AAR GOVERNMENT SERVICES, INC.
GENERAL PROVISIONS – FIXED PRICE REPAIR ORDERS
(COMMERCIAL ITEMS OR SERVICES FOR GOVERNMENT PROGRAMS)

Except as may be expressly set forth in this Subcontract with the Government Contracting Officer's express consent, the subcontractor shall not acquire any direct claim or direct course of action against the US Government. Seller shall include in each lower-tier subcontract the appropriate flow down clauses as required by the Federal Acquisition Regulation (FAR).

1. DEFINITIONS

As used in these General Provisions and any document incorporated or referenced herein

a. "Government" means the United States of America.

b. "Prime Contract" means the Contract existing between AAR and the Government or AAR Customer and in the latter case includes the Subcontract under which this Repair Order is issued (unless the context otherwise requires).

c. "This Repair Order" or "this Subcontract" or "this Agreement" or "this Order" means the contractual instrument in which these General Provisions are incorporated, including changes and modifications

d. "Contracting Officer" means a person with the authority to enter into, administer, and/or terminate Contracts and make related determinations and findings on a Prime Contract. The term includes certain authorized representatives of the contracting officer acting within the limits of their authority as delegated by the contracting officer.

e. "Buyer" or "AAR" means the legal entity issuing this order.

f. The terms "supplies," "materials," "items," "products," "articles" and "components" may be used interchangeably throughout these provisions and the Repair Order to refer to products to be provided by the Seller.

g. "FAR" means the Federal Acquisition Regulation, as from time to time amended, that is included in the Prime Contract on the effective date of this Subcontract or Repair Order.

h. "Subcontractor" means Seller, Supplier, or Vendor.

i. DOD FAR Supplement or (DFARS) means Department of Defense Federal Acquisition Regulation Supplement.

NOTE: Where necessary to make the content of the referenced FAR, or DFARS applicable to this Order, the terms "Government" and "Contracting Officer" and equivalent phrases shall mean AAR; the term "Contractor" shall mean Seller; and the term "Contract" shall mean this Purchase Order, Order, Repair Order, or Subcontract.

2. ENTIRE AGREEMENT

Subcontractor agrees to the following General Provisions, and Subcontractor further agrees that the terms and conditions of the Subcontract and any documents (including these General Provisions and any plans, specifications, schedules, regulations, etc.) attached to or incorporated by reference into the Subcontract shall constitute the entire agreement between the parties hereto and supersede all prior agreements relating to the subject matter hereof. Subcontractor represents and warrants that in entering the Subcontract, Subcontractor does not rely on any previous direct or implied representation, inducement, or understanding of any kind.

3. ORDER OF PRECEDENCE

To the extent there are any conflicts among the provisions within the Subcontract, such conflicting provisions shall prevail in the following order of precedence:

a. Subcontract or Repair Order;

b. Special Provisions as identified in the Supplemental Terms;

c. These General Provisions;

d. Statement of work or any other attachments when attached or incorporated by reference;

e. Specifications

4. ACCEPTANCE − MODIFICATION OF TERMS

The Subcontract constitutes acceptance of Subcontractor's offer and such acceptance is expressly made conditional on Subcontractor's assent to the terms and conditions contained in the Subcontract. The Subcontract will be deemed accepted by Subcontractor upon the first to occur (i) Subcontractor's written acceptance of the Subcontract; or (ii) Subcontractor's commencement of performance under the Subcontract. In either such event any additional or different terms proposed by Subcontractor are rejected unless expressly approved in writing by an Authorized AAR Procurement Official. No communication from Subcontractor that in any way differs from or adds to the Subcontract, irrespective of whether or not AAR seasonably objects thereto, will be binding upon AAR unless such different or additional terms are incorporated into a writing signed by both AAR and Subcontractor, making express reference to the Subcontract.

5. CHANGES

Changes in the terms and conditions of this Subcontract may be made only by written agreement of the parties.

a. AAR may, at any time, by written notice or Order:

1) Make changes in the shipping and packing instructions;

2) Increase or decrease the quantity of work or services ordered;

3) Change the drawings, designs, statement of work or specifications;

4) Change the place of inspection, delivery, or acceptance;

5) Change the amount of Government or AAR furnished property;

6) Change work or service schedules.

b. Equitable Adjustment: If any such change causes a variation in the cost of performance or the time required for performance, AAR may make an equitable adjustment in the Subcontract price and delivery schedule (except as otherwise provided herein) and the parties' shall modify the Subcontract in writing accordingly. Subcontractor must make any request, with a fully supported proposal, for an equitable adjustment of price or schedule in writing to AAR within ten (10) business days from the date of AAR's written notification to Subcontractor of the change or such further time as AAR may allow in writing. Subcontractor shall then have fifteen (15) days; from the date it submitted its request to AAR for an equitable adjustment to submit a fully supported proposal. Subcontractor's failure to adhere to the time deadline in submitting its equitable adjustment proposal shall waive Subcontractor's right to seek and equitable adjustment. Pending any equitable adjustment, Subcontractor shall proceed in accordance with the change order. The parties' failure to agree to any adjustment shall be a dispute concerning a question of fact covered by the clause entitled "Dispute Resolution."

6. INSPECTION AND ACCEPTANCE

a. Inspection: Both AAR and AAR's customer may at any time (e.g., before, during or after manufacture or completion) inspect and test any or all Products or Services ordered hereunder with reasonable notice. Such inspection and/or test may occur at Subcontractor's location. All Products or Services shall be subject to final acceptance by AAR. Inspections shall be performed in such a manner as not to delay Subcontractor's performance unduly. In the case of rejection of any Products or Services, neither AAR nor AAR's customer, shall be liable for any reduction in value of samples used in connection with such inspection or test. No inspection or test or review or approval by AAR or AAR's customer shall relieve Subcontractor of any of its obligations under the Subcontract, or constitute a waiver of any defects or nonconformities.

b. Rejected Products or Services: Rejected Products or Services may, at the option of AAR, be returned to Subcontractor at Subcontractor's expense for outbound and inbound shipments with risk of loss or damage upon Subcontractor, or be accepted with an equitable adjustment in price. Upon rejection, Subcontractor shall immediately refund previous payments if applicable. Subcontractor shall not resubmit rejected Products or Services for acceptance without a concurrent notice to AAR of the prior rejection. If, after request by AAR, Subcontractor fails to promptly replace or correct any rejected Products or Services, AAR at its sole discretion (1) may replace or correct such Products or Services, and charge to Subcontractor the cost incurred by AAR in doing so, or (2) may, without further notice, terminate the Subcontract for cause, in accordance with Clause 14, Termination for Cause. The foregoing remedies shall in no way preclude or prejudice the exercise of any other right or remedy that AAR may have at law, in equity or under the Subcontract.

c. Final Acceptance: Except as otherwise agreed in writing, all Products or Services provided under the Subcontract shall be subject to final inspection and acceptance by AAR and AAR's customer. Final acceptance by AAR of the Products or Services provided hereunder shall take place only after complete delivery of all Products or Services in accordance with the delivery schedule specified herein or later agreed upon by the parties in writing and after final inspection of those Products or Services by AAR and AAR's customer. Final acceptance shall be contingent upon agreement by AAR and the AAR customer that the Products or Services conform to the requirements of the Subcontract. Final acceptance by AAR shall be conclusive, except for latent defects, negligent or intentional misrepresentations by Subcontractor that a nonconformity or defect would be or had been cured or did not exist, acceptance induced by false or negligent assurances of Subcontractor, or as otherwise provided in the Subcontract or applicable law. Payment to Subcontractor does not constitute Final acceptance. Final acceptance by AAR of the Products or Services delivered hereunder shall not limit or affect the warranty or indemnity granted by Subcontractor hereunder.

d. Risk of Loss: Subcontractor shall bear the risk of loss or damage to the Products or Services until they are delivered in conformity with the Subcontract at the F.O.B. destination point stated in the Subcontract. (If not otherwise stated, destination point shall be AAR's facility or F.O. B. AAR facility). Upon such delivery, Subcontractor's responsibility for loss or damage to the Products or Services shall cease except for loss or damage resulting from Subcontractor's negligence or fault. Notwithstanding the foregoing, Subcontractor shall remain responsible for risk of loss of any nonconforming or rejected Products or Services, unless such loss, destruction, or damage results from the sole negligence of AAR.

e. Title: Except as otherwise stated in this Subcontract, title to all Products or Services furnished under this Subcontract shall pass to AAR upon final acceptance regardless of when or where AAR takes physical possession of the items.

7. RETURNS.

a. Buyer may, at its sole discretion, at any time and from time to time, within sixty (60) days after acceptance of the goods, return to vendor any part or all of the goods and receive full credit on such returns.

8. INSURANCE.

a. Types of Insurance: Unless otherwise specified by AAR in writing, Subcontractor shall maintain and cause Subcontractor's subcontractors to maintain during the term of the Subcontract (a) workers' compensation insurance as prescribed by the law of the state or nation in which the work is performed; (b) employer's liability insurance with limits of at least $1,000,000 for each occurrence; (c) automobile liability insurance if the use of motor vehicles is required hereunder, with limits of at least $1,000,000 combined single limit for bodily injury and property damage per occurrence; (d)) if the Vendor will provide professional advice or services: professional liability insurance in the amount of $1,000,000 for each occurrence and in the aggregate and (e) Commercial General Liability ("CGL") insurance, ISO 1988 or later occurrence form of insurance, including, without limitation, Blanket Contractual Liability and Broad Form Property Damage, with limits of at least $1,000,000 for each occurrence and in the aggregate or in an amount equal to the cost of goods purchased if greater than $1,000,000. All CGL and automobile liability insurance shall designate AAR, its affiliates, and its directors, officers, and employees (all referred to as "AAR") as well as AAR's customer as additional insured. All such insurance must be primary and non-contributory and required to respond and pay prior to any other insurance or self-insurance available. Insurance companies providing coverage under the Subcontract must be rated by A-M Best with at least an AVII rating unless no such company is available in the local market. If specifically requested by AAR, Subcontractor and Subcontractor's subcontractors shall furnish, prior to the start of work or at such other time as AAR requires, certificates or adequate proof of the foregoing insurance, including, without limitation, endorsements and policies. The policies evidencing required insurance shall contain an endorsement to the effect that any cancellation or any material change adversely affecting the interest of AAR or AAR's Customer shall not be effective (1) for such period as the laws of the State in which this Subcontract is to be performed prescribe or (2) until thirty (30) days after the insurer or Subcontractor gives written notice to AAR, whichever period is longer. Any other coverage available to AAR shall apply on an excess basis. Subcontractor agrees that Subcontractor, Subcontractor's insurer(s) and anyone claiming by, through, under or on Subcontractor's behalf shall have no claim, right of action or right of subrogation against AAR and AAR's Customer based on any loss or liability insured against under the foregoing insurance.

b. AAR Materials, Tools, and Equipment: Subcontractor shall keep, at Subcontractor's sole expense, all AAR materials and all tools and equipment, special or otherwise, in which AAR has any interest, insured against risk of loss or damage by fire or other unavoidable casualty for their fair market value at the time of receipt by Subcontractor and during such time as they remain in Subcontractor's possession.

c. No Effect on Indemnification Obligations: Subcontractor's obligation to obtain the insurance specified in this Clause does not waive or release

Subcontractor's liabilities or duties to indemnify under this Subcontract.

d. Subcontractor shall, at its sole cost and expense and at all times during the term of the Agreement, maintain and carry with a reputable insurer, and on terms that accord with standard industry practice, an All-Risks Property and Spares Insurance, [including in-transit coverage] in an amount equal to the sum of the value of all those components of AAR's as are held by, or under the control of, Subcontractor from time to time.

9. INDEMNIFICATION

a. General: Subcontractor acknowledges that, as an independent contractor, it is furnishing Products or Services to AAR which may be subject to certain local, state, Federal, and foreign laws and regulations. Subcontractor therefore agrees to indemnify and hold harmless AAR and AAR's customer and their respective directors, officers, agents, and employees, against all claims, damages, losses, causes of action, liabilities and

expenses of any kind or nature, including without limitation, defense costs and attorneys' fees, which arise out of or relate to Subcontractor's failure to comply with all applicable local, state, Federal, and foreign laws and regulations in the performance of Subcontractor's obligations under the Subcontract. Subcontractor also agrees to indemnify and hold harmless AAR and AAR's customer and their respective directors, officers, agents, and employees, against all claims, damages, losses, causes of action, liabilities and expenses of any kind or nature, including without limitation, defense costs and attorneys' fees, which arise out of or relate to Subcontractor's failure to comply with the provisions of the Subcontract.

b. Infringement: Subcontractor shall indemnify, defend, and hold harmless, AAR and AAR's customer and their respective officers, directors, agents, and employees against liability and losses including, without limitation, defense costs and attorneys' fees, for any allegation of or suit or action for infringement of any United States or foreign patent, copyright, trademark, or other intellectual property right arising out of the provision of Products or Services under the Subcontract or out of the use or disposal of such Products or Services by or for the account of AAR. Subcontractor shall at its own expense either procure for AAR and/or for AAR's customer, as AAR shall require in its sole discretion, the right to continue using the alleged infringing Products or Services, replace the infringing Products or Services with non-infringing Products or Services, or modify the Products or Services so that the Products or Services become non-infringing. AAR shall inform Subcontractor of the suit or action or other proceeding alleging infringement and give Subcontractor the opportunity as is afforded by applicable laws, rules, or regulations, to participate in the defense thereof.

c. Work on AAR Premises: If the Subcontract involves performance by Subcontractor on the premises of AAR or AAR's customer, Subcontractor agrees, in addition to any other indemnification obligations in the Subcontract, to assume entire responsibility and liability for any and all damage or injury of any kind or nature whatever to persons, whether employees of Subcontractor or otherwise, and to all property, caused by, resulting from, or arising out of Subcontractor's performance or that of its agents or employees; provided, however, that any such damage or injury shall not have been caused solely by the negligence of the agents, servants, or employees of AAR or AAR's customer. Subcontractor also shall carry adequate insurance as provided in the clause entitled Insurance, to cover all such risks and to protect AAR and AAR's customer pursuant to this Clause.

10. LIMITATION OF LIABILITY

AAR SHALL NOT BE LIABLE TO SUBCONTRACTOR FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL, OR EXEMPLARY DAMAGES OF ANY KIND WHATSOEVER, INCLUDING, BUT NOT LIMITED TO LOST PROFITS, LOST SALES, LOSS OF REVENUE OR OPPORTUNITY, LOSS OF USE OF EQUIPMENT, COST OF CAPITAL, COST OF DOWN TIME, COST OF SUBSTITUTE EQUIPMENT, OR ANY OTHER SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, ARISING OUT OF OR IN CONNECTION WITH PERFORMANCE OR FAILURE TO PERFORM UNDER THIS AGREEMENT, WHETHER SUCH LIABILITY IS ASSERTED ON THE BASIS OF WARRANTY, CONTRACT, TORT OR OTHERWISE, EVEN IF AAR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. NO AGREEMENT VARYING OR EXTENDING THE FOREGOING LIMITATION OF LIABILITY SHALL BE BINDING UPON EITHER PARTY UNLESS IN WRITING, SIGNED BY A DULY AUTHORIZED OFFICER OF THAT PARTY.

11. PACKAGING, DELIVERY AND ADVANCE COMMITMENTS

a. No charges shall be allowed for boxing, crating, packaging or any other handling unless such provisions are specifically agreed to in writing. All goods must be packaged appropriately to arrive at the specified destination without damage or degradation.

b. Unless advance shipment has been authorized in writing by AAR, AAR may store or return, at Subcontractor's expense, all work received materially in advance of the scheduled delivery date.

c. If Subcontractor becomes aware of difficulty in performing the work, Subcontractor shall timely notify AAR, in writing, giving pertinent details. This notification shall not change any delivery schedule.

d. Unless contrary terms appear on the face hereof, all items subject to this Order shall be Delivered Duty Paid (Incoterms 2010). No acts of AAR including, without limitation, modifications of this Order or acceptance of late deliveries shall constitute a waiver of this provision by AAR. For avoidance of doubt, risk of loss shall not pass to AAR until the goods actually have been received and accepted by AAR at the destination specified. All shipments shall be made as specified and strictly in accordance with the time or times for delivery specified in the Order. In the event that Supplier is actually or potentially unable to make delivery by the date required on the Order, it will immediately notify AAR in writing. AAR reserves the right to cancel or modify the Order and make arrangements for completion of performance and/or purchase of substitute goods elsewhere. In the event of late delivery, Seller shall be responsible for the loss to AAR including but not limited to the cost to cover any additional charges incurred as a result of the late delivery.

12. PAYMENT

a. Subcontractor shall submit invoices to AAR in accordance with the terms of the Subcontract, and such invoices shall contain at least the following information: i) Subcontract or Repair Order number; ii)Product/part number, iii)description of Products or Services; iv)sizes, quantities, unit of measure, unit prices and extended totals; v) applicable currency; vi) condition; vii)and supporting documentation for the amount invoiced. Seller shall provide additional invoice detail and support as may be reasonably requested from time-to-time to ensure the invoice is properly payable. Unless otherwise stated on the face of the Order, AAR will pay invoices properly submitted hereunder within forty-five (45) days after receipt of

an acceptable invoice. If AAR's Prime Contract is subject to FAR 52.232-40, AAR will make payment to small business vendors within thirty (30) days after receipt of an acceptable invoice. Payment by AAR shall be deemed to have been made on the date AAR deposited the payment in the U.S. mail or with another recognized commercial carrier, or the date AAR made the electronic funds payment.

b. AAR may make any adjustment or withhold any payment reasonably appropriate in Subcontractor's invoices due to shortages, late delivery, rejections or other failure to comply with the requirements of the Subcontract. Cash discounts, if applicable, will be taken from date of receipt of invoice for material received. Payment does not constitute final acceptance.

c. The price set forth in the Subcontract covers all Products or Services ordered by AAR. The aggregate of the payments and reimbursements due the Subcontractor by AAR shall not exceed the price for Subcontractor's Products or Services in the Subcontract and Subcontractor is not authorized to exceed nor is AAR obligated to pay Subcontractor any amount exceeding the price of the Products or Services stated in the Subcontract. Any increase in the price for the Products or Services shall be made by a change order in accordance with Clause 5, Changes.

d. If so specified in the Subcontract, the Subcontractor shall furnish a signed Certificate of Compliance to the requirements of the Subcontract with each shipment made to AAR; to substantiate the Certificate of Compliance; the Subcontractor shall maintain inspection or test records which AAR or an AAR representative may audit from time to time.

13. QUALITY SPECIFICATION

a. Subcontractors to AAR are integral to the conformity of all products and services supplied to AAR. AAR adheres to the highest ethical standards and behavior. AAR vendors are also required to conduct business to the highest ethical levels and standards and maintain compliance with all laws and regulations applicable to the vendor's business operations. The safety of AAR products and personnel start with the supplier base. Approved AAR vendors and their subcontractors shall ensure their employees are properly trained and equipped to safely accomplish assigned tasks to prevent product mishaps and to ensure product safety. Products must conform to all stated safety and quality standards prior to acceptance. Subcontractor shall comply with Quality clauses, requirements, or provisions specified in the Subcontract, Repair Order, or required in these terms and conditions. Customer designated or approved sources are to be utilized at all times. Process sources include special processes such as NDT, Plating, Heat Treating, etc… should be performed by qualified and competent persons.

b. Any product that has been provided by any vendor or subcontractor to AAR that is rejected or identified as a premature failure will result in AAR issuing a Supplier Corrective Action Report (SCAR) to the vendor / subcontractor requiring a detailed root cause investigation to be conducted and corrective action to be implemented. The completed SCAR will be provided back to AAR for review and acceptance. If at any time a supplier receives a government issued Corrective Action Report or Letter of Concern for any product line or processes that affects the product provided to AAR, the supplier will immediately notify (within 24 hours) AAR.

c. All product being supplied shall meet Title 14 CFR of the Code of Federal Regulations Part 21 (Certification Procedures for Products & Parts) or Part 43 (Maintenance, Preventive Maintenance, Rebuilding, and Alterations) as applicable.

d. This purchase order or repair order is subject to all AAR Quality Assurance requirements including the following:

1) The material certification form must state the part condition and must show trace to a regulated source / supplier. New parts require trace to the Production Approval Holder or 121 Operator.

2) Supplier shall ensure that services performed are carried out in conformance with the requirements of FAA or EASA Part 145 or any higher standard as may be attained by Supplier and as agreed to by AAR. The certificate must also contain a non-incident statement. NOTE: An original airworthiness release certificate (8130-3 or equivalent) from the FAA, CAA, or EASA approved repair agency must accompany all parts when applicable.

3) Any goods subject to Federal Aviation Regulations must have been manufactured in accordance with FAR Part 21 Sub part F, G, K or O and must be certified accordingly. Goods manufactured outside the U.S.A. which are to be fitted to a U.S. type certificated product shall be imported into the U.S.A. in accordance with FAR part 21 Sub-part N, under a certificate of airworthiness. Goods manufactured outside the United States under EASA, or other approved Civil Aviation Authority shall be certified by EASA Form One, or approved equivalent Authorized Release Certificate/Airworthiness Approval Tag.

4) All return to service parts must have documentation of work performed. The return to service document must include a statement of Airworthiness Directives, Service Bulletins, and mod embodied at this visit (if applicable).

5) The Remarks Block of the 8130-3 (or equivalent) must state: manual, part, section, and revision numbers to which the parts were repaired.

6) Standard parts and/or standard hardware require a Manufacturer CofC and must be produced to an available industry standard. For non-serialized parts, ink stamp or scribe the work order number directly on part.

7) Outsourced repairs/overhauls must be pre-approved by AAR. Outsourced processes must be referenced in the documentation of work performed.

8) Material supplied on this Repair Order shall be in compliance with AS9100 Section 8.4.3. Acceptance of material on this Repair Order constitutes compliance with AS9100 Sections 8.4.3: (a) positive part identification and drawing revision; (b) procedures for notification of nonconforming product; (c) requirements for notification of changes to product definitions; and (d) right of access to supplier's facility and to all applicable records in support of audits, inspections by AAR or its customer or applicable regulatory authority.

e. In accordance with AAR's Aerospace Standards, all products purchased or repaired from the Supplier shall:

1) Notify AAR of nonconforming product,

2) Obtain AAR's approval for nonconforming product disposition,

3) Notify AAR of changes in product and/or process definition,

4) Changes of suppliers, change of manufacturing facility location, and where required, obtain AAR's approval,

5) Flow down to the supply chain the applicable requirements including customer requirements,

6) Ensure records are maintained for 7 years or as mutually agreed upon or dictated, and have AAR right of access, their customer and regulatory authorities to the applicable areas of all facilities, at any level of the supply chain, involved in the order and to all applicable records.

f. Material supplied on this Repair Order shall be in compliance with AS9100 Section 8.4.3. Acceptance of material on this Repair Order constitutes compliance with AS9100 Sections 8.4.3:

1) Positive part identification and drawing revision;

2) Procedures for notification of nonconforming product;

3) Requirements for notification of changes to product definitions; and

4) Right of access to supplier's facility and to all applicable records in support of audits, inspections by AAR or its customer or applicable regulatory authority.

g. Supplier must have and keep on file all documentation. ISO9001 or AS9100 – Manufacturing Quality System(s) Requirements ANSI/ASQ Z1.4-2003 (R2013) C=0 Required - Sampling Procedures and Tables for Inspection by Attributes ANSI-Z540.3 - 2006 (R2013) / ISO 10012:2003 - Requirements for the Calibration of Measuring and Test Equipment MIL-STD-129P- Military Marking for Shipment and Storage (UID required for parts > $5K, or when otherwise required) MIL-STD-130N w/CHANGE 1 - Identification Marking of U.S. Military Property Shelf-Life Controlled Items (if applicable) - Must have a minimum of 80% residual shelf life on date of shipment MIL-STD-2073-1D – Standard Practice for Military Packaging AS 5553A - Counterfeit Electronics Parts; Avoidance, Detection, Mitigation, and Disposition MIL-STD-1686 or equivalent - Electro-Static Discharge (ESD) control (if applicable) - Prior to processing ESD sensitive product, establish, document and implement an Electrostatic Discharge (ESD) program.

h. All First Article Inspection Reports provided to AAR CORP. must comply with the specifications outlined in AS9102 – Aerospace First Article Inspection Requirement for all first article inspections.

i. The Supplier/Vendor shall maintain and enforce Tool and Foreign Object Damage (FOD) control programs that meet the requirements such as the National Aerospace Standard (NAS) 412.

14. INTELLECTUAL PROPERTY RIGHTS AND LICENSES

a. Subcontractor and AAR agree that if Subcontractor exclusively used AAR monies (i.e. development was accomplished entirely with monies paid by AAR to Subcontractor that did not originate as a direct cost allocated to a government contract) to develop any modifications, redesigns, improvements, or derivative works protectable by intellectual property rights, then, all intellectual property rights (patent, copyright, trademark, registrations, and similar protections) relating to such modifications, redesigns, improvements, or derivative works developed by Subcontractor in the course of Subcontractor's Work under the Subcontract shall be AAR intellectual property and Subcontractor hereby

agrees to assign, convey, and transfer as necessary all such modifications, redesigns, improvements, or derivative works in said property to AAR without any further consideration and upon request shall execute any required papers and furnish all reasonable assistance to AAR to vest all right, title and interest in such modifications, redesigns, improvements, or derivative works to AAR. Subcontractor also agrees that Subcontractor shall only use AAR intellectual property during the term of this Subcontract and only for purposes of Subcontractor's Work pursuant to the Subcontract.

b. Except as otherwise expressly stated herein, Subcontractor and AAR agree if Subcontractor development of modifications, redesigns, improvements, or derivative works protectable by intellectual property rights was accomplished entirely with money that originated as a direct cost allocated to a government contract, that all intellectual property rights (patent, copyright, trademark, registrations, and similar protections) relating to such modifications, redesigns, improvements, or derivative works developed by Subcontractor in the course of Subcontractor's Work under the Subcontract shall be Subcontractor intellectual property, subject to, the Government's rights in the technical data, computer software, and inventions (as those terms are defined in the Federal Acquisition Regulation ("FAR") applicable to the Prime Contract) related to Subcontractor's intellectual property. In addition to these Government rights, Subcontractor agrees to grant and hereby grants to AAR, the following licenses:

1) an irrevocable, paid-up, royalty-free, world-wide, license to use, modify, disclose, reproduce, release, display, perform, prepare derivative works, and distribute any and all data, computer software, copyrightable works, reports and works of authorship delivered to the Government with Unlimited Rights under FAR 52.227-14 pursuant to this Subcontract, for performance of the Prime Contract and any follow on contract; and

2) an irrevocable, paid-up, royalty-free, world-wide license to use, modify, disclose, reproduce, release, display, perform, and distribute any and all data, copyrightable works, reports and works of authorship delivered to the Government with Limited Rights under FAR 52.227-14 pursuant to the Subcontract ("the Limited Rights Data") subject to AAR abiding by the limitations provided in FAR 52.227-14, as applicable, as if AAR were the Government. The license to Limited Rights Data is limited to uses necessary for performance of the Prime Contract and any follow-on contract. The parties also agree that AAR shall only distribute copies of Limited Rights Data to third parties (other than the Government) if the third party is under a written obligation to hold and use the Limited Rights Data subject to the limitations expressed in this subparagraph; and

3) an irrevocable, paid-up, royalty-free, world-wide license to use, modify, disclose, reproduce, release, display, perform, and distribute any and all data, computer software, copyrightable works, reports and works of authorship delivered to the Government with Government Purposes Rights under pursuant to this Subcontract ("the Government Purpose Rights Data") subject to AAR abiding by the limitations provided in FAR 52.227-14, as applicable, as if AAR were the Government. The license to Government Purpose Rights Data is limited to uses necessary for performance of the Prime Contract and any follow-on contract. The parties also agree that AAR shall only distribute copies of Government Purpose Rights Data to third parties (other than the Government) if the third party is under a written obligation to hold and use the Government Purpose Rights Data subject to the limitations expressed in this subparagraph; and

4) an irrevocable, paid-up, royalty-free, world-wide license to use, reproduce, display, perform, disclose, and distribute any and all computer software delivered to the Government with Restricted Rights under FAR 52.227-14 or pursuant to the Subcontract ("the Restricted Rights Computer Software") subject to AAR abiding by the limitations provided in FAR 52.227-14, as applicable, as if AAR were the Government. The license to Restricted Rights Computer Software is limited to uses necessary for performance of the Prime Contract and any follow-on contract. The parties also agree that AAR shall only distribute copies of Restricted Rights Computer Software to third parties (other than the Government) if the third party is under a written obligation to hold and use the Restricted Rights Computer Software subject to the

limitations expressed in this subparagraph; and

5) an irrevocable, paid-up, royalty-free, world-wide license to use and execute, but not to make or have made, any and all inventions, discoveries, improvements, mask works and patents conceived, first actually reduced to practice, or required in order to use or execute Works delivered in performance of the Subcontract, the license being limited to uses necessary for AAR's performance of its Prime Contract obligation and any follow-on contract.

c. Notwithstanding the provisions in paragraph (b), if Subcontractor exclusively used AAR monies (i.e., development was accomplished entirely with money paid by AAR to Subcontractor that did not originate as a direct cost allocated to a government contract) to develop the Work delivered to the Government with Limited Rights, Government Purposes Rights, or Restricted Rights, Subcontractor agrees to grant and hereby grants to AAR, an irrevocable, paid-up, royalty-free, world-wide license to use, modify, disclose, reproduce, release, display, perform, prepare derivative works, and distribute any and all data, computer software, copyrightable works, reports and works of authorship for any purpose and in any manner.

15. WARRANTY

a. Compliance with Specifications: Upon acceptance of the Subcontract, Subcontractor agrees to supply AAR all Products or Services, in the quantities listed, in conformance with all Subcontract requirements, including but not limited to applicable Government, AAR, or other specifications or drawings, to extent specified. The required test and/or inspection reports/data resulting from Subcontractor's documentation of Subcontractor's compliance with applicable Subcontract requirements shall be kept on file at Subcontractor's facility and made available for review by AAR representatives or Government inspectors at any reasonable time.

b. Other Warranties: Subcontractor represents and warrants to AAR and AAR's customer as follows: (1) the title of Products or Services ordered under the Subcontract and conveyed by Subcontractor shall be good and the transfer rightful and that the Products or Services shall be delivered free from any security interest or other lien or encumbrance; (2) the Products or Services delivered hereunder will be of good quality, material, and workmanship in accordance with industry standards, is merchantable, and is fit and sufficient for the purpose for which the Products or Services are intended (to the extent Subcontractor knows such purpose); (3) the Products or Services provided by Subcontractor under the Subcontract do not infringe upon the rights of any third party. Subcontractor also agrees to and hereby provides any manufacturer's warranties the Subcontractor extends to its commercial customers of supplies or services like those purchased under this Subcontract.

c. Timing: The warranties and representations specified in paragraphs a and b above, shall continue following final acceptance by AAR for a period of one year (or such longer period of time as provided on the front of the Subcontract or as Subcontractor may warrant similar work to its most favored customer). The warranties also shall cover any Products or Services corrected or furnished in replacement to the same extent as Products or Services initially furnished with the warranty period commencing on delivery of the conforming corrected or replacement Products or Services. No approval of data or drawings shall believe Subcontractor of its warranties provided in the Subcontract.

d. Most Favored Customer: Subcontractor warrants that the prices, terms of payment, warranties and services extended under the Subcontract are no less favorable to AAR than those extended to Subcontractor's most favored customer for Products or Services substantially similar to the Products or Services ordered hereunder.

e. In accordance with FAR 46.706(b)(5), the Subcontractor shall stamp or mark the supplies delivered, or otherwise furnish notice with the supplies, of the existence of a warranty, if any. Sufficient information shall be presented for supply personnel and users to identify warranted supplies. Warranty information shall include the terms and duration of the warranty and the name and telephone number of the Subcontractor's Representative to be notified if the supplies are found to be defective.

16. TERMINATION FOR CAUSE

AAR may terminate this Subcontract, or any part hereof, for cause in the event of any default by the Subcontractor, or if the Subcontractor fails to comply with any contract terms and conditions, or fails to provide AAR, upon request, with adequate assurances of future performance. In the event of termination for cause, AAR shall not be liable to the Subcontractor for any amount for supplies or services not accepted, and the Subcontractor shall be liable to AAR for any and all rights and remedies provided by law. If it is determined that AAR improperly terminated this Subcontract for default, such termination shall be deemed a termination for convenience.

17. TERMINATION FOR AAR'S CONVENIENCE

AAR reserves the right to terminate the Subcontract, or any part hereof, for convenience with written notice of termination. In the event of such termination, Subcontractor shall immediately stop all work hereunder and shall immediately cause any and all of its suppliers and subcontractors to cease work. Subject to the terms of the Subcontract, Subcontractor shall be paid a percentage of the Subcontract price reflecting the percentage of the work performed prior to the notice of termination, plus reasonable charges that Subcontractor can demonstrate to the satisfaction of AAR using its standard record keeping system and, have resulted from the termination (the "Termination Settlement"). This Clause does not give AAR any right to audit Subcontractor's records. Subcontractor shall not be paid for any work performed or costs incurred which reasonably could have been avoided. Subcontractor must submit a fully supported termination for convenience cost proposal within thirty (30) days from the date of AAR's written notification to Subcontractor of the termination for convenience or such further time as AAR may allow in writing. Subcontractor's failure to comply with the time deadlines in this Clause for submitting a termination for convenience proposal shall waive Subcontractor's right to recover any termination for convenience amounts.

18. STOP WORK

a. AAR may at any time, by written order to Subcontractor, require Subcontractor to stop all, or part, of the work called for by the Subcontract for a period of up to ninety (90) days after the Stop Work Order is delivered to Subcontractor, and for any further period to which the parties may agree. AAR shall specifically identify any such order as a Stop Work Order issued pursuant to this Clause. Upon receipt of such an order, Subcontractor shall forthwith comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the Subcontract during the period of work stoppage. Within a period of ninety (90) days after a Stop Work Order is delivered to Subcontractor, or within any extension of that period to which the parties shall have agreed to in writing. AAR shall either:

1) Cancel the Stop Work Order; or

2) Terminate the work covered by such Stop Work Order as provided in the Termination For Cause or the Termination For AAR's Convenience Clause.

b. If a stop-work order issued under this clause is canceled or the period of the order or any extension thereof expires, the Subcontractor shall

resume work. AAR shall make an equitable adjustment in the delivery schedule or price, or both, and the Subcontract shall be modified, in writing, accordingly, if --

1) The stop-work order results in an increase in the time required for, or in the Subcontractor's cost properly allocable to, the performance of any part of the Subcontract; and
2) The Subcontractor asserts its right to the adjustment within 30 days after the end of the period of work stoppage; provided, that, if AAR decides the facts justify the action, AAR may receive and act upon the claim submitted at any time before final payment under the Subcontract.

c. If a stop-work order is not canceled and the work covered by the order is terminated for convenience, AAR shall allow reasonable costs resulting from the stop-work order in arriving at the termination settlement.

d. If a stop-work order is not canceled and the work covered by the order is terminated for cause, AAR shall allow, by equitable adjustment or otherwise, reasonable costs resulting from the stop-work order.

19. DISPUTE RESOLUTION

a. Negotiation: Except for the right of either party to apply to a court of competent jurisdiction for a temporary restraining order, a preliminary injunction, or other equitable relief to preserve the status quo or prevent irreparable harm, the parties agree that any Dispute between them or against any agent, employee, successor, or assign of the other arising under or related to this contract shall be settled to the extent possible by good faith negotiations. Any Dispute which cannot be resolved by good faith negotiations within thirty (30) days or such longer period as the parties may mutually agree to in writing shall be resolved in the courts with the appropriate jurisdiction located in the 18th Judicial Circuit of the State of Illinois or the U.S. District Court for the Northern District of Illinois (Eastern Division), and each party submits to the jurisdiction of each such court in any such action.

b. Waiver and Jury Trial:

The parties mutually and intentionally agree, to the extent permitted by law, to waive all rights to a trial by jury of any Dispute. The parties specifically acknowledge that this mutual waiver is made knowingly and voluntarily after an adequate opportunity to negotiate its terms.

c. Cost and Fees:

The prevailing party in any action related to the dispute or interpretation of the Subcontract shall be entitled to recover its reasonable attorney's fees incurred in pursuing the action, including those fees incurred throughout all bankruptcy and appellate proceedings.

d. Subcontractor's Obligation to Continue Performance: Pending any prosecution, appeal or final decision referred to in this Clause, or the settlement of any dispute arising under the Subcontract, Subcontractor shall proceed diligently as directed by AAR with performance of the Subcontract.

20. PRODUCT SUPPORT

In the event the Subcontractor discontinues manufacture of the aforementioned items, subassemblies, and spare parts, or no longer supports the items purchased and does not provide for another qualified source, the Subcontractor shall make available to AAR data necessary to manufacture or procure said items, subassemblies, and spare parts under a royalty-free license which is hereby granted.

21. DISCLOSURE OF INFORMATION

a. Subcontractor shall not release to anyone outside the Subcontractor's organization any Information, regardless of medium (e.g., film, tape, document), pertaining to any part of the Subcontract or any program related to the Subcontract unless:

1) AAR has given prior written approval, or
2) The information is otherwise in the public domain before the date of release.

Requests for approval shall identify the specific information to be released, the medium to be used, and purpose for the release. Subcontractor shall submit its request to AAR at least sixty (60) days before the proposed date for release.

Subcontractor agrees to include a similar requirement in each supplier subcontract under the Subcontract. Subcontractor's suppliers shall submit requests for authorization to release through Subcontractor to AAR.

Subcontractor shall not, without the prior written consent of AAR, use in advertisements and any other media, information relating to the requirements set forth in the Subcontract. Subcontractor shall formally transmit to AAR a request for such releases including the exact wording and any sketches or photographs which may form a part of the release.

22. PARTS OBSOLESENCE AND COUNTERFEIT PARTS

a. AAR may desire to place additional orders for items purchased hereunder. Subcontractor shall provide AAR with a "Last Time Buy Notice" as soon as reasonably possible prior to any action to discontinue sale or manufacture of any item purchased under this Subcontract

b. Subcontractor, at a minimum shall have a counterfeit parts prevention plan. Subcontractor and its sub-tier suppliers shall ensure that only non-counterfeit parts and products are delivered to AAR. For further prevention of inadvertent use of counterfeit parts, Subcontractor shall only procure directly from the OEM, Original component manufacturer (OCM) or through OEM/OCM authorized distribution chain unless first approved in writing by AAR through the submission and approval of a request. Subcontractor must obtain written approval to use non-franchised distributors/brokers and must present complete and compelling support of all actions to ensure parts procured are legitimate, authentic, non-counterfeit parts.

23. GRATUITIES

Subcontractor agrees not to offer or provide any Gratuities to any officers, employees, agents or representatives of AAR. AAR may terminate the Subcontract for default as provided in the clause entitled Termination for Cause, if AAR discovers that Gratuities were offered or given by Subcontractor, or any agent or representative of Subcontractor, to any officer, employee, agent or representative of AAR with a view toward securing a Subcontract or securing favorable treatment with respect to the awarding or the making of any determinations with respect to the performing of the Subcontract. In the event AAR terminates the Subcontract for cause as provided herein, AAR may pursue any of the remedies set forth in Clause entitled, Termination for Cause, in addition to any other rights or remedies provided by law, in equity, or the Subcontract.

24. ADVERSE MATERIAL CHANGE

a. In the event Subcontractor experiences or reasonably expects to experience a Material Adverse Change in its business operations, Subcontractor will promptly notify AAR in writing of such Material Adverse Change no later than five (5) days after such change occurs. For purposes of this section, “Material Adverse Change” will mean any change (whether related to financial considerations or otherwise) that negatively affects:
   1) Subcontractor’s ability to perform its obligations under the Subcontract or these General Provisions;
   2) AAR’s rights and remedies under the Subcontract or these General Provisions;
   3) Inability to pay creditors when due; and/or
   4) The validity or enforceability of the Subcontract or these General Provisions.

b. If, in the reasonable opinion of AAR, Subcontractor’s Material Adverse Change is likely to negatively affect Subcontractor’s performance of its obligations hereunder, AAR will be entitled to request reasonable assurances of performance from Subcontractor, which Subcontractor will provide in writing within seven (7) days of AAR’s written request. If such assurances are not adequate, AAR will be entitled to immediately terminate the Subcontract for cause upon written notice to Subcontractor.

25. TAXES

a. Except as set forth in subparagraph b below, the price set forth in the Repair Order is hereby understood and agreed to include all applicable foreign, Federal, state and local taxes, including but not limited to any sales and use taxes. No liability shall accrue to AAR for any such taxes.

b. AAR certifies that any material purchased hereunder, unless otherwise specified, and until this notice is revoked in writing by AAR, shall be considered to be purchased for resale as tangible personal property or as component parts thereof, for resale.

26. SURVIVAL

The General Provisions of the Subcontract, which by their very nature would continue beyond the termination, cancellation, or expiration of the Subcontract, including, without limitation the clauses entitled, Definitions, Indemnification, Inspection & Acceptance, Intellectual Property Rights and Licenses, Warranty, Termination for Cause, Termination for Convenience, Dispute Resolution, Disclosure of Information, Survival, Severability, Notice, Prohibited Software, Compliance With Laws, Applicable Law, and Compliance With International Environmental Requirements on

Hazardous Substances And Waste Recycling Laws, shall continue as valid and enforceable rights and obligations of the parties and survive termination, cancellation, or expiration of the Subcontract.

27. SEVERABILITY

In the event any portion of the Subcontract conflicts with governing law or if any arbitration panel or court of competent jurisdiction holds invalid any portion of the Subcontract, such portion (and only such portion) shall be deemed severed or modified to reflect as nearly as possible the parties' intent. The remainder of the Subcontract shall remain in full force and effect.

28. ASSIGNMENT AND SETOFF

Subcontractor shall not assign the Subcontract or any rights, claims or obligations under the Subcontract without the prior written consent of AAR. Subcontractor agrees that any attempted assignment without the prior written consent of AAR shall be void.

29. NOTICE..

Any notices required or permitted to be given under the Subcontract shall be in writing and delivered by hand delivery, U.S. mail, or a recognized commercial carrier to the address, or, by facsimile or email, to the point of contract identified on the front page of the Subcontract or to such other address as may be furnished for such purpose by notice duly given under the Subcontract. Such notice shall be deemed to have been given when delivered by hand or transmitted via email, or five (5) days after deposit with the courier or mail service. Any party may change its address for such communications by giving such notice to the other party in conformance with this Clause.

30. FORCE MAJEURE

Notwithstanding any other provision of the Subcontract, neither AAR nor Subcontractor shall be liable for delay or failure of performance occasioned by causes beyond its control, including, but not limited to: acts of God or the public enemy; civil unrest; riots; acts of terrorism; declared or undeclared war; fire; floods; unusually severe weather; hurricanes; earthquakes; or volcanoes ("Force Majeure Event"). If either Party is affected by a Force Majeure Event, the affected party shall give the other written notice, which shall cause, without penalty to either Party, all obligations under this Subcontract to be immediately suspended for a period of sixty (60) days. If the period of suspension caused by the Force Majeure Event exceeds that first sixty-day period, AAR either may terminate the Subcontract for convenience in accord with Clause 15, Termination for AAR’s Convenience, or suspend the Subcontract for an additional period under Clause 16, Stop Work.

31. NONWAIVER

AAR’s failure to enforce any provision of the Subcontract or to protest any breach or default of the Subcontract by Subcontractor shall not be construed as evidence of (or evidence to interpret) the rights or obligations of the parties, or as a waiver of any Subcontractor obligation or AAR right provided under the Subcontract or applicable law. No right or remedy of AAR shall be deemed waived or released unless such waiver or release is in writing and signed by an Authorized AAR Procurement Official.

32. FOREIGN TRANSACTIONS

Subcontractor, at its own expense, agrees to comply with all laws and regulations of the United States related to exports, imports, and foreign transactions, including, but not limited to, the International Traffic in Arms Regulations (ITAR) (22 C.F.R. §§ 120-130), the Export Administration Regulations (EAR) (15 C.F.R. §§ 730-774), and the National Industrial Security Program Operating Manual (NISPOM) (DoD 5220.22-M). Subcontractor also agrees to obtain, at its sole expense, any export licenses or other official authorizations and to carry out any customs or immigration

formalities or similar requirements for the export of any Products or Services covered by the Subcontract. Subcontractor specifically shall obtain all required authorizations from the U.S. Government before transferring or otherwise disclosing technical data or technology (as those terms are defined in 22 C.F.R. § 120.10 and 15 C.F.R. § 722.1, respectively), to any Foreign Person (as defined in 22 C.F.R. § 120.16). Subcontractor also shall provide written notification to AAR before assigning or granting access to a Foreign Person to any work, equipment, supplies, or technical data related to the Subcontract. Subcontractor also agrees to bear sole responsibility for all regulatory record keeping associated with the use of licenses and license exceptions/exemptions. AAR may deem Subcontractor's failure to comply with the requirements of this Clause a material failure to perform under the Subcontract that shall subject Subcontractor to termination in accordance with Clause 14, Termination for Cause.

33. PROHIBITED SOFTWARE

a. This clause only applies to Work/Product that includes the delivery of software.

b. As used herein, “Prohibited License” means the General Public License (“GPL”) or Lesser/Library GPL, the Artistic License (e.g., PERL), the Mozilla Public License, the Netscape Public License, the Sun Community Source License, the Sun Industry Standards License, or variations thereof, including without limitation licenses referred to as “GPL-Compatible, Free Software License.”

c. As used herein, “Prohibited Software” means software that incorporates or embeds software in, or integrates software in connection with, as part of, bundled with, or alongside any (1) open source, publicly available, or “free” software, library or documentation, or (2) software that is licensed under a Prohibited License, or (3) software provided under a license that (a) subjects the delivered software to any Prohibited License, or (b) requires the delivered software to be licensed for the purpose of making derivative works or be redistributable at no charge, or (c) obligates AAR to sell, loan, distribute, disclose or otherwise make available or accessible to any third party (i) the delivered software, or any portion thereof, in object code and/or source code formats, or (ii) any products incorporating the delivered software, or any portion thereof, in object code and/or source code formats.

d. Unless SELLER has obtained AAR’s prior written consent, which AAR may withhold in its sole discretion, SELLER shall not use in connection with this Contract, or deliver to AAR, any Prohibited Software.

e. SELLER agrees to defend, indemnify, and hold harmless AAR, its customers and suppliers from and against any claims, damages, losses, costs, and expenses, including reasonable attorneys’ fees, to the extent caused by AAR’s use in connection with the Subcontract or the delivery of Prohibited Software.

34. COMPLIANCE WITH LAWS

Subcontractor agrees in the performance of the Subcontract to comply with all applicable International, Federal, state, and local laws, regulations, rules and orders, and any applicable Executive Orders. Subcontractor shall procure all licenses, permits, and pay all fees, and other required charges, and shall comply with all applicable guidelines.

35. APPLICABLE LAW

The Subcontract and any Dispute arising under or relating to the Subcontract, irrespective of the place of performance, shall be governed by the laws of the State of Illinois, excluding its choice of law rules and the Convention for the International Sale of Goods, if otherwise applicable. Notwithstanding the foregoing, any provision of the Subcontract that incorporates in text or by reference a provision of the FAR shall be construed and interpreted according to the federal common law of government contracts, as interpreted by federal judicial bodies, boards of contracts appeals, and other quasi-judicial agencies of the federal government.

36. INDEPENDENT CONTRACTOR

Each party hereto is an independent contractor and nothing contained in the Subcontract shall be construed to be inconsistent with this relationship or status. As an independent contractor, each party has relied on its own expertise or the expertise of its legal, financial, technical or other advisors. Neither party owes a fiduciary duty to the other. Nothing in the Subcontract shall be deemed to represent that Subcontractor or any of Subcontractor's employees or agents, are the agents, representatives, or employees of AAR. Subcontractor assumes full and sole responsibility for the payment of all compensation, expenses, benefits (including, but not limited to, workers' compensation, and medical benefits) of its employees and for all state and United States income tax, unemployment insurance, social security, disability insurance, and other applicable withholdings or taxes. Subcontractor shall also pay any expenses normally paid by an employer in connection with its employees.

37. COMPLIANCE WITH INTERNATIONAL ENVIRONMENTAL REQUIREMENTS ON HAZARDOUS SUBSTANCES AND WASTE RECYCLING LAWS (applicable if Supplier notified of European Union deliverables)

a. Subcontractor warrants that that it shall perform all obligations under this Agreement in compliance with all applicable U.S., Canada, South America, Pacific Rim, EU, state/provincial and local environmental, health and safety laws and regulations. At different times at AAR’s request, Subcontractor shall provide certificates of compliance to AAR indicating compliance with the provisions of this clause.

b. Subcontractor warrants that the resale, supply or export of any material (whether used as a component or otherwise) by AAR in any market will not violate any law or regulation in any jurisdiction world-wide on the use of hazardous substances, or the recycling or treatment of waste equipment including, but not limited to, the laws implementing the European Union Directive (2011/65/EU) on the Restriction on the Use of Certain Equipment “RoHS 2 Directive” and European Union Directive (2012/19/EU) on Waste Electrical and Electronic Equipment (“WEEE Directive”) (together, “Applicable Laws”). The above laws do not apply to supplies provided under this Subcontract which are intended for specifically military purposes, for security equipment, for computers for aircraft, for space flight, for large scale fixed installations(Radars, Communication towers),or for means of transport (aircraft, trains, etc.).

c. Subcontractor warrants to AAR that no material contains any lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls or polybrominated diphenyl ethers or other substance or any other hazardous substances the use of which is restricted under EU Directive (2011/65/EU); chemicals restricted under the Montreal Protocol on ozone-depleting substances; or other chemical the use of which is restricted in any other jurisdictions to which AAR informs seller the materials are likely to be shipped or the seller knows the materials are likely to be shipped to or through; (in a quantity other than in compliance with the Applicable Laws), the use of which is banned or restricted by any Applicable Law.

d. As soon as Subcontractor is aware of any non-compliance but in no event any later than prior to the delivery of any material, Subcontractor shall identify in writing to AAR (1) any and all components and materials contained in the material that may require recycling or other treatment under the laws and regulations implementing the Applicable Laws, (2) the location of any component or material that is hazardous within the meaning

of the WEEE Directive or other Applicable Laws, and any material that is required by the Applicable Laws to be marked shall be so marked by Subcontractor.

e. AAR shall have the right to audit Subcontractor's compliance with the Applicable Laws. Subcontractor shall provide AAR with all such information and documentation that it may reasonably require (including access to its staff and facilities) to enable AAR to satisfy itself of the Subcontractor's compliance with all Applicable Laws and that the Clause entitled Warranty of Services remains true and accurate.

f. Subcontractor shall bear all costs and expenses, including but not limited to those related to recycling or taking back the Products or Services, arising out of or related to either AAR or Subcontractor complying with the Applicable Laws and placing the Products or Services on, or their importation into, any jurisdiction worldwide.

g. Subcontractor shall indemnify and hold AAR harmless from any cost, expense, liability or damage suffered by AAR by reason of any breach or alleged breach of any of the Applicable Laws arising out of or related to the Products or Services.

38. CERTIFICATION

AAR's Certification, Traceability, Shipping and Packaging Requirements for AAR Suppliers/Vendors shall apply to any Orders placed hereunder and are available upon request.

Wherever appropriate to the goods or services purchased with this Order, Subcontractor shall provide certification meeting the standards and requirements of the Federal Aviation Administration's AC 00-56 (latest revision), applicable Federal Aviation Administration regulations, EASA, CAA regulations, specified Repair Order requirements and generally accepted industry standards, including but not limited to: Certificates of Conformance, Test Reports, Manufacturer's Certifications, and FAA Airworthiness Release Documentation. All manufacturers' certificates of conformance, airworthiness releases, logs, and other documents shall be signed originals or certified true copies. For all documents not in English, Subcontractors shall provide, at Subcontractor's expense, a certified English translation. Condition of part must be notated on packing slip and invoice (i.e. New, New Surplus, OH, Repaired, etc.). A Certificate of Conformity from manufacturer must accompany new parts or new surplus parts. Repaired, overhauled parts must include an 8130-3 or equivalent Certificate of Airworthiness and must be dual release, if applicable. If calibrated equipment is shipped, it must be with a current Certificate of Calibration. Material Safety Data Sheets must accompany all HAZMAT items. Burn Certificates/Analysis Reports must be included with shipment when applicable. Additionally, Subcontractor shall provide a certified statement disclosing whether parts or material were or were not:

a. Subjected to conditions of extreme stress, corrosive agents, heat, environment or operation outside normal parameters or OEM limits; and

b. Obtained from the U.S Government or military sources. Note that AAR will not accept any military surplus parts unless pre-approved in writing by AAR's customer.

Note that all parts shipped must have a remaining shelf life of 75% or greater. Also, all part numbers shipped must match the part number on the Repair Order, packing slip and invoice. Repair Order number must also be referenced on the air waybill.

39. FAR FLOWDOWN CLAUSES

REFERENCE	TITLE	DATE
52.203-13	Contractor Code of Business Ethics and Conduct (>$5M & 120 day performance period) In the event the Subcontractor makes a disclosure pursuant to this clause that relates to, arises out of or involves the Subcontract or any Subcontract with AAR, the Supplier shall: (i) Notify AAR in writing that a disclosure has been made: (II)promptly provide a copy to AAR of the disclosure provided to the Government: (iii) keep AAR reasonably informed of the consequences, if any, of the disclosure.	(Apr 2010)
52.203-15	Whistleblower Protections Under the American Recovery and Reinvestment Act of 2009 (Section 1553 of Pub. L. 111-5), if the subcontract is funded under the Recovery Act.	(Jun 2010)
52.219-8	Utilization of Small Business Concerns	(Oct 2014)
52.222-26	Equal Opportunity (>$10K) The subcontractor shall abide by the requirements of 41 CFR 60-300.5(a) and 41 CFR 60-741.5(a). These regulations prohibit discrimination against qualified individuals on the basis of protected veteran status or disability, and require affirmative action by covered prime contractors and subcontractors to employ and advance in employment qualified protected veterans and individuals with disabilities.	(Mar 2007
52.222-35	Equal Opportunity for Veterans (>$100K)	(Jul 2014)
52.222-36	Affirmative Action for Workers with Disabilities (>15K)	(Jul 2014)
52.222-37	Employments Reports on Veterans	(Jul 2014)
52.222-40	Notification Of Employee Rights Under The Labor Relations Act (>$10K)	(Dec 2010)
52.222-50	Combating Trafficking In Persons (Alternate 1)	(Mar 2015)
52.225-26	Contractors Performing Private Security Functions Outside the United States (Section 862, as amended, of the National Defense Authorization Act for Fiscal Year 2008; 10 U.S.C. 2302 Note).	(Jul 2013)
52.232-40	Providing Accelerated Payments to Small Business Subcontractors (if a small business)	(Dec 2013)

52.247-64	Preference for Privately Owned U.S.-Flag Commercial Vessels (46 U.S.C. App. 1241 and 10 U.S.C. 2631), if flow down is required in accordance with paragraph (d) of FAR clause 52.247-64.	(Feb 2006)
52.244-6	Subcontracts For Commercial Items And Commercial Components	(Dec 2010)
52.246-2	Inspection of Supplies - Fixed-Price	(Aug 1996)
52.246-4	Inspection of Services - Fixed-Price	(Aug 1996)
52.246-6	Inspection - Time-and-Material and Labor-Hour	(May 2001)
52.246-14	Inspection of Transportation	(Apr 1984)
52.246-16	Responsibility for Supplies	(Apr 1984)

40. CERTIFICATIONS AND REPRESENTATIONS

a. By signing the Subcontract, Subcontractor hereby certifies that, as of the time of award, all Certifications and Representations previously submitted to AAR are still valid, in full force and effect and there have been no material changes in Subcontractor's eligibility to do business with the U.S. Government. These Certifications and Representations are hereby incorporated by reference and are material representations of fact. If it is later determined that Subcontractor knowingly rendered an erroneous Certification or Representation, in addition to other remedies available to AAR, AAR may terminate the Subcontract for default under the clause entitled Termination for Cause. Subcontractor shall submit updated Representations and Certifications from time-to-time as reasonable required and requested by AAR.

b. Debarred/Suspended Disclosure and Payments to Influence Certification or Disclosure

By signing the Subcontract, the Subcontractor hereby certifies that as of the time of award of this Subcontract: (1) the Subcontractor, or its principals, is not debarred, suspended or proposed for debarment or declared ineligible for award by any Federal agency; and (2) no Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress on its behalf in connection with awarding the contract or this Subcontract;

c. If any registrants under the Lobbying Disclosure Act of 1995 have made a lobbying contact on behalf of the offeror with respect to this contract, the offeror shall complete and submit, with its offer, OMB Standard Form LLL, Disclosure of Lobbying Activities, to provide the name of the registrants. The offeror need not report regularly employed officers or employees of the offeror to whom payments of reasonable compensation were made.

41. SUPPLEMENTAL TERMS

In addition to these General Provisions set forth herein, certain special clauses or special provisions may be applicable to the Subcontract. These special clauses shall be included either by reference in the Subcontract or Repair Order or by attachment to the Subcontract, or both.

42. PACKAGING

a. MARKING OF SHIPMENTS - The contract and task order number shall be placed on or adjacent to all exterior mailing or shipping labels of deliverable items. If not otherwise specified, interior packages and exterior shipping containers shall be marked in accordance with the following standards. (1) Deliveries to civilian activities. Supplies shall be marked in accordance with Federal Standard 123. (2) Deliveries to military activities. Supplies shall be marked in accordance with Military Standard 129.

b. PACKING OF SUPPLIES FOR DOMESTIC SHIPMENT -Supplies shall be packed for shipment in a manner that will ensure acceptance by common carriers and safe delivery at destination. Containers and closures shall comply with the Interstate Commerce Commission Regulations, Uniform Classification Rules, and regulations of other carriers as applicable to the mode of transportation.

c. PACKING LIST(S) - A packing list or other suitable shipping document shall accompany each shipment and shall include the following information: (1) Name and address of consignor;(2) Name and address of consignee;(3) Government contract number and task order number;(4) Requisition number;(5) Government bill of lading number covering the shipment, if any; and (6) Description of the items shipped, including item number, quantity, number of containers, and package number, if any. This information will be included on the Repair Order that will be provided to the Subcontractor.

d. MARKING OF REPORTS - All reports become the property of the Department. Reports shall not contain any markings or legends which will restrict the Department's use of such reports in any way. All reports delivered by the Subcontractor to the Government under this contract shall prominently show on the cover of the report: (1) Name and Business address of the Subcontractor;(2) Contract number and task order number;(3) Date of report;(4) Program office (s); and (5) Deliverable number.

e. DATA PACKAGING REQUIREMENTS - All unclassified data shall be prepared for shipment in accordance with best commercial practices.

f. REQUIREMENTS FOR TREATMENT OF WOOD PACKAGING MATERIAL - (Applies when Wood Packaging Material is used to make shipments under this contract and/or when Wood Packaging Material is acquired under this contract) (a) Wood packaging material (WPM) means wood pallets, skids, load boards, pallet collars, wooden boxes, reels, dunnage, crates, frame and cleats. The definition excludes materials that have undergone a manufacturing process, such as corrugated fiberboard, plywood,particleboard, veneer, and oriented strand board (OSD). (b) All WPM must meet requirements of International Standards for Phytosanitary Measures Publication No. 15: "Guidelines for Regulating Wood Packaging Material in International Trade" (ISPM 15). (1) All WPM shall comply with the official quality control program for heat treatment (HT) or kiln dried heat treatment (KD HT) in accordance with American Lumber Standard Committee, Incorporated (ALSC) wood packaging material program and WPM enforcement regulations (see http://www.alsc.org/). (2) All WPM shall include certification/quality markings in accordance with the ALSC standard. Markings shall be placed in an unobstructed area that will be readily visible to inspectors. Pallet markings shall be applied to the stringer or block on diagonally opposite sides of the pallet and be contrasting and clearly visible. All containers shall be marked on a side other than the top or bottom, contrasting and clearly visible. All dunnage used in configuring and/or securing the load shall also comply with ISPM 15 and be marked with an ALSC approved dunnage stamp. (c) Failure to comply with these requirements may result in refusal, destruction, or treatment of materials at the point of entry.

g. PACKAGING, PACKING, MARKING AND LABELING OF HAZARDOUS MATERIAL SHIPMENTS -(a) Packaging, packing, marking and labeling hazardous materials to be shipped by any mode or combination of transportation modes shall be prepared (properly classed, described, packages, marked, labeled, placarded, etc.) for shipment in accordance with all applicable laws and regulations in effect at the time of shipment. The minimum packaging acceptable for packaging Department of Transportation regulated hazardous materials shall be those in 49 CFR 173. (b) Applicable regulations include, but are not necessarily limited to the following:

1) Federal Hazardous Materials Act, as amended (15 U.S.C. 1261-1276)
2) 49 CFR 100-199.
3) Official Air Transport Restricted Articles Tariff Number 6-D C.A.B.82.
4) Official Air Transport Restricted Articles Circular Number 6-D.
5) International Air Transport Association Restricted Articles Regulations.
6) International Maritime Dangerous Goods Code.
7) Export shipments are also subject to the domestic regulations indicated for the port of embarkation.

43. SUPPLIER CODE OF CONDUCT

Subcontractor shall comply with AAR's Supplier Code of Conduct Policy, which can be found here: http://www.aarcorp.com/terms-and-conditions/supplier-code-of-conduct/

44. CLAIMS

Except as may be expressly set forth in this Subcontract and with the Government Contracting Officer's express consent, the Subcontractor shall not acquire any direct claim or direct course of action against the U.S. Government.

45. FLOW DOWN CLAUSES

Subcontractor shall include in each lower-tier subcontract the appropriate flow down clauses as required by FAR, DFARS and other federal acquisition regulation supplements.

46. DATA RIGHTS

Nothing in these terms and conditions shall be construed or interpreted to limit or in any way restrict the rights of the Government in regard to data, tooling and other information it owns or has a right to use, including the right to authorized the supplier's use of such data, tooling or other information in direct contracts between the supplier and the Government.