FAR 52.222.35 Affirmative Action for Disabled Veterans and Veterans

of the Viet Nam Era

FAR 52.222-36 Affirmative Action for Handicapped Workers

FAR 52.222-37 Employment Reports on Special Disabled Veterans and

Veterans of the Viet Nam Era

FAR 52.223-2 Clean Air and Water

FAR 52.230-2 Application of Cost Accounting Standards

FAR 52.230-3 Disclosure and Consistency of Cost Accounting Practices

FAR 52.230-5 Administration of Cost Accounting Standards

DFARS 252.225-7026 Reporting of Contract Performance Outside the United States

(e) Pricing and Audit

(1) Pricing of E-C subcontractor proposals shall be in accordance with the pricing instructions of this contract; however, the allowability and allocability of E-C subcontractor costs including Termination costs shall be in accordance with national pricing policies applicable as if the subcontractor's government issued the contract for defense purposes, regardless of whether or not such costs would be allowable under a U. S. Government contract. Allowability pursuant to non-U.S. laws shall be determined between the Contracting Officer and the appropriate National Audit Authority.

(2) (a) E-C subcontractor price proposals will provide detailed cost information with supporting information, adequately cross-referenced, suitable to detailed analysis. A supporting breakdown must be furnished for each cost element, consistent with the offeror's accounting system.

(b) Depending on the offeror's system, cost support shall be provided for the basic elements of cost, as

applicable:

(i) Materials - Provide a consolidated priced summary of individual material quantities included in the various tasks, orders, or contract line items being proposed, and the basis for pricing (vendor quotes, prices, etc.).

(A) Subcontracted items - Include parts, components, assemblies and services to be produced or performed by other than the subcontractor in accordance with the contracted subcontract over \$500,000.00; the support should provide a listing by source, item, quantity, price, as well as results of review and evaluation of subcontract proposals when required.

(B) Standard Commercial Items - Means items regularly used in the course of normal business operations for other than Government purposes which:

1. Have been sold or licensed to the general public;

2. Have not been sold or licensed, but have been offered for sale or license

to the general public;

3. Are not yet available in the commercial marketplaces but will be available for commercial delivery in a reasonable period of time;

4. Are described in paragraphs 1, 2, 3, that would require only minor modification in order to meet the requirements of the procuring agency.

(C) Interorganizational Transfers (at other than cost) - Provide explanation of pricing

method used.

(D) Raw Material - Consists of material which is in a form or state that requires further processing. Provide priced quantities of items required for this proposal.

(E) Purchased Parts - Include material items not covered above. Provide priced quantities for items required for the proposal.

(F) Interorganizational Transfers (at cost) - Include separate breakdown of cost by element.

(ii) Direct Labor - Provide a time-phased (e.g., monthly, quarterly, etc.) breakdown of labor hours, rates, and cost by appropriate category and furnish basis for estimates.

(iii) Indirect Costs - Indicate the method of computation and application of your indirect costs, including cost breakdowns, and showing trends and budgetary data, to provide a basis for evaluation of the reasonableness of the proposed rates. Indicate the rates used and provide an appropriate explanation.

(iv) Other Costs - List all other costs which are not otherwise included in the categories described above, (e.g., special tooling, travel, computer and consultant services, preservation, packaging and packing, and spoilage rework) and provide basis for pricing.

(c) There is a clear distinction between "submitting" cost or pricing data and merely "making available" books, records and other documents without identification. The requirement for submission of cost or pricing data is met when all accurate cost or pricing data reasonably available to the contractor has been submitted, either actually or by specific identification. As later information comes into the contractor's possession, it should be promptly submitted to the buyer. The requirement for submission of cost or pricing data continues up to the time of final agreement on price.

(d) The E-C subcontractor will grant to the National Audit Authority (see f.(3) below), the right to examine those books, records, documents and other supporting data which will permit adequate evaluation of the proposed price. This right may be exercised at any time prior to award to the E-C subcontractor.

(e) The E-C subcontractor will submit as soon as practicable after final agreement on price, a Certificate of Current Cost or Pricing Data wherein the E-C subcontractor will certify that cost or pricing data as defined above are accurate, current and complete as of the date of agreement on price.

(3) Audit Authority

(a) If other than a firm-fixed price contract is to be awarded to an E-C subcontractor, the allowability of categories of costs for the purpose of final price determination shall comply with national price regulations. The national pricing regulations may be supplemented by mutual agreement between the Contracting Officer and a representative of the participating government. The Contracting Officer shall advise the Seller of such action prior to consent to such subcontract by the Contracting Officer.

(b) Additional detailed guidance on audit arrangements will be provided by the Contracting Officer.

(4) Requests for E-C Subcontractor assist audits will be directed to the Buyer.

(f) Contract Administration Services

Contract Administration Services (CAS) as described in the Federal Acquisition Regulation for the E-C subcontracts will be performed by the Defense Contract Management Area Operation (DCMAO) in accordance with the delegation issued by the Contracting Officer. The respective national CAS agencies will become involved only to the extent that CAS activities are delegated by the DCMAO for that nation.

(g) Security and Fire Protection

It is understood and agreed that the price hereof contemplates that the E-C Subcontractor will comply with security and fire protection requirements currently imposed under military contracts with their own respective government. The Seller, however, is responsible for insuring that the minimum Security and Fire Protection requirements imposed in the E-C subcontracts are consistent with contract requirements and satisfy the Seller's requirements consistent with its management responsibility for program hardware.

(h) International Standards and Regulations

It is recognized that in performance of this contract, E-C subcontractors may desire, in the interests of minimizing program costs, to substitute appropriate standards, regulations, or other documents of the E-C subcontractor's government where it is demonstrated that such standards, regulations or other documents are equivalent to the standards, regulations or other documents required by the provisions of this contract. The Seller's demonstration of equivalency must be specifically approved in writing by the Buyer to permit such substitution.

5. PAYMENTS TO E-C SUBCONTRACTORS

The following procedures apply to all Euro/Canadian Subcontractors performing under this contract.

a. Subcontracts with Euro-Canadian vendors will be priced and all invoices for payment will be in the Euro-Canadian vendor's national currency. Euro-Canadian vendors will be paid in their national currency by NAPMA.

b. Payments to Euro-Canadian vendors may be based on the completion of contract milestones or progress payments.

c. When an Euro-Canadian vendor has completed a contract milestone or can submit a progress payment request in accordance with its contract, the vendor will submit two original copies of the invoice or progress payment request to the National Auditor who will certify that the Euro-Canadian vendor has met the milestone completion requirements or that the Euro-Canadian vendor is authorized to submit a progress payment request, and that the amount being invoiced for the milestone is correct. The invoice/progress payment request must also contain the total price of the Euro-Canadian vendor's contract and the cumulative amount invoiced to date. After validation by the National Auditor, the Euro-Canadian vendor will forward the invoice/progress payment request to the Seller, for validation, who will immediately forward the request to the Prime Contractor.

d. Upon receipt of an invoice/progress payment request from an Euro-Canadian vendor, the Seller shall verify that the invoice/progress payment request is consistent with the requirements of the subcontract and that the request for payment does not exceed the appropriate Government-approved Billing Limitation Table amount. If the invoice/progress payment request exceeds the project Government-approved Billing Limitation Table amount, the Prime Contractor shall notify the NAPMA Financial Controller and the provisions of the "DEFERRED PAYMENTS" clause shall apply. The Seller shall convert the amount of the invoice/progress payment request from the national currency to U. S. dollars based on the currency exchange rates specified in the "Currency Conversion" clause. Seller shall write a certified check in U.S. Dollars payable to the NAPMA account at the AMRO bank and forward the invoice and check to the Prime Contractor.

e. The Prime Contractor shall forward by facsimile a copy of the invoice/progress payment request to the NAPMA Financial Controller. Concurrent with transmittal to NAPMA the Prime Contractor shall submit an information copy of the invoice/progress payment request to ESC/AWIX. The Prime Contractor shall also forward to NAPMA the Seller's certified check. The Prime Contractor shall then mail the original

certified Euro-Canadian vendor invoices/progress payment requests to the NAPMA Financial Controller (copy to ESC/AWIX) for filing with the actual payment records.

f. Following receipt of the facsimile invoice/progress payment request and payment in U.S. dollars from the Prime Contractor, NAPMA will initiate direct payment to the Euro-Canadian vendor. However, in accordance with NAPMO Financial Regulations, final payment will not be made to the Euro-Canadian vendor until original certified Euro-Canadian invoices/progress payment requests have been received by NAPMA.

g. The normal process for NAPMA will be to pay non-U.S. dollar invoices/progress payment requests once per month on NAPMA's fifth working day. All properly certified facsimile(s)/invoice(s) received at least ten working days prior to that date will be included in the applicable month's payment process. In accordance with NAPMO Financial Regulations, original certified Euro-Canadian invoices must be received before final payment may be made. NAPMA will notify both the Prime Contractor and ESC/AWRK by facsimile when payments have been executed. Such notice will include Euro-Canadian vendor name, invoice number(s), amount(s) paid, and date paid.

h. NAPMA will provide the NAPMA holiday schedule to the prime contractor annually.

i. In the event NAPMA fails to pay Euro-Canadian subcontractors' invoices/ progress payment requests as contemplated by the "Payment (E-C Subcontractor)" clause, the Contractor shall notify NAPMA within five (5) calendar days of becoming aware of such event. Such notification shall identify the invoices/progress payment requests which have not been paid and shall state the monetary value of said invoices/progress payment requests. The contract price shall be equitably adjusted for all damages or costs incurred, including costs associated with any subcontractor claims, suits, actions, liabilities, and damages, occasioned by failure of NAPMA to pay Euro-Canadian subcontractors' invoices as contemplated by the "Payment (E-C Subcontractor)" clause.

j. The paying stations are instructed to pay invoices from U.S. RSIP funds first.

If currency required for payment above is not available, Typing Note Z181, "Deferred Payments," may be used by the parties.

EXHIBIT C

PROVISIONS

APPLICABLE TO

EURO-CANADIAN SUBCONTRACTORS

1. REQUESTS FOR VISITS

Seller shall process Requests for Visits in accordance with the procedures prescribed by the National Security Authority of its country to the appropriate U.S. User Agency (host Military Department) thirty (30) days - one (1) day in the event of a genuine emergency - in advance of any planned departure to visit any contractor or government facility located in the U.S. The Visit Request shall contain the full name, date of birth, citizenship and security clearance of each visitor, contractor or government facilities to be visited, date or period of visit, and purpose of visit to include program and/or information classified or unclassified, which access is required.

2. CURRENCY CONVERSION (E-C SUBCONTRACTOR)

a. This clause is intended to protect the Seller from financial loss or gain due to currency exchange rate fluctuations.

b. The Seller shall provide forecasts of required currencies, as requested by the Buyer. Forecasts shall also state the actual currencies used in prior periods.

c. The face amount of this contract will administratively cite the mix of participating nation currencies required for contract total performance. The following fixed rates of exchange apply to this contract:

Belgium/LUX Franc 31.8500

Canada Dollar 1.3660

Denmark Krone 6.0562

Germany Deutschemark 1.5485

Greece Drachma 238.4000

Italy Lira 1,586.4500

Netherlands Guilder 1.7354

Norway Krone 6.7798

Portugal Escudo 158.0700

Turkey Lira 36,287.5100

3. DEFERRED PAYMENTS

a. Changes in Billing Limitation Tables (BLT) proposed by the Seller including changes to the currency mix which do not affect the cumulative budget year totals, must be submitted 120 days in advance of the BL period affected in order for the Contractor to be eligible for interest on deferred payments. In the event sufficient NAPMO funds are not available to assure timely Government payments to the Seller due to NAPMO's inability to obtain funds to cover contractual cumulative Billing Limitations in accordance with the "PROGRAM FINANCIAL MANAGEMENT" clause, payment of interest is authorized. This applies equally to certified invoices/progress payments against BL adjustments requested 120 days in advance of the BL period affected, but not modified by the Buyer due to inability to reach agreement within the negotiation period. The Seller must accept payment of interest on overdue amounts in consideration of deferred payment and continued contract performance.

b. In the event sufficient NAPMO funds are not available to assure timely payments due to Seller notification of a change to the BL in less than 120 days, the Seller shall continue performance and accept deferred payments without interest. Buyer will exert all reasonable effort to make progress payments/pay invoices out of existing resources, and to obtain additional funds when necessary.

c. In the event an adjustment to the BLT is required due to phasing of requirements within the budget year which do not affect the cumulative budget year total, no deferred payments will be necessary.

d. Interest will be computed and paid subject to the following:

(1) Unpaid amounts of a (any) voucher(s) that have been submitted and Government approved pursuant to the payment provisions of this contract shall be used as a base to compute the daily finance charge. Such charge will accumulate daily on the unpaid amounts from the first USG working day following the date the payment is due to the contractor.

(2) The daily interest shall be computed by dividing the Treasury rate plus 2 percent by 360. The Treasury Rate is defined as results of the most recent auction of 13-week U.S. Government treasury bills sold at discount from face value. "Most Recent" is defined as the 13-week rate published in the Wall Street Journal on the first USG working day following the date the payment is due to the contractor.

(3) Authorization to pay specific interest to the Seller will be set forth in a contract modification(s) issued by the Buyer.

e. After a deferral of payment(s) under this provision, when NAPMO funds next become available, payments of outstanding vouchers will resume with the oldest outstanding voucher and will be paid to the extent of the availability of such funds.

f. To permit the Seller to plan for any needs to finance unpaid vouchers, the Buyer will provide the Seller an estimate of any anticipated funding shortages as early as possible.

4. EURO-CANADIAN SUBCONTRACT PROVISIONS

a. The following clauses set forth in Exhibit A hereof are deleted:

FAR 52.219-8 Utilization of Small Business and Small Disadvantaged

Business Concerns

FAR 52.219-9 Subcontracting Plan for Small Business and Small

Disadvantaged Business Concerns

FAR 52.220-3 Utilization of Labor Surplus Area Concerns

FAR 52.220-4 Labor Surplus Area Subcontracting Program

FAR 52.220-20 Walsh-Healy Public Contracts Act I A

FAR 52.222-4 Contract Work Hours and Safety Standards Act -

Overtime Compensation

FAR 52.222-26 Equal Opportunity

FAR 52.222-35 Affirmative Action for Special Disabled Veterans and Veterans

of the Viet Nam Era

FAR 52.222-36 Affirmative Action for Handicapped Workers

FAR 52.223-2 Clean Air and Water

b. The requirement in paragraph (b) of FAR 52.215-2, "Audit and Records - Negotiation," included in Exhibit A hereof shall be applied with the term "Contracting Officer or his representatives (who are employees of the United States Government)" replaced by "National Audit Authority or in exceptional circumstances, the USG DCAA."

c. With respect to FAR 52.227-10, "Filing of Patent Applications," patent applications may be filed with the host nation.

d. ST/STE shall be classified in accordance with those ST/STE, definitions which are applicable to military contracts between the I R Seller and its Government as approved by the PCO.

e. Pricing and Audit

(1) Pricing of Seller's proposals shall be in accordance with the pricing instructions of this contract; however, the allowability and allocability of Seller's costs including Termination costs shall be in accordance with national pricing policies applicable as if the Seller's government issued the contract for defense purposes, regardless of whether or not such costs would be allowable under a U.S. Government contract. Allowability pursuant to non-U.S. laws shall be determined between the Contracting Officer and the appropriate National Audit Authority.

(2) (a) Price proposals will provide detailed cost information with supporting information, adequately cross-referenced, suitable for detailed analysis. A supporting breakdown must be furnished for each cost element, consistent with the Seller's accounting system.

(b) Depending on the Seller's system, cost support shall be provided for the following basic elements of cost, as applicable:

(i) Materials - Provide a consolidated priced summary of individual material quantities included in the various tasks, orders or contract line items being proposed, and basis for pricing (vendor quotes, prices, etc.)

(A) Subcontracted Items - Include parts, components, assemblies and services to be produced or performed by other than the subcontractor in accordance with the contracted design, specifications or directions and applicable only to the prime contract. For each subcontract over \$500,000.00, the support should provide a listing by source, item, quantity, price, type of subcontract, degree of competition and basis of establishing source and reasonableness of price, as well as results of review and evaluation of subcontract proposals when required.

(B) Standard Commercial Items - Means items regularly used in the course of normal business operations for other than Government purposes which:

1. Have been sold or licensed to the general public;
2. Have not been sold or licensed, but have been offered for sale or license to the general public;
3. Are not yet available in the commercial marketplaces but will be available for commercial delivery in a reasonable period of time;
4. Are described in paragraphs 1, 2, 3, that would require only minor modification in order to meet the requirements of the procuring agency.

(C) Interorganizational Transfers (at other than cost) - Provide explanation of pricing method used.

(D) Raw Material - Consists of material which is in a form or state that requires further processing. Provide priced quantities of items required for this proposal.

(E) Purchased Parts - Include material items not covered above. Provide priced quantities for items required for the proposal.

(F) Interorganizational Transfers (at cost) - Include separate breakdown of cost by element.

(ii) Direct Labor - Provide a time-phased (e.g., monthly, quarterly, etc.) breakdown of labor hours, rates, and cost by appropriate category and furnish basis for estimates.

(iii) Indirect Costs - Indicate the method of computation and application of your indirect costs, including cost breakdowns, and showing trends and budgetary data, to provide a basis for evaluation of the reasonableness of the proposed rates. Indicate the rates used and provide an appropriate explanation.

(iv) Other Costs - List all other costs which are not otherwise included in the categories described above, (e.g., special tooling, travel, computer and consultant services, preservation, packaging and packing, and spoilage rework) and provide basis for pricing.

(c) There is a clear distinction between "submitting" cost or pricing data and merely "making available" books, records and other documents without identification. The requirement for submission of cost or pricing data is met when all accurate cost or pricing data reasonably available to the contractor has been submitted, either actually or by specific identification. As later information comes into the contractor's possession, it should be promptly submitted to the Buyer. The requirement for submission of cost or pricing data continues up to the time of final agreement on price.

(d) The Seller will grant to the National Audit Authority (see f.(3) below), the right to examine those books, records, documents and other supporting data which will permit adequate evaluation of the proposed price. This right may be exercised at any time prior to award to the Seller.

(e) The Seller will submit as soon as practicable after final agreement on price, a Certificate of Current Cost or Pricing Data wherein the Seller will certify that cost or pricing data as defined above are accurate, current and complete as of the date of agreement on price.

(3) Audit Authority

(a) If this contract is other than a firm-fixed price contract, the allowability of categories of costs for the purpose of final price determination shall comply with national price regulations. The national pricing regulations may be supplemented by mutual agreement between the Contracting Officer and a representative of the participating government.

(b) Additional detailed guidance on audit arrangements will be provided by the Contracting Officer.

f. Contract Administration Services

Contract Administration Services (CAS) as described in the Federal Acquisition Regulation for the E-C subcontracts will be performed by the Defense Contract Management Area Operation (DCMAO) in accordance with the delegation issued by the Contracting Officer. The respective national CAS agencies will become involved only to the extent that CAS activities are delegated by the DCMAO for that nation.

g. Security and Fire Protection

It is understood and agreed that the price hereof contemplates that the Seller will comply with security and fire protection requirements currently imposed upon it under military contracts with its own government. The Seller shall provide the Buyer information identifying and explaining such requirements.

h. International Standards and Regulations

It is recognized that in performance of this contract, E-C subcontractors may desire, in the interests of minimizing program costs, to substitute appropriate standards, regulations, or other documents of the E-C subcontractor's government where it is demonstrated that such standards, regulations or other documents are equivalent to the standards, regulations or other documents required by the provisions of this contract. The Seller's demonstration of equivalency must be specifically approved in writing by the Buyer to permit such substitution.

5. PAYMENT (E-C SUBCONTRACTOR)

a. This contract will be priced and all invoices for payment will be in the Seller's national currency. The Seller will be paid in its national currency by NAPMA.

b. Payments to the Seller may be based on the completion of contract milestones or progress payments, as specified elsewhere in this contract.

c. When the Seller has completed a contract milestone or can submit a progress payment request in accordance with the contract, the Seller will submit two original copies of the invoice or progress payment request to the National Auditor who will certify that the Seller has met the milestone completion requirements or is authorized to submit a progress payment request and that the amount being invoiced is correct. The invoice/request must contain the total price of the contract and the cumulative amount invoiced to date. After validation by the National Auditor, the Seller will forward the invoice/request to the Buyer.

d. Upon receipt of an invoice/request from the Seller, the Buyer shall verify that the invoice/request is consistent with the requirements of the contract and the invoice/request does not exceed the Billing Limitation amount.

e. The Buyer shall mail the original certified Seller invoice/request to the NAPMA Financial Controller. NAPMA will initiate direct payment to the Seller when the certified invoice/request is received.

f. The normal process for NAPMA will be to pay non-U.S. dollar invoices/requests once per month on NAPMA's fifth working day. All properly certified invoices/requests received at least ten working days prior to that date will be included in the applicable month's payment process.

EXHIBIT D

MUTUALLY AGREED UPON

TERMS AND CONDITIONS

FREE NOTES

FN01 AGREED-TO EXCEPTIONS

The following agreed changes are made to the General Provisions, Special Provisions and Typing Notes:

General Provisions (D1 4025 1000 Rev. 1/93):

General Provision Clauses 1, 3, 4, 6, 7, 9, 10, 12, 14, 15, 18, 19, 21 & 22 are identified in the Overriding Agreement and are applicable to this subcontract. Clause 8 "warranties" is covered under a separate Free Note in this contract.

Clause 23 "Disputes" is called out in the Westinghouse/Boeing Overriding Agreement and is added to the General Provisions (See page 13 of the overriding agreement).

Special Provisions (D1 4305 1500 Rev. 1/93):

A.16 - Last sentence in Clause 21 is deleted.

Typing Notes:

P118 - Add after "... schedules or milestones" the following wording "solely attributed to Seller delay"

Z176 - Currency Conversion applies to NATO "BASIC" Non-Recurring and Recurring.

FN02 "ECONOMIC PRICE ADJUSTMENT"

A. Applicability

1. The contract price shall be subject to annual revision. Adjustments to price shall be made as specified in the following paragraphs. The price shall be adjusted arithmetically by the exact dollar amount of the Economic Price Adjustment caused by operation of this clause and incorporated by purchase contract change. That purchase contract change will incorporate the required adjustment through the addition of a contract line item.

2. EPA shall be implemented for subcontractors, including the first tier Euro/Canadian Subcontractors, with subcontracts valued at more than \$1,000,000 U.S. Dollars (using the applicable contract currency conversion exchange rate). EPA will not flow down from one Euro/Canadian Subcontractor to another.

B. Definitions

1. "Economic Price Adjustment" is an adjustment to the contract price based on the difference between forecasted inflation values reflected in the contract and actual inflation values for each calendar year.

2. "Annual Index" is a single yearly index published by the applicable National Bureau of Statistics as follows:

a. For the Seller they are: (I) Labor **TBD** , which includes lump sum wage payments, and (II) Material Index PPI No **TBD** .

b. For Westinghouse's U.S. subcontractors CDII and Teradyne, the Annual Indexes are found in paragraphs K. and L. of this clause.

c. For Euro/Canadian Subcontractors they are the National Consumer Price Indexes published by the European Community/ European Union (EC/EU) for actual and forecasted inflation indexes. See paragraph N. of this clause. For those years where the EC/ EU has not published forecasted inflation indexes, the value for out-years will remain the same as the value of the last year published.

3. "Planned Expenditure Profile" is the agreed allocation of the negotiated price of this contract to calendar years.

4. "Planned Price" is the individual calendar year (CY) value of the Planned Expenditure Profile.

5. "Claim Year" is the calendar year following the Expenditure Profile Year. For this purchase contract, the first claim year will be 1997 for any EPA calculated for the 1996 calendar year. Calendar year 1996 is the first year which qualifies for EPA consideration.

C. Exclusion of Price Elements

For purposes of this clause only, exclude the following elements of price from the seller's contract price (EPA base calculation):

1. Profit, including Cost of Money
2. Fixed Price Subcontracts which have been released or committed prior to
completion of negotiations of this purchase contract, at the WEC cost value through G&A.
3. CDII, at the WEC cost value through G&A.
4. Euro/Canadian subcontractors, at the WEC cost value through G&A.
5. Teradyne, at the WEC cost value through G&A.

Items C.2. through C.5. above have been excluded from the EPA base as they all represent firm fixed price subcontracts which have or will be released in 1995 and therefore are not subject to price fluctuation. See paragraph I. for those subcontractor's which will have their own EPA clause.

D. For Westinghouse and it's U.S. Suppliers

The base for EPA adjustment will be calculated in accordance with the direction provided in paragraph C. of this clause. For Westinghouse's Euro/Canadian suppliers, the base for EPA adjustment will be calculated in accordance with the Nation's Rules and Regulations.

E. Planned Expenditure Profile

1. The planned expenditure profile shall not be adjusted unless a change to this contract is made which increases or decreases the contract price by more than U.S. dollars equivalent to \$1,000,000. The amount of increase or decrease shall be subject to mutual agreement between the parties.

a. A contract adjustment which decreases the contract price shall decrease the existing profile in paragraph E.2. below by an equal amount. The resulting profile shall be subject to the existing index forecasts.

b. Contract adjustments, other than those is E.1.a. above, shall be subject to all terms and conditions of this clause except that the adjustment profile shall be displayed separately from the existing planned expenditure profile in paragraph E.2. below and shall be subject to index forecasts which are made with latest available data at the time of adjustment. The amount of the contract adjustment which will be subject to EPA shall be negotiated between the parties.

2. For purposes of calculating the adjustments required by the clause, the planned expenditure profile for this purchase contract, displaying price elements by calendar year, is shown below:

Cost Element Index 1995 1996 1997 1998 1999 Total

Seller Labor & TBD TBD TBD TBD TBD TBD TBD

Related Costs

Seller Materials TBD TBD TBD TBD TBD TBD TBD

Sub-Total (Costs TBD TBD TBD TBD TBD TBD TBD

subject to EPA)

Estimated Costs/ TBD TBD TBD TBD TBD TBD TBD

Profit not subject

to EPA

Total Planned TBD TBD TBD TBD TBD TBD TBD

Exp Profile

F. EPA Determination

1. The forecasted 12-month index rate is subtracted from the actual 12-month index rate using the same calendar year rate for both. The difference is divided by the forecasted 12-month index rate. The quotient is multiplied by 100, to obtain the percentage change in indexes. If the difference is greater than plus or minus 1.0%, adjustment is calculated as described in the following paragraphs. If the sum is less than or equivalent to 1.0%, no adjustment is made.

Mechanics to calculate EPA adjustment (Example):

X = Actual Index (Bureau of Labor Statistics or ECC, applicable year)

Y = Forecasted Index (Index forecasted in contract, applicable year)

Z = Sum of dollars subject to adjustment (Planned Expenditure Profile, applicable cost element and year).

Step 1: Calculation for Labor: $(X - Y)$

1992 Actual Index 19.00

1992 Forecasted Index 18.44

Delta .56

The forecasted values shall be calculated to the same number of decimal places as used by the BLS for reported actual indexes.

Step 2: Calculation for "Trigger Band": $(X - Y)/Y$

00.56

18.44 = .03

If the difference is greater than plus or minus .01, adjustment is calculated using 3 decimal places as described in the following

paragraphs. If the difference is less than or equal to .01, no adjustment is made.

Step 3: Labor Adjustment $[(X-Y)/Y](Z)$

Planned Expenditure Profile

Cost Element Index 1992

Seller Labor SIC ____ \$4,772,126

Exclusion of Price elements are referenced in C.1. and 2.

.030 multiplied by \$4,772,126 = \$143,164 adjustment for Labor

Step 4: Calculation for Material: $[(X-Y)/Y]$

Follow Steps 1 and 2 above using the contractual PPI forecasted and actual indexes.

Step 5: Material Adjustment $[(X-Y)/Y](Z)$

Planned Expenditure Profile

Cost Element Index 1992

Seller Material PPI ____ \$11,890

Exclusion of Price elements are referenced in C.1. and 2.

.022 multiplied by \$11,890 = \$262 adjustment for Material

Step 6: The Material adjustment is either added or subtracted (depending on the outcome) to the labor adjustment for a total EPA adjustment for the applicable year.

2. Adjustments under this clause shall be based on final index values. The seller shall submit a proposal for appropriate adjustment under this clause for each calendar year of the planned expenditure profile by 30 March of the claim year or within thirty (30) days after release of the final index values. If final index values have not been promulgated within one year after the end of the pertinent planned expenditure profile calendar year, preliminary index values shall be used and the proposal will be submitted within sixty (60) days after the end of said claim year. The contract adjustments agreed to by both parties shall be set forth in a supplemental agreement to the contract. The impact of any retroactive adjustment to preliminary index values used will be reflected in a subsequent purchase contract change. However, if the amount of the potential retroactive adjustment is \$1,000 or less, than no retroactive adjustment will take place. Any retroactive adjustments to final index values used will not be cause for further adjustment under this clause. The buyer reserves the right to initiate an adjustment under this clause if the seller fails to initiate such action. Claims not initiated in the time frames above by either the seller or the buyer will not be considered.

G. Index Substitutions

In the event that the preparing agency substantially revises the methodology or discontinues determining any one of the indexes identified in paragraphs J. through N. herein, the parties shall agree upon an appropriate substitute for the revised or discontinued index within 150 days for use in this clause. The parties will also agree upon an appropriate substitute where preliminary indexes are not published in time to fulfill the requirements of paragraph F. herein. If this occurs, the time frames in paragraph F. above shall be extended by mutual agreement. Forecasted index values shall not be revised to reflect improved pricing techniques, production and marketing patterns.

H. Termination of Contract

Should this contract be terminated in whole, for any reason, actual index values and the planned expenditure profile(s) for the year in which the termination occurs shall be used to determine EPA adjustment. The values in the Planned Expenditure Profile(s), for the year in which the termination occurs, shall be adjusted on a pro rata basis if the termination occurs prior to December (e.g. If the termination occurs on 31 July then the Planned Expenditure Profile(s) shall be adjusted by 7/12's for that year).

I. EPA on Subcontracts

Notwithstanding the above, the subcontract EPA clauses negotiated between the seller and it's subcontractors (see paragraph A.2. for qualifying subcontractors), shall be cause to adjust the price of this contract. The contract price shall be adjusted by an amount equal to the sum of said subcontract adjustments. The seller shall perform an analysis of said subcontract adjustments and shall submit the analysis together with the adjustment proposal required in paragraph F. of this clause. For Euro/Canadian subcontractors, proposed adjustments shall be stated in both U.S. dollars and the national currency of the affected subcontractor.

J. Seller Indexes

The purposes of paragraphs A. through I. above is to provide for Economic Price Adjustments in the U.S. economy as evidenced by the following government reviewed indexes:

1. The Labor index used for the purposes of forecasting inflation shall be from Data Resources, Inc. (DRI). The following index published in the year in which the subcontract award is made shall be used.

For the Seller - SIC code TBD (Average hourly earnings, including lump sum wage payments). The base year for this SIC code is TBD .

2. The Material index used for the purpose of forecasting inflation shall be from the Producer Prices and Price Indexes (PPI) series promulgated by the U.S. Department of Labor, Bureau of Labor Statistics. The following index published in the year in which the subcontract is made shall be used.

For the Seller - PPI code TBD . The base year for this PPI code is TBD .

3. All Indexes shall be annual indexes by calendar year. The base year for all indexes will be adjusted to first quarter 1988. If the base year for either producer price index is changed to any year other than 1988, then such index values shall be adjusted to an equivalent value using first quarter 1988 as the base year for purposes of this clause. The index values, both before and after adjustment to first quarter 1988, are displayed in paragraph 5. below. It is the adjusted values that are to be used in EPA calculation.

4. The indexes to be used as actual index rates shall be from the "Employment and Earnings" Standard Industrial Classification (SIC) series promulgated by the U.S. Department of Labor, Bureau of Labor Statistics for series defined in (1) and (2) above which will be supplied by the government. No other index will be substituted without the specific permission of the government.

5. The index forecast for use in the formula of paragraph F. of this clause are the indexes for the twelve months of each calendar year. The annual index forecasts for RSIP production for the Seller are as follows:

Index Predictions for RSIP Production & Retrofit

Calendar Year Seller Labor Seller Material

(SIC TBD) (PPI TBD)

1988 1988

Unadj Adj Unadj Adj

1996 TBD **TBD** TBD **TBD**

1997 TBD **TBD** TBD **TBD**

1998 TBD **TBD** TBD **TBD**

1999 TBD **TBD** TBD **TBD**

K. CDII Indexes

The purposes of paragraphs A. through I. above is to provide for Economic Price Adjustments in the U.S. economy as evidenced by the following government reviewed indexes:

1. The Labor index used for the purposes of forecasting inflation shall be from Data

Resources, Inc. (DRI). The following index published in the year in which the subcontract award is made shall be used.

For CDII - SIC code **TBD** (Average hourly earnings, including lump sum wage payments). The base year for this SIC code is **TBD** .

2. The Material index used for the purpose of forecasting inflation shall be from the

Producer Prices and Price Indexes (PPI) series promulgated by the U.S. Department of Labor, Bureau of Labor Statistics. The following index published in the year in which the subcontract is made shall be used.

For CDII - PPI code **TBD** . The base year for this PPI code is **TBD** .

3. All indexes shall be annual indexes by calendar year. The base year for all indexes will be adjusted to first quarter 1988. If the base year for either producer price index is changed to any year other than 1988, then such index values shall be adjusted to an equivalent value using first quarter 1988 as the base year for purposes of this clause. The index values, both before and after adjustment to first quarter 1988, are displayed in paragraph 5. below. It is the adjusted values that are to be used in EPA calculation.

4. The indexes to be used as actual index rates shall be from the "Employment and Earnings" Standard Industrial Classification (SIC) series promulgated by the U.S. Department of Labor, Bureau of Labor Statistics for series defined in (1) and (2) above which will be supplied by the government. No other index will be substituted without the specific permission of the government.

5. The index forecast for use in the formula of paragraph F. of this clause are the indexes for the twelve months of each calendar year. The annual index forecasts for RSIP production for the Seller are as follows:

Index Predictions for RSIP Production & Retrofit

Calendar Year CDII Labor CDII Material

(SIC TBD) (PPI TBD)

1988 1988

Unadj **Adj** Unadj **Adj**

1996 TBD **TBD** TBD **TBD**

1997 TBD **TBD** TBD **TBD**

1998 TBD **TBD** TBD **TBD**

1999 TBD **TBD** TBD **TBD**

6. For purposes of calculating the adjustments required by the clause, the planned expenditure profile for this purchase contract, displaying price elements by calendar year, is shown below:

Cost Element Index 1995 1996 1997 1998 1999 Total

CDII Labor & TBD TBD TBD TBD TBD TBD TBD

Related Costs

CDII Materials TBD TBD TBD TBD TBD TBD TBD

Sub-Total (Costs TBD TBD TBD TBD TBD TBD TBD

subject to EPA)

Estimated Costs/ TBD TBD TBD TBD TBD TBD TBD

Profit not subject

to EPA

Total Planned TBD TBD TBD TBD TBD TBD TBD

Exp Profile

L. Teradyne Indexes:

The purposes of paragraphs A. through I. above is to provide for Economic Price Adjustments in the U.S. economy as evidenced by the following government reviewed indexes:

1. The Labor index used for the purposes of forecasting inflation shall be from Data Resources, Inc. (DRI). The following index published in the year in which the subcontract award is made shall be used.

For Teradyne - SIC code **TBD** (Average hourly earnings, including lump sum wage payments). The base year for this SIC code is **TBD** .

2. The Material index used for the purpose of forecasting inflation shall be from the Producer Prices and Price Indexes (PPI) series promulgated by the U.S. Department of Labor, Bureau of Labor Statistics. The following index published in the year in which the subcontract is made shall be used.

For Teradyne - PPI code **TBD** . The base year for this PPI code is **TBD** .

3. All indexes shall be annual indexes by calendar year. The base year for all indexes will be adjusted to first quarter 1988. If the base year for either producer price index is changed to any year other than 1988, then such index values shall be adjusted to an equivalent value using first quarter 1988 as the base year for purposes of this clause. The index values, both before and after adjustment to first quarter 1988, are displayed in paragraph 5. below. It is the adjusted values that are to be used in EPA calculation.

4. The indexes to be used as actual index rates shall be from the "Employment and Earnings" Standard Industrial Classification (SIC) series promulgated by the U.S. Department of Labor, Bureau of Labor Statistics for series defined in (1) and (2) above which will be supplied by the government. No other index will be substituted without the specific permission of the government.

5. The index forecast for use in the formula of paragraph F. of this clause are the indexes for the twelve months of each calendar year. The annual index forecasts for RSIP production for the Seller are as follows:

Index Predictions for RSIP Production & Retrofit

Calendar Year Teradyne Labor Teradyne Material

(SIC TBD) (PPI TBD)

1988 1988

Unadj **Adj** Unadj **Adj**

1996 TBD **TBD** TBD **TBD**

1997 TBD **TBD** TBD **TBD**

1998 TBD **TBD** TBD **TBD**

1999 TBD **TBD** TBD **TBD**

6. For purposes of calculating the adjustments required by the clause, the planned expenditure profile for this purchase contract, displaying price elements by calendar year, is shown below:

Cost Element Index 1995 1996 1997 1998 1999 Total

Teradyne Labor & TBD TBD TBD TBD TBD TBD TBD

Related Costs

Teradyne Materials TBD TBD TBD TBD TBD TBD TBD

Sub-Total (Costs TBD TBD TBD TBD TBD TBD TBD

subject to EPA)

Estimated Costs/ TBD TBD TBD TBD TBD TBD TBD

Profit not subject

to EPA

Total Planned TBD TBD TBD TBD TBD TBD TBD

Exp Profile

N. Euro/Canadian Subcontractors

The purpose of paragraphs A. through I. above is to provide for Economic Price Adjustments in applicable Euro/Canadian economies as evidenced by the following indexes:

Consumer

Nation Price Index Code Base Year

Canada TBD TBD

Denmark TBD TBD

Portugal TBD TBD

1. The forecast indexes used for this clause shall be from the applicable National Consumer Price Index promulgated by the European Community/European Union (EC/EU) in the year the subcontract award is made. In the event that current year forecasts have not yet been published by the EC/EU, previous year published values shall be used.

2. The buyer (Boeing) will provide Euro/Canadian forecasted and actual indexes to the seller (Westinghouse) within 60 days after such indexes are issued under this clause.

3. All indexes shall be annual indexes by calendar year. The base year for all indexes will be adjusted to first quarter 1988. If the base year for any producer price index is changed to any year other than 1988, then such index values shall be adjusted to an equivalent value using first quarter 1988 as the base year for purposes of this clause. The index values, both before and after adjustment to first quarter 1988, are displayed in paragraph 5. below. It is the adjusted values that are to be used in EPA calculation.

4. The index forecasts for use in the paragraph F. formulas of this clause are the annual indexes for the twelve months of each calendar year. A forecast will be made for each Euro/Canadian country with Euro/Canadian subcontractors. The annual index values and Planned Expenditure Profiles for RSIP Production are as indicated below in paragraphs N.5. through N.8.

5. Litton of Canada Index Predictions and Planned Expenditure Profile for RSIP Production & Retrofit

Calendar Year Index Values

(NCS _TBD_)

1988

Unadj Adj

1996 TBD TBD

1997 TBD TBD

1998 TBD TBD

1999 TBD TBD

For purposes of calculating the adjustments required by the clause, the planned expenditure profile for this purchase contract, displaying price elements by calendar year, is shown below:

Cost Element Index 1995 1996 1997 1998 1999 Total

Costs subject to EPA TBD TBD TBD TBD TBD TBD TBD

Estimated Costs/ TBD TBD TBD TBD TBD TBD TBD

Profit not subject

to EPA

Total Planned TBD TBD TBD TBD TBD TBD TBD

Exp Profile

6. Terms of Denmark Index Predictions and Planned Expenditure Profile for RSIP Production & Retrofit

Calendar Year Index Values

(NCS TBD)

1988

Unadj Adj

1996 TBD TBD

1997 TBD TBD

1998 TBD TBD

1999 TBD TBD

For purposes of calculating the adjustments required by the clause, the planned expenditure profile for this purchase contract, displaying price elements by calendar year, is shown below:

Cost Element Index 1995 1996 1997 1998 1999 Total

Costs subject to EPA) TBD TBD TBD TBD TBD TBD TBD

Estimated Costs/ TBD TBD TBD TBD TBD TBD TBD

Profit not subject

to EPA

Total Planned TBD TBD TBD TBD TBD TBD TBD

Exp Profile

7. Ogma of Portugal Index Predictions and Planned Expenditure Profile for RSIP Production & Retrofit

Calendar Year Index Values

(NCS TBD)

1988

Unadj Adj

1996 **TBD** TBD

1997 **TBD** TBD

1998 **TBD** TBD

1999 TBD TBD

For purposes of calculating the adjustments required by the clause, the planned expenditure profile for this purchase contract, displaying price elements by calendar year, is shown below:

Cost Element Index 1995 1996 1997 1998 1999 Total

Costs subject to EPA) TBD TBD TBD TBD TBD TBD TBD

Estimated Costs/ TBD TBD TBD TBD TBD TBD TBD

Profit not subject

to EPA

Total Planned TBD TBD TBD TBD TBD TBD TBD

Exp Profile

FN03 TOTAL RADAR SYSTEM PERFORMANCE RESPONSIBILITY Note Accepted

A. By signing this contract, the Subcontractor agrees to provide Total Radar System Performance Responsibility (TRSPR) as defined herein for the Radar System Improvement Program (RSIP) Production and Retrofit upgrade to the NATO E-3A (NE-3A) Radar. Subject to the provisions of Paragraph C below, TRSPR is defined as ensuring that each NE-3A Surveillance Radar System when modified by incorporation of the RSIP Group B production kits built by the Subcontractor shall meet the acceptance test criteria as defined in SS204N16002-4, Para. 4.3. TBD and the agreed upon Retrofit Acceptance Plan (D204-30446-2.8).

B. The Subcontractor agrees that:

(1) The Subcontractor shall at no increase in contract price and no change in the period of performance set forth in this contract assure that all deliverable Group B hardware, when installed in NE-3A Radar Systems per Seller approved procedures, meets the acceptance test criteria as defined in the mutually agreed upon NE-3A NATO Retrofit Acceptance Plan (D204-30446-2.8)

(2) The TRSPR Support for Group B Kit shall begin upon completion of Group B Kit hardware sell-off on dock at Subcontractor facility. Title and Risk of Loss shall transfer to Buyer at completion of sell-off on dock at Subcontractor facility.

(3) The Subcontractor's obligation for TRSPR Support for Group B Kit shall end upon acceptance of each individual NE-3A as evidenced by the Government's execution of a DD250 to Buyer.

C. The Subcontractor's acceptance of TRSPR Support for each Group B Kit is subject to the following:

(1) Prior to each NE-3A system being transferred to the Buyer for modification, the Buyer shall provide to Westinghouse written concurrence that the NE-3A is in a condition and configuration suitable for installation of the RSIP modification in accordance with the subcontractor supplied Time Compliant Technical Order (TCTO), P/N (TBD). The pre-retrofit Radar System Configuration is as defined in D204N14772-12. The written concurrence shall be in the form of a Certificate of Compliance.

(2) In the event subcontractor does not concur with the Buyer that the NE-3A System is in a compliant condition, as defined in C(1) above, the Subcontractor shall so advise the Buyer upon receipt of the Certificate of Compliance and prior to handover of the specific changes required for Subcontractor concurrence.

(3) If the Buyer elects not to make any specific changes identified by the Subcontractor pursuant to C(2) above, the Buyer will notify the Subcontractor in writing within 10 days of receipt of the identified changes and the parties shall enter into negotiations to establish the performance that shall be met at the time of acceptance. The subcontractor will be separately funded to support these negotiations and to accomplish any identified changes (including any schedule adjustments) which Buyer elects to incorporate.

(4) Any radar performance problems identified prior to or as a result of RSIP Group B Kit installation and test which are attributable to the predecessor Radar System Government Furnished Equipment and where possible, unmodified portions of RSIP modified GFE are subject to a separately funded contract action, which shall include: the analysis of the performance problem, any changes required to the predecessor radar and/or GFE, any waivers and deviations to the Buyer furnished/ Government provided Certificate of Compliance, and any other cost and schedule impact.

FN04 "INDUSTRIAL BENEFITS"

Westinghouse shall provide Industrial Benefits (IB) to the contributing nations which total 70.2% of the Westinghouse NATO RSIP Group B Production Contract Price. As a goal, 20% of the NATO RSIP Group B Production Contract price (to be defined) shall be performed by Euro-Canadian Industry. Westinghouse will make every effort to ensure that the following work packages, which have been identified as part of its distributed manufacturing concept, will be subcontracted to Euro-Canadian Industry:

- Circuit Card Assemblies
- Mechanical Assemblies
- Radar Control Display Units
- Wire and Cable Assemblies
- Bulk Power Supplies and Series Regulators
- RCMP
- Commodity Pack Supplements

Notwithstanding extraordinary circumstances, Euro-Canadian suppliers selected by Westinghouse for the Basic Contract will be retained as suppliers for follow-on US and UK Options provided that the EC subcontractors are satisfactorily performing to contractual requirements including cost and schedule. The above industrial benefits shall be provided, distributed and managed in accordance with the industrial commitment agreement (IBCA) between Boeing and Westinghouse, dated December 17, 1992 and amendments thereto. This goal shall only apply to the NATO portion of the basic contract.

FN05 "DD250 - SUPPLIER DIRECT SHIP INSTRUCTIONS (BOEING FORM D180-10230 1)": Note Accepted

Shipments will be in accordance with Boeing document D180-10230-1 for delivery of supplies directly to U.S. Military establishments or other Boeing Customers.

FN06 "WARRANTY"

For the purposes of this Special ConTRACT REQUIREMENT:

(1) "RSIP Group B Kit" means the Radar System Improvement Program (RSIP) Group B Kit, as described in items _____ and to be supplied thereunder, other than GFE.

(2) "GFE" means property furnished by Boeing, NAPMO or by the United States Government, including the unmodified portion thereof after modification by Westinghouse.

(3) "The principal subcontractors" means the suppliers to Westinghouse of major components and assemblies forming part of the RSIP Group B Kit;

(4) "Spare Item" means the initial spares delivered under line items _____.

(5) "NATO KITS" are defined as the kits for Aircraft N-1 Refurbishment (less unmodified portions of the modified GFE) through N-18 and RVT Refurbishment (less unmodified portion of GFE) for the SSTF.

(6) "US KITS" are defined as the kits for US E-3 aircraft retrofit, the EQ Refurbishment kit (less unmodified portions of the modified GFE) for the AISF.

(7) "UK KITS" are defined as the kits for UK E-3 AIRCRAFT.

B. Warranties by Westinghouse

Westinghouse hereby warrants that the RSIP Group B Kit and related spare items(s) for the NATO aircraft N-1 through N-18 and the RSMF/ SSTF new hardware supplied by Westinghouse will be free from defects in material and workmanship which exist at the time of delivery subject to the time period established below in paragraph (D)(1) (2) & (3).

Westinghouse also warrants that the RSIP Group B Kits and related spare item(s) for the U.S. Kits (less unmodified portions of the EQ Kit) and the AISF new hardware supplied by Westinghouse will be free from defects in material and workmanship which exist at the time of delivery subject to the time period established below in paragraph (D)(2) & (3).

C. Warranties from Subcontractors

Westinghouse shall obtain from the principal subcontractors warranties in terms equivalent to the warranties contained in (B) above. Westinghouse will provide Boeing with a copy of the subcontractors warranties obtained.

D. Warranty and Notice Periods

Boeing shall have no claim and Westinghouse shall have no obligation or liability with respect to defect in material or workmanship in any RSIP Group B Kit item and related spares unless the Westinghouse warranty administrator has received written notification of such a defect as follows:

(1) As to NATO N-1 Refurbishment (less unmodified portions of GFE) through N-18 RSIP Group B Kits, notification shall not exceed twelve (12) months from Westinghouse shipment (on dock) of the SRC subkit for each NATO aircraft or purchase contract will ship date whichever occur later.

(2) As to the US RSIP Group B Kits, US Group B Spares and NATO Group B Spares, notification shall not exceed twelve (12) months from Westinghouse shipment (on dock Westinghouse).

(3) As to the AISF, RSMF and SSTF new hardware supplied by Westinghouse, notification shall not exceed twelve (12) months from Westinghouse shipment (on dock Westinghouse).

(4) As to the RVT & EQ upgrade kits supplied by Westinghouse (less the unmodified portion of GFE), notification shall not exceed twelve (12) months from Westinghouse shipment (on dock Westinghouse).

E. Westinghouse shall have the option to repair or replace a defective item at its designated facility or on site.

F. Boeing shall provide with its notification reasonable evidence that the alleged defect is due to any matter embraced within this warranty provision.

G. Remedy. The sole remedy of Boeing and obligation of Westinghouse with respect to a warranted defect is limited to the following:

(1) The repair or at the option of Westinghouse to replace a defective item, and

(2) The part or component that is repaired or replaced is warranted against defects in material and workmanship at the time of delivery of the repaired or replaced item provided Westinghouse receives written notification of a warranted defect in that part or component, as to N-1 refurbishment (less unmodified portions modified GFE) through N-18 RSIP Group B Kits within twelve (12) months from Westinghouse shipment (on dock Westinghouse) of the SRC subkit for each of the NATO aircraft, as to United States Group B Kits and related spares and NATO spares within twelve (12) months of its delivery FOB Westinghouse, as to AISF, RSMF and SSTF new hardware supplied by Westinghouse with twelve (12) months of its delivery FOB Westinghouse.

H. RETURNED ITEMS

(1) Items returned to Westinghouse for correction of a defect in material and workmanship shall be at the expense and risk of loss of Boeing while in transit to and from the designated Westinghouse repair facility.

(2) While the items returned for warranty correction are in its possession, Westinghouse will be responsible for loss, damage or destruction to the extent provided in paragraph (G) of FAR Clause 52.245-2 Government property (Fixed Price), Alternate 1.

The foregoing obligations and remedies are exclusive and are in lieu of any warranty of merchantability, fitness for particular purpose or other warranty of quality, whether express, statutory or implied. In no event shall Westinghouse be liable for special, indirect, incidental or consequential damages.

The remaining Group B Kit warranty described above, shall cease under this contract upon Government acceptance of each NATO Aircraft, which includes the RSIP Group B Kit. If any remaining warranty period exist after acceptance of each NATO Aircraft, the warranty as

described above shall transfer and be administered under a separate direct contract between NATO and Westinghouse. The Buyer shall have no obligation or liability for any warranty claim or dispute that may arise after Government acceptance of the NATO Aircraft.

FN07 "OVERRIDING AGREEMENT ON TERMS AND CONDITIONS" Note Accepted

This purchase contract is subject to the Terms and Conditions set forth on the face of this contract, which includes applicable provisions of the General Provisions Form D1-4025-1000 Rev. 1/93, Special Provisions Form D1-4305-1500 Rev. 1/93 and other contract clauses as modified by the Boeing/Westinghouse Overriding Agreement dated November 9, 1993.

FN08 "OTHER CONTRACT CONDITIONS"

This contract does not include any cost for the use and maintenance of Westinghouse Systems Integration Laboratory, Product Qualification Laboratory or Software Development Facility. The Buyer will issue a separate Time and Materials contract to the proportionate share of maintenance applicable to use during the performance of this contract. Funding for this effort will be provided at contract award for the Basic.

FN09 "SCHEDULE DELAYS"

In the event delivery schedule delays are caused by the enforcement of restricted use of USAF/NATO equipment addressed by this section (such as use of a non-interference basis), an equitable adjustment to schedule and price shall be negotiated between the Buyer and the Subcontractor.

FN10 "SUPPLIER QUALITY ASSURANCE SYSTEM REQUIREMENTS (ISO-9001)"

Seller is required to maintain a quality assurance system in compliance with ISO 9001 as modified by Buyer's form RSIP-1001. Buyer reserves the right to conduct surveillance at Seller's facility to determine the Seller's quality assurance system meets the requirements above. The Buyer shall perform surveillance in a manner which will not unduly delay the work.

FN11 "DEFINITION/UNDERSTANDING OF SPECIAL PROVISION NOTE E28"

The purpose of this note is to define the scope of quality note E-28 as follows:

1. Buyer quality representative will perform source inspection at Seller facility, consisting of three supplier quality technical reviews and contract end item inspections. This is based on visibility of metrics and management of process to maintain product integrity and to reduce quality cost by use of attribute data, statistics, variability reduction, corrective action boards or other applicable methods.

2. Buyer reserves the right to exercise additional source inspection if it is determined that product metrics have not been adequately maintained or that there is objective evidence that product is noncompliant.

3. To maintain source surveillance, Seller shall:

A. Maintain product and processes within specification requirements and mutually agreed upon upper and lower control limits or target values.

B. Collect data at a frequency so as to identify adverse trends and pro-actively maintain processes as stated in 3. (A) above.

C. Demonstrate configuration management and change control i.e. incorporation of all applicable class II changes into the hardware with traceability by serial number and part number.

D. Make MRB available to the Buyer quality assurance representative for concurrence.

E. Support Buyer quality assurance representative verification of the delivery of the delivery data package.

FN12 "SUPPLIER QUALITY TECHNICAL REVIEWS"

Seller shall support three quality technical reviews. These reviews will be conducted as follows:

1. Three to six months after contract award.

2. During initial hardware fabrication and assembly.

3. During subsequent hardware fabrication and assembly.

The purpose of these reviews are to assess the suppliers quality planning, configuration practices, metrics implementation, and to assure product integrity based on reviews of metrics and the methods and techniques applied to manage processes including attribute data, statistics, corrective action boards and other applicable methods. As part of these reviews, it may be necessary to conduct plant walk through(s) to gain knowledge of how in-process, metric data is acquired.

FN13 QUALITY ASSURANCE UNDERSTANDING/AGREEMENTS

The foregoing activities compliment FN11 regarding Boeing Quality Assurance involvement in the RSIP Production Group B Hardware Subcontract.

I. Westinghouse shall allow Boeing to conduct surveillance of the RSIP Production Program at the Westinghouse BWI and Hunt Valley facilities for Objective Performance Indicators, as follows:

1. Participate in the three Supplier Quality Technical Reviews.
2. Attend the Formal PMR's.
3. Attend the weekly internal Westinghouse PMR's.
4. Perform observations of activities in the manufacturing, assembly and test area on a non-interference basis. Observe metric data recording in the categories listed in item 3 of FN11 and review the status of manufacturing, assembly and test metrics as applicable.
5. Review and concur with MRB actions.
6. Observe Program Corrective Action Board meetings.
7. Participate in the bi-weekly Westinghouse/Customer QA Team meetings. Westinghouse will support Boeing in its efforts to conduct this surveillance and provide applicable access and information regarding these activities.

II. Boeing will perform Final Contract Item End Item Inspection as follows:

1. Review Inspection Control Tags per Westinghouse procedures for evidence of completion to drawing requirements.
2. Verify the applicable Data Delivery Package "for content only to support H/W acceptance".
3. Inspection of the Contract End Item (physical interfaces, nameplates, part marking and packaging as applicable).

4. Review the status of:

- a. Supplier Correction Action Requests.
- b. Program Correction Action Board Dockets.
- c. MRB's
- d. DPRO Corrective Action Requests.
- e. Boeing Deficiency Review Request and source pick-ups

Westinghouse will support Boeing efforts to conduct Final Contract End Item Inspection by providing access to status, data and metrics as discussed in items one through four above.

III. Westinghouse will provide a corrective action plan if it is required. Boeing and Westinghouse will agree on the corrective action plan when required by Boeing. Boeing inspections of hardware other than described in II above shall be agreed to on a case by case basis.

IV. Further

- No co-source at any Euro/Canadian suppliers that ship hardware to WEC.
- Co-source end item only at direct ship Euro/Canadian suppliers, if applicable.
- No Receiving inspection at WEC on subcontractor hardware.
- End item acceptance remains the responsibility of Boeing/DPRO.

In the event that revisions are required to this note, Westinghouse and Boeing will agree to negotiate in good faith to reach an agreement.

FN14 "INSPECTION AND ACCEPTANCE CRITERIA"

NATO Aircraft Subkits - include modified GFE (TAC and HV AUX Assys)

Buyer/Government source inspection and acceptance upon successful completion of inspection and test by Buyer/Government Representative signatures on commercial shipper at Seller's facility. The RCMP will be accepted at Westinghouse or it's **supplier facility** _____ . **Notification for RCMP Inspection and Acceptance (at Westinghouse supplier facility is 1 week)**

NATO Hardware Checkout Equipment

Buyer/Government source inspection and acceptance upon successful completion of inspection and test by Government (Buyer Optional)
Representative signatures on commercial shipper at Seller's facility.

NATO Simulators and Training Facilities Kits - SSTF & RSMF

Buyer/Government source inspection and acceptance upon successful completion of inspection and test by Buyer/Government
Representative signature on commercial shipper at completion of the following operational tests as evidenced by execution of Form DD250 at
Supplier's facility.

RSMF/SSTF RETROFIT ACCEPTANCE PLAN D204-30446-2.8 5.5

NATO Spares

Buyer/Government source inspection and acceptance upon successful completion of inspection and test as evidenced by execution of Form
DD250 at supplier's facility.

NATO Support Equipment

Government (Buyer Optional) source inspection and acceptance upon successful completion and test as evidenced by execution of Form
DD250 at Supplier's facility.

U.S. Aircraft Subkits - include modified GFE (TAC and AUX Assys)

Buyer/Government source inspection and acceptance upon successful completion and test as evidenced by execution of Form DD250 at
Supplier's facility. The RCMP will be accepted at Westinghouse or it's supplier facility _____. **Notification for RCMP Inspection
and Acceptance** (at Westinghouse supplier facility is 1 week)

U.S. Spares

Buyer/Government source inspection and acceptance upon successful completion and test as evidenced by execution of Form DD250 at
Supplier's facility.

U.S. Support Equipment

Government (Buyer Optional) source inspection and acceptance upon successful completion and test as evidenced by execution of Form DD250 at Supplier's facility.

FN15 "COMMINGLING OF CONTRACT ASSETS"

During the performance of this contract, the Group B Hardware Kits, Spares, STTG and ARS assets shall be treated as Government Furnished Equipment (GFE)/Government Furnished Data. The Seller shall support and maintain these assets in accordance with the Statement of Work. Seller shall be allowed to commingle the above assets with any other assets fabricated under this contract including GFE and NATO furnished equipment. The Seller shall notify the Buyer when use of the aforementioned assets results in a major program test asset becoming non-operational for a period of 48 hours or more. Major program test assets include: Systems 2004/4001, Avionics Integration Lab (AIL) and Test System 3 (TS-3).

FN16 "WESTINGHOUSE RE-OPENER CLAUSE"

The parties hereto acknowledge that Westinghouse has acquired Norden Systems, Inc. and plans to submit a restructuring proposal to the Defense Corporate Executive (DOE). All parties also acknowledge that this contract has been negotiated without consideration of the costing rate impact resulting from the final negotiation of the restructuring proposal. Therefore, any cost impact resulting from the final negotiations of the restructuring proposal, as adjusted by the Westinghouse Release # 95-10, shall be downward only. After review and verification of the NET IMPACT of the Release # 95-10 and the Norden adjustment, Westinghouse and Boeing agree to modify the contract price accordingly. The cost impact to this Settlement as a result of the impending Release # 95-10 will be provided to Boeing within 90 days of the issuance of the Rate Release.

The re-opener clause includes the Alternate (Basic & UK) and all Options.

The downward adjustment wording should apply to the negotiated value contained in the contract.

WEC will provide to Boeing the relevant rate and factor bases associated with the exercise or application of the re-opener clause not-later-than 90 days after WEC and the Government agree.

FN17 "FINANCIAL MANAGEMENT"

a. Definitions

(1) Billing Limitations (BL) means funds required to satisfy the subcontractor's anticipated billings in the performance of this contract. BL will be adjusted as appropriate to pay all allowable and allocable costs in accordance with the clauses entitled "progress payments" and the provisions of this clause. The Contractor's approved Billing Limitation Tables shall define the extent of NAPMA's capability to make payments. The BL shown in Table 1 include progress payments and billings phased three times annually.

(2) Termination Liability (TL) shall be determined in accordance with Provisions Clause (10), Termination - Convenience of General Provisions D14025 1000 Rev. 1/93. Estimated TL is shown in Table 2 which includes amounts disbursed to the contractor. Table 2 may be revised concurrently with updates of BL pursuant to paragraph b below.

b. Billing Limitations (BL)

(1) NAPMO shall obtain funds and funding commitments from the participating nations sufficient to meet the BL requirements contained in Table 1 and sum of all subsequent Tables 1 submitted in accordance with this requirement. It is the Subcontractor's responsibility to ensure that Billing Limitation Table provides accurate estimates of anticipated billings. NAPMO cannot ensure payment if estimates of anticipated billings are inadequate and the Subcontractor must mitigate all possible costs that result from such inadequate estimates. The Subcontractor's forecasts shall be for periods JAN-APR, MAY-AUG, and SEP-DEC. Changes in Billing Limitation Tables (BLT) proposed by the Subcontractor are for Contractor approval and must be submitted 120 days in advance of the Tri-mester affected. Three times a year (1 Jan, 1 May and 1 Sep) the Contractor shall issue an administrative contract modification which establishes BL increments for the next call period recognizing USG/NAPMO's obligation to pay termination consistent with Tables 1 and 2.

(2) If the Subcontractor is requested to submit a proposal for a contract change for a new project, he shall include stand-alone (BL/TL) tables for that project with his proposal. These tables will be updated to reflect negotiated prices and will be added to this requirement as stand-alone tables. Subsequent revisions will be as described in paragraph B (1).

c. Currency Exchange Rates

Exchange rate variations shall not affect the values of this contract. For the purpose of administration of this contract, national currencies shall be shown separately as well as converted into equivalent U.S. Dollars at the exchange rates stated in Typing Note Z176, "Currency Conversion". The resultant values shall be totaled in the "Equivalent Dollar" column of Tables 1 and 2.

d. Status of Subcontractor's Rights to Termination

The subcontractor agrees to continue performance under conditions of insufficient BL/TL, agrees to accept compensation as defined under Typing Note Z181, "Deferred Payments" for insufficient BL/TL under those specified conditions.

e. Formal Notice of Slowed Performance

The Subcontractor's unilateral right to slow performance of work to remedy insufficient BL/TL shall be exercised by formal written notice of such remedy to the Buyer. The notice shall include the not-to-exceed Schedule, and Price impacts to the contract. The Buyer shall issue a "Change" within five (5) days of such letter reflecting the NTE impacts of the insufficient BL/TL.

f. The financial data described above will be delivered in accordance with the SDRL requirement "Subcontractor Funding Requirements Report", SD-F-001.

BILLING	US	US	Canadian	Canadian	Denmark	Denmark	Portugal	Portugal	Italian	Italian
INCREMENTAL	Cumulative	Current	Cumulative	Current	Krone	Krone	Escudo	Escudo	Lira	Lira
					Cumulative	Current	Cumulative	Current	Cumulative	Current
1995										
January										
February										
March										
April										
May										
June	550,000	550,000								
July	1,175,000	625,000								
August	1,805,000	630,000								
September	2,758,000	953,000								
October	3,358,000	627,000								
November	4,176,000	791,000								
December	5,836,000	1,660,000								
1996										
January	7,161,000	1,325,000	0	0	0	0	0	0	0	0
February	9,811,000	2,650,000	65,000	65,000	0	0	4,011,065	4,011,065	0	0
March	13,340,000	3,529,000	151,177	86,177	861,000	861,000	10,032,130	6,021,065	0	0
April	17,417,000	4,077,000	306,177	155,000	1,822,000	961,000	18,077,630	8,045,500	0	0
May	22,374,000	4,957,000	466,177	160,000	3,480,000	1,658,000	27,375,342	9,297,712	108,645,000	108,645,000
June	25,839,000	3,465,000	634,253	168,076	8,740,000	5,260,000	36,673,054	9,297,712	333,154,500	245,089,500
TERMINATION										
1995										
January										
February										
March										

April		
May		
June	857,000	857,000
July	1,845,000	988,000
August	2,987,000	1,142,000
September	5,345,000	2,358,000
October	7,181,000	1,835,000
November	8,113,000	932,000
December	9,013,000	901,000

1996											
January	9,724,000	711,000	86,670	86,670	0	0	5,348,087	5,348,087	0	0	
February	10,824,000	1,100,000	231,805	145,135	1,492,400	1,492,000	15,382,599	10,034,512	0	0	
March	15,500,000	4,676,000	530,707	298,902	3,182,427	1,690,427	28,924,208	13,541,609	0	0	
April	22,000,000	6,500,000	776,962	246,255	6,496,000	3,313,573	44,530,556	15,606,348	144,860,000	144,860,000	
May	25,400,000	3,399,000	1,183,939	406,977	21,558,667	15,062,667	61,121,757	16,591,201	444,206,000	299,346,000	
June	34,979,000	9,580,000	1,765,124	581,185	40,693,333	19,134,666	72,327,339	11,205,582	466,416,300	22,210,300	

FN18 CHANGE PROPOSAL (CP) PREPARATION COSTS - CLASS I

- a. Class I CPs include Engineering Change Proposals (ECP), Task Change Proposals (TCP) and Contract Change Proposal (CCP). For the purpose of this contract, CPs are categorized as either Supplier-initiated or Buyer initiated. A Supplier - initiated CP is defined as any CP submitted by the supplier absent written direction by the Buyer. A Buyer-initiated CP is defined as any CP submitted pursuant to written direction by the Buyer.
- b. The contract cost/price does not include any costs for future CPs. Such cost as CP preparation and any negotiation/factfinding costs associated with said CPs, if allowable as a direct cost in accordance with FAR Part 31 and the Supplier's CAS Disclosure Statement, will be included as part of the Buyer's pricing portion of each CP submitted.
- c. For a Buyer-initiated CP, the Supplier shall be entitled to an equitable adjustment for reasonable CP preparation and negotiation/factfinding costs, whether the CP is approved or disapproved. However, for a Supplier-initiated CP, the Supplier shall only be entitled to an equitable adjustment for reasonable CP preparation and negotiation/factfinding costs if the CP is approved.
- d. The Buyer will provide a Not-to-Exceed (NTE) price for proposal preparation when notifying the Supplier of a Buyer-initiated CP. If the Supplier does not agree with the NTE, the Supplier shall notify the Buyer within five calendar days and enter into negotiations to establish an acceptable NTE amount.

FN19 UNPROCURABLE LAY-IN PIECE-PARTS (APPENDIX T)

In the event that piece parts contained in Appendix T are unavailable, WEC will provide a list of the parts that cannot be procured, including a reduction in contract value. This reduction will be based on the negotiated value of proposal S4582A3B. The unprocured parts will be

deleted from Appendix T.

FN20 GFP FAILURE REPORTING & REPAIRS

For the purposes of this clause, the Government authorizes t (See Work Requests Clause) repair of defective GFP returned to Westinghouse, Baltimore :

The cost incurred for the repair of the defective GFP shall be reimbursed by the Buyer and will be chargeable to a separate Firm Fixed Price contract.

FN21 New Used or Reconditioned Material, Residual Inventory and Former GoVERNMENT PROPERTY

a. No test, task, modification, repair or use authorized under this contract shall change an item into a used item if it was new when it was first fabricated, procured or otherwise obtained by the Subcontractor as a requirement of this contract.

b. The Buyer recognizes that the Subcontractor shall deliver modified GFP to the Government under this contract. Modification of RSIP GFP with new parts shall not change new parts supplied into used parts. Conversely, used parts modified by new parts shall not be rendered new

because they are joined to new parts.

FN22 BASE SUPPORT AGREEMENTS

US Base Support Agreement D204-30446-2.13 dated 9/14/95 is incorporated into this contract. NATO Base Support Agreement D204-30446-2.14 dated 9/14/95 is incorporated into this contract.

FN23 UNITED STATES INTERNATIONAL TRAFFIC IN ARMS REGULATIONS

Boeing shall obtain all necessary U.S. Government licenses and approvals needed to support performance of this Contract in accordance with the United States International Traffic in Arms Regulations (ITAR). Westinghouse will be responsible for the required licensing for its subcontractors.

FN24 LANGUAGE WEIGHTS AND MEASURES

The English language shall be used in all written communications between the parties under this contract. Wherever weights and measures are referenced, all quantities and measures shall be made, computed, and recorded in such systems of weights and measures as are commonly used in the United States as of the effective date of the contract.

FN25 REQUIREMENTS FOR DATA ACCEPTANCE

Acceptance of data will be by Boeing letter stating that we "concur" or "approve" the submittal.

FN26 APPLICABLE SPECIFICATIONS AND STANDARDS

Only such parts of the Specifications and Standards (Tier 1) as are specifically incorporated by reference herein (unless tailored), are made a part of this contract. In the event of conflict between the language of any referenced documents, the Order of Precedence shall apply. Documents,

specifications and standards, (Tier 2 and lower) referenced within the Specifications and Standards (Tier 1) specifically incorporated here, are not made a part of this contract unless indicated otherwise herein.

If the Buyer desires to change a revision of any of the Specifications and Standards incorporated in the contract, it must be negotiated with the Seller. The Seller may, at its sole option, perform under a more recent revision of the specification documents.

FN27 GOVERNMENT FURNISHED DATA

The Buyer will provide (GFD) data to the Seller that has been developed under F19628-89-C-0138 contract. To the extent that this data was originally generated by the Seller on this contract (F19628-89-C-0138) and accepted by the government, the Seller shall treat that data as contractor-furnished data. In no event will the Seller be responsible for changes to previously accepted data where a change was not required in performance of the production contract effort.

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FN28 DMS AND CLASS I CHANGES REDESIGN SWING CLAUSE

The DMS clause applies to Option II & III only.

Redesign for an alternative to Diminished Manufacturing Sources and/or as the result of other Class I changes shall be included except when such redesign exceeds \$50,000 in price for each occurrence and/or the redesign is the result of a Buyer requested change. The contract price will be adjusted to compensate the Seller for such redesign.

FN29 ORDER OF PRECEDENCE

Any inconsistency within the requirements of this purchase contract shall be directed to Buyer for final resolution. The order of precedence for resolving inconsistencies shall be:

- a. Face of Purchase Contract (including Exhibit D)
- b. Special Provisions
- c. General Provisions (Including Exhibits A and B)
- d. Statement of Work
- e. Drawings/Specifications
- f. Memorandum of Agreement

FN30 AUTHORIZATION OF WORK

The applicable material Buyer is the only representative authorized by Boeing Defense and Space Group, to direct any and all performance of this purchase contract.

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FN31 RESERVED

FN32 INVOICE AND PAYMENT - (ORA)

"A separate invoice shall be issued for each shipment (or approved shipping document if shipment is delayed). Unless otherwise specified in the order, no invoice shall be issued prior to acceptance of goods and no payment will be made prior to receipt of correct invoice. Seller shall promptly repay to Buyer any amounts paid in excess of amounts due Seller.

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FN33 TASK COMPLETION CERTIFICATION

The certification language shown below must be used for each purchase contract task that requires certification as evidence of completion.

"Westinghouse hereby certifies that to the best of its knowledge and belief, line item no. _____, (Task Description) _____, under purchase contract _____, is complete, accurate, and comply with the requirements of the contract concerning this task".

All line items that are subject to this clause shall be accompanied by the certification upon billing. The certification may be signed by RSIP Program personnel from either contracts of program management.

FN34 SCOPE OF WORK

The tasks procured by this purchase contract are as described as follows:

1. Statement of Work - RSIP Group B Preproduction (Long Lead) & DMS Buy-out per Attachment #3 - per WEC letter FSD2969E corrected copy #2 dated May 5, 1995.

2. Statement of Work:

Alternate Document D204-30627-1 Volume 1 of 2

US Options Document D204-30633-1 Volume 1 of 2

3. Appendix A SDRL Alternate Document D204-30627-2 Volume 2 of 2

U.S. Options Document D204-30633-2 Volume 2 of 2

Appendix B Recommended Spares for NATO dated 11/15/95

Appendix C Recommended Spares for USAF dated 11/15/95

Appendix D Recommended Spares for UK

Appendix E Buyer/Government Furnished Equipment

Appendix F Buyer/Government Furnished Data

Appendix G New USAF Technical Manuals

Appendix H Change/Revision/Supplement to Existing USAF Technical Manuals

Appendix I New NATO Technical Manuals

Appendix J Record Commodity TCTOS

Appendix L RVT EMD Group B Refurbishment Kit

Appendix M EQ EMD Group B Refurbishment Kit

Appendix N NATO N-1 Refurbishment Kit

Appendix O Hardware to Support TPS Development

Appendix P In-Flight Maintenance Spares

Appendix Q Peculiar Support Equipment

Appendix R Schedules - (Revision R)

Appendix S Deleted

Appendix T USAF Piece Part Lay-in

Appendix U ASIF EMD Residual Assets

Appendix V AISF New Equipment

Appendix W ASIF Additional Radar Software Maintenance Equipment

Appendix X Pre-Modification Equipment, Assessment Equipment and Data

Appendix Y RSMF Hardware/Software Configuration List

Appendix Z SSTF Hardware/Software Configuration List

Appendix AA USAF Repair Turn-Around Time Exception List

Appendix AB Hot Mock-up Ground Checkout Test Equipment List

Appendix AC NATO Residual Parts & R3000 Chips

AppendixAD MILSTRIP Government Furnished Equipment

FN35 Reserved

FN36 ORDER OF PRECEDENCE FOR USE OF GOVERNMENT PROPERTY

a. The following order of precedence applies to all property accountable to US. contracts and covered by this Special Provision C.2:

1. The contract on which the property is accountable
2. Any other AWACS Program Office U.S. AWACS contract (includes joint development)
3. Any other U.S. AWACS contract
4. Any other AWACS Program Office non-U.S. AWACS contract

b. The following order of precedence applies to all property accountable to NATO contracts and covered by this clause:

1. The contract on which the property is accountable
2. The RSIP Production and Retrofit Contract
3. Any other NATO AWACS contract

c. In case of conflicting priorities, the Buyer shall issue appropriate guidance.

FN37 RESERVED

FN38 RESERVED

FN39 GOVERNMENT FURNISHED PROPERTY - MILSTRIP

Pursuant to the clause entitled "Government Property - Fixed Price (see Special Provision C.1)," the Buyer shall furnish the Subcontractor the Government property identified below on or before the date(s) specified. If materials are to be furnished, the Subcontractor shall prepare the requisitioning documentation. Additionally, the Subcontractor shall comply with DOD 4000.25-1M, "Military Standard Requisitioning and Issue Procedures (MIL STRIP)," incorporated herein by reference, when using MIL STRIP procedures to requisition Government-furnished material. The subcontractor is authorized MIL STRIP authority for Appendix AD - MILSTRIP Requirements and GFP Items that require repair will be processed by work request.

FN40 RECOVERY OF NONRECURRING COSTS ON FOREIGN COMMERCIAL SALES

In the event WEC intends to enter into foreign commercial sales or license agreements for items in this contract or essentially similar items, it shall promptly notify NAPMO. Pro Rata recovery of the NAPMO share of the RSIP Production non-recurring costs shall be effected between the NAPMO and WEC outside this contract. NAPMO share is defined as 35% of the non-recurring costs funded under this contract excluding options.

RSIP Production non-recurring costs include such one time costs incurred in support of pre-production engineering, special tooling, special test equipment, production engineering and destructive testing, and for research, development, and evaluation costs incurred for product improvement.

The phrase "foreign sales or license agreement" includes all sales to or license agreements with parties other than the U.S. or NATO that are subject to the provisions of the Arms Export Control Act.

FN41 ASSET USE CHARGES AND NON-RECURRING COST (NRC) RECOUPMENT

The prices included in this contract does not include any amounts for payment of Assets Use Charges and Non-Recurring Cost (NRC) Recoupment as may be required by the U.S. Government or any other Government.

FN42 WORK REQUESTS (SEVERABLE)

(a) Ordering of additional work. The following procedure will be used to order additional work of the type covered by this contract. Such work will be initiated by the issuance of work requests. It is agreed that work requests may be issued at the sole option of the Buyer or his duly authorized representative during the term of the contract, and that the Buyer has no obligation under this paragraph (a) to issue any such work request. Upon issuance of a work request, the Seller shall quote a price and delivery schedule for the work contemplated, but shall not proceed with the work until the work is authorized by release of a purchase contract. [See paragraph (b).] However, whenever the Buyer determines that it is in the interest of the Government not to delay performance of the work until a proposal is submitted, the Buyer may, after receipt of subcontractor's proposed price adjustment, issue an undefinitized purchase contract (UPC) authorizing the Seller to proceed forthwith. Within forty-five (45) days after receipt of such UPC, or such longer period of time as the parties may agree, and in every case prior to completion of the work called for herein, the parties shall negotiate a firm price for the work ordered, and the purchase contract shall be amended accordingly.

(b) Work authorized under paragraph (a) above shall be released as a separate purchase contract. The contract shall set forth the work to be performed, the delivery schedule and the estimated price of the work, or where appropriate, the maximum price. Failure to agree upon a reasonable price shall be considered a "dispute concerning a question of fact" within the meaning of the clause of this contract entitled "Disputes."

(c) The Seller's concurrence will be evidenced by acknowledgment of the purchase contract. The term "work" as used herein includes both supplies and services.

FN43 - SIL/PQL/SDF MAINTENANCE AND REPAIR

The Subcontractor shall maintain and repair the Systems Integration Laboratory Product Qualification Laboratory and Software Development Facility SIL/PQL/SDF for the duration of this contract , under a separate Time and Materials Contract, excluding portions not required for performance of the RSIP production program.

Maintenance shall include routine repairs, defined as any repair action under \$10,000. The subcontractor shall notify Boeing by contract letter or facsimile when any repair modified or unmodified GFP is estimated to be in excess of \$10,000. Such repair shall be pursued under the provisions of Work Requests Serverable.

FN44 - CDI REOPENER CLAUSE

Westinghouse intends to incorporate a CDI re-opener clause for a downward adjustment only. All parties acknowledge that CDI has qualified its SF1411 to disclose that the full impact of the Canadian sourcing may not have been incorporated into their proposal. Therefore, any cost impact resulting from this re-opener clause, as adjusted by the Westinghouse Release # 95-10, shall be downward only. After review and verification of the NET IMPACT of the Rates Release # 95-10 and the CDI re-opener clause, Westinghouse and Boeing agree to modify the

contract price accordingly.

The re-opener clause includes the Alternate (Basic & UK) and all Options.

The downward adjustment should apply to the negotiated value contained in the contract.

WEC will provide to Boeing the relevant rate and factor bases associated with the exercise or application of the re-opener clause not-later than 90 days after WEC and CDI agree.

FN45 - MILSTRIP REQUISITIONING PROCESS FOR APPENDIX AD

The "MILSTRIP Requisitioning Process" will implement an efficient MILSTRIP requisition and acquisition process to acquire government Furnished Equipment required to support the Radar System Improvement Program (RSIP) Production and Retrofit Program to support the maintenance of the SIL/PQL/SDF located at Westinghouse. The subcontractor is authorized to MILSTRIP requisition the items in Appendix AD to replace a failed like item.

This agreement establishes the roles, responsibilities and operating relationships between the United States Air Force, Electronic System center (ESC), Boeing Defense & Space Group and Westinghouse for the acquisition of parts, material and equipment pursuant to contract through this amended MILSTRIP process. Although this agreement between the parties is intended to provide for implementation of a smooth process to satisfy the program needs that the MILSTRIP requisition procedure is intended to satisfy, this agreement in no way changes any requirements that the contracting parties have with regard to MILSTRIP requisitioning as it is incorporated into the subject contract. This agreement is a concerted effort by ESC/AW, Boeing and Westinghouse to reduce the MILSTRIP process flow time.

ESC/AW will make every effort to respond to the MILSTRIP REQUEST Form within the time lines identified for the following priorities.

CRITICAL

This category of MILSTRIP Requests indicates the RSIP Production and Retrofit Program schedule will be severely impacted for lack of the part. Critical MILSTRIP Requests will be worked on a "Same Day" basis until the impact to the RSIP Production and Retrofit Program has been resolved.

EXPEDITE

This category of MILSTRIP means the failed end item does not currently impact the RSIP Production and Retrofit Program schedule. ESC/AW response to MILSTRIP Request Forms for expedite priorities will be within 2 working days of receipt of the MILSTRIP request.

ROUTINE

This category of MILSTRIP Requests signifies that sufficient replacement items are available in stores and MILSTRIP action is being initiated to replace items issued from stores. ESC/AW response to Routine MILSTRIP requests will be completed within 5 working days of receipt of the MILSTRIP Request.

Every effort will be made by Westinghouse to identify and fault isolate failed items in a timely manner and forward MILSTRIP Request Forms to Boeing as expeditiously as possible.

The process for identifying and acquiring a replacement part or component through the amended MILSTRIP Request Process is shown in Fig. 1.

Upon identification of a failure, a WEC Non-Conformance Report will be initiated and processed through the Material Review Board. The initial action to return the failed item to service will be by issuing a replacement part from stores. Concurrently, Program Planning & Control (PP&C) will be notified by a Replacement Part Request that actions required to acquire parts or material. Upon identification and verification of the impact condition, a MILSTRIP Request Form will be initiated and assigned the appropriate level of priority to obtain the required items.

Upon completion, the MILSTRIP Request Form will be transmitted to Boeing by FAX. Boeing will FAX this MILSTRIP request to ESC/AW.

Upon receipt, ESC/AW will initiate the following actions and notify Boeing by FAX transmittal of a MILSTRIP Requisition Status Report within the times identified in the above priority definitions (Boeing in turn will notify Westinghouse of the MILSTRIP Requisition Status Report).

1. Coordinate with the cognizant Depot Item Manager and advise Boeing of availability and Estimated Completion Date (ECD) of item. Boeing will initiate and transmit the MILSTRIP Requisition (DD Form 1348) to the cognizant Item Manager.

OR

2. If acquisition through the Depot cannot be made in time to support schedules, forward Contracting Officer written approval to authorize Boeing/Westinghouse to acquire commercial equivalents through a separate purchase contract, Work Request (Severable), under prime contract F19628-95-C-0041.

OR

3. Notify Boeing/Westinghouse Point of Contact that additional information is required before ESC/AW can initiate acquisition. Boeing/Westinghouse will provide immediate response to the request for additional information for "Critical" and "Expedite" requirements and next day for "Routine" conditions.

Upon receipt, the acquired item(s) will be issued to the needed location and the appropriate NCR.

The ESC/AW and Boeing/Westinghouse Point of Contact will coordinate status on all MILSTRIP Requisitions on items on a monthly basis. Upon verification that an item has been received during the coordination telecon, that particular item will be deleted from the active file and transferred to the historical file.

FN46 - RSIP CONFIGURATION AND INTERDEPENDENCY WITH OTHER CONTRACT ACTIONS

The parties to this contract recognize that the development and qualification of the E-3 AWACS RSIP Radar System is being done under Contract F19628-89-C-0138 with Westinghouse Electric Corporation (WEC) and Contract F19628-89-C-0139 with the Boeing Company. It is also recognized that Westinghouse is responsible for preproduction effort (JB3144) associated with Antenna Test and Tune Set effort under purchase contract HT8184. It is further understood that the initial development and qualification of R4400 and Common Media are being accomplished by the Boeing Company and Westinghouse under Prime contract F34601-91-C-1281/Purchase Contracts HY0780 and JD8503.

It is recognized by all parties, that the production baseline will include the results of the following actions. In addition, it is understood that the Purchase Contract line item prices contained in this purchase contract are not impacted as a result of these actions:

- a) The R4400 and Common Media efforts started under purchase contracts HY0780 and JD8503 will be continued, completed and funded under separate contract action.
- b) The RSIP EMD PCAs for hardware and software (contract F19628-89-C-0138) shall be completed prior to the Government's final commitment to continue the production program beyond the timeframe established in Free Note FN47, Initial Subcontractor Tasking for RSIP Production.
- c) Any mutually agreed-to RSIP IOT&E fixes developed under contract F19628-89-C-0138.
- d) Resolution of Group B Kit Diminishing Manufacturing Sources (DMS).
- e) Latest approved software version.

This contract is contingent upon each of the above described development efforts having been completed or having yielded sufficient results to perform the RSIP Production effort. If the Buyer, through Government direction, terminates any of the above described development efforts for any reason other than for default, or if the Government causes delays that prevent the completion of the above development efforts as planned, the parties to the contract acknowledge that the Subcontractor may be entitled to an equitable adjustment for impacts to this contract.

FN47 - INITIAL CONTRACTOR TASKING FOR RSIP

(a) This contract is for long lead activities in preparation for full-rate production as detailed in this Special Contract Requirement. Such authorization will not be forthcoming until satisfactory conclusion of EMD efforts under Contract No. F19628-89-C-0138 and F19628-89-C-0139. Should full-rate production be authorized, those efforts will also be performed on this contract as currently reflected in the Schedule, without modifying this contract.

(b) The subcontractor shall perform only those tasks necessary to preserve the contract schedule from the time of contract award through 30 June 1996, at an NTE amount of \$34,979,000. No funds may be spent on any other contract activities without the express, written direction of the Buyer. Should the Buyer not direct the subcontractor to either, (i) continue work past 30 June 1996, or (ii) perform additional contract efforts, the Buyer may terminate this contract pursuant to the termination clauses of this contract.

SUBCONTRACTOR TASKS

1. Prime Mission Products (Statement of Work, para. 3.1 and 3.5.3)

- a) Continue efforts started under the pre-production contract and initiate additional actions required to produce, test and deliver (to the current schedules) Group B kits and Upgrade Kits to the U.S., UK and NATO
- b) Continue efforts started under the pre-production contract and initiate additional actions required to produce, refurbish or modify the ST/STE necessary to support U.S., UK and NATO Group B kit deliveries.

2. Retrofit in NATO E-3A Aircraft (Statement of Work, para. 3.10.)

- a) Provide the necessary up-front labor, management and materials to ensure a successful retrofit of the NATO E-3A fleet.
- b) Initiate the design, documentation and procurement actions necessary to have hardware and operating procedures available in time to support Retrofit Subcontractor training on the use of NATO Hardware Checkout Facility (HCF) and on-time delivery of equipment at the retrofit location.
- c) Initiate the design, procurement, fabrication and documentation activities for Pre-Modification assessment equipment and procedures to support required Customer availability.
- d) Initiate the development of training materials for the training of the Retrofit Subcontractor.

3. Systems Engineering (Statement of Work, para. 3.2, 3.4, 3.5.1, 3.6 and 3.7)

- a) Implement and/or maintain the Parts Control, Configuration Management, Manufacturing, Quality Assurance and Logistics processes and procedures required by the above SOW paragraphs

4. Program Management (Statement of Work, para. 3.9)

- a) Manage, plan, direct and control Subcontractor and Supplier activities during this period of the program.
- b) Develop and maintain program schedules
- c) Conduct Program Management Reviews to communicate program status including cost and schedule performance.
- d) Initiate Integrated Logistics Support (ILS) activities to support the timing of meetings as identified in the statement of Work and the schedule for data submittals as defined in the Supplier Data Requirements List (SDRL).

5. Data (Statement of Work, para. 3.8 and 3.11)

- a) Utilize existing data management systems to ensure that Engineering, Technical and Support data deliverables are developed IAW applicable instructions as tailored and delivered IAW the schedules documented in the SDRL.

6. Prime Mission Equipment Peculiar Support Equipment (PME PSE)

(Statement of Work, para. 3.13.4)

- a) Initiate efforts required to develop, produce, test and deliver the PME PSE, identified in Appendix Q (less U.S. Option 1 content) with drawings and technical manuals in support of U.S. and NATO delivery requirements.

7. NATO Radar Software Maintenance Facility (RSMF) (Statement of Work, para. 3.13.1)

- a) Initiate efforts associated with providing the necessary hardware, software and technical documentation for the NATO Radar Software Maintenance Facility (RSMF).

8. Training Equipment (Statement of Work, para. 3.13.2)

- a) Initiate efforts associated with providing the necessary hardware, software and technical documentation for the NATO Software Support and Training Facility (SSTF).

9. Spares (Attachment 1, para. 3.14)

- a) Initiate actions required to produce, test and deliver the Group B initial spares and commodity kits for the U.S., UK and NATO in support of meeting defined delivery dates.

(c) The subcontractor agrees to perform or have performed work on the items up to the point at which, in the event of termination of this contract pursuant to the termination clauses of this contract, the total amount payable by the Buyer (including cost, profits, and amounts payable with respect to subcontracts and settlement costs) pursuant to paragraph (b) of the clause would, in the exercise of reasonable judgment by the subcontractor, approximate the NTE amount. The subcontractor will not be permitted to continue performance of the work beyond that point. The Buyer will not be obligated in any event to pay or reimburse the subcontractor in excess of the NTE amount, regardless of anything to the contrary in the termination clauses of this contract.

(d) It is contemplated that the NTE funds for contract tasks listed in (b) above will cover the work to be performed, as limited by the provisions of (c) above until 30 June 1996. The Subcontractor shall notify the Buyer in writing when, within the next 30 days, he will have had expended 85% of the total NTE (including cost, profit, and amounts payable with respect to subcontracts and settlement costs). The notice will state (i) the estimated date when that point will be reached and (ii) the estimated amount of additional funds required to continue performance to the above date or an agreed

substitute date. If after such letter notification, other tasking or funds are not allotted by the date above written, or by an agreed substitute date, the Buyer may terminate this contract on that date, pursuant to the termination clauses of this contract. The termination action, if pursued, would be a complete termination of the contract, rather than a partial termination of the contract.

(e) The Buyer may at any time prior to termination or, after notice of termination, assign additional tasking and NTE funding to this contract, with the consent of the Subcontractor.

(f) The provisions of this clause with respect to termination will not be deemed to limit the rights of the Buyer under the clause entitled "Default." The provisions of this clause are limited to the work on and the NTE amount for the items set forth in (b) above. This clause will become inoperative upon the written direction by the Buyer to proceed with performing the rest of this contract for the total price.

(g) Nothing in this clause affects the rights of the Buyer to terminate this contract pursuant to the termination clauses of this contract within the not to exceed value and prior to the date set forth in paragraph (a) above. However, any termination action, in accordance with this clause, will be a complete termination of the contract rather than a partial termination of the contract.