

**ATTACHMENT I - TELEDYNE BROWN  
ENGINEERING, INC.  
TERMS AND CONDITIONS - COST TYPE  
U.S. GOVERNMENT PROJECTS  
NOVEMBER 2007**

**GENERAL**

Acknowledgment, shipment, or performance of any part of this purchase order will constitute acceptance by Seller of all terms and conditions hereof, including all documents incorporated herein by reference without reservation, and shall constitute the entire agreement between the parties and supersedes all prior agreements relating to the subject matter hereof. Buyer hereby specifically objects to any additional or different terms or conditions set forth in any communication from Seller.

Buyer liability to Seller is limited to and shall not exceed for any reason the value of the Purchase Order. Releases against Blanket Purchase Orders represent the aggregate of goods or services and/or dollar amount authorized for delivery to date. Buyer liability regarding Blanket Purchase Orders shall not exceed either of (1) total cumulative quantity of the goods identified on Buyer's order releases or (2) the total Purchase Order value. Deliveries by Seller that exceed either (1) or (2) above shall be at Seller's risk and Buyer is not obligated to accept such deliveries. Freight and insurance costs associated with the return of such deliveries shall be the Seller's responsibility.

**SECTION 1. CHANGES**

Buyer may by written change order make any changes in this purchase order, including additions of or deletions from the quantities ordered or in the designs, specifications, or delivery schedules. If any change affects the amount due or the time of performance hereunder, Seller shall notify Buyer within 5 days and not proceed with the work until Buyer confirms in writing that the change should be implemented. Seller shall then submit a proposal within 20 days detailing the impact of the change. Upon negotiation, Buyer shall then make an equitable adjustment in the purchase price or delivery schedule. Any exchange of information or advice between the parties shall not authorize Seller to change the goods or services purchased hereunder or the provisions of this purchase order unless incorporated as a written change order in accordance with this section.

**SECTION 2. INSPECTION AND ACCEPTANCE**

Buyer shall have the right to inspect and test the goods or services purchased hereunder at any time prior to shipment at Seller's plant or its subcontractor's plant. Acceptance of goods or services is subject to final inspection by Buyer to be made within a reasonable time after arrival at the specified destination. The making or failure to make any inspection of, or payment for, or acceptance of the goods or services shall in no way impair

Buyer's right to reject or revoke its acceptance of nonconforming goods or services or avail itself of any other remedies to which Buyer may be entitled, notwithstanding Buyer's knowledge of the nonconformity, its suitability, or the ease of its discovery.

**SECTION 3. WARRANTY**

Seller represents and warrants that the goods and services furnished hereunder shall be merchantable and fit for the particular purpose intended and shall be of the kind and quality described herein, in strict accordance with the specifications, and free of defects in design, workmanship and materials. If within one year from the date of placing the goods or the product of the services provided hereunder into commercial operation, the goods or product of such services is or becomes defective though such discovery may be after said one year period, Seller shall correct such nonconformity or defect at its sole expense. The corrective work shall be performed diligently and in the most expeditious manner consistent with Buyer's needs and in a manner concurred in by Buyer. Seller warrants any adjustment, repair, or replacement to the same extent the original goods or services are warranted for a period of one year after such corrective work.

**SECTION 4. SUBCONTRACTS AND ASSIGNMENT**

Seller shall not subcontract with any other party without Buyer's prior written authorization for the whole or any major component of any item or service ordered hereunder, and Seller shall require a like agreement from its subcontractors. Any assignment of this purchase order or of any rights hereunder by operation of law or otherwise, without the prior written consent of Buyer shall be void.

**SECTION 5. JURISDICTION AND WAIVERS**

The rights and obligations of the parties hereto shall be governed by the law of the State of Alabama. No provisions hereof may be waived or modified, and no counteroffer hereto shall be deemed accepted, unless made in writing and signed by a duly authorized representative of Buyer. A waiver of one or more defaults hereunder or failure to insist on strict performance of any terms or condition hereof shall not be a waiver of any other or subsequent defaults or performance.

**SECTION 6. REPRODUCTION RIGHTS**

Buyer does not grant the Seller any rights to use designs, drawings, or other information belonging to or supplied by Buyer in the manufacture or design of articles or materials for anyone other than Buyer provided, however, nothing herein contained shall be construed to prevent the Seller from making direct sales to the Government where the Government has acquired the Right of Reproduction of such articles.

**SECTION 7. INFRINGEMENT**

To the extent the Buyer is not indemnified by the U.S. Government under FAR 52.227-1, Seller shall at its own expense, hold harmless and defend Buyer against any claim, suit, or proceeding brought against Buyer which is based upon a claim, whether rightful or otherwise, that the goods or services, or any part thereof, furnished hereunder constitute an infringement of any patent, copyright, or trademark. Seller shall pay all damages, costs, and expenses arising from such claims. In case the goods or services furnished hereunder, or any part thereof, are held to constitute infringement and the use of said goods or services or part is enjoined, Seller shall, at its own expense, either procure for Buyer the right to continue using said goods or services or replace the same with noninfringing goods or services. This paragraph shall not apply to any goods or services or part thereof manufactured or furnished to Buyer's design.

**SECTION 8. FORCE MAJEURE**

Time is the essence of this purchase order. Neither party shall be liable for delays due to causes not reasonably foreseeable which are beyond reasonable control, such as act of God, acts of civil or military authorities, fires, strikes, floods, epidemics, war, or riots. In the event of any such delay caused by such event of force majeure, the date of performance shall be extended for a period of time equal to the time actually lost by reason of such delay, without cost to either party. Whenever Seller has knowledge that any actual or potential labor dispute is delaying or threatens to delay the timely performance of this purchase order, Seller shall immediately give notice thereof.

**SECTION 9. INSURANCE AND LIABILITY**

Seller shall, and shall require its subcontractors to, keep all materials, tools, and equipment in which Buyer has any interest insured against risk of loss or damage for their value at Seller's own expense during such time as they remain in Seller's possession.

Seller shall also provide and maintain insurance in the following amounts:

- Workmen's compensation insurance (statutory limits)
- Automobile, general liability, & product liability - \$1M combined single limit

When Seller's employees, agents, or contractors are on Buyer's premises for any reason, the presence of Seller shall be as an independent contractor, and Seller shall indemnify and hold harmless Buyer against all loss, damage, or expense by reason of injury to person or damage to property (including employees and property of Buyer) arising out of the use of or activities on any of said premises. Seller shall provide a certificate of insurance evidencing the above coverages, naming Buyer as an additional insured for claims caused by Seller's actions or inaction while on Buyer's property.

**SECTION 10. CONFLICTS**

To the extent of conflicts, if any, among the provisions

hereof or any attachments hereto, such conflicting provisions shall prevail in the following order of precedence:

- (1) Typed provisions on the face of the purchase order
- (2) Purchase order attachments
- (3) Printed terms and conditions
- (4) Specifications.

**SECTION 11. COMPLIANCE WITH LAW**

Seller shall observe at all times all Federal, State, County, and Municipal laws or ordinances which in any manner affect the work herein specified, including those laws pertaining to recovery and recycling of parts in data processing equipment. This purchase order incorporates, by reference, all applicable clauses relating to employment of the handicapped, employment of veterans, or utilization of minority contractors which are required under governmental laws, orders, or regulations to be included in any such order according to applicable conditions thereof. Seller shall also require all of its agents, subcontractors, and employees to observe and comply with said laws and ordinances and shall indemnify and hold Buyer harmless for all claims, damages, and expenses arising from or based on the violation of any such law or ordinance by Seller or its subcontractors, agents, or employees.

Seller hereby warrants that all goods and services provided hereunder shall conform with the Occupational Safety and Health Act (OSHA). In the event that such goods or services do not conform with OSHA, and Buyer is penalized for such nonconformance, Seller agrees to indemnify the Buyer for all penalties, costs, and expenses, including interest levied against Buyer.

**SECTION 12. TITLE AND RISK OF LOSS**

Title and risk of loss to goods shall pass to Buyer upon receipt at Buyer's designated destination.

**SECTION 13. EXPEDITING**

The goods and services shall be subject to expediting by Buyer or its representatives. Buyer's personnel shall be allowed reasonable access to Seller's plants for the purpose of expediting and/or inspection.

**SECTION 14. GOODS ORIGINATING OUTSIDE OF THE UNITED STATES**

For deliveries originating outside the United States, Seller hereby warrants that the Harmonized Tariff Code used on the shipping documentation is accurate, and hereby indemnifies Buyer from all penalties imposed by the U.S. Government as a result of Seller's use of an incorrect Harmonized Tariff Code. Seller further warrants that it has complied with the export laws of the country of origin and hereby indemnifies Buyer from any penalties which may be imposed from failing to so comply.

**SECTION 15. CONDITIONS APPLICABLE TO ORDERS FOR GOODS DESTINED FOR USE BY THE UNITED STATES GOVERNMENT**

The following clauses shall supplement the foregoing and to the extent of any inconsistency with the foregoing, be

controlling.

#### A. TERMINATION

1. Buyer shall have the right at any time and for any reason to terminate this Purchase Order in its entirety or in part in accordance with the provisions of Federal Acquisition Regulations 52.249-6, "Termination (Cost Reimbursement)" (excluding any references to the Disputes Clause). This clause is specifically incorporated herein by reference.

2. In addition to the rights conferred in subparagraph (1), Buyer may terminate this Purchase Order for default if Seller fails to make any delivery in accordance with the schedule set forth herein or for failure to comply with any of the other requirements or terms and conditions of this Purchase Order or for failure to make progress under this Purchase Order so as to endanger performance of this Purchase Order, and does not cure such failure within a period of ten (10) days after notice from Buyer. In the event of termination for Seller's default, Buyer may procure commodities or services similar to those terminated, and Seller shall be liable for excess procurement costs. Further, Seller shall be liable to Buyer for any other remedies prescribed by law or equity.

#### B. FEDERAL ACQUISITION REGULATION (FAR)

1. This Purchase Order is subject to the following FAR clauses, all of which are hereby incorporated by reference:

- 52.202-1 Definitions
- 52.204-2 Security Requirements
- 52.209-6 Protecting the Government's Interest When Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment
- 52.216-7 Allowable Cost and Payment
- 52.222-20 Walsh Healy Public Contracts Act
- 52.222-26 Equal Opportunity
- 52.222-35 Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era
- 52.222-36 Affirmative Action for Workers with Disabilities
- 52.222-37 Employment Reports on Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans
- 52.223-3 (with Alternate I) Hazardous Material Identification and Material Safety Data
- 52.223-6 Drug-Free Workplace
- 52.223-11 Ozone Depleting Substances
- 52.227-14 Rights in Data - General
- 52.242-15 Stop-Work Order
- 52.245-1 Government Property (when included in the prime contract under which this purchase order is being issued)
- 52.245-5 Government Property (Cost Reimbursement, Time and Material, or Labor Hour Contract)
- 52.246-1 through -9 Contractor Inspection Requirement, Provisions and Clauses
- 52.247-64 Preference for Privately Owned U.S. Flag Commercial Vessels

2. FAR Clauses required on orders exceeding "simplified acquisition threshold" (\$100,000) (FAR 2-201)

- 52.203-3 Gratuities
- 52.203-5 Covenant Against Contingent Fees
- 52.203-6 Restrictions on Subcontractor Sales to the Government
- 52.203-7 Anti-Kickback Procedures
- 52.203-8 Cancellation, Rescission, and Recovery of Funds for Illegal or Improper Activity
- 52.203-10 Price or Fee Adjustment for Illegal or Improper Activity
- 52.203-11 Certification and Disclosure Regarding Payments to Influence Certain Federal Transactions
- 52.203-12 Limitation on Payments to Influence Certain Federal Transactions
- 52.215-2 Audit and Records—Negotiation
- 52.215-14 Integrity of Unit Prices
- 52.219-8 Utilization of Small Business Concerns
- 52.222-4 Contract Work Hours and Safety Standards Act—Overtime Compensation
- 52.227-1 Authorization and Consent
- 52.227-2 Notice and Assistance Regarding Patent and Copyright Infringement
- 52.229-3 Federal, State, and Local Taxes
- 52.233-3 Protest After Award
- 52.244-5 Competition in Subcontracting
- 52.247-64 Preference for Privately Owned U.S. Flag Commercial Vessels

3. FAR clauses required for large businesses and the order is \$550K and over

- 52.219-9 Small Business Subcontracting Plan

4. FAR clauses required for procurements \$650K and over

- 52.215-10 Price Reduction for Defective Cost or Pricing Data (negotiated procurement actions)
- 52.215-11 Price Reduction for Defective Cost or Pricing Data – Modifications (negotiated procurement actions)
- 52.215-12 Subcontractor Cost or Pricing Data (negotiated procurement actions)
- 52.215-13 Subcontractor Cost or Pricing Data – Modifications (negotiated procurement actions)
- 52.215-15 Pension Adjustments and Asset Reversions
- 52.215-18 Reversion or Adjustment of Plans for Post-retirement Benefits (PRB) Other than Pensions
- 52.215-20 Requirements for Cost or Pricing Data or Information Other than Cost or Pricing SR (negotiated procurement actions)
- 52.215-21 Requirements for Cost or Pricing Data or Information Other than Cost or Pricing Data – Modifications (negotiated procurement actions)
- 52.230-2 Cost Accounting Standards (applicable to Large Business only)
- 52.230-3 Disclosure and Consistency of Cost Accounting Practices
- 52.230-6 Administration of Cost Accounting Standards
- 52.242-1 Notice of Intent to Disallow Costs
- 52.242-3 Penalties for Unallowable Costs

#### 5. Department of Defense Orders

For orders issued under Department of Defense contracts, the Seller shall comply with DFARS 252.225-7014, Preference for Domestic Specialty Metals.

6. Where necessary to make the clauses above consistent with this Purchase Order, the words "Government," "contracting officer," and similar words as used therein shall mean Buyer, and the word "contractor" shall mean Seller, with the exception of clauses which grant the right to audit Seller's financial records, in which case the terms retain their original meaning.

7. The Seller covenants and agrees that if Buyer's contract price or a cost allowance is reduced by reason of Seller's failure to comply with an applicable Cost Accounting Standard or to follow any practice disclosed in its Disclosure Statement, Buyer shall be entitled to:

(a) Reduce the price of this Purchase Order by an amount commensurate with the reduction in Buyer's contract price or cost allowance together with interest computed at the applicable Treasury rate, or

(b) In the event Seller shall already have been paid the full Purchase Order price or essentially the full Purchase Order price, Seller shall reimburse and indemnify Buyer in an amount commensurate with the reduction in Buyer's contract price or cost allowance together with interest computed at the applicable Treasury rate.

8. For orders exceeding \$5M and a period of performance exceeding 120 days, FAR 52.203-13 is hereby incorporated by reference. Seller shall indemnify Buyer for any failure of Seller to comply with the provisions of FAR 52.203.-13.

#### **SECTION 16. GOVERNMENT INSPECTION**

If this procurement document bears a government contract number, the government has the right to perform government quality assurance at the Supplier's plant as may be necessary to determine conformance with the requirements specified for all services and/or supplies ordered herein. In addition, there may be further government inspection rights provided by F.A.R. citations (i.e., 52.246-2 through -9) or by Buyer's Quality Terms, Attachment II, Form 5124 (i.e., terms 1 through 6).

#### **SECTION 17. GOVERNMENT-OWNED FACILITIES**

If Government-owned facilities are to be used by Seller to perform work prescribed herein, two prices are to be submitted; one based on rent-free use and one based on rental payments (applicable to request for quote only).

#### **SECTION 18. ANTIKICKBACK**

TBE prohibits the payment of any money, fee commission, credit, gift, gratuity, thing of value, or compensation of any kind which is provided, directly or indirectly, to any prime contractor, prime contractor employee, subcontractor, or subcontractor employee for the purpose of improperly obtaining or rewarding favorable treatment in connection with a prime contract or in connection with a subcontract

relating to a prime contract. All suspected violations of this section must be reported immediately to the Teledyne Brown Engineering Ethics Officer.

#### **SECTION 19. WORK PERFORMED IN BUYER FACILITIES**

Work performed under this purchase order in Buyer facilities may require the individuals assigned to be U.S. citizens. Before assigning any foreign nationals to work in Buyer facilities in support of this purchase order, Seller shall obtain prior written approval from Buyer. Seller shall also screen all individuals who have access to Buyer facilities against the U.S. Government's Denied Parties List. If Seller does not have access to the Denied Parties List, names of the individuals shall be provided to Buyer for screening by Buyer.

#### **SECTION 20. HAZARDOUS MATERIALS**

Seller shall notify Buyer in writing if goods furnished are subject to laws or regulations relating to hazardous or toxic substances, or when disposed of, to regulations governing hazardous wastes, or to any other health, safety and/or environmental regulations. Seller shall furnish: all appropriate shipping certification; labeling in compliance with the Workplace Hazardous Materials Information System; Material Safety Data Sheets in compliance with the Workplace Hazardous Materials Information System; and instructions for shipping, safety, handling, exposure and disposal in a form sufficiently clear for use by Buyer's non-technical personnel and sufficiently specific to identify all action which the user must take concerning the material. The following certification must be made on the bill of lading: "This is to certify that the above named articles are properly classified, described, packaged, marked and labeled and are in proper condition for transportation according to any applicable transportation regulations."

#### **SECTION 21. ORDER COMPLETION AND CLOSEOUT:**

Subcontractor agrees to close out this order within the following schedule. Failure to submit documents within the specified period will result in a unilateral closeout of the order by the Buyer.

- (1) Cost Reimbursement orders: Quick closeout procedures shall be used to the maximum extent possible (reference FAR 42.708). Closing documents using quick closeout procedures shall be submitted within six (6) months of completion of the order. Where quick closeout is not authorized, closing documents shall be submitted within 24 months of completion of the order.
- (2) Special Note for Delivery/Task Order Contracts: Completion vouchers and documents shall be submitted on each delivery order within three (3) months of order completion. Any subsequent adjustments required on cost reimbursement elements will be made on the final delivery order, which will be closed out in accordance with the schedule specified for the contract type.