

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:

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.