

VENTURE AEROBEARINGS LLC.  
VAC64 TERMS AND CONDITIONS OF PURCHASE  
Revision 02/04/13

PURCHASER: Venture Aerobearings LLC ("VA")

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BASIC TERMS AND CONDITIONS

1. DEFINITIONS: As used throughout the Purchase Order, the following terms shall have the meanings set forth below:

- (a) "Change in Ownership or Control" means any of the following: i) the sale of equity shares controlling 20% or more of the voting rights in Seller or Seller's parent, ii) the sale, lease, transfer or other disposition of substantially all of the assets of Seller or Seller's parent, iii) a merger, reorganization, consolidation, share exchange, recapitalization, business combination, liquidation or dissolution or similar transaction, iv) a tender offer or exchange offer for any of the outstanding shares of capital stock of Seller or Seller's parent, v) a sale by Seller of the assets relating to the product Seller produces or will produce for Purchaser, or vi) any public disclosure of a proposal or plan or intention to do any of the foregoing.
- (b) "EDI" means electronic data interface.
- (c) "Goods" means the product supplied by Seller under the Purchase Order, including without limitations all components, raw materials, and intermediate assemblies thereof.
- (d) "MRD" means the manufacturing required date.
- (e) "Objective Evidence" shall mean any statement of fact pertaining to the quality of a product or service based on observations, measurements or tests that can be fully verified. Evidence must be expressed in terms of specific quality requirements or characteristics. These characteristics are identified in drawings, specifications, and other documents that describe the item, process, or procedure.
- (f) "Purchaser" means the party contracting with Seller for Goods and/or services and identified as the purchasing entity on the face of the Purchase Order.
- (g) "Purchaser's Data" means the tools, drawings, specifications, processes, process parameters, computer software and other data furnished by the Purchaser, or by Purchaser's affiliates, subsidiaries or contractors, or paid for in whole or in part by Purchaser hereunder for the sole purpose of performing the Purchase Order for Purchaser.
- (h) "Purchaser's Property" means all tangible and intangible property, including but not limited to tools, tool drawings, materials, processes, procedures, process parameters, drawings, computer software, documents, information or data of every description furnished to Seller by Purchaser, or by Purchaser's affiliates, subsidiaries or contractors, or paid for in whole or in part by Purchaser, and any replacement thereof, or any materials affixed or attached thereto.
- (i) "Reach" means Regulation (EC) No 1907/2006
- (j) "Seller" means the party contracting to perform the work hereunder.
- (k) "Standard Terms and Conditions" means all the elements of Venture Aerobearings terms & conditions set forth in this document
- (l) "Subcontract", unless provided otherwise in the Purchase Order, means all contracts placed by the Seller or lower tier subcontractors for the specific purpose of performing any portion of the work under the Purchase Order, and includes but is not limited to Purchase Orders and changes, or modifications thereto.
- (m) "VA" means Venture Aerobearings LLC.
- (n) "VA Address" means 8701 Palmetto Commerce Parkway, Ladson SC 29456 South Carolina, or such other address as designated by Purchaser.

2. TERMS AND CONDITIONS: Either Seller's written acknowledgement or Seller's full or partial performance under the Purchase Order, whichever occurs first, will constitute acceptance of all terms and conditions contained herein. Any acceptance of the Purchase Order is limited to acceptance of the express terms of the offer set forth in the Purchase Order. Any proposal for additional or different terms or any attempt by Seller to vary in any degree any of the terms of this offer in Seller's acceptance or acknowledgement is hereby objected to and rejected. If such variances are in the terms of the description, quantity, price or delivery schedule of the Goods, said Seller proposals shall be deemed a material alteration thereof, and the Purchase Order shall be deemed accepted by the Seller without said additional or different terms. If Seller shall deem the Purchase Order an acceptance of a prior Purchase Order, such acceptance is limited to the express terms set forth in the Purchase Order.

3. DISPUTE RESOLUTION:

- (i) Except as specifically provided herein, the parties intend to forsake litigation and resolve with finality any and all disputes arising under or related to the Purchase Order, and the Goods and/or services provided pursuant to the Purchase Order, exclusively by the process identified in this article. This article shall remain effective in the event that a petition in bankruptcy is filed by or against a party to the Purchase Order, or if a party makes an assignment for the benefit of creditors, or if any other insolvency proceeding is commenced against a party. Invocation of this paragraph shall not relieve either party of any obligation, right or duty of performance arising under or related to the Purchase Order.
- (ii) Any and all disputes, controversies or claims arising under or relating to the Purchase Order or the breach, termination or invalidation thereof or the Goods and/or services provided pursuant to the Purchase Order shall, upon written notice, be referred to a senior management representative from each of the parties who will confer in good faith to attempt to resolve the matter. The party sending the first written notice (the "Initial Notice") shall (1) set forth in detail all of its claims or issues in dispute and (2) designate its representative. The other party shall have 5 business days to designate its representative and add any other issues or claims for resolution not identified in the Initial Notice. The representatives shall have 30 days from the date of the Initial Notice to resolve the issues identified in the notices. If the representatives are unable to resolve the matter within this 30-day period, either party may refer the matter to administered mediation, through the CENTER FOR RESOLUTION OF DISPUTES, Charleston, South Carolina 29401. Such mediation shall be started within 30 days from the date of referral, and the mediation process must be concluded within 30 days from the start date.
- (iii) If the dispute or claim is not fully resolved pursuant to the terms herein, either party may after 90 days, but not later than 120 days from the date of the initial notice, make a written demand for binding arbitration to be administered by the American Arbitration Association (AAA) by one arbitrator in accordance with its commercial arbitration rules. A party's failure to make a timely demand for arbitration shall result in the forfeiture of all the claims and issues that party identified in its written notice.
- (iv) The arbitration proceedings shall be conducted in Charleston, South Carolina, and the Purchase Order shall be interpreted and applied in accordance with the laws of the state of South Carolina without regard to South Carolina's choice of law provisions. The arbitration shall not be consolidated with any claim or controversy of any other party. The parties shall share all fees and expenses of the arbitration equally. However, each party shall bear the expense of its own counsel, experts, witnesses, and preparation and presentation of proofs. If court proceedings to stay litigation or compel arbitration are necessary, the party who unsuccessfully opposes such proceedings shall pay all associated costs, expenses and attorney's fees that are reasonably incurred by the other party. The arbitrator shall have no authority to award punitive and exemplary or other damages beyond the prevailing party's actual damages and shall not, in any event, make any ruling, finding, or award that does not conform to the terms and conditions of the Purchase Order. The arbitration award shall be in writing and shall specify the factual and legal basis for the award. Judgment on the award rendered may be entered in any court of competent jurisdiction, and in connection with enforcing arbitration awards; Seller hereby consents and submits to jurisdiction of the Courts of the State of South Carolina and the U.S. Federal Courts in South Carolina.
- (v) Either party may at any time, without inconsistency with the Purchase Order, seek from a court of competent jurisdiction located in Charleston, South Carolina, any equitable, interim or provisional relief to avoid irreparable injury, or to vindicate an executing party's intellectual property rights, including, without limitation, the recovery of damages for infringement or other misappropriation.
- (vi) The parties intend all statements made and documents provided or exchanged in connection with this dispute resolution process to be confidential and neither party shall disclose the existence or content of the dispute or claim, or the results of any dispute resolution process, to third parties other than outside counsel, except with the prior written consent of the other party.
- (vii) The parties may by written mutual consent agree to dates and times other than those set forth in this article.
- (viii) The provisions of this article shall not modify or displace a party's indemnification obligations or the procedures specified in Article 25, Termination for Convenience. In addition, this article shall not apply to and will not bar litigation regarding any claims related to a party's proprietary or intellectual property rights.

4. **PACKAGING REQUIREMENTS:** Packaging requirements are contained in VA Standard Terms and Conditions listed on the Purchase Order
5. **TRANSPORTATION:**
- (a) Unless otherwise stipulated on the face of the Purchase Order, Goods covered by the Purchase Order shall be shipped "F.O.B. Seller's Plant," as defined by the South Carolina Uniform Commercial Code ("SCUCC"). If Goods are to be delivered "F.O.B. Destination," as defined by the SCUCC, Seller must prepay transportation charges. In any event, title to said Goods shall pass to Purchaser on the title passage date (earlier of the MRD or the use date, unless Goods are delinquent to the MRD, in which case title passage shall occur upon arrival of such Goods at the specified delivery location). Purchaser insures all Goods for which it accepts risk of loss while such Goods are in transit. Therefore, Seller shall not declare any insurance value on such Goods shipped via any carrier.
- (b) Seller shall release rail or truck shipments at the lowest released valuation permitted in the governing tariff or classification. Purchaser will pay no charges for unauthorized transportation. Any unauthorized shipment that results in excess transportation charges must be fully prepaid by the Seller. If Seller does not comply with the stated delivery schedule, Purchaser may, in addition to any other right that Purchaser may have, require delivery by fastest way. The charges resulting from this mode of transportation must be fully prepaid and the Seller must absorb the full cost of the shipment.
- (c) If Seller is required by Purchaser to deliver Goods or materials ordered hereunder to Purchaser, the terms and conditions in (a) and (b) above are applicable, except as modified below:
- Unless otherwise stipulated on the face of the Purchase Order, Seller shall ship Goods covered by the Purchase Order to VA Address. Purchaser shall be responsible for the transportation charges for shipment of Goods from Seller's facility to the VA Address. However, charges for unauthorized transportation or shipments of Goods shall be the responsibility of Seller. Seller shall assume risk of loss for Goods ordered hereunder while such Goods are in transit from Seller's facility to the VA Address, after which risk of loss for such Goods shall transfer to the VA Address. Title to Goods ordered hereunder shall pass from Seller to Purchaser upon delivery of such Goods to the VA Address. If Seller does not comply with the stated delivery schedule, Purchaser may, in addition to any other right that Purchaser may have, require delivery by fastest way and charges resulting from this mode of transportation must be fully prepaid and absorbed by Seller.
6. **ANTICIPATION OF DELIVERY SCHEDULE:** Unless otherwise agreed to in writing, Seller shall not make material commitments or production arrangements in excess of the amount or in advance of the time necessary to meet schedules that are within lead time. It is Seller's responsibility to comply with its scheduled lead times but not to anticipate Purchaser's requirements. Goods shipped to Purchaser in advance of scheduled lead times may be returned to Seller at Seller's expense.
7. **DELAY AND DEFAULT:** Delivery dates (Purchaser's Dock) and quantities mentioned will be flowed via the Purchase Order. In the event Seller for any reason anticipates any difficulty in complying with the required delivery date or any of the other requirements of the Purchase Order, Seller shall promptly notify Purchaser in writing or by electronic mail system. In the event of a delivery delay, non-delivery or any other default by Seller in meeting the requirements of the Purchase Order, Purchaser may terminate the Purchase Order without further compensation to Seller, and Purchaser's rights will be as specified in the South Carolina Uniform Commercial Code. If progress payments have been made under the Purchase Order, and the Purchase Order is terminated for default, Purchaser shall have the rights of the US Government set forth in FAR 52.232-16 Progress Payments, including paragraph (h), "Special Terms Regarding Default."
8. **PURCHASER'S PROPERTY:**
- (a) Purchaser's Property shall be and remain the personal property of Purchaser, and, unless otherwise agreed to in writing by Purchaser shall be used by Seller solely to render services or provide products to Purchaser. Such Purchaser's Property, and whenever practical each individual item thereof, shall be plainly marked or otherwise adequately identified by Seller as being the property of Purchaser or Purchaser's designee, and shall be safely stored separate and apart from Seller's property. Seller shall not substitute any property for Purchaser's Property and shall not use Purchaser's Property except in filling Purchaser's Purchase Orders.

Purchaser's Property while in Seller's custody or control shall be held at Seller's risk and shall be insured by Seller for replacement cost with loss payable to Purchaser. Purchaser's Property shall be subject to removal at Purchaser's written request, in which event Seller shall prepare Purchaser's Property for shipment and shall deliver it as directed by Purchaser in the same condition as originally received by Seller, reasonable wear and tear excepted, all at Seller's expense.

- (b) Purchaser hereby grants Seller a license to use the Purchaser's Data. All Purchaser's Data is the property of Purchaser and shall not be used, disclosed to others or reproduced for any purpose, including, but not limited to, (i) the design, manufacture, or repair of parts, or to obtain FAA or other Government approval to do so or (ii) to provide any Purchaser part by sale or otherwise, to any person or entity other than Purchaser: provided; however, Seller may provide Purchaser's Data furnished or paid for in whole or in part by Purchaser hereunder to Seller's contractors for the sole purpose of enabling Seller's contractors to assist Seller in performing the Purchase Order for Purchaser and on condition that Seller's contractors agree in writing for Purchaser's benefit to the terms of Articles 8, 10 and 20 hereof. This license is non-assignable, and this license is terminable with or without cause by Purchaser at any time. All Purchaser's Data furnished or paid for by Purchaser shall be deemed to be proprietary property to Purchaser, whether or not it is marked with any restrictive legend.
- (c) Upon completion of performance of all of the Purchase Order requirements including but not limited to the record retention requirements set forth in Article 15, the Seller shall destroy all Purchaser's Data furnished by the Purchaser for the sole purpose of performing the Purchase Order. The Purchaser may require the Seller to provide a certification of the destruction of Purchaser's Data pursuant to Article 34.
- (d) Purchaser shall have the right to audit all pertinent books and records of Seller, and to make reasonable inspections of Seller's facilities to verify compliance with this Article 8 and Article 20.
- (e) In the event Seller, without Purchaser's prior written consent and authorization, designs or manufactures for sale to any person or entity other than Purchaser any part or hardware that is substantially similar to or can replace or repair a Purchaser part, or obtains FAA or other governmental approval for such hardware or repair, then the Seller, in any adjudication involving or relating to Purchaser's Data, shall be required to establish by clear and convincing evidence that neither Seller nor any of its employees, contractors or agents used in whole or in part, directly or indirectly any of Purchaser's Data in such design or manufacture or in obtaining FAA or other governmental approval with respect to such hardware or repair.
- (f) In the event Purchaser notifies Seller that Goods ordered under the Purchase Order are patented, Seller agrees to mark such Goods with any patent numbers or other markings designated by Purchaser, including updates to such numbers or markings.

## 9. CHANGES:

- (a) Purchaser, at any time, shall have the right to make changes to the Purchase Order including without limitation changes to the quantities, specifications or delivery schedule.
  - (i) Any such change, which has a significant impact, shall entitle either Seller or Purchaser to an equitable adjustment. However, no additional charge will be allowed unless authorized by Purchaser's written amendment to the Purchase Order. Information, such as technical direction or guidance provided to Seller by representatives of the Purchaser in connection with the Seller's performance of the Purchase Order, shall not be construed either as a change within the meaning of this provision or as direction to proceed outside the scope of the Purchase Order.
  - (ii) If Seller considers that the conduct of any of Purchaser's employees has constituted a change hereunder, Seller shall notify Purchaser immediately in writing as to the nature of the change and its effect on Seller's performance including delivery schedule and the amount to be paid to Seller. Pending written direction from the Purchaser, after negotiation of any adjustments, Seller shall take no action to implement such change.
  - (iii) In any event, the maximum liability of the Purchaser for obsolescence scrappage, and/or rework resulting from any change shall be limited to the value of the materials and parts in process at the time of the change, to the extent that such parts are within Seller's normal manufacturing cycle required to meet the schedule. Purchaser shall have no liability hereunder for cost of obsolescence,

scrap, rework of materials and parts which Seller has released for manufacture in advance of Seller's normal manufacturing process without Purchaser's prior written consent.

- (b) Changes in the schedules will be communicated to Seller via the part schedules report which will be mailed to Seller periodically, transmitted via EDI (Electronic Data Interface), or made available via a web based application.
- (c) Within 30 days of the issuance by Purchaser of a design change, Seller shall notify in writing the forecasted and actual dates upon which design changes are incorporated with detailed action plans, all as more fully described on the Purchaser supply chain web center ("Supply Chain Web Center") from time to time.
- (d) Nothing in this Article 9, including any disagreement with Purchaser as to the equitable adjustment to be made, shall excuse Seller from proceeding with the Purchase Order as changed.

10. SELLER'S INFORMATION:

- (a) Notwithstanding any document marking to the contrary, any information, knowledge or data which Seller has disclosed or may hereafter disclose to Purchaser, or Purchaser's affiliates, subsidiaries or contractors, incident to the placing and filling of the Purchase Order shall not be deemed to be confidential or proprietary information. Accordingly Purchaser shall not be liable for any use or disclosure thereof.
- (b) With respect to any information, knowledge or data disclosed to Purchaser, or Purchaser's affiliates, subsidiaries or contractors, by Seller, Seller warrants that it has the full and unrestricted right to disclose the same to Purchaser, or Purchaser's affiliates, subsidiaries or contractors, without incurring legal liability to others, and that Purchaser, and Purchaser's affiliates, subsidiaries or contractors, shall have full and unrestricted right to use and disclose the same as it may deem fit. Seller warrants that in the conduct of work under the Purchase Order, Seller shall not use confidential or proprietary information of any third party for which Seller does not have transferable license rights and if such information is in, or comes into, Seller's possession, during the term of the Purchase Order, Seller shall not communicate or otherwise disclose such confidential or proprietary information to Purchaser, or Purchaser's affiliates, subsidiaries or contractors.
- (c) Except as otherwise agreed in writing with Purchaser, Seller warrants that it is not the proprietor of any intellectual property rights (including copyright, trade secret, patent, application for patent, invention or license right) which would impair or restrict the freedom of Purchaser, or Purchaser's subsidiaries and affiliates, and their respective vendors and customers, to make use of the service rendered, work product called for or produced under the Purchase Order. In the event that this situation changes, Seller hereby agrees not to assert any such intellectual property rights against Purchaser, Purchaser's subsidiaries and affiliates, and their respective vendors and customers, on account of any use made of such work product (or derivatives or improvements thereof) by any of them.
- (d) Seller agrees to obtain the same warranty and commitment contained in this Article 10 running in favor of Purchaser, Purchaser's subsidiaries and affiliates and their respective vendors and customers from each of Seller's subcontractors.

11. ASSIGNMENT AND CHANGE IN OWNERSHIP:

- (a) Any assignment or attempt to assign the Purchase Order without the advance written consent or previous agreement of Purchaser shall be null and void and shall give Purchaser the right to terminate the Purchase Order for default under Article 7.
- (b) If a third party submits a solicited or unsolicited offer to Seller that would result in a Change in Ownership or Control, Seller shall give notice of such offer to Purchaser as early as commercially practical following Seller's receipt of the offer. The notice shall include the identity of the offeror, the date and time of the offer and the conditions of the offer. Before Seller accepts the offer, it shall give Purchaser an opportunity, within a reasonable time, to advise Seller of its objection to the offer. If despite Purchaser's objections, the Change in Ownership or Control occurs, Purchaser has the right at its discretion to terminate the Purchase Order for default under Article 7 at no cost to Purchaser. In the event of such termination, Seller agrees to render full cooperation to Purchaser in order to minimize disruption to the Purchaser's program. Pending termination or in lieu of termination, Purchaser may require Seller to provide adequate assurance of performance, including,

but not limited to the institution of special controls regarding the protection of Purchaser's proprietary information.

12. SET-OFF: Purchaser shall be entitled to set off any amount owing from Seller to Purchaser or to any of Purchaser's affiliated companies against any amount payable under the Purchase Order.
13. WORK ON PURCHASER'S OR ITS CUSTOMER'S PREMISES: If Seller's work under the Purchase Order involves operations by Seller on the premises of Purchaser or one of its customers, then:
  - (i) Seller shall comply with all of Purchaser's safety and security procedures and shall take all necessary precautions to prevent the occurrence of any injury to person or property during the progress of such work. Seller shall maintain such insurance coverage(s) as set forth in Article 29. Insurance and Indemnity.
  - (ii) Seller agrees that all of its employees who may require access to Purchaser's or its customer's premises to perform work pursuant to the Purchase Order shall be tested and certified (in writing) to be free from the following illegal or unauthorized drugs prior to being assigned to perform such work: cannabinoid metabolites (marijuana) opiate derivatives (heroin, morphine, codeine) cocaine metabolites (benzoylecgonine, ecgonine) amphetamines (methamphetamines) phencyclidine.

Seller needs to comply with The Drug Abatement Division develops and implements regulations for DOT/FAA drug and alcohol testing. These regulations cover employers, safety-sensitive employees and service agents. These rules are encompassed in 49 Code of Federal Regulations (CFR) Part 40 and 14 CFR Part 121 appendices IV attached.

In addition, such drug tests shall include screening for prescription drug use. In the event Seller's employee acknowledges use of prescription drugs, or if the drug screening results are positive for prescription drug use, Seller shall not assign such employee to perform work pursuant to the Purchase Order unless, (1) Seller confirms that there are corresponding documented medical authorizations for use of such prescription drugs; and (2) Seller determines, using appropriately qualified resources, that the employee is fit to perform the work under the Purchase Order and free of any impairment that would prevent the employee from performing competent and safe work under the Purchase Order.

- (iii) Seller's employees shall be retested and recertified to be free of these unauthorized drugs after a six (6) month absence from performing work on Purchaser's or its customer's premises.
- (iv) Seller shall comply with any and all federal, state, or local anti-drug, alcohol abuse and /or drug testing statutes or regulations for any of its employees who may be covered by such statutes or regulations. Seller shall have, retain, and be able to provide to Purchaser, upon request, an approved drug and alcohol misuse prevention plan.
- (v) Seller shall conduct a criminal convictions records investigation of its employees before they are assigned to work on the Purchase Order that requires the employee to enter Purchaser's premises or the premises of a customer of Purchaser (hereinafter collectively "VA Premises"). A "Criminal Convictions Records Investigation" shall consist of a records search (documented by a written report retained by the Seller of the results of such search) by the appropriate law enforcement or other local or state agency in each location in which the employee has resided and worked in at least the seven years preceding the date of the criminal conviction records investigation. Seller is required to use a Purchaser approved source to conduct such Criminal Convictions Records Investigation. Purchaser reserves the right, at its discretion, to request from Seller documentation of the completion of a Criminal Convictions Records Investigation for any employee assigned to work on Purchaser's or its customer's premises. Seller's failure to have completed a Criminal Convictions Records Investigation of any of its employees in accordance with this Article shall be grounds for immediate expulsion of the Seller and its employees from Purchaser's or its customer's premises and Purchaser shall have the right to terminate the Purchase Order for default.
- (vi) Seller shall not assign any person to perform work on Purchaser's or its customer's premises that has been:
  - (i) Convicted as an adult of any of the following: domestic violence, theft, assault, drug possession or any sexual offenses.

- (ii) Convicted as an adult of any felony; convicted of more than two misdemeanors in the past 2 years or 5 misdemeanors in the past 7 years
- (vii) Purchaser may require Seller's employees, before entering Purchaser's or its customer's premises, to complete a criminal convictions questionnaire. In the event that Purchaser has grounds to believe that an employee of Seller has falsified the criminal convictions questionnaire in any way, such person shall not perform work on Purchaser's or its customer's premises.
- (viii) Seller shall include this Article 13 in any subcontract placed pursuant to a Purchase Order with a subcontractor who will perform work on Purchaser's or its customer's premises ("Subcontract").
- (ix) Purchaser reserves the right to deny access to Purchaser's or its customer's premises to any person who appears on government-issued lists of terrorists, suspects, etc., such as the Department of State, Arms Export Control Debarment List; Department of State, Proliferation List; Department of Commerce, Denied Parties List; and Department of Treasury, Specially Designated National List.

14. **INSPECTION:** All work performed pursuant to these terms and conditions (including but not limited to Goods, services, and any other deliverables) including, but not limited to, engineering and design/development work, shall comply with all applicable specifications and other requirements of these terms and conditions and shall be subject to inspection and test by the Purchaser and its customer at all times and places, including visits during the period of manufacture.

If any inspection or test is made on the premises of Seller or its supplier, Seller, without additional charge, shall provide all reasonable facilities and assistance for the safety and convenience of the inspectors in the performance of their duties. All inspections and tests on the premises of Seller or its supplier shall be performed in such a manner as not to unduly delay the work.

Purchaser's failure to inspect and accept or reject Goods or services shall neither relieve Seller from responsibility for such Goods or services as are not in accordance with the Purchase Order's requirements nor impose liabilities on Purchaser therefore. The inspection or test of any item by Purchaser shall not relieve Seller from any responsibility regarding defects or other failures to meet the Purchase Order's requirements that may be discovered subsequently.

For Purchaser and its ancillary components, Seller shall provide and maintain quality control, inspection, and process control systems acceptable to Purchaser and its customer in accordance with Purchaser's then current specification. Records of all inspection work by Seller shall be kept complete and available to Purchaser and its customer.

15. **RECORD RETENTION REQUIREMENTS:** Seller shall maintain, for four (4) years, Purchase Order files for supplies, equipment, material, or services including supporting documentation and back-up files including, but not limited to, invoices and memoranda, e.g., memoranda of negotiations showing the principal elements of price negotiations. Product acceptance records, including inspection records, material certifications, and acceptance test records, shall be retained.

16. **STATE SALES TAX:** The following state sales and use Tax ID numbers is applicable for Goods delivered into the State of South Carolina:

The state of South Carolina has issued to Purchaser the direct payment permits indicated above, and Purchaser is exempt from state sales tax in South Carolina. Therefore, Purchaser shall not be invoiced or charged by Seller for sales tax on the sale of Goods in South Carolina, and Purchaser agrees to maintain adequate records of all purchases and pay tax on any taxable items directly to the treasurer of South Carolina.

In the event of a conflict between this Article 16 and any other provision of the Purchase Order, this Article 16 shall prevail.

17. **RELEASE OF INFORMATION:** Seller shall not make any announcement, take or release any photographs (except for its internal operation purposes for manufacture and assembly of Goods), or release any information concerning the Purchase Order or any part thereof or with respect to its business relationship with Purchaser, to any third party, member of the public, press, business entity, or any official body except as required by applicable law, rule, injunction or administrative order, without Purchaser's prior written consent. Further, Seller or its agents shall not use



Purchaser's name, photographs, logo, trademark, or other identifying characteristics or that of any of its subsidiaries or affiliates without Purchaser's prior written approval.

18. PARTS COMPLIANCE AND MATERIALS TEST CERTIFICATION: By acceptance of the Purchase Order, Seller certifies that, Goods supplied shall conform to all requirements of the Purchase Order, including referenced specifications in effect as of the date of the Purchase Order placement or as modified pursuant to Article 9, and that Objective Evidence of conformance and specifications required by the Purchase Order is on file and available for examination by Purchaser.
19. NONDISCRIMINATION IN EMPLOYMENT: Seller will not discriminate against any employee or applicant for employment because of race, religion, color, sex, age, disability, national origin, or any other characteristic protected by law. Seller agrees to comply with the applicable provisions of any federal, state, or local law or ordinance, and all lawful orders, rules, and regulations issued there under. Seller shall also comply with any provisions, representations or agreements, or contractual clauses required thereby to be included or incorporated by reference or operation of law in the contract, including but not limited to FAR 52.222-26, FAR 52.222-36, FAR 52.222-37 and the applicable requirements (all of which have been incorporated by reference herein) set forth in 41 CFR Chapter 60, as well as any Executive Orders as now or hereafter issued, amended or codified. Seller certifies that it is in compliance with the requirements for non-segregated facilities set forth in 41 CFR Chapter 60-1.8.
20. INTELLECTUAL PROPERTY
  - 20.1 INTELLECTUAL PROPERTY OWNERSHIP:
    - (a) Purchaser shall be entitled to full ownership of all data, information, inventions, or discoveries, whether patented or unpatented, conceived or first actually reduced to practice in the performance of any Purchase Order placed by Purchaser with Seller. Purchaser shall also be entitled to full ownership of all data, information, inventions, or discoveries, whether patented or unpatented, related in any way to the maintenance, repair or overhaul of Goods supplied by Seller under the Purchase Order. Seller hereby assigns and agrees to assign to Purchaser any and all such data, information, inventions, or discoveries and Seller also assigns and agrees to assign to Purchaser all intellectual property rights thereto, including any trade secrets and patents and copyrights issuing thereon. Seller further agrees to provide reasonable assistance to Purchaser, at Purchaser's expense, for securing all such intellectual property rights.
    - (b) Seller agrees to promptly disclose any such data, information, invention or discovery to Purchaser. With respect to any such invention or discovery, Seller further agrees that it will cooperate with Purchaser, its officers and agents, in obtaining, at the expense of Purchaser with respect to the prosecution thereof, patents on such inventions or discoveries in the name of and for the benefit of Purchaser in the United States and/or foreign countries to the extent that Purchaser may consider desirable. Seller will procure from its employees, without charge to Purchaser, the execution of all patent applications, assignments and other instruments necessary to the procurement of such patents and to the vesting of title thereto in Purchaser. Any compensation due Seller's employees shall be paid solely by Seller.
    - (c) Purchaser shall become the sole owner of any and all notes, reports, memoranda, and any other information (regardless of the media of expression) made or prepared in connection with any Purchase Order placed by Purchaser. Seller will not use any material developed by Seller under any Purchase Order placed by Purchaser without first obtaining the written consent of Purchaser. All such materials, irrespective of the media of expression, shall be deemed to be works for hire and shall belong exclusively to Purchaser. If by operation of law any of the material is not work made for hire, then Seller agrees to assign, and hereby assigns, to Purchaser the ownership of such material including all copyrights thereto. Purchaser may obtain and hold in its own name copyrights, registrations, and other protection that may be available in such material, and Seller shall provide any assistance required to perfect such protection.
    - (d) If Seller is a non-profit institution, and if the work being done hereunder is pursuant to a contract with the U.S. Government which contains provisions regarding retention of intellectual property rights of the Seller, Seller shall retain ownership of inventions and Seller hereby grants and agrees to grant to Purchaser an irrevocable, fully paid license under any patents covering inventions conceived and/or reduced to practice in the course of the Purchase Order, to make, have made, use and sell such inventions with the right to extend such license to Purchaser's customers, including the U.S. Government, and to any of Purchaser's licensees or co-producers of Purchaser's or Purchaser's affiliates, subsidiaries or contractors products.

- (e) The Seller agrees that it will cause its employees to execute contracts of employment or other agreements assuring the Seller the ability to comply fully with the provisions of this Article 20.1

20.2 INTELLECTUAL PROPERTY INDEMNITY:

- (a) Seller shall indemnify and save Purchaser, and Purchaser's subsidiaries and affiliates, and their respective vendors and customers, harmless from and against any expense or liability, including costs, fees and all damages, arising out of any claim, suit or proceeding that the manufacture or furnishing of Goods and/or services under the Purchase Order, or the use of such Goods and/or services or sales of such Goods and/or services constitutes infringement of any patent, trade secret or copyright. If an injunction should issue, Seller shall procure for Purchaser, and Purchaser's subsidiaries and affiliates, and their respective vendors and customers, the rights to continue using said Goods and/or services, or modify them in a manner acceptable to Purchaser so they become non-infringing, or with the written approval of Purchaser, remove said Goods and/or services and refund the purchase price. The forgoing provisions apply to all Goods and/or services provided by the Seller, including, but not limited to, those for marking, reading or verifying using identification technologies based on 2D symbologies and/or Radio Frequency Identification (RFID).
- (b) Any compensation which may be claimed by or due to any Seller employee or any Seller's contractor's employee in connection with any information, invention or patent or other intellectual property or intellectual property right, whether by agreement, statute, regulation or otherwise, shall be paid solely by Seller, and Seller shall indemnify and hold Purchaser and Purchaser's subsidiaries and affiliates, and their respective vendors and customers, harmless from and against any expense or liability, including costs, fees and all damages, arising out of all such claims, suits or proceedings therefore. If an injunction should issue, Seller shall procure for Purchaser, and Purchaser's subsidiaries and affiliates, and their respective vendors and customers, the rights to continue using the Goods and/or services supplied by the Seller.

20.3 NON-PROFIT INSTITUTIONS.

- (a) If Seller is a non-profit institution, any references to indemnification in Standard Terms and Conditions shall be limited to such indemnification as may be permitted by law or regulation.
- (b) Article 12, Set Off is not applicable to non-profit institutions.
- (c) Article 3, Dispute Resolution, shall be modified to refer to the law of the state under which the non-profit institution is chartered.
- (d) Article 25, Termination for Convenience, is modified to add a reference to FAR 52.249-5, Termination for Convenience of the Government (Educational and Other Nonprofit Institutions), with the following changes: delete paragraph (h), in paragraph (c) change "120 days" to "60 days", and in paragraph (d) change "1 year" to "60 days."

20.4 APPLICABLE FAR CLAUSES:

The following clauses apply, unless the part schedules report indicate that Standard Terms and Conditions is applicable to a line item or schedule:

FAR

52.227-10 FILING OF PATENT APPLICATIONS--CLASSIFIED SUBJECT MATTER

52.227-11 PATENT RIGHTS-RETENTION BY THE CONTRACTOR. (SHORT FORM) (APPLIES IF THIS ORDER IS FOR EXPERIMENTAL, DEVELOPMENTAL OR RESEARCH WORK TO BE PERFORMED BY A SMALL BUSINESS FIRM OR NON-PROFIT ORGANIZATION).

52.227-12 PATENT RIGHTS-RETENTION BY THE CONTRACTOR. (LONG FORM) (APPLIES IF THIS ORDER IS FOR EXPERIMENTAL, DEVELOPMENTAL OR RESEARCH WORK NOT COVERED BY 52.227-11)

52.227-13 PATENT RIGHTS-ACQUISITION BY THE GOVERNMENT

21. STANDARD TERMS OF SETTLEMENT ("STS"):

- (a) STANDARD: Purchaser's standard terms of settlement shall be issuance of payment of the full invoiced amount (not discounted) to Seller within sixty (60) days (meaning within 60 days of the Payment Start Date (as defined in (b) below). Settlement and invoicing must be paperless, and in a format acceptable to Purchaser. Seller must provide banking information to establish electronic funds transfer for U.S. suppliers and wire transfer for non-U.S. suppliers.
- (b) PAYMENT START DATE: As used in this Article 21, the "Payment Start Date" shall be:
  - (i) For receivable material and/or Services: From the latest of (a) the manufacturing required date as identified on the Purchase Order due dates, (b) the material received date as identified in Purchaser's computer system, or (c) the invoice date (invoice date is the date material/services received/completed at Purchaser's dock); and,
  - (ii) For non-receivable material and/or services: From the invoice date; invoices for services must be dated no earlier than the last day of the period of time during which services that are the subject of the invoice were provided.

## 22. EXPORT CONTROL

- A. Seller agrees to comply with all applicable U.S. Government export regulations, including but not limited to the International Traffic in Arms Regulations (22 CFR Part 120-130) and the Export Administration Regulations (15 CFR Parts 730-774).
- B. In the event Seller is supplying defense articles hereunder, Seller agrees to maintain a valid and current Directorate of Defense Trade Controls ("DDTC") registration and agrees to provide confirmation of registration if requested by Purchaser.
- C. With respect to defense articles and defense services (as defined in Sections 120.6 and 120.9 of the ITAR) furnished hereunder, Seller certifies that it has not paid, offered or agreed to pay, and agrees that it shall not pay, offer or agree to pay, for the solicitation or promotion or otherwise to secure the conclusion of a sale of defense articles or defense services to or for the use of the armed forces of an international organization or non-U.S. Country, any (i) fee, commission, loan, gift, donation or other payment of \$1,000 or more, whether in cash or in kind, or (ii) political contribution (including any loan, gift, donation, rebate, payment of expenses or other payment) to or for the benefit of, or at the direction of, any foreign person or entity (including any non-U.S. candidate, committee, political party, political faction, or government or governmental subdivision, or any individual elected, appointed or otherwise designated as an employee or officer thereof).  
  
Notwithstanding the foregoing, in the event Seller pays, offers or agrees to pay any such fee, commission, loan, gift, donation, political contribution or other payment with respect to such defense articles or defense services, Seller shall provide to the Purchaser, in a timely manner and not later than 20 days after such an event, full disclosure of all information necessary for the Purchaser to comply fully with Sections 130.9 and 130.10 of the ITAR.)
- D. If Seller intends to conduct work for Purchaser in a non-U.S. country, including but not limited to the use of Seller's own facility outside of the U.S. or the use of a foreign affiliate or unrelated subcontractor, Seller must provide advance written notification to Purchaser. Seller is responsible for compliance with applicable export control laws and regulations and for obtaining all export control licenses required by law or requested by Purchaser.
- E. Unless otherwise permitted under U.S. export regulations, only U.S. Persons as defined herein shall be permitted to work on Purchaser's Purchase Orders. The term "U.S. Person" means any natural person who is a lawful permanent resident as defined by 8 U.S.C. 1101(a)(20) or who is a protected individual as defined by 8 U.S.C. 1324b(a)(3). It also means any corporation, business association, partnership, trust, society or any other entity or group that is incorporated to do business in the United States. It also includes any governmental (federal, state or local) entity.

- F. With regard to all technical data exported to Seller under the authority of a valid export license granted pursuant to 22 CFR 124.13 (Procurement by U.S. persons in foreign countries--Offshore Procurement), Seller agrees to the following:
1. The use of the technical data is limited to the manufacture of the defense articles required by the Purchase Order only; and
  2. Disclosure of the technical data is prohibited to any other person except subcontractors within the same country; and
  3. Acquisition of any rights in the data by any foreign person is prohibited; and
  4. Any subcontract(s) between the Seller and other foreign persons in the approved country for manufacture of equipment for delivery pursuant to the Purchase Order contain all the limitations of this paragraph F; and
  5. Seller, including subcontractors, shall destroy or return to the Purchaser in the United States all of the technical data exported pursuant to the Purchase Order upon fulfillment of their terms; and
  6. Delivery of the defense articles manufactured abroad must be made only to the Purchaser in the United States or to an agency of the U.S. Government as directed by Purchaser.

23. ENVIRONMENTAL MATTERS:

- A. Certifications, Representations and Warranties.
1. Supplier represents, warrants, certifies and covenants that it shall perform all activities required under the Purchase Order in compliance with all applicable national, EU, state/provincial and local environmental, health and safety laws and regulations;
  2. Seller represents, warrants, certifies and covenants that it will take appropriate actions to provide a safe and healthy workplace, and to protect local environmental quality in all of its activities, including without limitation, transport.
  3. Seller represents, warrants, certifies and covenants that each chemical substance constituting or contained in Goods sold or otherwise transferred to Purchaser hereunder is on the list of chemical substances compiled and published by (a) the Administrator of the Environmental Protection Agency pursuant to: the Toxic Substances Control Act (15 USC Section 2601 et seq.) as amended; or (b) the European Inventory of Existing Commercial Chemical Substances (EINECS) or the European List of Notified Chemical Substances (ELINCS); or (c) any equivalent lists in any other jurisdictions to which Purchaser informs Seller or Seller knows the Goods likely will be shipped to or through. Seller represents, warrants, certifies and covenants that each chemical substance constituting or contained in Goods sold or otherwise transferred to Purchaser is pre-registered if required, and registered if required, under REACH ("Pre-register or Register"), is not restricted under Annex XVII of REACH and if subject to authorization under REACH is authorized for Purchaser's use.
  4. Seller shall notify Purchaser if it decides not to Pre-register or Register substances that will be subject to Pre-registration or Registration and are constituting or contained in Goods supplied to Purchaser at least twelve (12) months before their Pre-registration or Registration deadline. Seller will monitor the publication by the European Chemicals Agency of the list of substances meeting the criteria for Authorization under REACH (the "Candidate List") and immediately notify Purchaser if any of the Goods supplied to Purchaser is manufactured by Seller with or contains a substance officially proposed for listing on the Candidate List. Seller shall provide Purchaser with the name of the substance as well as with a sufficient material safety data sheet ("Material Safety Data Sheet") information to allow Purchaser to safely use the Goods or fulfill its own obligations under REACH.
  5. Seller represents, warrants, certifies and covenants that none of the Goods supplied under the Purchase Order contains any: (a) lead, mercury, cadmium, hexavalent chromium, polybrominated

biphenyls (PBB), polybrominated diphenyl ethers (PBDE) or any other hazardous substances the use of which is restricted under EU Directive 2002/95/EC (27 January 2003)(RoHS Directive), as amended; (b) arsenic, asbestos, benzene, polychlorinated biphenyls (PCBs), carbon tetrachloride, beryllium, or radioactive materials; (c) chemical restricted under the Montreal Protocol on ozone-depleting substances; (d) substance listed on the candidate list of the REACH legislation (Regulation (EC) No 1907/2006) or restricted under Annex XVII of REACH; or (e) other chemical the use of which is restricted in any other jurisdictions to which Purchaser informs Seller the Goods are likely to be shipped or the Seller knows the Goods are likely to be shipped to or through; unless Purchaser expressly agrees otherwise in writing as an addendum to the Purchase Order and Seller identifies an applicable exemption from any relevant legal restriction on the inclusion of such chemicals or hazardous materials in the Goods sold or transferred to Purchaser. Upon request from Purchaser and subject to reasonable confidentiality provisions which enable Purchaser to meet its compliance obligations, Seller will provide Purchaser with the chemical composition, including proportions, of any substance, preparation, mixture, alloy or Goods supplied under the Purchase Order and any other relevant information or data regarding the properties including without limitation test data and hazard information.

6. Unless specifically defined as a requirement by Purchaser engineering drawings or specifications, the use of cadmium plating or nickel cadmium plating is strictly prohibited in the manufacture of this Good. The use of cadmium plating or nickel cadmium plating is strictly prohibited on all tooling, fixtures, and test equipment that is used for manufacturing, assembly, test, or material handling of the Good unless Seller has notified Purchaser in advance and has obtained its prior written consent to such use. Approval shall not be granted where there is a potential for Seller's Good to come into contact with titanium containing items.
7. Seller represents, warrants, certifies and covenants that, except as specifically listed in a mutually agreed, written addendum to the Purchase Order, none of the Goods supplied under the Purchase Order are subject to electrical or electronic reuse or recycling take back requirements pursuant to applicable national law.
8. Products supplied under the Purchase Order may be exported worldwide, including to countries that forbid the importation of products manufactured with child labor or with forced, indentured or convict labor. Consequently, Seller represents, warrants, certifies and covenants that no products supplied under the Purchase Order have been or will be produced utilizing forced, indentured or convict labor, or utilizing the labor of persons in violation of the minimum working age law in the country of manufacture, or in violation of minimum wage, hour of service, or overtime laws in the country of manufacture.
9. Seller represents, warrants, certifies and covenants that it has established an effective program to ensure that the activities of any suppliers it utilizes to provide any Goods or services that will be incorporated into the Goods supplied under the Purchase Order will be conducted in conformance with sub-parts 23. A1 to A8 above.

B. Covenants

1. With respect to any Goods or other materials sold or otherwise transferred to Purchaser hereunder, Seller shall provide all relevant information, including without limitation, material safety data sheets in the language and the legally required format of the location to which the Goods will be shipped and mandated labeling information, required pursuant to applicable requirements such as: (a) the Occupational Safety and Health Act (OSHA) regulations codified at 29 CFR 1910.1200; or (b) *REACH* or EU Directive 67/548/EC, as amended, if applicable, and (c) any other applicable law, rule or regulation or any similar requirements in any other jurisdictions to which Purchaser informs Seller the Goods are likely to be shipped. For each such material, identification shall reference the stock or part number of the delivered Goods. Hazardous materials include, but are not limited to, materials embedded in a delivered Good in such a manner as to present a potential for personal injury or harm or property damage in the course of normal use, repair, accidents or disposal. All safety data sheets and labels required under this section and HAZCOM shall be provided to Venture Aerobearings LLC, Environmental Affairs & Safety, 8701 Palmetto Commerce Parkway, Ladson SC 29456.

2. Where applicable, for any Goods (?) specifically listed in a mutually agreed written addendum to the Purchase Order as “electrical or electronic equipment” as indicated in A7 above, Seller agrees to assume responsibility for taking back those Goods in the future upon the request of Purchaser and treating or otherwise managing them in accordance with the requirements of applicable national legislation. Seller also agrees to take back as of the date of the Purchase Order the used Goods currently owned by Purchaser or to arrange with a third-party to do so in accordance with all applicable requirements. Seller will seek no additional charge and no additional payments will be due from Purchaser for Seller’s agreement to undertake these responsibilities.
  3. From time to time, at Purchaser's request, Seller shall provide certificates to Purchaser relating to any applicable legal requirements or to update sub-part A of the Purchase Order, in each case in form and substance satisfactory to Purchaser.
  4. Seller shall permit Purchaser or its representatives to have reasonable access to the sites where the work under the Purchase Order is performed and to its employees in order to assess (1) work quality, (2) conformance with Purchaser’s specification, and (3) conformance with Seller’s representations, warranties, certifications and covenants under the Purchase Order.
24. **CLASSIFIED INFORMATION:** Upon completion of work by Seller under the Purchase Order, Seller shall return to Purchaser all classified information furnished by Purchaser in connection herewith, including all reproductions thereof, then in Seller's possession or control, and Seller shall surrender classified information or materials developed by Seller in connection with the Purchase Order, unless the information has been destroyed or the retention of the information is authorized in writing by Purchaser or the government.
25. **TERMINATION FOR CONVENIENCE:** Purchaser may terminate all or any part of the Purchase Order for convenience at any time. Purchaser shall terminate by delivery to Seller of a notice of termination specifying the extent of termination and the effective date.

After receipt of a notice of termination, and except as directed by Purchaser, Seller shall immediately: (1) stop work as directed in the notice; (2) place no further subcontracts or Purchase Orders for materials, services, or facilities, except as necessary to complete the continued portion of the Purchase Order; and (3) terminate all Subcontracts to the extent they relate to work terminated. After termination, Seller shall submit a final termination settlement to Purchaser in the form and in the manner prescribed by Purchaser, and in accordance with applicable portions of subparts 49.1, 49.2 and 49.3 of the Federal Acquisition Regulation (FAR).

In the event that Purchaser wrongfully terminates the Purchase Order for default, in whole or in part, such termination becomes a Termination for Convenience under this Article 25.

Seller agrees to waive any claim when a reduction in the quantity pursuant to the Purchase Order has a Purchase Order value that is under \$1,000.00.

When a change in requirements results in a quantity reduction those quantities will be deleted from the schedule on the basis that any quantity with incurred cost will be consumed by future releases. Should the quantity with incurred cost not be consumed, this Article 25 applies.

26. **PRIORITY RATINGS:** When a priority rating is specified for a Good, this is a rated Purchase Order certified for national defense use and Seller is required to follow all provisions of the Defense Priorities and Allocations System (DPAS) Regulations (15 CFR 700).
27. **SECURITY INTEREST:** In the event items will be bailed to Seller or progress payments will be made, Seller hereby grants Purchaser a security interest in equipment, machinery, contract rights, inventory, Goods, merchandise and raw materials, whether now existing or hereafter arising, and any replacements, improvements, substitutions, attachments, accessories and accessions thereto or thereon provided by Purchaser or purchased by Seller with progress payments or advances made by Purchaser and to be used by Seller in manufacturing products ordered by Purchaser under the Purchase Order. Seller agrees to execute and deliver all documents requested by Purchaser to protect and maintain Purchaser's security interest.
28. **OFFSET REQUIREMENTS:** Seller recognizes, as part of the Purchase Order, that Purchaser may incur international offset and/or revenue sharing obligations that could involve Goods placed under the Purchase Order. Should any quantity of a Good or Goods placed hereunder become necessary to support such other agreements during the term of

the Purchase Order, Purchaser reserves the right to remove that portion from the Purchase Order. Any adjustment in forecasted or firm quantities will be pursuant to Article 9, Changes. No adjustment in firm released quantity or schedules will be made within a twelve (12) month delivery period after notification or lead-time away, whichever is longer, as a result of this Article 28.

29. INDEMNITY AND INSURANCE:

- (a) Seller shall defend, indemnify, release and hold harmless the Purchaser, its directors, officers, employees, agents representatives, successors and assigns (each an "Indemnified Party"), whether acting in the course of their employment or otherwise, against any and all suits, actions, or proceedings, at law or in equity, and from any and all claims, demands, losses, judgments, damages, costs, expenses (including attorneys' fees), or liabilities (including without limitation claims for personal injury or property damage, claims or damages payable to customers of Purchaser, and breaches of Seller's obligations, representations, warranties, covenants and/or certifications set forth elsewhere in this Agreement including but not limited to Articles 8, 17, 23, 34 and 39) arising from any act or omission of Seller, its agents, employees, or subcontractors, or from any conditions of real or personal property of Seller, except to the extent attributable to the sole and direct gross negligence of Purchaser. An Indemnified Party shall have the right to participate in the selection of counsel and Seller shall not enter into any settlement agreement that contains any admission of liability on the part of Purchaser and/or any other Indemnified Party.
- (b) At a minimum, Seller will maintain and provide evidence of the following levels of insurance coverage:
  - (i) Comprehensive General Liability – Bodily Injury/Property Damage (including coverage for contractual liability insuring the liabilities assumed in the Purchase Order, for products liability, contractors protective liability, where applicable, collapse or structural injury and/or damage to underground utilities, where applicable, and coverage for damage to property in the Seller's custody, care and controls, as well as naming Purchaser as an additional insured) in the amount of \$3,000,000 combined single limit per occurrence;
  - (ii) Aviation Products Liability - in the amount of \$5,000,000 minimum per occurrence;
  - (iii) Comprehensive Automobile Liability – Bodily Injury/Property Damage covering all owned, hired and non-owned automotive equipment in the amount of \$1,000,000 combined single limit each occurrence, Employers Liability in the amount of \$1,000,000 each occurrence;
  - (iv) Property Insurance covering the full value of all Goods and services owned, rented or leased by Seller in connection with the Purchase Order;
  - (v) Workers Compensation Insurance protecting Seller from all claims under any applicable Worker's Compensation and Occupational Disease Act. Coverage similar to Workers Compensation and Employers' Liability shall be obtained for each local employee outside the United States where work in connection with the Purchase Order is performed.

Seller shall provide Purchaser with a certificate of insurance evidencing that the required minimum coverage are in effect and that Purchaser, its directors, officers, employees, agents and representatives are named as additional insured's, provide a waiver of subrogation clause in favor of the additional insured's, and provide that all coverage provided by the Seller shall be primary. Such insurance shall also cover the actions of a subcontractor that Seller may utilize under the Purchase Order. Such insurance shall require the underwriters to provide Purchaser thirty (30) days advance written notice of any cancellation or adverse material change with respect to any of the policies. If Seller fails to procure or maintain in force the insurance specified herein, Purchaser may secure such insurance and the cost thereof shall be borne by Seller. It is understood and agreed that the insurance provided by Seller hereunder shall operate independent and apart from any obligations imposed upon Seller under the indemnity provisions of the Purchase Order.

30. ENGLISH LANGUAGE. Except as the parties may otherwise agree, the Purchase Order, data, notices, shipping invoices, correspondence and other writings shall be written in the English language. In the event of any inconsistency between any terms of the Purchase Order and any translation thereof into another language, the English language meaning shall control.

31A. EDI and PAPERLESS INVOICING:

- (a) Upon Purchaser's request, Seller shall sign an EDI Trading Partner Agreement with Purchaser within 15 days from the request date. Following such agreement, the parties shall establish an implementation schedule that shall call for active EDI communication capability within 45 days from the EDI Trading Partner Agreement.
  - (b) Paperless invoicing is required. Options acceptable to Purchaser include Web Invoicing, Evaluated Receipt Settlement ("ERS") and EDI.
- 31B. UNIGRAPHICS: Seller agrees to take reasonable action to establish cad/cam (computer aided design/computer aided manufacture) capabilities, specifically utilizing Purchaser's then current software/standards ("Latest Version"). Upon Purchaser's request, Seller shall implement required plans and activities to facilitate the design, inspection, processing, and/or manufacture of Purchaser's products or services utilizing Purchaser's Latest Version. Within 30 days following Purchaser's request, Seller will advise Purchaser of its plan to establish active Unigraphics capabilities including milestones which will provide Purchaser with a clear understanding of the time frame involved.
- 31C. ELECTRONIC COMMERCE: Seller agrees to participate in all Purchaser current and future electronic commerce applications and initiatives upon Purchaser request. For contract formation administration, changes and all other purposes each electronic message sent between the parties within such applications or initiatives will be deemed: (a) "written and a "writing"; (b) "signed" (in the manner below); and (c) an original business record when printed from electronic files or records established and maintained in the normal course of business. The parties expressly waive any right to object to the validity, effectiveness, or enforceability of any such electronic message on the ground that a "statute of frauds" or any other law requires written, signed agreements. Between the parties, any such electronic documents may be introduced as evidence in any proceedings as business records under the best evidence rule or the business records exception to the hearsay rule. By placing the name or other identifier on any such electronic message, the party doing so intends to sign the message with his/her signature attributed to the message content. The effect of each such message will be determined by the electronic message content and by South Carolina law, excluding any such law requiring signed agreements or otherwise in conflict with this paragraph.
32. BAR CODE SHIPPING LABEL: Upon Purchaser's request, all shipment containers for Goods and products to be delivered hereunder shall be labeled in accordance with Purchaser's Bar Code Shipping Label Instructions. Seller shall submit example labels for approval within 60 days of said request. Seller shall designate an individual responsible for compliance with said instructions and shall act as the Seller's contact for issues concerning bar code labels.
33. MATERIALS SCHEDULING: Upon Purchaser's request, Seller shall work with Purchaser to implement pull production, bin stocking, unit pack and/or kitting for hardware supplied by Seller. Seller shall provide commitments to Purchaser's schedule via Purchaser's scheduling system within 72 hours of a change in Purchaser's production schedule. If the Seller is unable to meet Purchaser's schedule, Seller shall immediately notify Purchaser in advance for proper reconciliation.
34. SELLER'S REPRESENTATIONS: Seller represents, warrants, certifies and covenants that it shall perform all activities required under the Purchase Order in compliance with all applicable international, national, state and local laws, including, but not limited to environmental, health and safety laws and regulations.

Goods supplied under the Purchase Order may be exported worldwide, including countries that prohibit the importation of Goods manufactured with child labor or forced, indentured or convict labor. Seller represents, warrants, certifies and covenants that no Goods supplied under the Purchase Order have been or will be produced using forced, indentured or convict labor, or the labor of persons in violation of the minimum working age laws of the country of manufacture, or in violation of minimum wage, hour of service or overtime laws of the country of manufacture.

From time to time, at Purchaser's request, Seller shall provide certificates to Purchaser in form and substance acceptable to Purchaser relating to the requirements of this paragraph 34. Seller shall permit Purchaser or its representatives to have reasonable access to the site where work under the Purchase Order is performed to assess 1) Seller's work quality and compliance with Purchaser's specifications and 2) Seller's compliance with its representations, warranties, certifications and covenants hereunder.

35. WAIVER: Purchaser's failure to insist on performance of any of the terms or conditions herein or to exercise any right or privilege or Purchaser's waiver of any breach hereunder shall not thereafter waive any other terms, conditions, or privileges, whether of the same or similar type.



36. SEVERABILITY: If any provisions of the Purchase Order or any part hereof are invalid, unlawful or incapable of being enforced by reason of any rule of law or public policy, all conditions and provisions of this agreement that can be given effect without such invalid, unlawful or unenforceable provision shall, nevertheless, remain in full force and effect.
37. GRATUITIES: Any officers, employees or agents of Purchaser, the U.S. Government, or Purchaser's customers, are prohibited from soliciting or accepting entertainment, gifts, gratuities, compensation or favors from Seller. Seller shall at all times comply with the requirements of this policy. When Seller has reasonable grounds to believe that a violation of this gratuity policy by Seller or Purchaser's representatives may have occurred, Seller shall promptly report the potential violation to Purchaser, as per appendix V, by using the supplier hot line 1-800-585-5147 or by reporting it in writing.

For violation of this Article 37 by Seller, the Purchase Order may be terminated in whole or in part. Purchaser may also require Seller to provide proof that it has implemented internal management controls sufficient to prevent future violations. These rights and remedies of Purchaser are not exclusive and are in addition to any other rights and remedies provided to Purchaser under the Purchase Order or by law.

38. ACCESS TO PURCHASER'S COMPUTER SYSTEMS:

- (a) Access to Purchaser's computer systems by Seller's personnel shall include only those individual persons who have been specifically granted an authorized user id by a Purchaser. Purchaser reserves the right to at any time verify the citizenship status of all Seller personnel who have access to Purchaser's computer systems. Purchaser shall limit such access to those systems, which in Purchaser's sole discretion, are required for the Seller's personnel to perform assigned work and shall be valid until such access is revoked or surrendered. Such access shall be surrendered by Seller's personnel upon Purchaser's request or upon removal or reassignment by Seller.
- (b) Seller agrees to adhere to the Purchaser information technology ("IT") security guidelines detailed herein to the extent such requirements are applicable to Goods and services hereunder. If such requirements are not applicable as of the date of the Purchase Order, Seller shall immediately notify Purchaser upon such requirements becoming applicable and before Seller accesses any Purchaser network or data. Seller's failure to notify Purchaser in advance shall constitute a material breach of the Purchase Order.
- (c) Purchaser IT Security Guidelines:
- (i) If Seller is given access to Purchaser's e-mail, computers, systems, electronic storage media or networks, Seller shall adhere to the requirements contained in the "Supplier Non-Disclosure Agreement"(Appendix VI); and
- (ii) If Seller will host and/or house any Purchaser data (including, but not limited to, Confidential Information and Purchaser Personal Data) or if Seller's network will be connected to Purchaser's network, Seller shall adhere to the requirements contained in the "VA Supplier Information Security Policy".
- (d) Purchaser and Seller shall agree in good faith to additional security requirements to render Purchaser/Seller IT environments secure, and Seller shall implement such changes to comply with Purchaser's security guidelines and/or requests.
- (e) Purchaser reserves the right to conduct on-site audits of Seller's facility and practices to determine whether Seller's compliance with this Article is reasonably sufficient to protect Purchaser's interests. If Purchaser reasonably determines that Seller's implementation is/are insufficient to protect Purchaser's property and interests, Purchaser may give Seller notice of such determination. Upon receiving such notice, Seller shall have forty-five (45) days thereafter to make such policy changes and take the implementation actions reasonably requested by Purchaser.

39. RESERVED

40. FORMER VA EMPLOYEES: If access is requested to Purchaser's facilities or computer systems, the Seller must confirm satisfactory performance of the individual for whom access is requested if the individual was previously employed by the Purchaser or its affiliates. The Seller shall in writing obtain its employee's consent and waiver for

Purchaser to release employment information to Seller regarding the individual's performance when employed by the Purchaser or its affiliates.

41. **REMOVALS OR REPLACEMENTS:** Seller agrees that, notwithstanding the provisions of any warranties, expressed or otherwise, negotiated with respect to Goods purchased from Seller by Purchaser or Purchaser's customer or parts sent by Purchaser to Seller which are damaged by Seller ("Damaged Parts"), Seller shall reimburse Purchaser for labor and material cost, including overhead and general and administrative ("G&A") expense reasonably incurred by Purchaser and any cost in operational delays to Purchaser in re-purchasing or fabricating said Damaged Parts in connection with:
- (a) The unscheduled removal and/or replacement of such Goods or components thereof from a higher level assembly due to failure of such Goods to conform to requirements of this Purchase Order or defective material, workmanship or design; or
  - (b) Any such removal of said Goods at Seller's request; or
  - (c) Any such removal of said Goods required due to any previously required changes to said Goods that Seller has failed to incorporate; **or**
  - (d) Seller's damaging the Damaged Parts as reported by Seller.

This remedy is not exclusive and shall not be in lieu of any other remedy available at law, in equity or under the Purchase Order.

42. **PROHIBITED GOODS AND SERVICES:** The United States of America prohibits the importation of Goods or the purchase of services from certain countries. No Goods or services from prohibited countries may be used directly or indirectly in the design, manufacture, test, or other methods of providing any of the items (whether Goods, services, or otherwise) covered by the Purchase Order. The list of prohibited countries can change from time to time and it is Seller's responsibility to ensure compliance with such list at all times. Current information can be obtained by accessing the Internet at URL <http://www.treas.gov/ofac/>
43. **GOVERNING LAW:** The Purchase Order shall be governed by the laws of the state of South Carolina, notwithstanding its conflict of laws rules.
44. **SUPPLIER SECURITY AND CRISIS MANAGEMENT POLICY/C-TPAT:**
- (a) **Security and Crisis Management Policy.** Seller shall have and comply with a company security and crisis management policy, which shall be revised and maintained proactively and as may be requested by Purchaser in anticipation of security and crisis risks relevant to the Seller's business ("Security and Crisis Management Policy"). The Security and Crisis Management policy shall identify and require Seller's management and employees to take appropriate measures necessary to do the following:
    - (i) Provide for the physical security of the people working on Seller's premises and others working for or on behalf of Seller;
    - (ii) Provide for the physical security of Seller's facilities and physical assets related to the performance of the work, including, in particular, the protection of Seller's mission critical equipment and assets;
    - (iii) Protect software related to the performance of work from loss, misappropriation, corruption and/or other damage;
    - (iv) Protect Purchaser's and Seller's drawings, technical data and other proprietary information related to the performance of work from loss, misappropriation, corruption and/or other damage;
    - (v) Provide for the prompt recovery, including through preparation, adoption and maintenance of a disaster recovery plan, of facilities, physical assets, software, drawings, technical data, other intellectual property and/or the Seller's business operations in the event of a security breach, incident, crisis or other disruption in Seller's ability to use the necessary facilities, physical assets, software, drawings, technical data or other intellectual property and/or to continue its operations; and

- (vi) Ensure the physical integrity and security of all shipments against the unauthorized introduction of harmful or dangerous materials.

Purchaser reserves the right to inspect Seller's Security and Crisis Management Policy and to conduct on-site audits of Seller's facility and practices to determine whether such policy and Seller's implementation of such policy are reasonably sufficient to protect Purchaser's interests. If Purchaser reasonably determines that Seller's Security and Crisis Management Policy and/or such policy implementation is/are insufficient to protect Purchaser's property and interests, Purchaser may give Seller notice of such determination. Upon receiving such notice, Seller shall have forty-five (45) days thereafter to make such policy changes and take the implementation actions reasonably requested by Purchaser. Seller's failure to take such actions shall give Purchaser the right to terminate the Purchase Order immediately without further compensation to Seller.

- (b) C-TPAT Compliance. The Customs-Trade Partnership Against Terrorism ("C-TPAT") program of the United States Customs and Border Protection is designed to improve the security of shipments to the United States. This section applies only to Sellers with non-U.S. locations that are involved in the manufacture, warehousing or shipment of Goods to Purchaser or to a customer or supplier of Purchaser located in the United States. Seller agrees that it will review the C-TPAT requirements for foreign manufacturers and that it will maintain a written plan for security procedures in accordance with the recommendations of U.S. Customs and Border Protection as outlined at [http://www.customs.gov/xp/cgov/import/commercial\\_enforcement/ctpat/criteria\\_importers/ctpat\\_importer\\_criteria.xml](http://www.customs.gov/xp/cgov/import/commercial_enforcement/ctpat/criteria_importers/ctpat_importer_criteria.xml) ("Security Plan"). The Security Plan shall address security criteria such as: container security and inspection, physical access controls, personnel security, procedural security, security training and threat awareness and information technology security. Note: The C-TPAT recommendations are similar to the Security and Crisis Management Policy requirements in Section 22(a) above, and Seller's Security and Crisis Management Policy may meet the recommendations of C-TPAT. Upon request of Purchaser, Seller shall:
  - (i) Certify to Purchaser in writing that it has read the C-TPAT security criteria, maintains a written Security Plan consistent with the C-TPAT security criteria and has implemented appropriate procedures pursuant to such plan;
  - (ii) Identify an individual contact responsible for Seller's facility, personnel and shipment security measures and provide such individual's name, title, address, email address and telephone and fax numbers; and
  - (iii) Inform Purchaser of its C-TPAT membership status.

Where Seller does not exercise control of manufacturing or transportation of Goods destined for delivery to Purchaser or its customers in the U.S., Seller agrees to communicate the C-TPAT recommendations to its suppliers and transportation providers and to use commercially reasonable efforts to ensure that such suppliers and transportation providers implement such recommendations. Further, upon advance notice by Purchaser to Seller and during Seller's normal business hours, Seller shall make its facility available for inspection by Purchaser's representative for the purpose of reviewing Seller's compliance with the C-TPAT security recommendations and with Seller's Security Plan. Each party shall bear its own costs in relation to such inspection and review. All other costs associated with development and implementation of Seller's Security Plan and C-TPAT compliance shall be borne by the Seller.

#### 45. PERSONAL DATA PROTECTION:

- (a) Definitions:

As used throughout this Paragraph 45, the following terms shall have the meaning set forth below.

- (i) "Purchaser Data" means Personal Data and all other information concerning Purchaser, its personnel or clients provided by or on behalf of Purchaser to Seller; Processed by Seller; created by Seller based on information provided by or on behalf of Purchaser or Processed by Seller; or otherwise maintained by Purchaser or any third party on behalf of Purchaser.
- (iii) "Notices" means all filings, communications, notices, press releases or reports related to any Security Breach.

- (iv) “Personal Data” means any information relating to an identified or identifiable individual, including without limitation, name, address, telephone number, e-mail address, business contact information, social security number, driver’s license number, financial account number or other financial information, or medical or health-related information.
  - (v) “Process” or “Processing” means any operation or set of operations performed upon Purchaser Data, whether or not by automatic means, such as collection, recording, organization, storage, adaptation or alteration, retrieval, accessing, consultation, use, disclosure by transmission, dissemination, or otherwise making available, alignment or combination, blocking, erasure, or destruction.
  - (vi) “Security Breach” means any event involving an actual compromise of the security, confidentiality, or integrity of data, including, but not limited to, any unauthorized access or use by a known or unknown 3<sup>rd</sup> party or an employee of the Service Provider. Security Breach would also include any inadvertent or accidental disclosure by anyone.
- (b) Data Processing: Seller shall Process Purchaser Data only to the extent necessary to perform the services under the Purchase Order or as otherwise instructed by Purchaser in writing. Seller agrees to keep Purchaser Data confidential, and agrees to not disclose such Data to third parties without first receiving the express written approval from Purchaser and satisfying its obligations in Section 45(e) below. Seller further agrees that it will Process Purchaser Data in a manner consistent with federal and state law, including, but not limited to, the American’s with Disabilities Act and the Family Medical Leave Act.
- (c) Data Security – Access to System: Seller shall, upon Purchaser’s request, provide Purchaser with all information pertaining to its data security systems and procedures (physical, technological and organizational) reasonably required by Purchaser to assess the adequacy (in Purchaser’s sole discretion) of such systems and procedures with respect to the services to be provided under the Purchase Order, and shall comply, subject to applicable law, with Purchaser’s Employee Data Protection Standards and Purchaser’s Guidelines for Acceptable Use of VA Information Resources.
- (d) Data Security Measures: Without limiting the foregoing, Seller shall implement and maintain physical, technical and organizational measures to ensure the security and confidentiality of Purchaser Data in order to prevent, among other things, accidental, unauthorized or unlawful access, use, modification, disclosure, loss, or destruction of Purchaser Data. The security measures taken shall be in compliance with applicable data protection laws and shall be adapted to the risks represented by the Processing and the nature of the Purchaser Data to be Processed, having regard to the state of the art and the cost of implementation.
- (e) Agreements with Third Parties: In the event that the Purchaser provides the Seller with express written approval to disclose Purchaser Data to a Third Party, Seller represents and warrants that, to the extent it provides any Purchaser or Personal Data to any of its suppliers, subcontractors and/or agents (such provision being necessary to Service Provider’s performance of Services), it shall maintain with such suppliers, subcontractors and/or agents during the term of the Purchase Order contractual arrangements obligating such third parties to implement and maintain physical, technical and organizational data security measures consistent with the obligations placed on Seller in Section 45(d).
- (f) Security Breach – Notification: Seller shall notify Purchaser in the most expedient time possible and without unreasonable delay of any Security Breach involving any Purchaser or Personal Data. Seller shall also provide Purchaser with a detailed description of the Security Breach, the type of data that was the subject of the Security Breach, the identity of each affected person, and any other information Purchaser may request concerning such affected persons and the details of the Security Breach, as soon as such information can be collected or otherwise becomes available.
- (g) Security Breach – Costs: Seller agrees to take action immediately, at its own expense, to investigate the Security Breach and to identify, prevent and mitigate the effects of any such Security Breach, and to carry out any recovery necessary to remedy the impact. Seller shall, to the extent permitted by applicable law, provide Purchaser with reasonable notice of and the opportunity to comment on and approve the content of all Notices prior to any publication or communication thereof to any third party, except Purchaser shall not have the right to reject any content in a Notice that Seller must include in the Notice in order to comply with applicable law. Seller shall pay for or reimburse Purchaser for all costs, losses and expenses relating to any Security Breach, including without limitation, the cost of Notices that Purchaser makes as a result of: (i) any unauthorized access by Seller or Seller Personnel of any Purchaser Data; (ii) any unauthorized access by a

third party of any Purchaser Data that is Processed on behalf of Purchaser by Seller where such unauthorized access is proximately caused by Service Provider's breach of this Agreement, negligence or willful misconduct; or (iii) any failure by Seller to comply with any laws relating to the privacy or security of Purchaser Data.

- (h) Termination of Purchase Order: Upon termination of the Purchase Order, for whatever reason, the Seller shall stop Processing Purchaser Data and shall immediately return to the Purchaser any hard copies of the Purchaser Data in its possession and permanently delete any electronic copies of the Purchaser Data on any of its electronic systems.

46. REMEDIES FOR DEFAULT ON CERTAIN PERFORMANCE CRITERIA:

46.1 In the event of a delivery delay, non-delivery or any other default by Seller in meeting the requirements of the Purchase Order for two or more out of any three consecutive quarters with respect to any part number, then Purchaser may at its sole discretion terminate its obligation to purchase a certain percentage of its requirements for such part number from Seller and thereafter develop alternate source(s) of Goods for any or all of Purchaser's requirements of the affected part number. Purchaser will give notice to Seller as soon as reasonably possible following any defaults in the on-time delivery; however, Purchaser may elect to exercise its remedies relating to such defaults at its sole discretion at any time before the information is reasonably available to the parties to evidence that the failure has been cured (with "cured" being defined as the first time Seller again meets the on-time delivery requirement for such part number in any two out of any three consecutive quarters following such failure).

46.2 If Seller fails to meet the required minimum on-time delivery requirements in accordance with Standard Terms and Conditions for two or more out of any three consecutive quarters for 60% or more of the part numbers for any particular part, then Purchaser may terminate its obligation to purchase a certain percentage of its requirements of Goods from Seller and thereafter develop alternative source(s) for any or all of Purchaser's requirements of Goods. Purchaser will give notice to Seller as soon as reasonably possible following any defaults in the on-time delivery for 60% or more of the Goods; however, Purchaser may elect to exercise its remedies relating to such defaults at its sole discretion at any time before the information is reasonably available to the parties to evidence that the failure of such requirement has been cured (with "cured" being defined as the first time Seller again meets the on-time delivery requirement for such Goods in any two out of any three consecutive quarters following such failure); provided that Purchaser promptly takes affirmative steps in accordance with such notice and orders within 24 months of such notice such Goods from a second source substantiated under Purchaser's Standard Terms and Conditions. If Seller fails to meet the required minimum on-time delivery requirement in accordance with Section 6 above for two or more out of any three consecutive quarters for 60% or more of the Goods, then Purchaser may terminate its obligation to purchase a certain percentage of its requirements of Goods from Seller and thereafter develop alternate source(s) for any or all of Purchaser's requirements of Goods as well following the same procedure set forth above in this subsection 46.2. If through the exercise of its rights under this subsection 46.2, Purchaser has terminated its exclusivity obligation with Seller previously dedicated to Seller and Purchaser is allocating less than 25% of Purchaser's annual requirements for the Goods to the Seller in the aggregate, then Seller shall have the right to terminate this contract by written notice to Purchaser.

47. LIABILITY LIMITATION:

**Except in respect of** (i) Seller's willful material non-compliance with laws or regulations, (ii) Seller's fraud, gross negligence, and willful misconduct, (iii) third-party claims for personal injury or death covered by Paragraph 29(a), and (iv) **satisfaction of claims under Section 41**, Seller's aggregate liability for all losses, damages, costs, and expenses (partially or wholly not covered by insurance) arising out of any acts or omissions of Seller (whether under this contract or otherwise and irrespective of legal theory) shall not exceed an annual amount of \$1,024,527.00 USD for any and all claims asserted (whether directly or as a claim for indemnity or otherwise) against Seller.

48. ACKNOWLEDGEMENT OF TERMS & CONDITIONS

We hereby acknowledge receipt of and accept Venture Aerobearings LLC Terms & Conditions of Purchase:

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For BryCoat Inc.

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Signed By

Date

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Title

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For Venture Aerobearings LLC

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Signed By

Date

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Title

#### APPENDIX I

When the part schedules report indicates that Standard Terms and Conditions are applicable to a line item or schedule, this appendix does not apply.

**SUSPENSION/DEBARMENT:** The Seller shall provide immediate notice to Purchaser in the event of being suspended, debarred or declared ineligible by any federal agency, or upon receipt of a notice of proposed debarment during the performance of the Purchase Order.

**DUTY FREE IMPORT:** If a domestic Seller intends to procure any materials from offshore (non U.S.) concerns, and to obtain duty free import under Purchaser's prime contract, Seller must obtain permission from Purchaser and advise Purchaser, in writing, of Seller's offshore order number and value.

**ANTI-KICKBACK:** By acceptance of the Purchase Order, Seller certifies that it has not paid any kickbacks and is in compliance with the Anti-Kickback Act of 1986, 41 U.S.C. 51-58, and further, Seller agrees to indemnify Purchaser for any costs, liabilities or administrative offsets incurred by Purchaser as a result of violations or alleged violations of FAR 52.203-7, "Anti-Kickback Procedures", by Seller, its employees, its subcontractors or their employees.

**PRICING:** When costs are a factor in any determination of the price to be paid hereunder, including price adjustments pursuant to Article 9, Changes or any other provision of the Purchase Order, such cost shall be in accordance with part 31 of the FAR in effect under Purchaser's Prime Contract.

**TECHNICAL DATA:** Seller shall indemnify Purchaser for any withholdings, claims, damages and expenses resulting from any assertion by the Government of its rights under DFARS 252.227-7030, "Technical Data - Withholding of Payment" and DFARS 252.246-7001, "Warranty of Data", and arising in whole or in part out of any failure by Seller to deliver technical data or any deficiency in said technical data as delivered, including, but not limited to, the presence of restrictive markings thereon not specifically authorized by the Purchase Order.

**PRICE REDUCTION FOR DEFECTIVE COST OR PRICING:** (applicable to the Purchase Order or any modification thereof for which cost or pricing data has been required.) If any price, including profit or fee, negotiated in connection with the Purchase Order or any modification thereof or any cost reimbursable under the Purchase Order, including modifications thereof, was increased by any significant sums because:

- (a) Seller furnished cost or pricing data, which was not accurate, complete and current as certified in Seller's certificate of current cost or pricing data;
- (b) A subcontractor of Seller pursuant to the clauses of the Purchase Order entitled "Subcontractor Cost or Pricing Data--Modifications", or any Subcontract clause therein required, furnished cost or pricing data, which was not accurate, complete and current as certified in Seller's Certificate of Current Cost or Pricing Data;
- (c) A subcontractor or prospective subcontractor of Seller furnished cost or pricing data which was required to be accurate, complete and current and to be submitted to support a Subcontract cost estimate furnished by the subcontractor but which was not accurate, complete and current as of the date certified in the subcontractor's Certificate of Current Cost or Pricing Data; or
- (d) If Seller or its subcontractor, or prospective Seller or its subcontractor furnished any data, not within (a), (b), or (c) above, which was not accurate, complete, and current as submitted, then the price or cost shall be reduced accordingly and the Purchase Order shall be modified in writing as may be necessary to reflect such reduction.

Seller agrees to indemnify Purchaser for any costs, liabilities, and expenses resulting from failure of Seller or any subcontractor or supplier of any tier hereunder, incurred by Purchaser as a result of Seller's or its subcontractor's defective cost or pricing data.

**GOVERNMENT PROPERTY/MATERIAL:** All special tooling and special test equipment, the full cost or a substantial portion of which is charged to Purchaser under the Purchase Order, or is furnished by Purchaser to Seller for performance under the Purchase Order, shall be controlled and accounted for in accordance with Purchaser's then current tooling supplement, Standard Terms and Conditions. Seller shall provide Purchaser with written notice, at least sixty (60) days in advance, of Seller's intention to acquire or fabricate special test equipment in support of the requirements under the Purchase Order.

If property/material is provided for use on the Purchase Order (or charged to a cost reimbursement or time and materials order), Seller shall maintain and administer, in accordance with FAR part 45.5, a program for the utilization,



maintenance, protection, preservation and accountability of such property/material, and Seller shall comply with all applicable provisions of FAR part 45 regarding the use, control, and responsibility for such Government property.

**GOVERNMENT FACILITIES:** Unless the Purchase Order authorizes the use of Government-owned facilities, Seller must negotiate the use of Government owned facilities used in the manufacture of Goods purchased hereunder with the appropriate Government agency furnishing Government facilities to Seller. All charges to Purchaser for such use must be concurrently billed as a separate item aside from all other costs.

If the Purchase Order authorizes rent-free use of Government facilities, Seller agrees that it will not directly or indirectly, through overhead charges or otherwise, seek reimbursement under the Purchase Order for any rental charge paid by the Seller for the use on other contracts of the facilities referred to herein. Any Subcontract hereunder which authorizes the subcontractor to use Government facilities on a no-charge basis shall contain a provision to the same effect as stated herein.

**DIRECT SHIPMENTS TO THE U.S. GOVERNMENT:** If deliveries of Goods including data under the Purchase Order are to be made directly to the Government, Seller agrees to prepare and distribute the DOD form 250, "Material Inspection and Receiving Report", as set forth in part 53 of DFARS, and to enter thereon the price of all Government Furnished Material (GFM) included in items so delivered to the Government. The Government has agreed that the Government will make the price of GFM available to Seller. However, no delivery shall be delayed by reason of failure of the Government to furnish such prices to Seller. Seller shall include a similar provision in each Subcontract hereunder.

**PROCUREMENT INTEGRITY:** Seller agrees to comply with the requirements of section 27 of the "Office of Federal Procurement Policy Act" (41 U.S.C. 423), as amended by section 814 of Public Law 101-189, and with the implementing regulations contained in FAR 3.104, and agrees to indemnify Purchaser for any costs and liabilities incurred by Purchaser as a result of violations of the act or regulations by Seller, its employees, its agents, its consultants, or subcontractors, or their employees.

**CONDITIONAL GOVERNMENT SOURCE INSPECTION:** During the performance of the Purchase Order, Seller's quality control system, inspection system and manufacturing processes are subject to review, verification and analysis by authorized Government representatives. Inspection and release of material covered by the Purchase Order by a Government representative prior to shipment is not required unless Seller is otherwise notified.

## FAR CLAUSES

52.202-1DEFINITIONS

52.203-3GRATUITIES

52.203-5COVENANT AGAINST CONTINGENT FEES

52.203-6RESTRICTIONS ON SUBCONTRACTOR SALES TO THE GOVERNMENT

52.203-7ANTI-KICKBACK PROCEDURES

52.203-10 PRICE OR FEE ADJUSTMENT FOR ILLEGAL OR IMPROPER ACTIVITY

52.203-12 LIMITATION ON PAYMENTS TO INFLUENCE CERTAIN FEDERAL TRANSACTIONS

52.204-2SECURITY REQUIREMENTS

52.204-4PRINTED OR COPIED DOUBLE-SIDED ON RECYCLED PAPER

52.204-9PERSONAL IDENTITY VERIFICATION OR CONTRACTOR PERSONNEL

52.211-5MATERIAL REQUIREMENTS

52.211-15 DEFENSE PRIORITY AND ALLOCATION REQUIREMENTS (IF DPAS RATING INDICATED ON ORDER)

52.214-26 AUDIT AND RECORDS-SEALED BIDDING

52.214.28 SUBCONTRACTOR COST OR PRICING DATA--MODIFICATIONS--SEALED BIDDING

52.215-2AUDIT AND RECORDS-NEGOTIATION

52.215-12 SUBCONTRACTOR COST OR PRICING DATA

52.215.13 SUBCONTRACTOR COST OR PRICING DATA--MODIFICATIONS

52.215-14 INTEGRITY OF UNIT PRICES

52.215-15 TERMINATION OF DEFINED BENEFIT PENSION PLANS

52.215-18 REVERSION OR ADJUSTMENT OF PLANS FOR POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (PRB)

52.215-19 NOTIFICATION OF OWNERSHIP CHANGES

52.215-20 REQUIREMENTS FOR COST OR PRICING DATA OR INFORMATION OTHER THAN COST OR PRICING DATA.

52.215-21 REQUIREMENTS FOR COST OR PRICING DATA OR INFORMATION OTHER THAN COST OR PRICING DATA - MODIFICATIONS

52.219-8UTILIZATION OF SMALL BUSINESS CONCERNS

52.222-3SMALL BUSINESS SUBCONTRACTING PLAN

52.222-3CONVICT LABOR

52.222-4CONTRACT WORK HOURS AND SAFETY STANDARDS ACT--OVERTIME COMPENSATION

52.222-20 WALSH-HEALEY PUBLIC CONTRACTS ACT

52.222-21 PROHIBITION OF SEGREGATED FACILITIES

52.222-26 EQUAL OPPORTUNITY

52.222-35 EQUAL OPPORTUNITY FOR SPECIAL DISABLED VETERANS, VETERANS OF THE VIETNAM ERA AND OTHER ELIGIBLE VETERANS

52.222-36 AFFIRMATIVE ACTION FOR WORKERS WITH DISABILITIES

52.222-37 EMPLOYMENT REPORTS ON SPECIAL DISABLED VETERANS, VETERANS OF THE VIETNAM ERA AND OTHER ELIGIBLE VETERANS

52.222-39 NOTIFICATION OF EMPLOYEE RIGHTS CONCERNING PAYMENT OF UNION DUES OR FEES

52.22-50COMBATTING TRAFFICKING IN PERSONS

52.223-3HAZARDOUS MATERIAL IDENTIFICATION AND MATERIAL SAFETY DATA

52.223-14 TOXIC CHEMICAL RELEASE REPORTING (EXCEPT PARAGRAPH E) (IF ORDER EXCEEDS \$100,000). (IF REQUIRED, THE SUPPLIER AGREES TO SUBMIT THE CERTIFICATION CONTAINED IN FAR 52.223-13.)

52.223-15 BUY AMERICAN ACT – SUPPLIES

52.225-1BUY AMERICAN ACT–NORTH AMERICAN FREE TRADE AGREEMENT–ISRAELI TRADE ACT

52.225-5TRADE AGREEMENTS

52.225-8DUTY-FREE ENTRY

52.225-13 RESTRICTIONS ON CERTAIN FOREIGN PURCHASES

52.225-15 SANCTIONED EUROPEAN UNION COUNTRY END PRODUCTS

52.226-1UTILIZATION OF INDIAN ORGANIZATIONS AND INDIAN-OWNED ECONOMIC ENTERPRISES

52.227-1AUTHORIZATION AND CONSENT AND ALTERNATE I.

52.227-2NOTICE AND ASSISTANCE REGARDING PATENT AND COPYRIGHT INFRINGEMENT

52.227-9REFUND OF ROYALTIES

52.228-3WORKER'S COMPENSATION INSURANCE (DEFENSE BASE ACT)

52.228-4WORKER'S COMPENSATION AND WAR-HAZARD INSURANCE OVERSEAS

52.228-5INSURANCE - WORK ON A GOVERNMENT INSTALLATION

52.229-3FEDERAL, STATE AND LOCAL TAXES  
52.229-4FEDERAL, STATE AND LOCAL TAXES (STATE AND LOCAL ADJUSTMENTS)  
52.229-6TAXES - FOREIGN FIXED-PRICE CONTRACTS  
52.229-7TAXES - FIXED-PRICE CONTRACTS WITH FOREIGN GOVERNMENTS  
52.232-16 PROGRESS PAYMENTS (APPLIES ONLY IF SPECIFIED IN ORDER)  
52.232-32 PERFORMANCE-BASED PAYMENTS  
52.234-1INDUSTRIAL RESOURCES DEVELOPED UNDER DEFENSE PRODUCTION ACT TITLE III  
52.242-15 STOP-WORK ORDER  
52.244-5COMPETITION IN SUBCONTRACTING  
52.244-6SUBCONTRACTS FOR COMMERCIAL ITEMS  
52.245-2GOVERNMENT PROPERTY (FIXED-PRICE CONTRACTS)  
52.245-17 SPECIAL TOOLING  
52.245-18 SPECIAL TEST EQUIPMENT  
52.247-1 COMMERCIAL BILL OF LADING NOTATIONS (APPLIES ONLY WHERE DIRECT SHIPMENT TO THE GOVERNMENT IS SPECIFIED)  
52.247-63 PREFERENCE FOR US-FLAG AIR CARRIERS  
52.247-64 PREFERENCE FOR PRIVATELY OWNED US-FLAG COMMERCIAL VESSELS  
52.248-1VALUE ENGINEERING  
52.249-14 EXCUSABLE DELAYS

**DOD FAR SUPPLEMENT (DFARS) CLAUSES [Do I understand correctly that we will take out the DFARS provisions for the non-Government purchase orders?]**

252.203-7001 PROHIBITION ON PERSONS CONVICTED OF FRAUD OR OTHER DEFENSE CONTRACT-RELATED FELONIES  
252.204-7000 DISCLOSURE OF INFORMATION  
252.209-7000 ACQUISITION FROM SUBCONTRACTORS SUBJECT TO ON-SITE INSPECTION UNDER THE INTERMEDIATE RANGE NUCLEAR FORCES (INF) TREATY  
252.211-7000 ACQUISITION STREAMLINING 252.215-7000 PRICING ADJUSTMENTS  
252.211-7003 ITEM IDENTIFICATION AND VALUATION  
252.215-7003 EXCESSIVE PASS-THROUGH CHARGES – IDENTIFICATION OF SUBCONTRACT EFFORT  
252.215-7004 EXCESSIVE PASS-THROUGH CHARGES  
252.219-7003 SMALL, SMALL DISADVANTAGED, AND WOMAN OWNED SMALL BUSINESS SUBCONTRACTING PLAN (DOD CONTRACTS)  
252.225-7001 BUY AMERICAN ACT AND BALANCE OF PAYMENTS PROGRAM  
252.225-7002 QUALIFYING COUNTRY SOURCES AS SUBCONTRACTORS  
252.225-7003 REPORT OF INTENDED PERFORMANCE OUTSIDE THE UNITED STATES  
252.225-7004 REPORTING OF CONTRACT PERFORMANCE OUTSIDE THE UNITED STATES  
252.225-7013 DUTY FREE ENTRY  
252.225-7014 PREFERENCE FOR DOMESTIC SPECIALTY METALS (WITH ALT I)  
252.225-7015 PREFERENCE FOR DOMESTIC HAND OR MEASURING TOOLS  
252.225-7016 RESTRICTION ON ACQUISITION OF BALL AND ROLLER BEARINGS  
252.225-7019 RESTRICTION ON ACQUISITION OF ANCHOR AND MOORING CHAIN  
252.225-7021 TRADE AGREEMENTS  
252.225-7022 RESTRICTION ON ACQUISITION OF POLYACRYLONITRILE (PAN) BASED CARBON FIBER  
252.225-7025 RESTRICTION ON ACQUISITION OF FORGINGS  
252.225-7027 RESTRICTION ON CONTINGENT FEES FOR FOREIGN MILITARY SALES  
252.225-7028 EXCLUSIONARY POLICIES AND PRACTICES OF FOREIGN GOVERNMENTS  
252.225-7030 RESTRICTION ON ACQUISITION OF CARBON, ALLOY, AND ARMOR STEEL PLATE  
252.225-7032 WAIVER OF UNITED KINGDOM LEVIES (IF ORDER WITH A UNITED KINGDOM FIRM IS OVER \$1,000,000)  
252.225-7033 WAIVER OF UNITED KINGDOM LEVIES  
252.225-7036 BUY AMERICAN ACT-NORTH AMERICAN FREE TRADE AGREEMENT IMPLEMENTATION ACT-BALANCE OF PAYMENTS PROGRAM  
252.225-7037 DUTY-FREE ENTRY - ELIGIBLE END PRODUCTS  
252.225-7038 RESTRICTION ON ACQUISITION OF AIR CIRCUIT BREAKERS  
252.225-7039 CONTRACTOR PERSONNEL AUTHORIZED TO ACCOMPANY US ARMED FORCES DEPLOYED OUTSIDE THE UNITED STATES  
252.226-7001 UTILIZATION OF INDIAN ORGANIZATIONS, INDIAN-OWNED ECONOMIC ENTERPRISES, AND NATIVE HAWAIIAN SMALL BUSINESS CONCERNS

- 252.227-7013 RIGHTS IN TECHNICAL DATA - NONCOMMERCIAL ITEMS
- 252.227-7014 RIGHTS IN NONCOMMERCIAL COMPUTER SOFTWARE AND NONCOMMERCIAL COMPUTER SOFTWARE DOCUMENTATION
- 252.227-7015 TECHNICAL DATA-COMMERCIAL ITEMS
- 252.227-7016 RIGHTS IN BID OR PROPOSAL INFORMATION
- 252.227-7017 IDENTIFICATION AND ASSERTION OF USE, RELEASE, OR DISCLOSURE RESTRICTIONS
- 252.227-7018 RIGHTS IN NONCOMMERCIAL TECHNICAL DATA AND COMPUTER SOFTWARE--SMALL BUSINESS INNOVATIVE RESEARCH (SBIR) PROGRAM
- 252.227-7019 VALIDATION OF ASSERTED RESTRICTIONS-COMPUTER SOFTWARE
- 252.227-7020 RIGHTS IN SPECIAL WORKS
- 252.227-7021 RIGHTS IN DATA--EXISTING WORKS
- 252.227-7025 LIMITATIONS ON THE USE OR DISCLOSURE OF GOVERNMENT-FURNISHED INFORMATION MARKED WITH RESTRICTIVE LEGENDS
- 252.227-7026 DEFERRED DELIVERY OF TECHNICAL DATA OR COMPUTER SOFTWARE (IF DELIVERY OF TECHNICAL DATA IS REQUIRED)
- 252.227-7027 DEFERRED ORDERING OF TECHNICAL DATA OR COMPUTER SOFTWARE (IF DELIVERY OF TECHNICAL DATA IS REQUIRED)
- 252.227-7028 TECHNICAL DATA OR COMPUTER SOFTWARE PREVIOUSLY DELIVERED TO THE GOVERNMENT
- 252.227-7030 TECHNICAL DATA - WITHHOLDING OF PAYMENT
- 252.227-7032 RIGHTS IN TECHNICAL DATA AND COMPUTER SOFTWARE (FOREIGN)
- 252.227-7036 DECLARATION OF TECHNICAL DATA CONFORMITY
- 252.227-7037 VALIDATION OF RESTRICTIVE MARKINGS ON TECHNICAL DATA
- 252.231-7000 SUPPLEMENTAL COST PRINCIPLES
- 252.232-7003 FLEXIBLE PROGRESS PAYMENTS (APPLIES ONLY IF SPECIFIED IN ORDER)
- 252.232-7004 DOD PROGRESS PAYMENT RATES (APPLIES ONLY IF SPECIFIED IN ORDER)
- 252.235-7003 FREQUENCY AUTHORIZATION
- 252.242-7002 EARNED VALUE MANAGEMENT SYSTEM (APPLIES ONLY IF SPECIFIED IN ORDER)
- 252.242-7005 COST/SCHEDULE STATUS REPORT (APPLIES ONLY IF 252.234-7001 APPLIES)
- 252.243-7001 PRICING OF CONTRACT MODIFICATIONS
- 252.244-7000 SUBCONTRACTS FOR COMMERCIAL ITEMS AND COMMERCIAL COMPONENTS (DOD CONTRACTS)
- 252.246-7001 WARRANTY OF DATA (IF ORDER REQUIRES TECHNICAL DATA)
- 252.247-7023 TRANSPORTATION OF SUPPLIES BY SEA
- 252.247-7024 NOTIFICATION OF TRANSPORTATION OF SUPPLIES BY SEA
- 252.249-7002 NOTIFICATION OF PROPOSED PROGRAM TERMINATION OR REDUCTION

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IF AN ORDER IS PLACED UNDER A NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA) PRIME CONTRACT, THE FOLLOWING NASA FAR SUPPLEMENT CLAUSES APPLY:

- 18-52.204-76 SECURITY REQUIREMENTS FOR UNCLASSIFIED AUTOMATED INFORMATION RESOURCES
- 18-52.208-81 RESTRICTIONS ON PRINTING AND DUPLICATING
- 18-52.219-74 USE OF RURAL AREA SMALL BUSINESSES
- 18-52.219-75 SMALL BUSINESSES AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING REPORTING
- 18-52.219-76 NASA Small and Disadvantaged Business Goal
- 18-52.223-70 SAFETY AND HEALTH (APPLIES TO ORDERS IN EXCESS OF \$1,000,000 OR THAT INVOLVE USE OF HAZARDOUS MATERIALS OR OPERATIONS)
- 18-52.227-14 RIGHTS IN DATA - GENERAL
- 18-52.242-73 NASA CONTRACTOR FINANCIAL MANAGEMENT REPORTING
- 18-52.244-70 GEOGRAPHIC PARTICIPATION IN THE AEROSPACE PROGRAM
- 18-52.245-73 FINANCIAL REPORTING OF NASA PROPERTY IN THE CUSTODY OF CONTRACTORS

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APPENDIX II

INTERNATIONAL ORDERS

IF SELLER IS LOCATED OUTSIDE OF THE UNITED STATES, THE PRECEDING TERMS AND CONDITIONS ARE MODIFIED AS FOLLOWS:

1. Article 3, "DISPUTE RESOLUTION" is deleted and replaced with the following:  

"DISPUTE RESOLUTION. The Purchase Order shall be interpreted in accordance with the laws of the state of South Carolina, U.S.A. without regard to South Carolina's choice of law provisions. Except as otherwise provided, the United Nations Convention on Contracts for the International Sale of Goods is not applicable to the Purchase Order. All disputes arising in connection with the Purchase Order shall be finally settled under the rules of conciliation and arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said rules. The arbitration shall be held in South Carolina City, conducted in the English language, and any arbitrator's award shall not exceed actual compensatory damages. Notwithstanding the foregoing, each party has the right at any time, at its option and where legally available, to commence an action or proceeding in a court of competent jurisdiction to apply for interim or conservatory measures, but not monetary damages."
2. Article 5, "TRANSPORTATION" is modified to replace the first two sentences of sub-paragraph (a) with the following language: "Goods covered by the Purchase Order shall be shipped in accordance with ICC Incoterms, 2000 Edition. Unless otherwise specified on the face of the Purchase Order, the applicable shipping and delivery Incoterms will be FCA (named place)."
3. Article 7, "DELAY AND DEFAULT". The reference to the Uniform Commercial Code is changed to refer to "Article 45 of the United Nations Convention on Contracts for the International Sale of Goods."
4. Article 16, "STATE SALES TAX," is deleted.
5. Article 19, "NONDISCRIMINATION IN EMPLOYMENT," is deleted.
6. Article 39, "CITIZENSHIP STATUS," is deleted and replaced with the following: "For data export purposes, only citizens of the country in which the Seller is located shall be permitted to work on Purchaser Purchase Orders without prior written approval from Purchaser. Seller shall preserve such records as required by local laws and regulations regarding the citizenship status of Seller's employees."
7. Appendix I. The following clauses are not applicable to international suppliers when work is performed outside the United States and its possessions:  

52.211-15	(applies to rated subcontracts placed with U.S. suppliers)	
52.219-952.222-26	52.229-3	
52.222-352.222-35	52.229-4	
52.222-452.222-36	52.229-5	
52.222-20	52.222-37	252.219-7003
8. ANTI-DUMPING. Seller warrants that all sales made hereunder are or will be made at not less than fair value under the United States Anti-Dumping law (19 U.S.C. sec 1673 et. seq.), and Seller will indemnify, defend and hold Purchaser harmless from and against any costs or expenses (including but not limited to any anti-dumping duties which may be imposed) arising out of or in connection with any breach of this warranty.
9. IMPORTER OF RECORD.
  - (a) If Seller is importer of record, Seller agrees that Purchaser will not be a party to the importation of the Goods; that the transaction(s) represented by the Purchase Order will be consummated subsequent to importation; that Seller will neither cause nor permit Purchaser's name to be shown as "importer of record" on any customs declaration; and that, if the Goods must be returned to Seller, Seller agrees to be U.S. exporter and to comply with all applicable export regulations.

- (b) If Purchaser is the importer of record, Seller shall ship the Goods to the port of entry as advised by Purchaser and show proper broker notification on all shipping waybills. Any additional transportation or clearance charges incurred by Purchaser due to non- adherence to this clause will be the responsibility of Seller.
  - (c) Regardless of which party is the importer of record, Seller's shipping cartons and documentation must meet all U.S. customs country of origin marking and invoicing requirements. Seller will be responsible for any fines or liabilities resulting from insufficient, improper or negligent invoicing or marking of shipments.
10. U.S. EXPORTER. If Seller is the U.S. exporter for any U.S. origin bailed or purchased material required by Seller to complete the Purchase Order, Seller shall be responsible for obtaining any required export license, authorizing U.S. freight forwarder, and complying with U.S. Export Administration Regulations/International Traffic-in-Arms Regulations. If the Seller requests the Purchaser to export the materials, the Purchaser shall be responsible for procuring the export license, utilizing its duly authorized freight forwarder, and complying with U.S. EXPORT ADMINISTRATION REGULATIONS and INTERNATIONAL TRAFFIC-IN-ARMS REGULATIONS.
  11. DRAWBACK. If Seller is an importer of record, upon request and where applicable, Seller will provide Purchaser customs form 7543 entitled "Certificate of Delivery" properly executed.
  12. RESERVED.
  13. TSCA WARRANTY. Regardless of which party is the importer of record, Seller will be responsible for complying with the import restrictions contained in section 13 of the Toxic Substance Control Act (TSCA) 15 U.S.C. 2601 et seq., providing the appropriate TSCA Certification required under 19 CFR 12.121, and any fines or liabilities resulting from breaches of this section.
  14. INTELLECTUAL PROPERTY AND EXPORT LICENSES: In connection with the performance of any work under the Purchase Order, Seller, at its own cost, shall be responsible for: (1) determining whether, and the extent to which, any foreign or U.S. Government-funded intellectual property that was not provided by Purchaser will be used; (2) if any such foreign or U.S. Government-funded intellectual property will be used, obtaining, on behalf of Purchaser, a license under which the foreign or U.S. Government shall grant to Purchaser the unlimited right to use such intellectual property; (3) determining whether, and the extent to which, export licenses are required for export of all deliverables, whether tangible or intangible, under the Purchase Order from Seller's country to Purchaser; (4) obtaining the required export license.

All of Purchaser's obligations under the Purchase Order are conditional upon the issuance of intellectual property and/or export licenses by the foreign or U.S. Government granting Purchaser the right to use such foreign or U.S. Government-funded intellectual property and/or to export from Seller's country all deliverables, whether tangible or intangible under the Purchase Order.

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APPENDIX III

SUPPLEMENTARY TERMS AND CONDITIONS FOR COST REIMBURSEMENT ORDERS

When the part schedules report indicate that Standard Terms and Conditions are applicable to a line item or schedule, FAR DFARS and NASA clauses do not apply.

1. INSPECTION AND NON-CONFORMANCE. Inspection shall be accomplished in accordance with FAR 52.246-8, Inspection of Research and Development--Cost Reimbursement.
2. TERMS OF SETTLEMENT. Article 21, Terms of Settlement, is supplemented by the following: "If this is a cost type Purchase Order, the frequency of invoicing shall be as stated in the body of the Purchase Order, and unless otherwise stated, shall not be more frequent than once each thirty (30) calendar days. Invoices will be processed for payment in accordance with Purchaser's standard terms of settlement. Payment will require approval of the invoice by the buyer or a designated representative."
3. MODIFIED ARTICLES.
  - (a) Article 9, CHANGES, is deleted and replaced with FAR 52.243-2, alt v., Changes - cost reimbursement.
  - (b) In Article 25, TERMINATION FOR CONVENIENCE, is modified to add a reference to FAR 52.249-6, Termination (Cost Reimbursement) with the following changes: deletes paragraphs (e) and (j); in paragraph (d) change "120 days" to "60 days" and in paragraph (f) change "1 year" to "60 days."
4. THE FOLLOWING CLAUSES APPLY:

FAR

52.216-7ALLOWABLE COST AND PAYMENT

52.216-8FIXED FEE

52.216-10 INCENTIVE FEE

52.232-20 LIMITATION OF COST

52.242-1NOTICE OF INTENT TO DISALLOW COSTS

52.242-15 STOP WORK ORDER (WITH ALT I)

52.249-14 EXCUSABLE DELAYS

52.228-7INSURANCE-LIABILITY TO THIRD PERSONS

52.232-22 LIMITATION OF FUNDS

52.245-5 GOVERNMENT PROPERTY (COST REIMBURSEMENT, TIME-AND-MATERIAL, OR LABOR HOUR CONTRACTS): "Government Property" shall mean property of the Purchaser or Government under this clause. Paragraph (g) is rewritten in its entirety to read "Risk of Loss. While in subcontractor's custody or control, subcontractor assumes all risk for loss of or damage to property furnished by Purchaser or the Government and all property furnished by Purchaser or the Government and to property where the Purchaser or the Government acquired title by virtue of the Purchase Order."

## APPENDIX IV

### FAA – DOT Drug and Alcohol Testing

The Omnibus Transportation Employee Testing Act of 1991 requires drug and alcohol testing of safety-sensitive transportation employees in aviation.

The Drug Abatement Division develops and implements regulations for DOT/FAA drug and alcohol testing. These regulations cover employers, safety-sensitive employees and service agents. These rules are encompassed in 49 Code of Federal Regulations (CFR) Part 40 and 14 CFR Part 121 appendices I and J.

- [http://www.dot.gov/ost/dapc/NEW\\_DOCS/Revised\\_Part40\\_complete\\_20080825.pdf](http://www.dot.gov/ost/dapc/NEW_DOCS/Revised_Part40_complete_20080825.pdf)
- [http://www.faa.gov/about/office\\_org/headquarters\\_offices/avs/offices/aam/drug\\_alcohol/testing/drug/media/Appendix%20I%20\(Link%20\).pdf](http://www.faa.gov/about/office_org/headquarters_offices/avs/offices/aam/drug_alcohol/testing/drug/media/Appendix%20I%20(Link%20).pdf)
- [http://www.faa.gov/about/office\\_org/headquarters\\_offices/avs/offices/aam/drug\\_alcohol/testing/alcohol/media/Appendix%20J%20\(Link%20\).pdf](http://www.faa.gov/about/office_org/headquarters_offices/avs/offices/aam/drug_alcohol/testing/alcohol/media/Appendix%20J%20(Link%20).pdf)
- [http://www.dot.gov/ost/dapc/testingpubs/Employee\\_Handbook\\_low%20version.pdf](http://www.dot.gov/ost/dapc/testingpubs/Employee_Handbook_low%20version.pdf)

The division also oversees the aviation industry's compliance with drug and alcohol testing regulations. This oversight is accomplished with on-site inspections, guidance documents, and policies.

Managers, supervisors, and/or team leaders must ensure that:

- Prior to performing DOT safety-sensitive functions for the first time for a site, employees/contractors receive a federal verified negative drug test result. This includes new hires and transfers within the facility as well as transfers from one site to another.
- Employees covered under the DOT regulations do not perform or continue to perform safety-sensitive functions when management has actual knowledge that the employee has consumed alcohol within the previous 4 hours
- Employees are removed from the workplace and referred to the appropriate resources when alcohol/substance abuse is suspected
- Unauthorized substances (including illegal drugs, controlled/restricted substances, and/or alcohol) are confiscated when discovered on Company property

Security and the site anti-drug manager are notified as soon as possible when an employee notifies management of a conviction under a criminal drug statute for a violation occurring in the workplace.



## APPENDIX V

### CONDUCTING BUSINESS

#### **Reporting Problems and Concerns**

One of your most important responsibilities is the obligation to raise legitimate concerns about possible violations of policy or the law. VA needs your help to identify potential problems so that the company can proactively make corrections.

If you experience conflict, keep in mind the harm that may result from not raising the concern and, the resulting penalties for the company and individuals involved. Looking the other way can be just as damaging as participating in illegal or unethical activity – its called aiding and abetting. If you know a violation has occurred and you fail to report it, you are guilty of a violation and are subject to discipline. This is to protect yourself, your coworkers, and the company from potential harm (including huge fines, other penalties, even jail time).

#### **What should be reported?**

For your guidance, here are types of activities or issues that should be “red flags” for reporting concerns. Anything that causes or might cause:

- Serious damage to health, safety, or well being of fellow employees, customers, the community, or the company
- Violation of federal, state, or local laws and regulations.
- Violation of VA’s Code of Conduct or company policies/procedures
- Loss of confidence in, or damage to, VA’s reputation

#### **When you have a concern**

Don’t hesitate to raise a concern. The best first step is to organize your thoughts and define your concern, using the following questions as a guide: First, who or what is the concern? What red flag did this raise in your mind? When did the concern come up? Where did it happen? Make notes, if necessary. Then you should report your concern as soon as possible.

#### **How to report a concern**

If possible, it is always a good idea to try to solve your concerns at a local level. Sometimes simply pointing out a potential problem will take care of it. If it seems inappropriate to confront the individual, or if the activity continues, you need to take the matter further. You have several options available to make it as convenient as possible for you to speak up.

#### **First, talk to the individual**

Point it out to the individual, as long as you are comfortable doing this and think it appropriate under the circumstances.

#### **Talk to the individual’s manager**

If the above approach is uncomfortable or inappropriate, or if you feel your concern is not taken seriously, you may want to speak with other management, or Human Resources.

#### **Contact VA local compliance officer or VA legal counsel**

You may also raise issues and concerns directly with VA local corporate compliance officer, or VA legal counsel.

#### **Put the matter in writing**

You can submit the concern in writing (or email) to VA local corporate compliance officer, or VA legal counsel.

#### **Call the Corporate Compliance Hotline 1800-585-5147**

The compliance hotline is a risk-free way to report suspected problems or ask about compliance concerns. It is confidential – you do not have to give your name – and the service is provided by an outside organization. It’s the information that’s provided, and not who you are that’s important.

## APPENDIX VI

### SUPPLIER NON-DISCLOSURE AGREEMENT

This Agreement is effective as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the "Commencement Date") and contains the terms and conditions under which Venture AeroBearings LLC (hereinafter referred to as "VA") having a place of business located at 8701 Palmetto Commerce Parkway, Ladson SC 29456 agrees to enter into discussions with \_\_\_\_\_ (hereinafter referred to as Company), having a business address at \_\_\_\_\_

In order for VA and Company to discuss certain business transactions between them, certain information may be exchanged which VA and its affiliates regard as being confidential and proprietary. In consideration of the foregoing premises, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

- 1) "Proprietary Information" means all information which:
  - a) Is disclosed during the term of this Agreement by VA to Company and received by Company which relates to VA's existing or proposed products, services, designs, formulas, test data, engineering projects and plans, processes, materials, or services and other confidential information or those of its affiliates; and
  - b) Is disclosed or embodied either (i) in a writing (including that which is provided in machine readable format or is sent via electronic transmission), or in a product sample, model, prototype, or other tangible thing, any of which is given to the other party and bears a label or legend identifying the information as secret, confidential, or proprietary, or (ii) orally or by visual inspection of the disclosing party's facilities, with a designation of such information as secret, confidential or proprietary and a subsequent reduction of such information to writing, the writing being labeled as set out in the foregoing clause (i) of this subsection (b) and sent to the other party within thirty (30) days of the oral disclosure.
- 2) With respect to each item of Proprietary Information disclosed by VA or its affiliates (the "disclosing party") to Company (the "receiving party") hereunder, Company hereby agrees:
  - a) Not to disclose to any third party any Proprietary Information disclosed and/or samples provided to and received by it from the disclosing party to any third party other than to those of its employees and officers who have a reasonable need to know such information for the purposes of the Agreement;
  - b) Not to disclose to any third party the fact that any Proprietary Information was disclosed to it by the disclosing party or that the information originated with the disclosing party; and
  - c) Not to put to commercial use any Proprietary Information disclosed to it by the disclosing party except for the purpose of this Agreement.
- 3) Nothing contained in this Agreement is intended to limit, and shall not be construed as limiting, the receiving party's right to use or disclose any information which: (a) is first disclosed by the disclosing party after the expiration or earlier termination of this Agreement; (b) is publicly known at the time disclosure is made to the receiving party; (c) becomes public knowledge without breach of the Agreement by the receiving party; (d) is known to the receiving party or any of its affiliates at the time of the disclosure and is not subject to a prior secrecy agreement; (e) becomes known or available to the receiving party or to any of its affiliates, without breach of this Agreement, from any source other than the disclosing party without any similar obligation or confidentiality being owed to such source with regards thereto; or (f) is independently developed by employees of the receiving party or any of its affiliates who have not had access to the disclosed Proprietary Information. Proprietary Information that is specific shall not be deemed to be within any of the foregoing exceptions merely because it is embraced by more general information that is found in the public domain or that is otherwise available to the receiving party. In addition, any combination of features shall not be deemed to be within any such exception merely because individual features are found in the public domain or are otherwise available, but on if the combination itself and its principle of operation are in the public domain or are otherwise available to the receiving party according to the exception sought by the receiving party. In any dispute with respect to the application of the exceptions contained in this paragraph the burden of proof shall be on the receiving party and such proof shall be by a preponderance of the evidence.
- 4) Nothing contained in this Agreement shall be construed either expressly or by implication, estoppels or otherwise, as: (i) requiring either party to make any disclosure to the other; (ii) giving either party the right to make any claim whatsoever against the other party for costs expended or for damages alleged to result from its use of the information received from the other party; (iii) a grant, transfer or other conveyance of any right, license or other interest of any kind or nature in any patent, trade secret, copyright or other property interest owned by either party to the other; (iv) creating the relationship between the parties as partners, joint ventures, or that of principal or agent, it being understood that each party hereunder is acting as an independent contractor; or (v) requiring either party to enter into any further agreement or to participate with

the other party in any cooperative development program or project of any kind or nature or to continue such program or project. It is further agreed that neither party shall use the name of the other in any form of publicity without the prior express written permission of the other party.

- 5) The term of this Agreement will begin on the Commencement Date and will expire on third anniversary thereof, unless extended by a writing signed by the authorized representative of each party or unless terminated earlier by either party by giving not less than thirty- (30-) days prior written notice thereof to the other party. Notwithstanding such termination or expiration, the obligations of confidentiality imposed under this Agreement shall continue.
- 6) All devices, drawings, information, and data submitted by VA or its affiliates under this Agreement will remain the property of the disclosing party and may be recalled by the disclosing party at any time. Upon receipt of a written request from the disclosing party for return of such devices, drawings, information and data, the receiving party will immediately deliver to the disclosing party all of such devices, drawings, information and data, including all copies, reproductions, and facsimiles; or, in the appropriate case, provide its certificate as to their permanent destruction or erasure. However, the receiving party may retain one copy of each in its law department files for dispute resolution purposes only.
- 7) No failure or delay by the disclosing party in exercising any right, power, or privilege hereunder shall constitute a waiver of such right, power, or privilege, nor constitute a waiver of any other provision hereof. None of the provisions of the Agreement nor the rights and obligations hereunder shall be deemed waived, deleted or otherwise modified except to the extent expressly provided in a written agreement, which specifically references this Agreement, that is signed by an authorized representative of VA and by an authorized representative of Company.
- 8) Each party agrees that violation of this Agreement by the receiving party may cause immediate and irreparable injury to the disclosing party and that the disclosing party shall be entitled, upon proper proof of threatened or actual harm, to seek specific performance, as well as immediate injunctive or other equivalent relief in addition to any other remedies it may have at law or in equity.
- 9) This Agreement is the entire agreement between the parties and supersedes all other agreements and understanding, whether written or oral, relating to its subject matter. This Agreement shall be governed and controlled as to validity, enforcement, interpretation, construction, effect and in all other respects by the laws of the State of South Carolina without reference to the conflicts of laws principles thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized representative.

VENTURE AEROBEARINGS, LLC.

ACCEPTED AND AGREED TO BY

Sign: \_\_\_\_\_

Sign: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_