

## Terms and Conditions of Purchase

### PART 1 – GENERAL TERMS AND CONDITIONS APPLICABLE TO FIXED PRICE ORDERS

**Clause 1 – Acceptance:** This order becomes a contract subject to the terms and conditions set forth on both sides of this purchase order and this Argo-Tech Form ATCM1470, Rev. 09/05, and those incorporated herein by reference, when acknowledgement has been signed and returned by Seller or upon commencement of performance by Seller. Any additions to, changes in, modification of, or revision of this order proposed by Seller are rejected unless expressly agreed to in writing by Argo-Tech Corp. (Buyer).

**Clause 2 – Delivery:** Time is of the essence on this order and deliveries are to be made both in quantities and at times specified herein. If Seller's deliveries fail to meet schedule, Buyer, without affecting its' other rights or remedies, may direct expedited routing and any excess costs incurred thereby shall be debited to Seller's account. Buyer may, in accordance with Clause 9, cancel all or part of this order in the event Seller fails to deliver goods (which term throughout this order includes without limitation raw materials, components, immediate assemblies and supplies) or services as scheduled herein. Buyer shall not be liable for Seller's commitments or production arrangements in excess of the amount or in advance of the time necessary to meet Buyer's delivery schedule. Goods which are delivered in advance of schedule may, at Buyer's option, (i) be returned at Seller's expense for proper delivery or (ii) have payment therefore withheld by Buyer until the date that goods are actually scheduled for delivery, or (iii) place goods in consigned storage for Seller's account until the delivery date specified herein.

**Clause 3 – Inspection and Tests:** a. All work (which appears throughout this article includes without limitation raw materials, procedures and processes, components, intermediate assemblies and end products) shall be subject to inspection and test by Buyer and the Government, to the extent practicable at all times and places including the period of manufacture, and in any event, prior to acceptance. Seller is responsible for, and shall upon Buyer's request furnish evidence of, compliance with all requirements of the order: and inspection and test by Buyer or the Government of any work, or approval of designs, drawings, samples, test results, procedures, processes or schedules by Buyer or the Government does not relieve Seller from any responsibility to meet the order requirements.

b. In case any work is defective in material or workmanship or otherwise not in conformity with the requirements of this order, Buyer shall have the right either to reject it (with or without instructions as to its' disposition) or to require correction. Work which has been rejected or required to be corrected shall be removed, or if permitted or required by Buyer, corrected in place by and at the expense of Seller promptly after notice, and shall not thereafter be tendered for acceptance unless the former rejection or requirement of correction is disclosed. If Seller fails promptly to remove such work which is required to be removed or promptly to replace or correct such work as specified by Buyer, Buyer may either, (1) by contract or otherwise replace or correct such work and charge to Seller the cost occasioned Buyer thereby, or (2) terminate this order for default as provided in the article or this order entitled "Default". Unless Seller corrects or replaces such work within the delivery schedule Buyer may require the delivery of such work at a reduction in price, which is equitable under the circumstances.

c. If any inspection or test is made by Buyer and/or the Government on the premises of Seller or a lower-tier subcontractor, Seller, without additional charge, shall provide all reasonable facilities and assistance for the safety and convenience of Buyer and/or the Government's representatives in the performance of their duties. If Buyer and/or Government inspection or test is made at a point other than the premises of Seller or a lower-tier subcontractor, it shall be at the expense of Buyer except as otherwise provided in this order; provided that, in case of rejection, Buyer shall not be liable for any reduction in value of samples used in connection with such inspection or test.

d. All inspections and tests by Buyer and/or the Government shall be performed in such manner as not to unduly delay the work. Buyer reserves the right to charge to Seller any additional costs of Buyer's and/or the Government's inspection and test when work is not ready at the time such inspection and test is requested by Seller or when reinspection or retest is necessitated by prior rejection.

e. Acceptance or rejection of the work shall be made as promptly as practicable after delivery, except as otherwise provided in this order; but failure to inspect and accept or reject work shall neither relieve Seller from responsibility for such work as is not in accordance with the order requirements nor impose liability upon Buyer therefore. Except as otherwise provided in this order, acceptance shall be conclusive except as regards latent defects, fraud, or such gross mistakes as amount to fraud.

f. Inspection and test requirements specifically required by this order are for the convenience of Buyer and/or the Government and do not relieve Seller of his responsibility to provide a high-quality product which meets order requirements. If during the period specified in the article of this order entitled "Warranty" any failure to meet order requirements is uncovered (including any uncovered by Buyer's and/or the Government's own tests), Seller shall be responsible in accordance with the provisions of said warranty article for correcting the condition. This requirement applies regardless of the extent of testing or inspection specifically required by this order.

g. Seller shall provide and maintain and require its' lower-tier subcontractors to provide and maintain and inspection and quality control system acceptable to Buyer covering the work hereunder. Records of all inspection and quality control work by Seller and its' lower-tier subcontractors shall be kept complete and available to Buyer and/or the Government during performance of this order and for such longer period as may be specified elsewhere in this order.

h. It is imperative that Argo-Tech's quality assurance requirements per the applicable Standard Operating Procedures, specified by the "affidavit" code listed on purchase order and/or VQR for each part number, be followed precisely or your product will be returned to you at your expense. The detailed explanation of each affidavit code will be found in the standard operating procedures located on the Argo-Tech web-page (<http://www.argo-tech.com>)

i. Inclusion of a dimensional inspection report is required with the shipment of fabricated parts. Dimensional inspection reports must include every drawing feature including dimensions, material, processing requirements and all general notes. Pass/Fail results should be listed for each characteristic. Call your buyer for more information on inspection reports.

k. First article inspection must be completed in accordance with SAE AS9102 current revision requirements.

l. Standard operating procedure 08-001 (Part Marking Practice), Standard operating procedure 06-007 (Vendor Quality Requirements), and Standard operating procedure 15-001 (Shelf-Life Controlled Material) defines acceptable methods of part identification, packaging requirements, and requirements for shelf-life controlled materials. Copies of these procedures can be accessed at ATCM website (<http://www.argo-tech.com/airframe/qualityprocedures>)

**Clause 4 – Changes:** The Buyer shall have the right at any time, by formal purchase order amendment, to unilaterally make changes within the general scope of this order in any one or more of the following: (a) drawings, design specifications; (b) method of shipment or packaging; (c) place of delivery; (d) quantities of articles ordered; (e) the delivery schedule; and nothing in this clause shall excuse the Seller from proceeding without delay in the diligent pursuit of performance of this order as changed. If any such change results in an increase or decrease in the cost of or time required for performance, the Seller shall, within five (5) days after receipt of the change order, submit a detailed cost breakdown comparing original with the revised requirements and the respective costs, or detailed reasons for the effect on the established schedule, or both, as the case may be. The Seller's submission of a claim, as above required, shall provide the foundation for agreement on an equitable adjustment in price, delivery schedule, or both, and this order shall be modified in writing accordingly. Where the cost of property made obsolete or excess as a result of a change is included in Seller's claim for adjustment, Buyer shall have the right to prescribe the manner of disposition of such property. Any claim for adjustment under this clause must be made in writing and shall be deemed waived by the Seller unless asserted within the time as above set forth, provided however, that the Buyer may, in its discretion, receive and act upon any such claim so made or made thereafter at any time prior to final payment under this order. Notice is herewith given and Seller agrees that Buyer's employees have no authority to direct any change except by formal purchase order amendment signed by Buyer.

**Clause 5 – Drawings and Specification Review:** If, during the term of this order, Buyer representatives review drawings, specifications or other data developed by Seller in connection with the order and make suggestions or comments or approve such documents and data, such action is only an expression of opinion by Buyer and shall not serve to relieve Seller of any responsibility for the reliability, quality, rate of output, cost, delivery, performance or any other requirements of this order.

**Clause 6 – Drawings and Data:** Seller shall keep confidential all information, drawings, specifications or data furnished by Buyer or prepared by Seller specifically in connection with the performance of this order and shall not divulge or use such information, drawings, specifications or data for the benefit of any other party. Except as required for the efficient performance of this order, Seller shall not make copies or permit copies to be made without the prior written consent of Buyer. Seller shall thereafter

make no further use, either directly or indirectly, of any such data of any information derived therefrom without obtaining the Buyer's prior written consent. The obligations under this clause will survive the cancellation, termination, or completion of this order.

**Clause 7 – Use of Information:** Seller agrees that all information heretofore or hereafter furnished or disclosed to Buyer by Seller in connection with the placing or filing of this order is furnished or disclosed as a part of the consideration for this order and that such information is not, unless otherwise agreed to by Buyer in writing, to be treated as confidential or proprietary and the Seller shall assert no claims (other than for patent infringement) by reason of the use or disclosure of such information by Buyer, its assigns or its customers. No employee of Buyer has the authority to make an agreement providing for the confidential treatment of, or limiting the use or disclosure of information so furnished or disclosed, unless such agreement is made in writing and signed by Buyer's cognizant general manager.

**Clause 8 – Disclosure of Information:** Seller shall not in any manner advertise or publish the fact that it has furnished or contracted to furnish Buyer the goods or services herein mentioned without prior written consent of Buyer. Seller shall not disclose any details in connection with this order to any party except as may be otherwise provided. The purchase order contains technical data whose export is restricted by the Arms Export Control Act (Title 22, U.S.C., Sec.2751 et seq.) or the Export Administration Act (Title 50, U.S.C., App 2401-2420). Violation of these export laws is subject to severe criminal penalties.

**Clause 9 – Cancellation – Termination – Suspension – Rejection:** (a) Time is of the essence for this order. As a result, Buyer reserves the right, at its option and without liability to the Seller, to at anytime by notice of default in writing, either cancel, terminate, or suspend this order, in whole or in part, in the event of a breach of any material condition of the Seller's performance hereunder that is not cured with ten (10) days after receipt of such notice or such longer period as may be authorized in writing by Buyer. The occurrence of any one or more, but not limited to, the following circumstances shall be considered breach of material condition: (1) failure to strictly comply with the terms, specifications or delivery schedule set forth herein; (2) Seller becomes the subject under state or federal law for relief of debtors, or makes an assignment for the benefit of creditors; (3) failure to comply with applicable federal, state and local laws and all regulations and orders issued hereunder; and without limiting or excluding other applicable laws, in the event this order is placed under a Government contract, failure to comply with those federal regulations identified as Federal Acquisition Regulation (FAR) and Department of Defense Acquisition Regulation Supplement (DFAR) clauses that are incorporated by reference herein. In the event rights reserved under this clause are exercised, Buyer may procure similar articles or services elsewhere and Seller assumes the financial liability for an excess cost associated with such procurement; provided, however, that Seller shall not be liable for excess costs where the failure to perform is excusable as provided for in Clause 10 hereof. In addition, Buyer may for any reason and at any time cancel or suspend this order, or any part thereof, by serving written notice upon Seller specifying the extent and effective date of such cancellation or suspension. To the extent directed by the Buyer, Seller shall terminate, cancel or suspend all work under this order and any subcontracts thereunder and take any action necessary to protect property in Seller's possession in which Buyer has or may acquire an interest. To the extent this order or any part thereof is not cancelled, terminated or suspended under the provisions of this clause, the Seller shall continue performance. Buyer's acceptance of performance, other than that specifically called for herein, with or without objection or reservation, shall not waive the right to claim damage for such breach nor constitute a waiver of the requirement for timely performance of any obligation remaining to be performed by Seller. Failure of Buyer to enforce any right under this clause shall not be deemed a waiver of any subsequent right hereunder. The Buyer's rights and remedies reserved under this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under this order. In the event rights reserved under this clause are exercised without cause, Buyer shall reimburse Seller the Seller's expenses resulting directly therefrom, which amount shall not exceed the lower of the contract price or Seller's direct labor, material and indirect costs incurred for finished articles or goods in process, less their reasonable salvage value. (b) Without affecting or otherwise limiting Buyer's right to cancel, terminate, suspend or reject as set forth in (a) above, Buyer may at any time terminate all or any part of this order in accordance with the Subcontract Termination Clause set forth in FAR 52.249-2, in effect on the date hereof, which is incorporated herein by this reference. Notwithstanding the provisions of said clause, any termination claim of Seller must be submitted to Buyer within six (6) months after the effective date of termination. If this order is not issued under a Government Prime Contract thereunder, the last sentence of paragraph (i) of said clause shall be deemed deleted.

**Clause 10 – Excusable Delays:** Neither party shall be liable for damages for delay in delivery arising out of causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy, acts of the Government in either its sovereign or contractual capacity, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes and unusually severe weather. If the delay is caused by the delay of a subcontractor (at any tier) of Seller and if such delay arises out of causes beyond the control of both Seller and said subcontractor and without the fault or negligence of either of them, Seller shall not be liable to Buyer in damages unless the materials or services to be furnished by the said subcontractor were unobtainable from other sources in sufficient time to permit the Seller to meet the required delivery schedule. Seller will notify Buyer in writing within 48 hours after the beginning of any such cause.

**Clause 11 – Invalidity – Remedies:** (a) The invalidity in whole or in part of any provision herein shall not affect the validity of any other provision. (b) The rights and remedies herein reserved to Buyer shall be cumulative and in addition to any other or further rights and remedies provided in law or equity. Buyer's failure to enforce any provisions of this contract shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this agreement or any part thereof or Buyer's right thereafter to enforce each and every such provision, which shall remain in full force and effect.

**Clause 12 – Compliance with and Governing Law:** (a) Seller covenants that, in performance hereof, it will comply with all applicable laws, rules, regulations or orders of the United States Government, or of any state or political subdivision thereof, including, without negatively implying exclusion of others, the applicable provisions of the Fair Labor Standards Act of 1938 (29 U.S.C. 201-219) as amended. Seller shall certify in each invoice that it has complied with the provisions of the Fair Labor Standards Act. Seller shall indemnify and save Buyer harmless against any claims, suits, demands, and all costs, damages and expenses arising out of its failure to fulfill this covenant. (b) Where not otherwise specifically provided for under this order, Seller agrees that the terms and conditions of sale controlling the rights, obligations, liabilities, and performance as between the parties shall be in accordance with the laws of the State of California.

**Clause 13 – Taxes:** Seller's prices shall be exclusive of any Federal, State or local Sales, Use or Excise taxes levied upon, or measured by the sale, the sales price, or use of goods required in the performance of this order. Seller shall list separately on its invoice any such tax lawfully applicable to any such goods and payable by Buyer with respect to which Buyer does not furnish to Seller lawful evidence of exemption.

**Clause 14 – Buyer Owned Equipment:** If the price to be paid is stated in this order to include special dies, tools, jigs, fixtures, patterns, or other equipment, or if Buyer furnishes any such materials to Seller, such materials shall become and remain the property of Buyer. Seller shall keep all property to which Buyer acquires title by virtue of this order segregated and clearly marked and will maintain complete inventory thereof. Seller agrees that it will use such property only in the performance of the requirements of this order and that performance in strict accordance with specifications shall not be excused in the event of any inaccuracy in such property. Buyer agrees that all materials, tooling and equipment which it is required to furnish the Seller under this order shall be delivered in sufficient time to enable Seller to meet its delivery schedule. In the event Buyer fails to so deliver, the resulting and direct consequence of which is Seller's failure to deliver to Buyer, Seller's failure to deliver shall be treated as "excusable" but without liability on the part of Buyer to Seller. While such property is in Seller's possession, Seller shall keep it in good condition and repair and bear all risk of loss and damage thereto beyond normal wear and tear. Seller shall insure for the benefit of Buyer against fire, water damage and other insurable risks customary in the trade and in such amounts as will fully protect Buyer. In the event of loss or damage Seller shall promptly notify Buyer. All such property shall be identified "Property of Argo-Tech" or as otherwise directed by Buyer; shall not be commingled, attached to or otherwise identified with property (whether real or personal) of Seller or that of a third party; shall not be removed from Seller's premises without prior written authority of Buyer, and shall, upon Buyer's request, be immediately returned to Buyer in as good condition as received. Seller agrees that Buyer shall, at all reasonable times, have access to any premises upon which Buyer's property is located for the purpose of inspection.

**Clause 15 – Assignment:** This order, or any interest therein, including any claims or monies due or become due with respect thereto, may only be assigned upon the written consent of Buyer. Any payment to any assignee of any claim under this order, in consequence of such consent, shall be subject to set off recoupment or other reduction for any claim which Buyer may have against Seller.

**Clause 16 – Notice of Labor Disputes:** Whenever Seller has knowledge that any actual or potential labor dispute is delaying, or threatens to delay, the timely performance of this order, Seller shall immediately give written notice thereof, including all relevant information with respect thereto to Buyer. Seller agrees to insert the substance of this clause, including this sentence, in any subcontract hereunder.

**Clause 17 – Patent Indemnification:** Seller shall indemnify and save harmless Buyer, its successors, assigns, customers or users of its products, from and against any and all loss, liability and damage, including costs and expenses resulting from any claim that the manufacture, use, sale or resale of any goods supplied under this order infringe any patent or patent rights, and Seller shall, when notified, defend any action or claim of such infringement at its own expense. Indemnification shall not apply to goods manufactured in accordance with Buyer's detailed design or any infringement based solely upon the use of the goods supplied hereunder in combination with other goods not furnished by Seller. In the event the sale and/or use of such goods is enjoined, Seller shall, at its own expense, either procure for Buyer the right to continue using such goods or replace them with equivalent non-infringing goods or remove same and refund the purchase price, including transportation, installation, removal and other charges incidental thereto as mutually agreed upon between Buyer and Seller.

**Clause 18 – Subcontracting:** Seller agrees to obtain Buyer's approval before subcontracting this order or any substantial portion thereof, provided however, that this limitation shall not apply to the purchase of standard commercial supplies or raw material.

**Clause 19 – Warranty:** a. In addition to its obligation under other provisions of this order (including those concerning inspection and acceptance) Seller warrants material and workmanship and that the items furnished under this order will be manufactured in accordance with the order requirements and fit for its particular purpose and, if Seller is

responsible for design, will meet all design requirements set forth in this order. The term of this warranty is for a period of five years after delivery or for a period of one year after the date first in use, whichever first expires.

b. Buyer shall give Seller notice of any defect or lack of conformity with order requirements within a reasonable time after delivery. Seller shall promptly thereafter (without cost to Buyer) either correct or replace such defective or nonconforming item or component thereof, and correct or replace all appropriate drawings, procedures and manuals or, if Buyer does not require correction or replacement of the defective or nonconforming item or component thereof, Seller, within a reasonable amount of time after the notice, shall repay such portion of the order price of the item as is equitable under the circumstances. If Seller fails to proceed with reasonable promptness to make any correction or replacement in accordance with the provisions of this article Buyer reserves the right to cause such correction or replacement to be made and Seller agrees to reimburse Buyer for the costs incurred thereby. Unless otherwise agreed, correction or replacement of defective or nonconforming items or components thereof shall be performed subject to and in accordance with the provisions of this order. Buyer has the right to require Seller to correct in place any defective or nonconforming item or component thereof delivered under this order or to return such item or component to Seller for correction in which case Seller shall be responsible for packing and packaging charges and shipping cost (to and from Seller's plant) for items or components returned for correction. In exercising this right Buyer will notify Seller which alternative it proposes to take. In this regard, Buyer will be reasonable in making its election in terms of its and the Government's time requirements, the relative economies of each alternative and the particular circumstances at the time of election, giving due regard to any reasonable requests of Seller. In the event that Seller is required to correct in place, Seller shall not be responsible for removal or reinstallation of the items or structural parts not furnished by Seller under order. Seller shall not be required to incur costs for such correction in place in excess of an amount equal to the total price of this order. In the event that any defective item is returned by Buyer to Seller's plant for correction, Buyer shall be responsible for removing the defective item from the system and Seller shall, upon completion of correction, make delivery as directed by Buyer but shall not be obligated to incur costs in excess of the total price of this order, plus shipping (to and from Seller's plant) and packing and packaging charges, nor shall Seller be responsible for any costs of reinstallation. However, Seller shall not be responsible for shipping costs outside the continental limits of the United States.

c. The warranty with respect to a corrected or replaced item, items or components thereof, shall be subject to the same terms as the warranty provided for in paragraph a. The original warranty for other than the corrected or replaced item, items, or components thereof shall continue until the expiration of the period prescribed in paragraph a, plus a period equal to the time elapsed between the discovery of the defect and correction or replacement of the defective item, items or components thereof.

d. Approval of designs, drawings, samples, test results, procedures processes or schedules by Buyer of the Government shall not in any way limit or diminish Seller's warranties hereunder.

**Clause 20 – Terms of Payment:** The Seller's right to payment is contingent upon Buyer's approval and acceptance of articles delivered or services rendered in accordance with the terms and specifications called for by this order, but payment of the stipulated price is not evidence of Buyer's final acceptance of that which is called for by this order. Payment shall be subject to subsequent adjustment for shortages and allowances for articles rejected. Unless otherwise stated on the face of the order, all NET INVOICES will be paid on or about the forty-fifth (45<sup>th</sup>) day, following the Buyer's receipt of a proper invoice. Unless otherwise stated on the face of this order, DISCOUNT INVOICES may be honored in accordance with discount terms offered. The date for calculation of any cash discount offered by the Seller shall commence as of the date of receipt of a proper invoice.

**Clause 21 – Indemnification:** To the extent that Seller's agents, employees or subcontractors enter upon premises occupied by or under the control of Buyer, or any of its customers, or suppliers in the course of the performance of this order, Seller shall take all reasonable precautions to prevent the occurrence of injury (including death) to any persons, or of any damage to any property, arising out of acts or omissions of such agents, employees, or subcontractors, and except to the extent that any such injury or damage is due solely and directly to Buyer's negligence, shall indemnify, defend and hold Buyer, its officers, employees and agents harmless from any and all costs, losses, expenses, damages, claims, suits, or any liability whatsoever, including attorney's fees, arising out of any act or omission of Seller, its agents, employees or subcontractors. Seller shall maintain and require its subcontractors to maintain (1) public liability and property damage insurance including contractual liability (both general and vehicle) in amounts sufficient to cover obligations set forth above, and (2) worker's compensation and employer's liability insurance covering all employees engaged in the performance of this order for claims arising under any applicable Worker's Compensation and Occupation Disease Acts. Seller shall furnish certificates evidencing such insurance, which expressly provides that no expiration, termination or modification shall take place without thirty (30) days written notice to Buyer.

## PART II – ADDITIONAL GENERAL TERMS AND CONDITIONS APPLICABLE TO ORDERS ISSUED UNDER GOVERNMENT CONTRACT

**Clause 22 – Military Security Requirements:** To the extent that this order involves access to information classified "Confidential" or higher, Buyer shall notify Seller of such Security Classifications by the use of Security Requirements Check List (DD Form 254) or other written notification. Seller agrees to safeguard all classified elements of this order and shall provide and maintain a system of security controls within Seller's organization in accordance with the requirements of the Security Agreement (DD Form 441), including the Department of Defense Industrial Security Manual for Safeguarding Classified Information. Seller agrees to include in all subcontracts hereunder, which involve access to classified information, provisions which shall conform substantially to the language of this clause.

**Clause 23 – Examination of Records:** In the event this order exceeds \$2,500.00 the Seller shall retain, preserve and provide the right of access for examination by and authorized representative of the Comptroller General of the United States all directly pertinent records involving transactions related to this order for a period of three (3) years after final payment. In the event of any appeal taken pursuant to the Disputes Clause, claim or litigation arising out of performance or exception taken by the Government to the cost or expense of performance, the period of retention and access shall be extended through final settlement, release or discharge.

**Clause 24 – Prices – Price Reduction – Indemnity – Disputes:** (a) Seller represents that the prices specified in this order are based on current pricing data and do not exceed the current selling price for the same or substantially similar articles, whether to the Government or to any other purchaser, taking into account the quantity and schedule under consideration and that such prices include all applicable federal, state and local taxes, in effect on the date of this order, except any sales or use tax payable at source. (b) In the event the Seller has represented that its quoted price for the supplies to be furnished hereunder were based upon established catalog (or market) prices of commercial items sold in substantial quantities to the general public, the negotiation or award of this order has been made without requiring the submission of Seller of cost or pricing data under the circumstances specified in FAR 52.215-25 entitled "Subcontractor Cost or Pricing Data". If it is subsequently determined, however, that the price of the supplies was not in fact based upon such established catalog or market prices, and by reason thereof the Government, acting by and through its Contracting Officer, reduces amounts otherwise paid or payable to Buyer under its contract with the Government, whether prime or subcontract, Seller agrees that the price of this order shall be reduced by a like amount. (c) In the event the negotiation of this order has been made subject to the requirement for submission by Seller of cost or pricing data under the circumstances specified in FAR 52.215-25, and certification thereto in substantially the same form set forth in FAR 15.806, as well as compliance with FAR 52.230-3 titled "Cost Accounting Standards", and the Government, acting by and through its Contracting Officer, determines, at anytime up to and including three (3) years after the date of final payment under this order that the Buyer's contract with the Government or the Government's prime contract under which Buyer is a subcontractor, should be decreased, and such decrease is attributable to cost or pricing data furnished and certified to by Seller that was not accurate, current and complete; or an adjustment to Buyer's contract price or cost allowance is made that is attributable to Seller's failure to comply with an applicable Cost Accounting Standard, rule, or regulation of the Cost Accounting Standards Board, then the price of this order or cost allowance as appropriate shall be decreased accordingly and so modified in writing. Seller further agrees to indemnify and hold Buyer harmless from any and all claims asserted or obligations assessed against Buyer as a result of such a decrease or adjustment to Buyer's contract price or cost allowance as the case may be, including costs of any appeal, and the Seller shall reimburse Buyer thereof. (d) In the event an adverse determination is made by the Government, as set forth in paragraph (c) above and either Buyer or Seller are affected by and disagree with any such determination, the following shall prevail: (1) Buyer agrees to notify Seller within ten (10) days after receipt of such a determination as to its nature and whether or not Buyer will appeal. (2) If Buyer elects to appeal, Buyer agrees to promptly furnish Seller with copy of such appeal and the Seller shall have the right to participate fully at its own expense under the direction of Buyer in all phases which affect Seller. (3) If Buyer elects not to appeal, Seller shall have the right reserved to the Buyer under the "Disputes" clause of its Government prime contract, if so provided, to prosecute an appeal, at its own expense and in the Buyer's name, within ninety (90) days after receipt by Buyer of said determination. (4) Any decision upon appeal, if binding upon Buyer, shall in turn be binding upon Seller insofar as it relates to this order. (5) This disputes procedure will in no way grant to the Seller rights that not reserved to the Buyer under Buyer's contract with the Government or the Government prime contract under which Buyer is a subcontractor. (6) Pending any decision, appeal or judgment referred to in this clause or the settlement of any dispute arising under this order, Seller shall proceed diligently with performance of this order. (e) Failure to agree on any claim for equitable adjustment under the "Changes" clause hereto shall be a dispute and Seller may thereupon pursue any remedy which it may have in any court of competent jurisdiction. Pending resolution of any such dispute, Seller shall diligently pursue performance of this order as changed.

When necessary to make the context of the following clauses applicable to this order, the term "Contractor" and equivalent phrases shall mean "Seller" the terms "Government" and "Contracting Officer" and equivalent phrases shall mean "Buyer". Except as otherwise provided in this contract, the term "Subcontracts" includes purchase orders under this contract.

**Clause 25 – Incorporation by Reference – Federal Acquisition Regulation (FAR), DOD Federal Acquisition Regulation Supplement (DFARS):**

(a) The following provisions of FAR and DFARS are incorporated herein by this reference. Except as otherwise provided, the FAR / DFAR clauses and provisions are those in effect as of the date of this order.

52.203-6	Restrictions of Subcontractor Sales to the Government
52.203-7	Anti-Kickback Procedures
52.204-2	Security Requirements
52.215-14	Integrity of Unit Prices
52.222-26	Equal Opportunity
52.223-3	Hazardous Material Identification and Material Safety Data
52.225-1	Buy American Act Supplies
52.225-13	Restrictions on Certain Foreign Purchases
52.227-9	Refund of Royalties
52.227-10	Filing of Patent Applications-Classified Subject Matter
52.245-2	Government Property (Fixed Price Contracts)
52.245-17	Special Tooling
52.245-18	Special Test Equipment
52.249-2	Termination for the Convenience of the Government-Fixed Price
252.225-7016	Restriction on Acquisition of Ball and Roller Bearings
252.225-7026	Restriction on Acquisition of Forgings
252.225-7001	Buy American Act and Balance Payments Program
252.225-7002	Qualifying Country Sources as Subcontractors
252.225-7014	Preference for Domestic Specialty Metals-Alternate 1
252.225-7015	Restriction on Acquisition of Hand or Measuring Tools
252.227-7032	Rights in Technical Data and Computer Software
252.227-7037	Validation of Restrictive Markings of Technical Data
252.228-7005	Accident Reporting and Investigation Involving Aircraft, Missiles and Space Lance Vehicles
252.225-7028	Exclusionary Policies and Practices of Foreign Governments
252.246-7001	Warranty of Data

The following provisions of FAR are applicable to all orders having a value of \$2,500.00 or greater:

52.222-36	Affirmative Action for Workers with Disabilities
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The following provisions of FAR and DFARS are applicable to all orders having a value of \$10,000.00 or greater:

52.214-26	Audit and Records – Sealed Bidding
52.215-2	Audit and Records – Negotiations
52.219-8	Utilization of Small Business Concerns

52.222-21	Prohibition of Segregated Facilities
52.222-35	Affirmative Action for Special Disabled and Vietnam Era Veterans
52.222-37	Employment Reports on Special Disabled Veterans and Veterans of Vietnam Era
52.222-20	Walsh-Healey Public Contracts Act
252.225-7015	Restriction on Acquisition of Hand or Measuring Tools

The following provision of FAR is applicable to all orders having a value of \$50,000.00 or greater:

52.227-8	Reporting of Royalties (Foreign)
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The following provisions of FAR and DFARS are applicable to all orders having a value of \$25,000.00 or greater:

52.203-10	Price or Fee Adjustment for Illegal or Improper Activity
52.227-1	Authorization and Consent
52.227-2	Notice and Assistance Regarding Patent and Copyright Infringement
52.246-23	Limitation of Liability
52.246-25	Limitation of Liability – Services
52.247-63	Preferences for United States Flag Air Carriers
52.247-64	Preference for Privately Owned U.S. Flag Commercial Vessels
252.203-7001	Prohibition on Persons Convicted of Fraud or Other Defense-Contract-Related Felonies

The following provisions of FAR and DFARS are applicable to all orders having a value of \$100,000.00 or greater:

52.203-8	Cancellation, Rescission, and Recovery of Funds for Illegal or Improper Activity
52.203-11	Certification and Disclosure Regarding Payments to Influence Certain Federal Transactions
52.203-12	Limitation on Payments to Influence Certain Federal Transactions
52.225-8	Duty-Free Entry
52.242-4	Certification of Final Indirect Costs
52.248-1	Value Engineering
252.215-7000	Pricing Adjustments
252.225-7013	Duty-Free Entry
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
252.231-7000	Supplemental Cost Principles
252.243-7001	Pricing of Contract Modifications

The following provisions of FAR and DFARS are applicable to all orders having a value of \$500,000.00 or greater:

52.214-28	Subcontractor Cost or Pricing Data-Modifications-Sealed Bids
52.215-10	Price Reduction for Defective Cost or Pricing Data
52.215-11	Price Reduction for Defective Cost or Pricing Data Modifications
52.215-12	Subcontractors Cost and Pricing Data
52.215-13	Subcontractors Cost and Pricing Data – Modifications
52.219-9	Small Business Subcontracting Plan
52.230-1	Cost Accounting Standards Notices and Certification
52.230-2	Cost Accounting Standards
52.230-3	Disclosure and Consistency of Cost Accounting Practices
52.230-4	Consistency of Cost Accounting Standards
252.219-7003	Small, Small Disadvantaged and Women-Owned Small Business Subcontracting Plan (DoD Contracts)

When incorporated in the prime contract under which this order is placed the following provisions of FAR and DFARS are applicable to orders placed for experimental, developmental, or research work:

52.227-11	Patent Rights-Retention by Contractor (Short Form)
52.227-12	Patent Rights-Retention by the Contracts (Long Form)
52.227-13	Patent Rights-Retention by the Government
252.227-7034	Patent Subcontracts