

Date: August 2001

EXHIBIT A-1

**NATO PROVISIONS FOR SUPPLIERS WITH
EURO-CANADIAN SUBCONTRACTORS
F19628-97-C-0112**

1. PROVISIONS FOR EURO-CANADIAN SUBCONTRACTS

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

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

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

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

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

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

(1) Audit and Records - Negotiation - The requirement in (b) of the clause shall, for E-C subcontracts, be applied with the term "Contracting Officer or his representatives (who are employees of the United States Government)" replaced by "National Audit Authority or in exceptional circumstances, the USG DCAA." In paragraph (d) of the clause the phrase "Comptroller General of the United States or an authorized representative" is replaced with "National Audit Authority of the respective E-C nation or its duly authorized representative." [R/Rev. B]

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

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

(4) ST/STE - For purposes of the clauses, "Special Tooling" and "Special Test Equipment" items for E-C suppliers presented for approval of acquisition as ST/STE shall be classified in accordance with those ST/STE definitions which are applicable to military contracts between the E-C subcontractor and its government as approved by the PCO.

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

FAR 52.219-8 Utilization of Small, Small Disadvantaged and Women-Owned Small Business Concerns

FAR 52.219-9 Small, Small Disadvantaged and Women-Owned Small Business Subcontracting Plan

FAR 52.222-4 [D/Orig. 9/97]

FAR 52.222-20 Walsh-Healey Public Contracts Act

FAR 52.222-26 Equal Opportunity

FAR 52.222-35 Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era

FAR 52.222-36 Affirmative Action for Handicapped Workers

FAR 52.222-37 Employment Reports on Special Disabled Veterans and Veterans of the Vietnam Era

FAR 52.223-2 Clean Air and Water

FAR 52.230-2 Cost Accounting Standards

FAR 52.230-3 Disclosure and Consistency of Cost Accounting Practices

FAR 52.230-6 Administration of Cost Accounting Standards

DFARS 252.225-7016 [D/Rev. B]

DFARS 252.225-7025 [D/Orig.]

DFARS 252.225-7026 [D/Rev. B]

DFARS 252.227-7019 Validation of Asserted Restrictions – Computer Software [R/Rev. A]

DFARS 252.227-7037 Validation of Restrictive Markings on Technical Data [A/Rev. G]

DFARS 252.247-7023 Transportation of Supplies by Sea

DFARS 252.247-7024 Notification of Transportation of Supplies by Sea

(e) Pricing and Audit

(1) Pricing of E-C subcontractor proposals shall be in accordance with the pricing instructions of this contract; however, the allowability and allocability of E-C subcontractor costs including Termination costs

shall be in accordance with national pricing policies applicable as if the subcontractor's government issued the contract for defense purposes, regardless of whether or not such costs would be allowable under a U.S. Government contract. Allowability pursuant to non-U.S. laws shall be determined between the Contracting Officer and the appropriate National Audit Authority.

(2) In order to assure a proper audit trail of cost or pricing data to the prime contract level, and to meet the requirements normally satisfied by subcontractor submission of SF Forms 1411, the Seller shall require that all E-C subcontractor price proposals substantially meet the normal SF Form 1411 standards.

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

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

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

(A) Subcontracted Items - Include parts, components, assemblies and services to be produced or performed by other than the subcontractor in accordance with the contracted design, specifications or directions and applicable only to the prime contract. For each subcontract over \$100,000.00, the support should provide a listing by source, item, quantity, price, type of subcontract, degree of competition and basis of establishing source and reasonableness of price, as well as results of review and evaluation of subcontract proposals when required.

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

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

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

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

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

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

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

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

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

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

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

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

(3) Audit Authority

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

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

(4) Requests for E-C Subcontractor assist audits will be directed by the Seller through the Buyer to the Contracting Officer.

f. Contract Administration Services

Contract Administration Services (CAS) as described in the Federal Acquisition Regulation for the E C subcontracts will be performed by the Defense Contract Management Command (DCMC) local office in accordance with the delegation issued by the Contracting Officer. The respective national CAS agencies will become involved only to the extent that CAS activities are delegated by the DCMC local office for that nation. [R/Orig.]

g. Security and Fire Protection

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

h. National Standards and Regulations

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

2. Euro-Canadian Subcontracts

a. For the purposes of this clause, Euro-Canadian subcontractors are identified as critical. The Government's Contracting Officer reserves the right to review and consent to critical subcontracts prior to award of definitive instruments. Consent by the Contracting Officer to any critical subcontract or any provisions thereof shall not be construed to be a determination of the acceptability of any subcontract price or any amount paid under any subcontract or to relieve the Seller of any responsibility for performing this contract.

b. It is contemplated that the Contracting Officer's review of Euro-Canadian subcontracts may include participation by the NAPMO staff and representatives of the respective host government as well as the particular Euro-Canadian subcontractor in order to assure full understanding by all of the above of the terms, conditions and contract administration arrangements which pertain to the NATO AEW Modernization Program. The review will include:

(i) Flowdown of terms and conditions.

(ii) Verification that the Euro-Canadian subcontract has been priced in accordance

with national pricing regulations as defined by the applicable National Audit Authority.

(iii) Verification that the audit findings of the applicable National Audit Authority

have been utilized in the negotiated agreement.

c. The Seller shall notify the Buyer and Contracting Officer reasonably in advance of entering into a Euro-Canadian subcontract. The advance notification shall comply with the requirements of FAR 52.244-1, "Subcontracts-Fixed Price Contracts," paragraph (c).

3. Payments to Euro-Canadian Subcontractors [R/Orig.]

The following procedures apply to all E-C subcontractors performing under this contract.

a. First and second tier Euro-Canadian subcontracts and U.S. second tier subcontracts will be priced and all invoices for payment will be in the first or second tier subcontractor's national currency. First and second tier Euro-Canadian subcontractors and U.S. second tier subcontractors will be paid in their national currency by NAPMA. [R/Rev. B]

b. Payments to first and second tier Euro-Canadian subcontractors and U.S. subcontractors may be based on the completion of contract milestones or Progress payments. [R/Rev. B]

c. When a second tier Euro-Canadian or U.S. subcontractor has completed a contract milestone or can

submit a progress payment request in accordance with its contract, the second tier subcontractor will submit an invoice or progress payment request to the first tier subcontractor, who will verify that the invoice/progress payment request is consistent with the requirements of the subcontract. [R/Rev. B]

d. When a first tier subcontractor has completed a contract milestone or can submit a progress payment request in accordance with its contract, the first tier subcontractor will submit an invoice or progress payment request to the National Government Representative. The invoice must contain:

(1) the amount of the invoice in first and second tier subcontractor currency

(2) the total price of the subcontract broken out by currency

(3) the cumulative amount invoices to date by currency for both subcontracts [Rev. B]

e. The National Government Representative will certify that the first tier Euro-Canadian subcontractor has met the milestone completion requirements or that the Euro-Canadian first tier subcontractor is authorized to submit a progress payment request, and that the invoiced amount is correct. After validation by the National Government Representative, the first tier Euro-Canadian subcontractor will forward the invoice/progress payment request to the Prime Contractor.

f. Upon receipt of an invoice/progress payment request from a first tier subcontractor, the Prime Contractor shall verify that the invoice/progress payment request is consistent with the requirements of the contract and that the request for payment, both in first and second tier subcontractor's national currency, does not exceed the NATO Mid Term EMD Billing Limitation Table amount by currency. The Prime Contractor shall convert the amount of the invoice/progress payment request from the national currency of the first and second tier subcontractor to U.S. dollars based on the currency exchange rates specified in the "CURRENCY CONVERSION CLAUSE."

g. The Prime Contractor shall forward by facsimile a copy of the invoice/progress payment request to the NAPMA Financial Controller (with an info copy to the ESC Financial Management Office – AWIX) and shall forward to NAPMA payment in U.S. dollars equivalent to the converted amounts of the invoice/progress payment request. This payment shall be made to the NAPMA Account Nr 456-0-564788-41 at the ABN AMRO bank NV, New York Branch, 500 Park Avenue, New York, NY 10022. The Prime Contractor shall forward the original certified first tier Euro-Canadian subcontractor invoice/progress payment request to the NAPMA Financial Controller for filing with the actual payment records. [R/Rev. B]

h. Following receipt of the facsimile invoice/progress payment request and payment in U.S. dollars from the Prime Contractor, NAPMA will initiate direct payment to the first and second tier subcontractor. However, in accordance with NAPMO Financial Regulations, final payment will not be made to the Euro-Canadian or U.S. vendor until original certified Euro-Canadian invoices/progress payment request have been received by NAPMA. Certified invoices are required for the first tier subcontracts only. [R/Rev. B]

i. The normal process for NAPMA will be to pay Euro-Canadian and U.S. dollar invoices/progress payment request once per month on NAPMA's fifth working day. All properly certified invoice(s) received at least ten working days prior to that date will be included in the applicable month's payment process, if payment in U.S. dollars from the Prime Contractor has been received in the NAPMA accounts. In accordance with NAPMO Financial Regulations, original certified invoices must be received before final payment may be made. NAPMA will notify the Prime Contractor by facsimile when payments have been executed. Such notice will include first and second tier subcontractor's name, invoice number(s), amount(s) paid, and date paid. [R/Rev. B]

j. NAPMA will provide the NAPMA holiday schedule to the Prime Contractor annually.

k. In the event NAPMA fails to pay first and/or second tier Euro-Canadian and U.S. second tier subcontractors' invoices/progress payment request as contemplated by this clause, the Contractor shall notify NAPMA within five (5) calendar days of becoming aware of such event. Such notification shall identify the invoices/progress payment request which have not been paid and shall state the monetary value of said invoices/progress payment request. [R/Rev. B]

l. (DELETED) [D/Rev. B]

5. Currency Conversion

a. This clause is intended to protect Subcontractors from financial loss or gain due to currency exchange rate fluctuations. [R/Rev. B]

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

c. The face amount of this contract will administratively cite the mix of participating nation currencies required for contract total performance. The following fixed rates of exchange shall apply to this contract: [R/Rev. G]

Belgium/LUX	Franc	38.8440
Canada	Dollar	1.3873
Denmark	Krone	7.1710
Germany	Deutschemark	1.8820
Greece	Drachma	293.9800
Italy	Lira	1,840.0000
Netherlands	Guilder	2.1203
Norway	Krone	7.7358
Portugal	Escudo	190.5800
Spain	Peseta	159.0000
Turkey	Lira	162,740.0000
United Kingdom	Pound	0.6241

The following fixed rates of exchange that were published in the Wall Street Journal of 1 November 2000, apply to the LL CLINs of contract: [A/Rev. G]

Belgium/LUX	Franc	47.5006
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Canada	Dollar	1.5223
Denmark	Krone	8.7653
Germany	Deutschemark	2.3030
Greece	Drachma	399.98
Italy	Lira	2,279.98
Netherlands	Guilder	2.5949
Norway	Krone	9.2715
Portugal	Escudo	236.07
Spain	Peseta	195.92
Turkey	Lira	682,280.00
European Union	EURO	1.1774

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

- a. Price evaluation for Euro-Canadian subcontractors for make/buy decisions shall be based on exchange rates in effect on the closing date of the bid. These exchange rates shall be defined as the Spot Rate published in the Wall Street Journal on the closing date of the bid for the respective national currency. This rate shall be project/supplier specific and shall also apply to any changes to subcontracts for such specific suppliers/projects. It shall not apply to future work (work outside the scope of this contract). [R/Rev. B]

f. In accordance with the Treaty establishing the European Economic Community, as amended by the Treaty on the European Union (the Maastricht Treaty), the currency specified in this contract may, during the period of performance of this contract, cease to be a legal currency and be subject to conversion to a new European single currency, the "Euro." When, and if, the Euro is established as the common currency for countries listed in c. above, each national contractor will be given the option of converting their request for payment under this contract from their national currency to the Euro. When, and if, national currencies cease to be legal tender, all effective European contractors must receive payment in Euro. This conversion to Euro shall not change the price of the contract. [R/Rev. B]

6. RECOVERY OF NAPMO'S PRO RATA SHARE OF NONRECURRING COSTS ON FOREIGN COMMERCIAL SALES [A/Rev. G]

a. In the event the Seller or its subcontractors, intends to enter into foreign commercial sales or license agreements for the items developed under this contract or essentially similar items, it shall promptly notify the Buyer and the Contracting Officer.

(i) The phrase "foreign sales or license agreements" includes all sales to or license agreements with foreign buyers that are subject to the Arms Export Control Act, including foreign governments and international organizations, directly by the U.S. domestic firms.

b. The Seller agrees that his rights to enter into production for foreign sales of the items or essentially similar items are expressly contingent upon compliance with the provisions of this clause.

c. The Seller further agrees to flow-down this clause, substantially as written, in all NATO Mid Term EMD and Long Lead subcontracts. The Seller's obligations will be limited to reporting to the NAPMO such foreign commercial sales or license agreements that applicable subcontracts enter into. The NAPMO will be responsible for recoupment of any amount or amounts due directly from such subcontractors.