

TC-03(a) Terms and Conditions for Fixed-Price U.S. Government Orders – GOODS

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1. DEFINITIONS

As used throughout these terms and conditions (**“Terms and Conditions”**), the following terms shall have the meanings set forth below.

“Buyer” means GENERAL ATOMICS AERONAUTICAL SYSTEMS, INC.

“Buyer’s Authorized Procurement Representative” means the person(s) identified in the Order who is delegated with the procurement authority to execute and administer the Order.

“DFARS” means Department of Defense FAR Supplement, issued as Parts 200-299 of Chapter 2 of Title 48, Code of Federal Regulations.

“FAR” means the Federal Acquisition Regulation, issued as Chapter 1 of Title 48, Code of Federal Regulations.

“Goods” means those products, supplies, reports, computer software, hardware, data, materials, articles, items, parts, components or assemblies, as described in the Order.

“Government” means the Government of the United States of America or any department, agency or instrumentality thereof, and any successor thereof.

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“Industrial Participation Obligations” means the past, present and future industrial participation, co-production and offset obligations or any similar obligations that Buyer undertakes, in order to market or sell its Goods, and to meet other customer country national objectives.

“Order” means the instrument of contracting, such as “Purchase Order”, “PO”, “Subcontract”, or other such type designation, issued by Buyer to Seller, to which these Terms and Conditions are applicable, and all referenced documents, exhibits, attachments and amendments. If these Terms and Conditions are part of a “long term agreement”, “master agreement” or other “umbrella” type of agreement that provides for releases (in the form of a purchase order or other such document) the term Order shall also mean the release document(s) for which the Goods are the subject matter.

“Party” means each of Buyer and Seller, and collectively “Parties.”

“Prime Contract” means the contract between Buyer and its Government customer for the acquisition of Goods.

“Seller” means the person, firm, or corporation executing the Order with the Buyer and who will furnish the Goods provided for herein. For purposes of the Independent Contractor clause herein only, “Seller” shall also include Seller’s agents, representatives, subcontractors, and suppliers at any tier.

2. HEADINGS

The division of these Terms and Conditions into clauses, and the insertion of headings are for convenience of reference only and shall not define, limit, or describe the scope or the intent of the Order nor shall they affect the construction or interpretation of these Terms and Conditions. The terms “these Terms and Conditions,” “hereof,” “hereunder,” and similar expressions in these Terms and Conditions refer to these Terms and Conditions and not to any particular clause, or other portion and include any Terms and Conditions supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to clauses are to clauses of these Terms and Conditions.

3. INDEPENDENT CONTRACTOR

Seller is an independent contractor and not an agent or employee of Buyer either expressly or impliedly. The employees used by Seller to perform work under the Order shall be Seller’s employees exclusively without any relation whatsoever to Buyer. Seller assumes full responsibility for the actions and supervision of such personnel while engaged in work under the Order, and Buyer assumes no liability for the actions of Seller’s personnel. The Order will not constitute, create, give effect to, or imply a joint venture, teaming arrangement, partnership, formal business organization or any type of permanent relationship of any kind beyond the specific purposes stated herein. Nothing in the Order will grant to either Party the right to make commitments of any kind for, or on behalf of, the other Party.

4. PACKING AND SHIPMENT

- a. Seller shall be responsible for ensuring the proper packaging of Goods hereunder and shall include necessary boxing, crating, carting, marking, or storage, without additional charge, unless otherwise specified in the Order. Goods will be suitably packaged to secure the lowest transportation costs, in accordance with the requirements of common carriers and good commercial practices, and to ensure against damage from weather or transportation.
- b. Seller shall plainly mark Buyer’s Order number on all invoices, packages, bills of lading and shipping orders. Seller shall mark packages with necessary lifting, loading and shipping information, including Buyer’s Order number, dates of shipments and other relevant information. Packing lists will accompany each shipment showing materials. Buyer’s count or weight shall be final and conclusive on shipments not accompanied by packing lists.

5. DELIVERY, NOTICE OF DELAY

- a. Seller’s timely performance is a critical element of the Order; thus failure to deliver in accordance with the delivery schedule under the Order, if unexcused, will be considered a material breach of the Order.
- b. Unless otherwise noted in the Order or otherwise authorized in writing by Buyer’s Authorized Procurement Representative, Seller shall not deliver Goods prior to the scheduled delivery date(s) set forth in the Order nor shall Seller deliver Goods in excess of the applicable quantities set forth in the Order.
- c. Notwithstanding, Buyer may authorize Seller to deliver Goods early, but such authorization must be in writing. Goods delivered prior to the scheduled delivery date set forth in the Order and without written authorization or in excess of the

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quantities specified in the Order may, at the Buyer's option, (i) be retained by Buyer at no additional cost or early liability for costs, or (ii) returned to Seller. Seller shall be liable for all handling and return shipment costs for excess quantities.

- d. In the event of any anticipated or actual delay, including but not limited to delays attributed to labor disputes, Seller shall: (i) promptly notify Buyer in writing of the reason(s) for the delay and the actions being taken to overcome or minimize the delay; (ii) provide Buyer with a written recovery schedule; and (iii) if requested by Buyer, ship Goods via air or other expedited routing, at no additional cost to Buyer, to avoid or minimize delay to the maximum extent possible.

6. ACCEPTANCE OF ORDER

- a. The Order is Buyer's offer to Seller. Seller's acceptance of the Order creates a binding contract between Buyer and Seller, which will be governed by the provisions of the Order. Acceptance of Buyer's offer is strictly limited to the Terms and Conditions in the Order. Any one of the following methods will constitute acceptance of the Order by Seller: (i) acknowledgement in writing of acceptance; (ii) commencement of performance, or (iii) acceptance of payment.
- b. Modifications of the Order, to be binding, must be in writing and signed by Buyer's Authorized Procurement Representative. The rights and obligations described in the Order will survive completion and final payment of the Order.
- c. **ADDITIONAL OR DIFFERING TERMS OR CONDITIONS PROPOSED BY SELLER OR INCLUDED IN SELLER'S ACKNOWLEDGMENT HEREOF ARE HEREBY OBJECTED TO BY BUYER AND HAVE NO EFFECT UNLESS EXPRESSLY ACCEPTED IN WRITING BY BUYER'S AUTHORIZED PROCUREMENT REPRESENTATIVE.**

7. TITLE AND RISK OF LOSS

Title to Goods and risk of loss will pass to Buyer in accordance with the FOB term or other shipping terms set forth on the face of the Order, regardless of when or where Buyer takes physical possession, unless the Order specifically provides for earlier or separate passage of title. Acceptance and passage of title shall not impair the right of Buyer to inspect and reject any item, and shall not relieve Seller of any other obligations under the Order.

8. FURNISHED PROPERTY

- a. For purposes of this Furnished Property clause, such Furnished Property will be either Buyer-furnished property or Government-furnished property and may include special tools, such as jigs, dies, fixtures, molds, patterns, and manufacturing aids or any other property. Furnished Property will only be used for performance of the Order and shall not be altered, unless Buyer consents otherwise in writing.
- b. If any Buyer-furnished property is provided to Seller, Seller shall clearly mark, maintain in inventory, and keep segregated or identifiable all Buyer-furnished property. Buyer-furnished property will include Buyer's property and property of its suppliers that Buyer furnishes under the Order. Title to Buyer-furnished property will remain with Buyer or its supplier. Seller shall have the obligation to maintain any and all Buyer-furnished property and shall be responsible for all loss or damage to said property except for normal wear and tear. Seller shall secure and maintain for the benefit of Buyer, insurance against any loss or damage of all property in which Buyer has or acquires an interest hereunder. Coverage will be provided on an all risk basis and value will be at replacement cost. Upon request, Seller shall provide Buyer with adequate proof of insurance against such loss or damage.
- c. If any Government property is furnished to Seller or any property is acquired by Seller on behalf of Buyer for its Government customer as a direct item of cost under the Order, it will be considered Government-furnished property. Seller shall assume the risk of, and be responsible for, any loss, destruction of or damage to Government-furnished property while in Seller's possession or control, except to the extent that the Order specifically provides otherwise. Title to property acquired by Seller on behalf of Buyer for its Government customer shall pass to and vest in the Government and title to property furnished by the Government, either directly to Seller or through Buyer, shall remain with the Government. Seller shall return all Government-furnished property in a condition as good as when received except for reasonable wear and tear. Seller shall establish and maintain a property management system for control of Government-furnished property in accordance with FAR 52.245-1 (APR 2012), unless some other date version or equivalent FAR clause is provided elsewhere in the Order. Seller shall promptly notify Buyer if its property management system is deemed inadequate by the Government.
- d. Seller shall promptly report the loss of Furnished Property to Buyer, in a written report, for all losses outside the normal process variation, such as losses due to theft, inadequate storage, lack of physical security, or "Acts of God." Seller's property management system shall provide adequate management control measures as a means of managing normal process variations. At all times, Buyer and Government, as applicable, shall have access to Seller's facilities for the purpose of reviewing its compliance with the management of Government or Buyer property related to this Order.

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Payment due date and cash discount period will be calculated from the later of the date of Buyer's receipt of an accurate invoice, the scheduled delivery date or the actual delivery date. Payment terms will be set forth on the face of the Order. Payment will be deemed made on the date Buyer's check is mailed or payment is otherwise tendered in United States dollars. Seller shall promptly repay Buyer any amounts paid in excess of amounts due Seller. Buyer shall be entitled at all times to set-off any amount owing at any time from Seller to Buyer against any amount payable by Buyer to Seller.

10. DEFECTIVE COST OR PRICING DATA

If Seller, its subcontractor(s) or prospective subcontractor(s), fails to submit accurate, complete and current cost or pricing data, and, as a result of that failure, the Government reduces the price of Buyer's Prime Contract, pursuant to FAR 52.215-10 "Price Reduction for Defective Cost or Pricing Data" or FAR 52.215-11 "Price Reduction for Defective Cost or Pricing Data – Modifications," or any other provisions of the Prime Contract under which the Order is issued, Buyer may recover from Seller an amount equal to the price reduction of the Prime Contract. If, as a result of Seller's or its subcontractor's foregoing conduct, the Government imposes a penalty on or charges Buyer interest, Buyer may recover from Seller the amount of that interest or penalty. Seller will not raise as defenses the matters listed in FAR 52.215-10(c) (1) (AUG 2011) or FAR 52.215-11(d)(1) (AUG 2011).

11. INSPECTON

Buyer shall be permitted, at no additional cost, to inspect Goods on a non-interference basis, at reasonable times and places, during manufacture and before shipment in order to review and assess progress and performance under the Order, including Seller's subcontractors' locations. Such inspections will include Seller's applicable facilities, including manufacture, fabrication, distribution, warehouse and testing facilities. Whether or not inspections and design or planning reviews are performed by Buyer, Seller shall not be relieved from responsibility to perform all inspection tests and quality assurance measures to comply with the requirements of the Order.

12. ACCEPTANCE OR REJECTION OF GOODS

- a. Buyer shall accept the Goods or give Seller notice of rejection due to any defect or nonconformance within a reasonable time after the date of delivery. No payment, prior test, inspection, passage of title, any failure or delay in performing any of the foregoing, or failure to discover any defect or other nonconformance will relieve Seller of any obligations under this Order or impair any rights or remedies of Buyer, including revocation of acceptance. The Buyer's right of rejection contained in this Acceptance and Rejection of Goods clause is in addition to and shall not in any way impact or replace Buyer's rights as set forth in the Warranty clause contained herein.
- b. If Seller delivers defective or non-conforming Goods, Buyer may at its option: (i) require Seller, at Seller's expense, to promptly correct or replace all or a portion of the Goods; (ii) return all or part of the Goods for credit or refund; (iii) correct, repair or modify the Goods to comply with the Order, at Seller's expense; or (iv) obtain replacement Goods from another source. Return to Seller of defective or non-conforming Goods and redelivery to Buyer of corrected or replaced Goods shall be at Seller's expense.
- c. Seller shall not redeliver corrected or rejected Goods without disclosing the former rejection or requirement for correction. Seller shall disclose any corrective action taken. Repair, replacement, and other correction and redelivery shall be completed as Buyer may reasonably direct.

13. WARRANTY

- a. Seller warrants that all Goods furnished under the Order will: (i) be free from defects in design, material and workmanship, (ii) conform to all requirements of the Order, and (iii) if ordered to specifications under the Order, will conform to the specifications and to any drawings, samples, or other description applicable under the Order. This warranty shall begin upon final acceptance pursuant to the Acceptance and Rejection of Goods clause and shall survive inspection, test and payment for the Goods.
- b. If any Goods fail to comply in any respect to the warranty set forth above, Seller, at Buyer's option, shall promptly repair or replace the Goods. Transportation of replacement Goods and return of nonconforming Goods will be at Seller's expense. If repair, replacement or correction of Goods is not timely, Buyer may elect to return, repair, replace, re-procure or correct the nonconforming Goods, as Buyer deems applicable, at Seller's expense.
- c. All statutory warranties will apply. Warranties will run to Buyer, its successors, assigns, and customers.

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- a. “Counterfeit Goods” mean Goods or separately identifiable items or components of Goods that:
 - (i) are an unauthorized copy or substitute of an original equipment manufacturer or original component manufacturer (collectively, “OEM”) item;
 - (ii) are not traceable to an OEM sufficient to ensure authenticity in OEM design and manufacture;
 - (iii) do not contain proper external or internal materials or components required by the OEM or are not constructed in accordance with OEM design;
 - (iv) have been reworked, re-marked, re-labeled, repaired, refurbished, or otherwise modified from OEM design but not disclosed as such or are represented as OEM authentic or new; or
 - (v) have not passed successfully all OEM required testing, verification, screening, and quality control processes.
- b. Seller shall not deliver Counterfeit Goods or suspected Counterfeit Goods to Buyer under the Order. Counterfeit Goods are deemed nonconforming to the Order.
- c. Notwithstanding the foregoing, Goods or items that contain modifications, repairs, re-work, or re-marking as a result of Seller’s or its subcontractor’s design authority, material review procedures, quality control processes or parts management plans, and that have not been misrepresented or mismarked without legal right to do so, will not be deemed Counterfeit Goods.
- d. Seller shall implement an appropriate strategy to ensure that Goods furnished to Buyer under the Order are not Counterfeit Goods. Seller’s strategy will include, but not be limited to, the direct procurement of items from OEMs or authorized suppliers, conducting approved testing or inspection to ensure the authenticity of items, and, when items are to be procured from non-OEM suppliers, obtaining from such non-OEM suppliers appropriate certificates of conformance that provide one or more of the following: (i) the OEM’s original certificate of conformance for the item; (ii) sufficient records providing unbroken supply chain traceability to the OEM; or (iii) test and inspection records demonstrating the item’s authenticity. Seller shall provide authenticity and traceability records to Buyer upon request.
- e. If Seller becomes aware or suspects that it has furnished Counterfeit Goods to Buyer under the Order, Seller shall promptly notify Buyer, in writing, and, at Seller’s expense and in no case later than thirty (30) days from discovery, replace such Counterfeit Goods with OEM or Buyer-approved Goods that conform to the requirements of the Order. Seller shall be liable for all costs related to the replacement of Counterfeit Goods and any testing or validation necessitated by the installation of authentic Goods after Counterfeit Goods have been replaced.
- f. Seller bears responsibility for procuring authentic Goods or items from its subcontractors, and shall ensure that all such subcontractors comply with the requirements of this Counterfeit Goods clause.

15. CONFLICT MINERALS

If Seller is a registrant with the Securities and Exchange Commission (SEC), Seller shall comply with all the conflict minerals reporting requirements as set forth in [17 CFR PARTS 240 and 249b](#), (Dodd-Frank Act Section 1502), and perform appropriate due diligence on its supply chain in order to fulfill the reporting obligations of the conflict minerals rule.

16. DIMINISHING MANUFACTURING SOURCES

- a. Seller shall notify the Buyer, in writing, as soon as Seller becomes aware of a Diminishing Manufacturing Sources and Material Shortage (DMSMS) issue including any of the following which are out of production, going out of production, no longer commercially available, whether supplied by the Seller or by the Seller’s lower-tier subcontractor(s):
 - i. items, materials, parts, subcomponents, and/or components;
 - ii. electronics in equipment, assemblies, subassemblies, parts, components or items delivered or to be delivered under this Order, and/or
 - iii. repair services
- b. Seller shall provide Buyer and DL-AS-Obsolescence-Mgmt@ga-com with a “last time buy”(LTB) notice for such “end-of-life”(EOL) items as soon as Seller is aware or at least twelve (12) months prior to their anticipated date of discontinuance or unavailability. To the extent practicable, Seller will continue to provide LTB or EOL notifications after the last delivery of Goods to Buyer. Seller shall specifically identify those items by name or title, part number(s), function, where used in the item, and the name and address of the manufacturer, if other than the Seller. Seller shall take all reasonable steps to investigate an alternate, similar or replacement part.
- c. Seller shall refer to SD-22, Diminishing Manufacturing Sources and Material Shortages: A Guidebook for Best Practices and Tools, utilizing the most recent release, as a guide over the period of performance of the Order.

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- d. Seller is responsible for managing DMSMS issues and, notwithstanding any such DMSMS issues, Seller remains responsible for meeting its performance and delivery requirements under the Order.

17. CHANGES

- a. Buyer's Authorized Procurement Representative may, at any time, issue written directions to Seller requiring changes within the general scope of work being performed under the Order; including but not limited to, changes to: (i) drawings, designs, specifications, planning, and/or other technical documents; (ii) method of shipment, packaging, or packing; (iv) place of delivery. Seller shall proceed with the work as directed.
- b. If any such direction results in a material change in the amount or character of the work under the Order, an equitable adjustment in the Order price and other such provisions of the Order as may be affected shall be made and the Order shall be modified in writing accordingly. Any claim by Seller for an adjustment under this Changes clause must be (i) asserted in writing, and delivered to Buyer, within 15 calendar days from the date of receipt by Seller of the notification of change, and (ii) a fully supported proposal delivered to Buyer within 45 days after Seller's receipt of such direction. Seller shall provide additional documentation as reasonably requested by Buyer to support the amount of Seller's claim for equitable adjustment to meet Buyer's Prime Contract requirements. Whether made pursuant to the Changes clause or by mutual agreement, changes shall not be binding upon Buyer until Buyer agrees in writing, as set forth in the Writings Required clause herein.
- c. The issuance of information, advice, approvals, assistance or instructions by Buyer's technical personnel or other representatives will be deemed expressions of personal opinions only and no such action shall be deemed to be a change under this Changes clause, and will not be the basis for any equitable adjustment. Furthermore, such expressions of personal opinions will not constitute a modification or change to the Order.
- d. Failure to agree to any adjustment will be a dispute within the meaning of the Disputes clause herein.

18. QUALITY CONTROL

- a. Seller shall have a quality management/control system acceptable to Buyer and that meets industry recognized quality standards and shall comply with the quality clauses or requirements specified in the Order.
- b. Seller shall permit Buyer, authorized Government customer representatives, and regulatory authorities access to its facilities at all reasonable times to review procedures, practices, processes and related documents to determine such acceptability and shall keep current and complete records of all quality control inspection work.
- c. Seller shall have a continuing obligation to promptly notify Buyer of any known or reasonably suspected violation of or deviation from Seller's approved inspection/quality control system and to advise Buyer of the quantity and specific identity of any Goods delivered to Buyer that may be affected.
- d. Seller agrees to identify processes for selecting, qualifying and managing its subcontractors or suppliers, managing product and processes, flowing down applicable requirements to its subcontractors or suppliers, and assessing its subcontractors or suppliers capabilities for compliance.

19. WRITINGS REQUIRED

- a. No notice, order, direction, determination, requirement, consent, approval, or ratification under the Order will bind either Party unless provided in writing.
- b. No oral statement of any person whatsoever will in any manner or degree modify or otherwise affect the terms of the Order.
- c. No extra charge of any kind, or change in the price or schedule of the Order will be allowed unless specifically agreed to in writing and signed by Buyer's Authorized Procurement Representative and an authorized representative of Seller.

20. RECORDS

- a. Unless a longer period is specified in the Order or by law or regulation, Seller shall retain all records related to the Order for five (5) years from the date of final payment received by Seller.
- b. Records related to the Order will date back to the time the Order was issued, and will include, but are not limited to, financial, proposal, catalogs, price lists, invoices, and underlying data, and basis for cost estimates, procurement, specifications, production, inventory records, inspection, test, quality, shipping and export, certifications, and receipt records. Buyer shall have the right to examine, reproduce and audit all Seller records related to pricing, incurred costs and proposed costs associated with any proposals (prior to or after contract award), invoices or claims.
- c. At no additional cost, Buyer shall have access to such records related to the Order, and any other records Seller is required to maintain under the Order, for the purpose of audit during normal business hours, upon reasonable notice for as long as such records are required to be retained. Audit of any proprietary indirect cost data may be accomplished through the responsible

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Defense Contract Audit Agency (DCAA) representative, or a third party auditor selected by mutual agreement from a nationally recognized firm of certified public accountants.

21. STOP WORK ORDER

- a. Buyer's Authorized Procurement Representative may, at any time, by written notice to Seller issue a Stop Work Order (SWO) requiring Seller to stop all or part of the work called for by the Order for a period of one hundred twenty (120) days. Seller shall immediately comply with the SWO, and take all reasonable steps to minimize incurring costs allocable to the Goods covered by the SWO during the period of work stoppage.
- b. Within one hundred twenty (120) days after the SWO is delivered to Seller, Buyer shall either: (i) extend the SWO, (ii) withdraw the notice and direct Seller to resume work, or (iii) terminate the work and the Order, or part thereof, pursuant to the appropriate provision of the Order.
- c. Buyer and Seller shall negotiate an equitable adjustment in the price or schedule or both if: (i) the Order is not canceled or terminated; (ii) the suspension results in a change in Seller's cost of performance or ability to meet the Order delivery and/or performance schedule; and (iii) Seller submits a claim for adjustment within thirty (30) days after the end of the period of work stoppage, provided; however, Seller shall not be entitled to any equitable adjustment for any SWO issued due to Seller's performance problems under the Order.

22. TERMINATION FOR CONVENIENCE

- a. Buyer may terminate all or part of this Order for its convenience if Buyer's Authorized Procurement Representative determines that a termination is in Buyer's best interest. Buyer shall deliver written notice to the Seller specifying the date and the extent for the termination for convenience and shall be in accordance with the provisions of the FAR 52.249-2 (April 2012) "Termination for Convenience of the Government (Fixed-Price)" which provisions, except for subparagraphs (d) and (j) are incorporated herein by reference. The term "Government" shall mean "Buyer" throughout this clause. The term "Contracting Officer" shall mean "Buyer's Authorized Procurement Representative" throughout this clause. The term "Contractor" shall mean "Seller" throughout this clause.
- b. The words "or Buyer" shall be inserted for the term "Government" in the following instances, (i) the first time "Government" appears in paragraphs (b)(4) and (b) (6), and (ii) all of paragraph (b)(8), In paragraph (n) "Government" means "Buyer and the Government". In paragraph (c) "120 days" is changed to "60 days." Paragraph (d) is deleted. In paragraph (e) "1 year" is changed to "6 months." Paragraph (j) is deleted. In paragraph (l) "90 days" is changed to "45 days." Settlements and payments under this clause may be subject to the approval of the Contracting Officer.
- c. In the event Buyer terminates this Order as a result of Government direction, Seller's recovery of termination costs shall be limited to the extent that Buyer is able to recover such costs from the Government.
- d. Seller shall continue all work not terminated under this Termination for Convenience clause.

23. TERMINATION FOR DEFAULT

- a. Buyer may, by written notice to Seller, cancel all or part of the Order: (i) if Seller fails to deliver the Goods within the time specified by the Order or any written extension; (ii) if Seller fails to comply with any provision of the Order or fails to make progress, so as to endanger performance of the Order, and, in either of these two circumstances, within 10 days after receipt of notice from Buyer specifying the failure, does not cure the failure or obtain Buyer approval of a written detailed plan adequate to cure the failure if such failure reasonably cannot be cured within such 10 days ; or (iii) in the event of Seller's bankruptcy, suspension of business, insolvency, appointment of a receiver for Seller's property or business, or any assignment, reorganization or arrangement by Seller for the benefit of its creditors.
- b. In the event Buyer terminates the Order in whole or in part as provided hereinabove, Buyer may procure, upon such terms and in such manner as Buyer deems appropriate, Goods similar to those so terminated, and Seller shall be liable to Buyer for any excess costs for such replacement Goods, provided that Seller shall continue the performance of the Order to the extent not terminated under the provisions of this clause.
- c. Buyer may require Seller to transfer title and deliver to Buyer, as directed by Buyer, any (i) completed Goods, and (ii) any partially completed Goods and materials, parts, tools, dies, jigs, fixtures, plans, drawings, information and contract rights (collectively, "Manufacturing Materials") that Seller has specifically produced or acquired for the canceled portion of the Order. Upon direction from Buyer, Seller shall also protect and preserve property in its possession in which Buyer or its customer has an interest.
- d. Buyer shall pay the Order price for completed Goods accepted. In addition, any payment for Manufacturing Materials accepted by Buyer and for the protection and preservation of property shall be in an amount agreed upon by Buyer and Seller. Buyer may withhold from any amount due under the Order any sum Buyer determines to be necessary to protect Buyer or Buyer's customer against loss because of outstanding liens or claims of former lien holders.

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- e. The rights and remedies of Buyer provided in this Termination for Default clause will not be exclusive and are in addition to any others provided by law or the Order.

24. PROPRIETARY INFORMATION

- a. Buyer and Seller shall each keep confidential and protect from unauthorized use and disclosure, during the term of the Order, and for a period of 15 years thereafter:
 - i. confidential, proprietary and/or trade secret information, whether disclosed orally or visually and identified as confidential or proprietary at the time the information was disclosed, or in writing, electronically or in other tangible form, including Buyer-provided specifications and Buyer-provided information pertaining to qualification, certification, manufacturing, and/or quality testing and procedures;
 - ii. tangible items and software containing, conveying or embodying such information; and
 - iii. tooling identified as being subject to this clause that is obtained, directly or indirectly, from the other in connection with the Order or other agreement, including Buyer's contract with its customer, if any, ((i), (ii) and (iii) collectively referred to as "Proprietary Information and Materials").
- b. Buyer and Seller shall not disclose Proprietary Information and Materials to third parties without the written consent of the disclosing Party or, except in the performance and for the purpose of the Order and in support of Buyer's Prime Contract with its Government customer, make use of information or knowledge relating to details of the business or any other confidential or proprietary information of the Parties or its affiliates, suppliers, or customers which the Parties shall have obtained because of the Order.
- c. Buyer and Seller shall take all reasonable measures to protect each other's "Proprietary Information and Materials," which measures shall be at least equal to those with which a Party uses to protect its own confidential or proprietary information, and with no less than reasonable care.
- d. All proprietary rights embodied in designs, tools, patterns, drawings, information data, and equipment supplied by Buyer under the Order are reserved to Buyer and their use is restricted to the work to be performed under the Order. Seller agrees to retain in confidence and, upon request, return to Buyer on completion, termination or cancellation of the Order, all designs, drawings, specifications, and technical information of every kind and furnished to Seller in connection with the Order, unless specifically directed otherwise in writing by Buyer.
- e. Notwithstanding the foregoing, neither Party shall have any obligation with respect to any confidential or proprietary information which the Party can demonstrate (i) was in the receiving Party's rightful possession free of any obligation of confidence prior to its first receipt from disclosing Party, (ii) is publicly known through no fault of the receiving Party, (iii) is obtained from a third person who had a right to disclose it, or (iv) was independently developed without access to any confidential or proprietary information of the disclosing Party.
- f. Seller agrees that any Proprietary Information and Materials that is technical data and computer software furnished to Buyer as a required deliverable under the Order will be free from confidential, proprietary, or restrictive-use markings that are not expressly permitted by applicable FAR or other Government agency supplement clauses incorporated in this Order ("Nonconforming Markings"). Buyer may notify Seller of a Nonconforming Marking, and if Seller fails to remove or correct such marking within sixty (60) days after such notification, Buyer may, at Seller's expense, correct any such Nonconforming Marking.
- g. Notwithstanding, the foregoing, nothing in this clause is intended to affect the rights or exercise of rights, if any, obtained by the Government under DFARS 252.227-7013, "Rights in Technical Data" and DFARS 252.227-7014, "Rights in Computer Software," or any similar or successor clauses, or other clauses that may be contained in any contracts or subcontracts between Buyer and Seller and any customer.
- h. With the exception of Paragraphs (f), (g), and (h) above, this clause applies to the Order unless the Parties have executed a "Non-Disclosure Agreement" covering the protection of each other's Proprietary Information and Materials, in which case the most stringent protections shall apply.

25. INTELLECTUAL PROPERTY

- a. Definitions:
 - "Intellectual Property" or "IP" means inventions, discoveries and improvements, know-how, technical data, copyrightable materials, copyrights, service marks, trademarks, trade names, drawings, specifications, process information, reports and documented information, computer software, patents, industrial designs, trade secrets, mask work registrations, and the like. Each Party will retain all right, title and interest to its own Intellectual Property.
 - "Background IP" means all Intellectual Property conceived, originated, created or first reduced to practice by a Party prior to the period of performance of the Order or outside the scope of the Order.

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“Foreground IP” means Intellectual Property conceived, developed or first reduced to practice by, for or with a Party either alone or with others in the performance of the Order.

- a. Except as otherwise agreed to in the Order or these Terms and Conditions, if the Order is for, or includes, experimental, development, or research work, all Intellectual Property conceived, originated, created or first reduced to practice by Seller prior to the period of performance of the Order or outside the scope of the Order will remain the property of the Seller (“Seller’s Background IP”). Seller grants to Buyer an irrevocable, nonexclusive, transferable, perpetual, paid-up, royalty-free, worldwide license (i) to use, reproduce, distribute, modify, and prepare derivative works of Seller’s Background IP and (ii) to use, make, have made, offer for sale, sell, distribute and import products and services that incorporate or embody Seller’s Background IP; in each case solely as necessary for the purpose of exploiting Buyer’s rights in the Goods or Foreground IP. Seller grants to Buyer such license rights for any purpose in the event Buyer cancels all or part of the Order for Seller’s default in accordance with the Termination for Default clause of these terms and conditions or in the event Buyer, in its own judgment, must provide Seller with design, manufacturing, or on-site support substantially in excess of what is required of Buyer under the Order in order for Seller to comply with the Order.
- b. To the extent paid for with Government funds, all Foreground IP conceived, originated, created or first reduced to practice by Seller will be the exclusive property of Seller (“Seller’s Foreground IP”), as allowed under applicable laws and regulations governing the Order. Seller shall promptly notify Buyer in writing of all Seller’s Foreground IP. All other Foreground IP will be the exclusive property of the Buyer. Seller hereby transfers, conveys, and assigns all right, title and interest in Buyer’s Foreground IP free of charge to Buyer. Seller grants to Buyer an irrevocable, nonexclusive, transferable, perpetual, paid-up, royalty-free, worldwide license (i) to use, reproduce, distribute, modify, and prepare derivative works of Seller’s Foreground IP and (ii) to use, make, have made, offer for sale, sell, distribute and import Goods that incorporate or embody Seller’s Foreground IP in each case solely as necessary for the purpose of exploiting Buyer’s rights in the Goods and/or Seller’s Foreground IP and for purposes of meeting its Government customer Prime Contract commitments, or as otherwise permitted under the Order.
- c. Seller shall indemnify, defend, and hold harmless Buyer, Buyer’s officers, affiliates, agents, employees, and customers against all suits or actions, losses, damages, claims and liabilities, including costs and expenses, attorney’s fees and cost of litigation/settlement, judgments, liens, court costs, and awards for any asserted trademark, copyright, or patent infringement or otherwise violates the intellectual property rights of a third party(ies) arising out of or resulting from the manufacture, use, or sale of any Goods furnished or delivered to Buyer under the Order.

26. ADVERTISING, USE OF NAME

Seller shall not, without first obtaining the written consent of Buyer, in any manner advertise or publish the fact that Seller has furnished or contracted to furnish Buyer the Goods provided for in the Order. Seller shall require that its subcontractors at any tier adhere to this same policy, and shall be responsible for any breach of such obligation by any of its subcontractors. Seller agrees that it shall not use the Buyer’s name or logo, nor any adaptation or variation thereof, in any manner whatsoever (including, but not limited to, website(s), press releases, reference lists, or similar public announcements concerning the Order or projects contemplated by the Order), without the Buyer’s prior written consent in each instance.

27. CONFLICT OF INTEREST

- a. Seller shall exercise reasonable care and diligence during the term of the Order to prevent any action or condition which could result in the appearance of, or an actual, conflict of interest with those of Buyer. This obligation shall include the activities of the employees or agents of Seller and its family members in their interactions with the employees of Buyer and its family members, or Buyer’s customer representatives, vendors, or subcontractors.
- b. Seller warrants that Seller’s performance of work under the Order will not give rise to an organizational conflict of interest, as defined in FAR subpart 9.5 and DFARS Subpart 209.5.
- c. If Seller identifies an actual or potential organizational conflict of interest during the performance of the Order, Seller shall immediately make full disclosure in writing to the Buyer.
- d. During the term of the Order, Seller agrees to not enter into contracts with the Government either as a prime or as a subcontractor that will give rise to an organizational conflict of interest as a result of Seller’s performance of work under the Order. A breach of this clause will authorize Buyer to terminate the Order for default.

28. INSURANCE AND PRECAUTIONS

- a. Insurance: Seller shall procure and maintain during the term of the Order, and at its expense, insurance in sufficient amounts to ensure its obligations and liabilities hereunder. Such insurance shall include at a minimum the following:
 - i. Automobile liability insurance protecting the Seller from automobile bodily injury and property damage liability with limits of at least \$1,000,000 combined single limit each accident.

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- ii. Commercial general liability insurance which includes broad form contractual, property damage, products/completed operations, personal injury, premises-operations, independent contractors and subcontractors. Coverage will be on a per occurrence basis with limits of liability no lower than \$1,000,000 per occurrence and \$1,000,000 general aggregate combined single limit, personal injury, bodily injury and property damage and \$1,000,000 product/completed operations combined single limit for bodily injury and property damage.
- iii. Such insurance of employees as may be required by any workers' compensation act or other law, regulation or ordinance which may apply in the circumstances. Employer's Liability limits of \$1,000,000 each employee, \$1,000,000 each accident and \$1,000,000 policy limit for disease
- b. For (a)(ii) above, such policies will name Buyer as additional insured when requested by Buyer.
- c. Certificates of Insurance: Upon Buyer's request, Seller shall furnish to Buyer certificates of insurance setting forth the amount(s) of coverage, policy number(s) and date(s) of expiration for insurance maintained by Seller. The Seller shall provide an endorsement on each policy in (a) above providing that Buyer shall receive 30 days prior written notification from the insurer of any termination or cancellation of coverage. Seller's purchase of appropriate insurance coverage or the furnishing of certificates of insurance shall not release Seller of its obligations or liabilities under the Order.
- d. Self-Assumption: Any self-insured retention, deductibles and exclusions in coverage in the policies required under this Insurance and Precautions clause will be assumed by, for the account of and at the sole risk of Seller or its subcontractor which provides the insurance and, to the extent applicable, will be paid by Seller or its subcontractor. In no event will the liability of Seller or any of its subcontractors thereof be limited to the extent of any of the minimum limits of insurance required herein.
- e. Protection of Property: If Seller's work under the Order involves operations by Seller on Buyer's premises, Seller agrees to comply with all the rules and regulations established by Buyer for access to and activities in and around premises controlled by Buyer or Buyer's customer, and take all proper precautions in its operations against the occurrence of injury to any person or damage to property, and to be responsible for and to hold Buyer harmless from all loss and any claim by reason of injury, including death, to any person or damage to property in connection with such work, and from all fines, penalties, or loss incurred by reason of failure to comply with this Insurance and Precautions clause.

29. INDEMNIFICATION

- a. Seller shall indemnify, defend, and hold harmless Buyer, Buyer's officers, affiliates, agents, employees, and customers against all suits or actions, losses, damages, claims and liabilities, including costs and expenses, attorney's fees and cost of litigation/settlement, judgments, liens, court costs, and awards for: (i) any breach of representations, certifications, and warranty of Seller hereunder, and (ii) damages of any kind and nature whatsoever incurred by Buyer or any third party for property damage, personal injury or death (including without limitation injury to or death of employees of Seller or any subcontractor thereof), as a result of, arising out of or in any way related to any act or omission of the Seller's officers, employees, agents, suppliers, or subcontractors at any tier, in the performance of any of its obligations under the Order.
- b. Buyer shall notify Seller in writing of such claim and Buyer shall provide Seller with reasonable information and assistance, at Seller's expense, for the defense thereof.

30. TAXES

- a. Unless Buyer furnishes a valid exemption certificate or other similar evidence of exemption for the taxing jurisdiction in question, Buyer will bear all timely and applicable sales, use, or similar taxes now or hereafter properly imposed on Buyer in respect to this Order or transaction.
- b. Seller agrees to notify Buyer promptly of any proposed or contemplated assessment of additional taxes to be borne by Buyer under subparagraph (a) of this Taxes clause as the result of an audit or other tax review by an applicable governmental agency, prior to payment of such proposed additional taxes. Buyer's obligation to pay such additional tax is subject to such notification permitting Buyer to review the findings of the alleged tax increase prior to payment.
- c. Seller further agrees to take all steps necessary (as requested by Buyer, on account of Buyer, and in cooperation with Buyer) to secure any applicable refunds of any such taxes borne by Buyer under subparagraph (a) of this Taxes clause when such taxes paid by Buyer in whole or in part are subsequently deemed inapplicable.

31. SUBCONTRACTING

- a. Seller shall notify Buyer before subcontracting 50% or more of the Order.
- b. This is not a restriction on authorized distributors, dealers, wholesaler or industrial suppliers; the purchase of raw materials or standard commercial articles is not a subcontract within the meaning of this Subcontracting clause.
- c. Seller shall require that its subcontractors adhere to this same requirement.

TC-03(a) Terms and Conditions for Fixed-Price U.S. Government Orders – GOODS**32. FORCE MAJEURE**

- a. Neither Seller nor Buyer shall be liable for any failure or delay in performing its obligations hereunder, or for any loss or damage resulting therefrom, due to any cause beyond their reasonable control and without their fault or negligence. Such causes include, but are not limited to (i) acts of God, war, riot, embargos, acts of civil or military authorities, fire, flood, epidemics, terrorism, quarantine restrictions, freight embargoes, or unusually severe weather affecting either party; or (ii) similar causes beyond their control and which are not foreseeable or causes beyond the reasonable control of their subcontractors which are not foreseeable.
- b. The Party whose performance is so affected shall notify the other Party in writing within 10 days after the beginning of any such cause(s). In all cases, the Parties shall use reasonable efforts to avoid or minimize all such failures or delay in performing their obligations hereunder, including exercising work-around plans or obtaining the Goods from other sources.

33. COMPLIANCE WITH LAWS

Seller agrees that in performing its duties under the Order, Seller shall comply with all applicable Federal, State and local laws, statutes, ordinances, and regulations in effect on the date of the Order, including any applicable Federal Acquisition Regulation (FAR) and/or Defense FAR Supplements (e.g., DFARS) (or other Agency-specific) flowdown from any Government Prime Contract(s) that may be awarded to Buyer subsequent to award of the Order

34. EXPORT CONTROLS

- a. Information exchanged pursuant to the Order may include the use of, or access to, Technical Data or Defense Services (as defined in the Export Regulations defined herein) that is subject to export controls under 22 Code of Federal Regulations 120 – 130 (International Traffic in Arms Regulations) or 15 Code of Federal Regulations 768 -799 (Export Administration Regulations) and their successor and supplemental laws and regulations (collectively hereinafter referred to as “Export Regulations”). U.S. Law prohibits the transfer or export of Technical Data or Defense Services without an export license to any employee or other person who is not a United States Citizen or Permanent Resident Alien, as well as to corporations or to any other entity, organization or group that is not incorporated or otherwise organized to do business in the United States.
- b. Seller shall comply with all “Export Regulations” of the United States Government and the Government of any country in which the Buyer or Seller conduct business pursuant to the Order. In the event that any required approvals, clearances, and/or export or import authorizations cannot be obtained or maintained (or there is an extraordinary, significant delay in obtaining them), Seller shall immediately notify Buyer’s Authorized Procurement Representative.
- c. Seller shall indemnify and save harmless Buyer from and against any and all damages, liabilities, penalties, fines, costs, and expenses, including attorney fees, arising out of claims, suit, allegations or charges of Seller’s failure to comply with all applicable “Export Regulations” of the United States. Any failure of Seller to comply with the provisions of this Export Controls clause shall be a material breach of the Order. Seller acknowledges that it will be responsible for ensuring that all U.S. Government export control requirements will be conveyed to all sub-tier suppliers or subcontractors that will be provided or may have access to Technical Data or Defense Services provided under the Order.

35. INDUSTRIAL PARTICIPATION OBLIGATIONS

- a. Notwithstanding that this Order may or may not be issued in direct support of a foreign sale, Seller agrees to support Buyer’s Industrial Participation Obligations.
- b. To the exclusion of all others, Seller agrees that Buyer, its subsidiaries, affiliates or its designees may use the value of the Order to satisfy Industrial Participation Obligations that Buyer may have with Seller’s country. Seller shall provide documentation or information which Buyer or its assignees may reasonably request to substantiate claims for industrial benefits or Industrial Participation Obligations credits.
- c. Seller agrees to identify and retain for Buyer’s use any Industrial Participation Obligations credits generated from the content of Goods which Seller either produces itself and/or procures from suppliers for work arising out of or related to the Order. Promptly after selection of a non-U.S. supplier for work under the Order, Seller shall notify Buyer of the name, address, supplier point of contact (including telephone number) and dollar value of the subcontract. To the exclusion of all others, Seller agrees that Buyer, its subsidiaries, affiliates or its designees may use the value of such credits to satisfy Industrial Participation Obligations that Buyer may have.
- d. Buyer reserves the right to assign Industrial Participation Obligation credits generated through Seller’s efforts under the Order to third parties.
- e. Seller shall include the substance of this Industrial Participation Obligations clause, in favor of Buyer, in its subcontracts issued at all tiers pursuant to the Order.

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- a. Except as required by law, Buyer shall be solely responsible for all liaison and coordination with Buyer's Government customer, including the Government, as it affects the Prime Contract, the Order, and any other related contract. Notwithstanding the foregoing, Seller may, in the normal course of business, communicate with the cognizant DCMA and DCAA liaison as required by federal acquisition regulations and directives. Seller shall immediately notify Buyer of any such communication and include a brief summary of the points discussed as related to the Order.
- b. Seller shall not communicate with Buyer's Government customer with respect to any dispute between Seller and Buyer.

37. ASSIGNMENTS, CHANGES TO NAME AND PLACE OF MANUFACTURE

- a. Seller will not assign or transfer the Order, including by operation of law, in whole or in part, nor any payments due or to become due hereunder, without the prior written consent of Buyer. In the event written consent is granted, Seller shall promptly supply Buyer with documentation supporting any such assignment.
- b. Payment to an assignee of any claim hereunder will be subject to set-off or recoupment for any present or future claims which Buyer may have against Seller.
- c. Seller shall provide prior written notice to Buyer of any proposed name changes, mergers or acquisitions affecting the Order. Seller shall not change the location of manufacture of the Goods to be provided to Buyer under the Order or the place of performance of any work relating to the Goods without Buyer's prior written consent.

38. DISPUTES

- a. All disputes between Buyer and Seller, under this Order will be submitted in writing for resolution through mutual agreement to ascending levels of management of the respective Parties. If the Parties' ascending levels of management are unable, after good faith efforts, to settle the dispute within sixty (60) calendar days after the dispute is submitted in writing, or such later date as the Buyer and the Seller may have agreed in writing, either Party may submit the dispute to a court of competent jurisdiction. **TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY AGREES TO WAIVE ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY.** Notwithstanding the above, either Party may seek injunctive or other equitable relief, at any time, in any court of competent jurisdiction.
- b. Pending final resolution of any dispute, Seller shall proceed with performance under the Order unless otherwise instructed by Buyer. The rights and obligations of this clause shall survive completion of and final payment under the Order.

39. APPLICABLE LAWS

- a. The Order and any dispute arising hereunder will be governed by the laws of the state of California, without regard to its conflicts of laws provisions; except that any provision in the Order that is: (i) incorporated directly from or by express reference to the FAR or FAR supplements, (ii) contract provisions that have been flowed-down from a prime contract with the Government, and (iii) the Changes clause and the Termination for Convenience clause, will be construed and interpreted according to the federal common law of government contracts as enunciated and applied by federal judicial bodies, boards of contract appeals, and quasi-judicial agencies of the federal government.
- b. The 1980 U.N. Convention on Contracts for the International Sale of Goods will not apply to any sales transactions governed by these terms and conditions.

40. NON-WAIVER

The failure of either Party to insist, in one or more instances upon performance or to exercise any rights will not waive or relinquish to any extent such Party's right to assert or rely upon any such terms or rights on any future occasion.

41. ENTIRE AGREEMENT

- a. These terms and conditions, along with any full text FAR or FAR Agency supplement clauses, and those referenced on the face of the Order to which this form is attached, including other specifications or documents incorporated by reference, constitute the complete and exclusive agreement between Buyer and Seller, and supersede all previous negotiations, discussions, communications, representations, agreements, arrangements or understandings, whether written or oral, between the Parties related to the subject matter of the Order.
- b. No course of prior dealings between the Buyer or Seller, and no usage of trade, will be relevant to supplement or explain any term used in the Order.
- c. No agreement or understanding varying or extending the terms or conditions of the Order will be binding unless executed in writing by Buyer's Authorized Procurement Representative.

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- d. If any provision of this Order is declared to be invalid, illegal or unenforceable by a court of competent jurisdiction, the remainder of the provisions in the Order will remain valid, enforceable and in full force and effect, and the Parties will negotiate in good faith to substitute a provision of like economic intent and effect.