

Date: March 2003

EXHIBIT A-1

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

1. PROVISIONS FOR EURO-CANADIAN SUBCONTRACTS (Clause 25 of the prime contract)
 - a. Definitions. For the purposes of this clause "Euro-Canadian Subcontracting" Special Contract Requirements and the clauses referenced herein, the following definitions shall apply: [R/Rev. H]
 - (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 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 National Industrial Security Program Operating Manual, or other laws and regulations governing foreign procurement and disclosure of information to foreign nationals. [R/Rev. H]
 - c. Subcontract Management [A/Rev. H]
 - (1) For the purposes of this clause, E-C subcontractors are hereby identified as critical. Award of subcontracts by the Seller shall not in any way interfere with Boeing's and the Boeing Buyer's right to review, and consent to, all critical subcontracts prior to award of definitive instruments.
 - (2) The Boeing Buyer reserve the right to review and consent to all critical subcontracts prior to award of definitive instruments. Consent by the Boeing Buyer to any critical subcontract or any provisions thereof shall not be construed to be a determination of the acceptability of any critical subcontract price or of any amount paid under any critical subcontract or to relieve the Seller of any responsibility for performing this contract, unless such consent specifically provides otherwise.
 - (3) It is contemplated that the Boeing Buyer's review of E-C subcontracts may include participation by the NAPMO staff and representatives of the respective host government as well as the particular E-C subcontractor in order to assure full understanding by all of the above of the terms, conditions, special requirements and contract administration arrangements which pertain to this contract. The review will include:
 - (i) Flow down of all special requirements and contract clauses in accordance with paragraph d. of this Special Contract Requirement.
 - (ii) Verification that the E-C 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 for each subcontract.
 - (4) The Seller shall require that first-tier subcontractors comply with the requirements of this clause in second-tier subcontracts with E-C subcontractors.

(5) Except as modified in paragraph (c)(1) above, the Seller shall notify Boeing and the Boeing Buyer reasonably in advance of entering into each critical subcontract. The advance notification shall comply with the requirements of FAR Clause 52.244-1, "Subcontracts (Fixed-Price Contracts)," paragraph (c). This requirement also shall apply to all U.S. subcontractors contracting with a E-C subcontractor.

d. 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 e. 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: [R/Rev. H]

(1) Quality Assurance - Quality Assurance requirements for E-C subcontractors are addressed in the EMD, LL, DMS and PAR SOWs. [A/Rev. H]

(2) Examination of Records by the Comptroller General - In the provision to be included in subcontracts, as required by subparagraph (c) of the clause, the term "Comptroller General of the United States or any of his duly authorized representatives" shall be replaced by the term "National Audit Authority of the respective Euro-Canadian nation or its duly authorized representative." [A/Rev. H]

(3) Audit - Negotiation - The requirement in (b) of the clause shall, for E-C subcontracts, be applied with the term "Boeing Buyer or his representatives (who are employees of the United States Government)" replaced by "National Audit Authority or in exceptional circumstances, the USG DCAA." [R/Rev.I]

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

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

(6) ST/STE - For purposes of FAR Clause 52.245-17, "Special Tooling," items for E-C subcontractors 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. Procedure for approval of the classification is as prescribed in FAR Clause 52.245-17, "Special Tooling." [R/Rev. H]

e. 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: [R/Rev. H]

FAR 52.219-8	Utilization of Small, Small Disadvantaged and Women-Owned Small Business Concerns	
FAR 52.219-9	[D/Rev. H]	
FAR 52.222-4	[D/Orig.]	
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	[D/Rev. H]	
FAR 52.222-37	Employment Reports on Special Disabled Veterans and Veterans of the Vietnam Era	
FAR 52.222-3	[D/Rev. H]	
FAR 52.223-2	[D/Rev. H]	
52.223-3	Hazardous Material Identification and Material Safety Data	
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	
FAR 52.232-36	[D/Rev I]	
FAR 52.246-24	Limitation of Liability -- High-Value Items (Feb 1997) ["Government's" shall mean Government's or Buyer's in paragraph (e).	A/Rev. I

DFARS 252.219-7004 Small, Small Disadvantaged and Women-Owned Small Business Subcontracting Plan

DFARS 252.225-7016 [D/Rev. B]

DFARS 252.225-7025 [D/Orig.]

DFARS 252.225-7026 [D/Rev. B]

DFARS 252.227-7019 [D/Rev. H]

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

f. Pricing and Audit [R/Rev. H]

(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 Boeing Buyer 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 FAR Part 15 standards. [R/Rev. H]

(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 the right to examine those books, records, documents and other supporting data which will permit adequate evaluation of the proposed price. This right may be exercised at any time prior to award to the E-C subcontractor. [R/Rev. H]

(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 Boeing Buyer and a representative of the participating government. The Boeing Buyer shall advise the Seller of such action prior to consent to such subcontract by the Boeing Buyer.

(b) Additional detailed guidance on audit arrangements will be provided by the Boeing Buyer.

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

g. Economic Price Adjustment [A/Rev. H]

Economic Price Adjustment (EPA) for E-C subcontracts shall be implemented in accordance with Special Contract Requirement "Economic Price Adjustments," H.C. 26 for EMD and H.C.68 for Production and Retrofit (PAR) and PAR DMS and H.C. 88 for EMD DMS.

h. Contract Administration Services

Contract Administration Services (CAS) as described in the Federal Acquisition Regulation for the E-C subcontracts will be performed by the cognizant Defense Contract Management Agency (DCMA) local office in accordance with the delegation issued by the Boeing Buyer. The respective national CAS agencies will become involved only to the extent that CAS activities are delegated by the DCMA local office for that nation. [R/Rev. H]

i. Changes to Industrial Sources [A/Rev. H]

Notwithstanding the Boeing Buyer's approval of E-C subcontracts awarded by the Seller in accordance with his Industrial Participation Agreement with NAPMO, the Seller accepts total responsibility for the products supplied and the work performed hereunder. If the Seller deems it necessary to terminate any of the subcontracts issued pursuant to this provision for failure to make satisfactory progress or for failure to perform, notice shall be given to the Boeing Buyer as soon as such action is considered. Within fifteen (15) days of such notification, which must include the Seller's plan (with supporting rationale) to implement alternative means of discharging his obligations under this contract, the Boeing Buyer shall either concur or provide alternative direction. In the event that the Boeing Buyer directs alternate action by the Seller which results in cost and/or delivery schedule changes, an equitable adjustment shall be made to the contract pursuant to the "Changes" clause. If the Boeing Buyer does not concur within thirty (30) days or provide alternate direction, the Seller's plan shall be deemed approved. In no event shall the Seller take any action to terminate prior to fifteen (15) days notice has been given or before the Boeing Buyer concurs, whichever event occurs first.

j. Security and Fire Protection

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

k. 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. PROGRAM FINANCIAL MANAGEMENT (Clause ESC/H-268 of the prime contract) [A/Rev. H]

a. Definitions

(1) Billing Limitations (BL) means funds required to satisfy the Seller's anticipated billings in the performance of this contract. BL will be adjusted as appropriate to pay all allowable and allocable costs in accordance with the contract clause entitled "Progress Payments" and the provisions of this clause. The Billing Limitation Tables shall define the extent of NAPMA's capability to make payments. The BL shown in Table 1 and 3 represents the funds available in national currencies available for all payments during the periods represented in Table 1 and 3.

(2) Termination Liability (TL) shall be determined in accordance with FAR Clause 52.249-2, "Termination for Convenience of the Government (Fixed-Price)." Estimated TL is shown in Table 2 and 4 which includes amounts disbursed to the Seller. Tables 2 and 4 may be revised concurrently with updates of BL pursuant to paragraph b. and c. below.

b. Billing Limitations (BL)

(1) NAPMO will obtain funds and funding commitments from the participating nationals sufficient to meet the BL requirement contained in Tables 1 and 3 and sum of all subsequent Billing Limitation Tables (BLT) submitted in accordance with this Special Contract Requirement. Since funding for NAPMO contracts is planned in the participating National Capitals at least one (1) year in advance of need, it is the Seller's responsibility to ensure that BLT provide the best possible estimates of anticipated billings. In the event that NAPMO is unable to make timely payments caused by accelerated performance of the Seller which exceeds the current year's contract cumulative BLT, the Seller agrees to continue performance and to accept compensation as specified in SCR H.C. 31, "Deferred Payments." The Seller's forecasts shall be for the periods JAN-APR, MAY-AUG, and SEP-DEC. The Seller shall require E-C subcontractors to submit a copy of their respective BLT forecast to NAPMA concurrent with their submittal to the Seller. This copy will be used for information and planning purposes only by NAPMA.

(2) To ensure maximum alignment between the E-C subcontractors' BLT/Termination Liability Tables (TLT) forecast and the NAPMO funding, the Seller shall allow NAPMA direct involvement in the establishment of these BLT/TL forecasts. This involvement shall only pertain to establishment of the said forecasts and shall in no way interfere with the Seller subcontractor management. NAPMA shall provide timely notification to the Seller of any planned communications with the E-C subcontractors to allow Seller participation and will make best efforts to schedule such communications/meetings to coincide with Seller planned program review meetings at the subcontractors' facilities. The Seller shall not be responsible for any adverse impacts to cost/performance that are the result of those arrangements. The Seller shall require E-C subcontractors to submit a copy of the agreed to BLT forecast to NAPMA concurrent with their submittal to the Seller.

(3) Changes to BLT/TLT proposed by the Seller shall be submitted one hundred eighty (180) days in advance of the BLT period affected in accordance with CDRL requirements (CFSR). Negotiation of the BLT will be concluded within fifteen (15) days. If agreement is to be reached within fifteen (15) days, the on-contract BLT will continue to be in effect. The Boeing Buyer shall issue a contract modification which establishes revised BLT/TL within fifteen (15) days of agreement on BLTs. [R/Rev. H]

(4) If the Seller is requested to submit a proposal for a contract change not covered by paragraph (c) of this requirement, it shall include stand-alone BL/TL tables for that project with its proposal. These tables will be updated to reflect negotiated prices and will be added to this requirement as stand-alone tables. Subsequent revisions will be described in paragraph b(1).

c. Change Orders. Prior to issuing a Change Order under the "Changes" clause, or a Contract Modification of any value, the Boeing Buyer shall request the Seller to propose BL/TL values for the contemplated change. The Boeing Buyer shall include BL/TL values in Tables 1/2 format in the Change Order or Contract Modification. Change Order/Contract Modification BL/TL values are subject to adjustment in accordance with this Special Contract Requirement. Upon definitization or award of the Change Order, the BL/TL values will be incorporated into approved Tables 1 and 2. Nothing herein shall prohibit the Seller from including change order and basic contract billings in a single invoice, with an attached breakout.

d. Currency Exchange Rates. Exchange rate variations shall not affect the values of this contract. For the purpose of administration of this contract, national currencies shall be shown separately as well as converted into equivalent U.S. dollars at the exchange rates stated in Special Contract Requirement H.C 30, "Currency Conversion for Euro-Canadian Subcontractors." The resultant values shall be totaled in the "Equivalent Dollar" column of Tables 1 and 4.

e. The Seller agrees to continue performance under conditions of insufficient BL/TL, and agrees to accept compensation as defined under Special Contract Requirement H.C. 31, "Deferred Payments" for insufficient BL/TL under those specified conditions.

f. The Seller shall support Financial Management Reviews involving SPO/NAPMA financial and contract managers to review NATO MID TERM EMD, Long Lead, DMS and PAR information, such as funding status.

g. Separate BLTs and TLTs are to be provided as follows:

- (1) NATO Mid Term EMD and excluding ceiling increase and EMD DMS
- (2) NATO Mid-Term Long Lead Phase 1
- (3) Restructured Long Lead and Long Lead DMS
- (4) NATO Mid-Term Production & Retrofit (PAR) and PAR DMS
- (5) NATO Mid-Term EMD Ceiling Increase and EMD DMS

Note: (a) Billing Limitation Tables as part of the change process may be required.

(b) Logistics Long Lead SOW Appendix effort will be excluded from Long Lead and PAR BLTs.

h. The financial data described above will be delivered in accordance with the Contract Data Requirements List (CDRL), "contract Funds Status Report."

i. The financial data described above will be provided as an Attachment to the Purchase Contract.

3. CURRENCY CONVERSION (Jan 95) (Clause 30 of the prime contract) [R/Rev. H]

a. This requirement, in combination with SCR H.C. 29, "Payments" and SCR H.C. 28, "Program Financial Management" will protect the Seller and subcontractors from financial loss or gain due to currency exchange rate fluctuations.

b. The Seller shall provide forecasts of required currencies, as requested by the Buyer, for NATO MID TERM EMD, Long Lead, DMS and PAR in accordance with the BL/TL tables. Reports shall also state the actual currency amounts which were invoiced to NAPMA for payment in all prior periods. [R/Rev. H]

c. The face amount of this contract will administratively cite the mix of participating nation currencies required for contract total performance. The face value (AFMC Form 701, Blk 22) will also be expressed in total equivalent United States dollars (hereafter called Equivalent Dollars) for purpose of determining total price using the appropriate fixed rates of exchange expressed below. The following fixed rates of exchange that were published in the Wall Street Journal of 6 August 1977, apply to the EMD CLINs of contract. [R/Rev. H]

Country	Currency	Per US\$
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	Lire	162,740.0000
UK	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, DMS and PAR CLINs of contract: [R/Rev. H]

Country	Currency	Per US\$
Belgium/LUX	Franc	47.5006
Canada	Dollar	1.5223
Denmark	Krone	8.7653
Germany	Deutschemark	2.3030

Greece	Drachma	399.98
Italy	Lire	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. Changes in the national currency mix shall not change the equivalent U.S. dollar value of the projects. [A/Rev. H]

e. 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. These procedures apply to all selections/evaluations of the E-C subcontractors as defined in SCR H.C. 25, "Euro-Canadian Subcontracting," subparagraph a(4). [R/Rev. H]

f. 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 currencies. This rate shall be project/supplier specific and shall also apply to any changes to subcontracts for such specific suppliers/projects within the scope of the subcontract. It shall not apply to subsequent future work with the selected subcontractor. Future Work is defined as outside the scope of this contract or the applicable subcontract. [R/Rev. H]

g. Price evaluation of E-C subcontractors for Future Work Make/Buy decisions after the award of this contract shall be based upon the current exchange rate. The current exchange rate shall be defined as the Spot Rate published in the Wall Street Journal on closing date of the bid/proposal from such E-C subcontractors for the respective national currencies. [A/Rev. H]

h. If the Seller chooses a E-C subcontractor for Future Work, having a value equal to or greater than \$100,000.00 Equivalent Dollars resulting from a Class I change to the contract before March 1, 2001, or a Class II change to the prime contract resulting from a Class I change to a subcontract having a value equal to or greater than \$100,000.00 Equivalent Dollars on or after March 1, 2001, the applicable BL/TL tables shall be revised to identify the Future Work and to add the currency exchange for the selected subcontractor's national currency for this Future Work. This shall be reflected as a separate column in the BL/TL tables. If the E-C subcontractor is selected through competitive bidding procedures, the currency exchange rate shall be the Spot Rate published in the Wall Street Journal on the date of bid closure. If the E-C subcontractor is selected as a sole source, the currency exchange rate shall be the Spot Rate published in the Wall Street Journal on the date of the proposal. The applicable contract currency exchange rate noted in paragraph (c) above will apply for all Class II changes and for Class I changes not meeting the \$100,000.00 threshold. As of March 1, 2001, the applicable spot exchange rate, as described above in this paragraph, shall apply to any Class II change to the prime contract resulting from a Class I change to the subcontract in having a value equal to or greater than \$100,000.00 Equivalent Dollars. [A/Rev. H]

i. 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 vendor 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 affected European vendors must receive payment in Euro. This conversion to Euro shall not change the price of the contract. [R/Rev. H]

5. PAYMENTS TO EURO-CANADIAN SUBCONTRACTORS [R/Orig.]

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

- a. 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. Euro-Canadian subcontractors and U.S. second tier subcontractors will be paid in their national currency by NAPMA. [R/Rev. B]
- b. Payments to 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 subcontractor, who will verify that the invoice/progress payment request is consistent with the requirements of the subcontract. [R/Rev. B]
- d. When a subcontractor has completed a contract milestone or can submit a progress payment request in accordance with its contract, the 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 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 [R/Rev. B]
- e. The National Government Representative will certify that the Euro-Canadian subcontractor has met the milestone completion requirements or that the Euro-Canadian subcontractor is authorized to submit a progress payment request, and that the invoices amount is correct. After validation by the National Government Representative, the 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 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 subcontractor's national currency, does not exceed the NATO Mid Term 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 subcontractor to U.S. dollars based on the currency exchange rates specified in the "CURRENCY CONVERSION CLAUSE". [R/Rev. H]
- g. The Prime Contractor shall forward by facsimile a copy of the invoice/progress payment request to the NAPMA Financial Controller (with an informational 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 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 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 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 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]

6. MID-TERM EMD ACCEPTANCE (Clause 49 of the prime contract) [A/Rev. H]

a. Final Government acceptance of the SubCLINs listed in paragraph "b." below, does not relieve the Seller from its overall FCA/PCA requirements. Each successfully completed and accepted SubCLIN effort will be considered Contractor Furnished Property (CFP) or Contractor Furnished Data (CFD), for subsequent contract performance. Notwithstanding any other provisions of this contract, the Government shall not take possession of any contract deliverable produced under CLIN 0001 until completion of SubCLIN 0001AL, "Systems FCA and PCA." The Seller shall make available for Government inspection any contract products which have been certified as complete in accordance with acceptance criteria for each CLIN 0001 SubCLIN. The DD250 for SubCLIN 0001AL, "System FCA and PCA," shall contain a list of all CLIN 0001 deliverables to the Government.

b. Acceptance of each CLIN 0001 EMD SubCLIN shall be made only after completion of the acceptance criteria for each SubCLIN, defined as evidence of completion criteria. The Seller must meet all SubCLIN acceptance criteria to receive full payment for an individual SubCLIN. All payments made under the provisions contained herein, for the completed efforts termed Seller furnished property or data, shall be recoverable under the terms of the "Progress Payments" clause, FAR 52.232-16, if this contract is terminated under the provisions of the "Default" clause, FAR 52.249-8.

c. The Seller shall certify, on a Certificate of Conformance (COC), that SubCLIN acceptance criteria have been completed, and the Seller shall submit to the cognizant Administrative Boeing Buyer (ACO) and Boeing each COC for review and approval prior to Government acceptance. The Government reserves the right to participate in any Seller conducted demonstrations and/or reviews which support acceptance of EMD SubCLINs. The Seller shall provide for Government review and verification of all technical data and/or financial documentation which provides evidence of completion of the EMD SubCLINs.

7. THIRD PARTY LIABILITY (EADS) (Clause H.C. 67 of the prime contract) [A/Rev. H]

This provision is applicable for third party liability coverage pertaining to Boeing subcontract KE6970 with EADS Deutschland GmbH Military Aircraft (hereinafter "EADS").

The following language shall be included in Boeing/EADS subcontract KE6970:

NAPMO shall relieve EADS, Boeing and their employees of the responsibility for liability over and above the limit of \$25,000 EURO for third party claims for personal damage (resulting in death, injury or injuries to health) and for material damage (resulting in damage or destruction of material objects) in instances where third parties pursue a claim based on provisions of law for liabilities of a private nature which provisions EADS or EAD's employees have violated in performance of this contract.

Within the above limit, EADS shall also be responsible for all necessary costs in averting such third party claims.

NAPMO shall be response for all costs in excess of such limit necessary in averting such third party claims.

Above NAPMO's responsibility does not apply if:

(a) EADS caused the damage by willful misconduct of its employees;

(b) The claim(s), due to contracts or specific promises existing between EADS and the third party, exceed the scope of liability provided for by law; or

(c) The claims are due to failure on part of EADS or EADs' employees to remove especially dangerous circumstances within a reasonable period, which removal could have reasonably been expected to be requested by NAPMO or which NAPMO had requested.

8. PAR ECONOMIC PRICE ADJUSTMENTS (EPA) (November 2002) (Clause H.C. 68 of the prime contract) (Applicable to CLINs/SubCLINs 2001-2009, 2010, 2011 and 2013) [A/Rev. H]

This contract shall provide for Economic Price Adjustment as specified below:

a. Applicability:

(1) Economic Price Adjustments shall be subject to annual review. The adjustment shall be made as specified in the following paragraphs.

(2) EPA shall be implemented for the Seller.

(3) EPA shall be implemented for subcontractors, with subcontracts valued at more than U.S. Dollars equivalent 1,000,000 (using the applicable contract currency exchange rate)

(4) EPA shall be applicable to the following E-C subcontractors:

Group A	Fokker
Group A	TAI
Group B	EADS ULM
Group B	GDC
Group B	Ogma
Group B	Ayesas
Group B	Marconi COM
Group B	Marconi IFF
Group B	Telephonics (IFF)
Group B	EADS Ulm
Group B	Thales
Group B	Telephonics (COM)
Group B	Intercom
Group B	HAI
Group B	Thales Germany
Retrofit	EADS Manching

b. Definitions:

(1) "Economic Price Adjustment" is an adjustment to the target cost, target price and ceiling price of this contract, based on the difference between forecast inflation values reflected in the contract and actual inflation values for each calendar year.

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

(a) For E-C subcontractors they are industry specific indices provided by DRI-Europe Inc., through NAPMA, for actual and forecast inflation indexes. For those outyears where DRI-Europe Inc. has

not published forecast inflation indexes, the value for the outyears will remain the same as the value of the last year published.

(b) For other U.S. subcontractors, an index appropriate to the specific industry.

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

(4) "Claim Year" is the calendar year following the expenditure profile year for which a claim is submitted.

c. Planned Expenditure Profile:

(1) For the purpose of this clause only, the following elements are excluded from the Planned Expenditure Profiles on the subcontracts:

Profit
Subcontracts

(2) The Planned Expenditure Profile shall not be adjusted unless a change to this contract (i.e., an ECP/CCP incorporated by a supplemental agreement) that increases/decreases the contract price by U.S. dollars equivalent 1,000,000 or a make/buy decision is made which increases or decreases the costs subject to EPA in the Planned Expenditure Profile by more than U.S. dollars equivalent 1,000,000. The amount of increase or decrease shall be subject to mutual agreement between the parties.

(a) A contract change (other than an Economic Price Adjustment) or a make/buy decision which decreases the costs subject to EPA in the Planned Expenditure Profile shall decrease the existing profile in paragraph c.(1) below by an equal amount. The resulting profile shall be subject to the existing index forecast.

(b) Contract changes which increase the Planned Expenditure Profile (other than in Economic Price Adjustment) shall be subject to all terms and conditions of this clause except that the adjustment profile shall be displayed separately from the existing Planned Expenditure Profile in paragraph c.3 below and shall be subject to annual index forecasts which are made with latest available data at the time of adjustment. The amount of the price adjustment shall be negotiated between the parties.

d. Make/Buy decisions which increase the costs subject to EPA in the Planned Expenditure Profile by more than U.S. dollars equivalent 1,000,000 shall be subject to the existing index forecast.

NATO MID-TERM PAR
PLANNED EXPENDITURE PROFILE BY CALENDAR YEAR
(TY U.S. Dollars Equivalents in Millions)

e. EPA Determination

f. Termination of Contract: Should this contract be terminated in whole or in part, for any reasons, actual annual index values and the Planned Expenditure Profile(s) for the year in which the termination occurs shall be used to determine EPA adjustments. The values in the Planned Expenditure Profile(s), for the year in which the termination occurs, shall be adjusted on a pro rata basis if the termination occurs prior to December (e.g. if the termination occurs on 31 July then the Planned Expenditure Profile shall be adjusted by 7/12ths for that year).

g. E-C Subcontractors. NAPMA shall be responsible for the administration of EPA requirements with applicable E-C subcontractors, including but not limited to, obtaining the necessary expenditure profiles and providing the forecasted and actual index values. Upon NAPMA completing EPA negotiations with affected E-C subcontractors, NAPMA will provide the negotiation results through ESC/Boeing for incorporation in this contract. Nothing in this paragraph shall constitute any privity between NAPMA and Boeing subcontractors.

(1) The forecast index used for this clause shall be an industry specific index promulgated by DRI-Europe Inc. in the year the subcontract award is made. In the event that current year forecasts have not yet been published by DRI-Europe Inc., previous year published values shall be used.

(2) The indexes shall be annual indexes by calendar year. The base year for all indexes will be adjusted to 1 January 1996. If the base year for the index is changed to any year other than 1996, then such index values shall be adjusted to an equivalent value using 1 January 1996 as the base for purposes of this clause. The index described in paragraph g.(3) shall be used in all EPA clauses with E-C subcontractors and incorporated into this clause.

(3) The index forecasted for use in the formula of paragraph g.(2) of this clause are the averages of the index for the twelve months of each calendar year. A DRI-Europe Inc. forecast will be made for each E-C country with E-C subcontractors. The following annual index forecasts are for E-C subcontractors as specified in paragraph g.(2).

<u>Labor</u>							
	<u>Fokker</u>	<u>TAI</u>	<u>EADS ULM</u>	<u>GDC</u>	<u>Ogma</u>	<u>Ayess</u>	<u>Marconi (C)</u>
<u>Index</u>							
<u>2004</u>	*	*	*	*	*	*	*
<u>2005</u>	*	*	*	*	*	*	*
<u>2006</u>	*	*	*	*	*	*	*
<u>2007</u>	*	*	*	*	*	*	*
<u>2008</u>	*	*	*	*	*	*	*

<u>Labor</u>							
	<u>Marconi (c)</u>	<u>EADS ULM</u>	<u>Thales</u>	<u>Intercom</u>	<u>HAI</u>	<u>Tales Gern</u>	<u>EASD Manching</u>
<u>Index</u>							
<u>2004</u>	*	*	*	*	*	*	*
<u>2005</u>	*	*	*	*	*	*	*
<u>2006</u>	*	*	*	*	*	*	*
<u>2007</u>	*	*	*	*	*	*	*
<u>2008</u>	*	*	*	*	*	*	*

	<u>Fokker</u>	<u>TAI</u>	<u>EADS ULM</u>	<u>GDC</u>	<u>Ogma</u>	<u>Ayesas</u>	<u>Marconi (C)</u>
<u>Index</u>							
<u>2004</u>	*	*	*	*	*	*	*
<u>2005</u>	*	*	*	*	*	*	*
<u>2006</u>	*	*	*	*	*	*	*
<u>2007</u>	*	*	*	*	*	*	*
<u>2008</u>	*	*	*	*	*	*	*

<u>Material</u>							
	<u>Marconi</u>	<u>EADS ULM</u>	<u>Thales</u>	<u>Intercom</u>	<u>HAI</u>	<u>Tales Gern</u>	<u>EASD Manching</u>
<u>Index</u>							
<u>2004</u>	*	*	*	*	*	*	*
<u>2005</u>	*	*	*	*	*	*	*
<u>2006</u>	*	*	*	*	*	*	*
<u>2007</u>	*	*	*	*	*	*	*

2008	*	*	*	*	*	*	*
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* Forecasted index values to be provided by NAPMA in accordance with paragraph j above.

(k) EPA Summary for CY 2004

(positive numbers are debit, and represent an increase to the contract value; negative numbers a credit to NAPMA, and represent a decrease to the contract value)

Prime / 1st Tier	2nd Tier	National Currency	CY 2004 Equivalent U.S. Dollars	Applicable Exchange Rate
Fokker				
TAI				
EADS ULM				
GDC				
	Ogma			
	Ayesas			
Marconi (COM)				
Marconi (IFF)				
	Telephonics (IFF)			
	EADS ULM			
Thales				
	Telephonics (COMM)			
	Intercom			
	HAI			
	Thales (Germany)			
Xetron				
EADS Manching				

9. COTS Licenses for Production and Retrofit (PAR) (Nov. 2002) (H.C. 69 of the prime contract) [A/Rev. H]

Licenses for the following COTs products will be obtained by NAPMO for the PAR phase of the NATO Mid-Term Program and are not provided by the Seller:

<u>Vendor</u>	<u>COTS S/W Product</u>
Public Domain	PERL
Adobe	FrameMaker
Enigma	Dyna Text Browser
GlobeTrotter	FlexLM
GNU	GNU gtar
GNU	GNU "doc++" documentation extraction program
Intermaphics	InterMAPhics AIRDEF1
Intermaphics	InterMAPhics Development Env
Intermaphics	InterMAPhics Window Manager
Intermaphics	InterMAPhics ATC Toolkit
Intermaphics	InterGEO V1.4 Map Filter set, (WDBII, DTED, CADRG, VPF) (No ADRG)
Intermaphics	InterMAPhics Map Client
IST	Xdesigner
KDA	UIS_Datastore
KDA	UIS_Motif_Ctrl
KDA	STL
LMFS	Hardpack

Oracle	Oracle Forms & Reports (STAT)
Oracle	Oracle Enterprise Server
Rational	Rational Suite Development Studio for Unix (includes Rational Unified Process)
Rational	Rational SoDA
Rational	Rational Rose
Rational	Rational Quantify
Rational	Rational Purify
Rational	Rational Apex Duo
Rational	Rational Ada Analyzer
Rational	Rational Ada TestMate
Rational	ClearQuest
Sitraka	XRT PDS
SSEI	IRIS
Sun	Sun C/C++Compiler
Sun	Java
Telelogic	DOORS
Telelogic	Object Team
TrollTech	Qt
Veritas	Veritas Net Backup

9. CONSUMABLE MATERIALS FOR PAR (Nov 2002) (Clause H.C. 73 of the prime contract) [A/Rev. H]

The Government will furnish all consumable items necessary to perform maintenance on the aircraft while undergoing the retrofit at the retrofit subcontractor's facilities such as light blubs, gaskets, and o-rings, filters, etc. These items will be provided in accordance with paragraph 3.0.1. of the Aircraft Maintenance Exhibit, Appendix A to the PAR SOW.

10. EMD DMS ECONOMIC PRICE ADJUSTMENT (EPA) (Clause H.C. 88 of the prime contract) (Applicable to CLINs/SubCLINs 0001AY, 0003AF & 0003AG) [A/Rev. H]

This contract shall provide for Economic Price Adjustments as specified below:

a. Applicability:

(1) Economic Price Adjustments shall be subject to annual review. The adjustment shall be made as specified in the following paragraphs:

(2) EPA shall be implemented for the Seller.

(3) EPA shall be implemented for subcontractors, with subcontracts valued at more than U.S. Dollars equivalent 1,000,000 (using the applicable contract currency exchange rate).

(4) EPA shall be applicable to the following E-C subcontractors:

Group B	1st Tier	EADS ULM
Group B	1st Tier	GDC
Group B	1st Tier	MARCONI COMM

b. Definitions:

(1) "Economic Price Adjustment" is an adjustment to the target cost, target price and ceiling price of this contract, based on the difference between forecast inflation values reflected in the contract and actual inflation values for each calendar year.

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

(a) For Seller: SIC ECIWSW372INS, Aircraft Industry, White Collar Workers (Note: Index and projection subject to confirmation at first FMR).

(b) For E-C subcontractors they are industry specific indices provided by DRI-Europe Inc., through NAPMA, for actual and forecast inflation indexes. For those outyears where DRI-Europe Inc. has not published forecast inflation indexes, the value for the outyears will remain the same as the value of the last year published.

11. RECOVERY OF NAPMO'S PRO RATA SHARE OF NONRECURRING COSTS ON FOREIGN COMMERCIAL SALES

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 Boeing Buyer.

(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 Long Lead and PAR 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. [R/Rev. H]