Precision Aerospace Corp.
704 Crofton Street SE, Grand Rapids, MI 49507

PAC-L100 – Purchase Order Terms and Conditions Supplement 3

1) **Examination of Records:**

   a) Applicable only if the purchase order exceeds $10,000.
   b) The Comptroller General of the United States, or any of his duly authorized representatives, shall, until the expiration of three (3) years after the final payment under this order, or for the time period specified in Appendix M of the Federal Acquisition Regulation, whichever expires earlier, have access to and the right to examine any directly pertinent books, documents, papers and records of the Seller involving transactions related to the purchase order.
   c) Seller shall insert the provisions of this clause in all subcontracts or purchase orders placed by it hereunder.

2) **Cost or Pricing Data**

   a) The Seller shall submit cost or pricing data in accordance with 15.804-2, Required Certified Cost or Pricing Data.
   b) The Seller shall insert the provisions of this clause including this paragraph in each subcontract which exceeds $500,000.

3) **Excess Profit**

   a) Seller agrees that unless otherwise provided by law, this purchase order shall be subject to all the provisions of 10 U.S.C. 2382 and shall be deemed to contain all the agreements required thereby; provided, however, that this clause shall not be construed to enlarge or extend by contract the obligations imposed thereby. Seller agrees to insert in the subcontracts specified therein either the provisions of this clause or the provisions required thereby.

4) **Cost Accounting Standards**

   a) Seller agrees to indemnify Purchaser for any incurred costs recovered by the United States, together with interest, which will result from Seller's or Seller's contractors failure to comply with applicable cost accounting standards, failure to follow any practice disclosed pursuant to paragraph (a) (1) and (a) (2) of the Cost Accounting Standards Clause, or failure in any way to comply with said clause and Public Law 91-379.

PAC-L100 – Purchase Order Terms and Conditions Supplement 3

5) Truth in Negotiations

a) Indemnification

i) If any price (including profit or fee) negotiated in connection with the prime contract between the Government and the Buyer or any cost that is reimbursable under said contract is reduced because cost or pricing data furnished by the Seller in connection with any proposal submitted by the Buyer or in connection with the purchase order was not accurate, complete or current, the Seller shall indemnify the Buyer for any incurred costs or penalties.

ii) The phrase "cost or pricing data" as used herein shall be deemed to include any such data, which related to a lower-tier prospective or actual subcontract, at any level, which was submitted by the Seller or which it procured by submission of, in connection with the aforesaid proposal or purchase order in support of its cost estimate.

iii) If any reduction in the contract price under this clause reduces the price of items for which payment was made prior to the date of the modification reflecting the price reduction, the Seller shall be liable and shall pay the Buyer at the time such overpayment is repaid:

(1) Simple interest on the amount of such overpayment to be computed from the date(s) of overpayment to the Seller to the date the Buyer is repaid by the Seller at that applicable rate effective for each quarter prescribed by the Secretary of the Treasury under 26 U.S.C. 6621 (a) (2); and

(2) For Department of Defense contracts only, a penalty equal to the amount of the overpayment, if the Seller knowingly submitted cost or pricing data which were incomplete, inaccurate or non-current.

b) Cost or Pricing Data for Changes

i) Prior to the pricing of any change or modification to this order which involves, increases and/or decreases in costs plus applicable profit in excess of the contractually required threshold (e.g. $100,000, $500,000, $550,000, or $650,000) and resulting from a change in the prime contract, subcontractors shall submit cost or pricing data and shall certify that the data, as defined in the Federal Acquisition Regulation 15.406-2, submitted either actually or by specific identification in writing are accurate, complete and current as of the date of negotiation completion.

ii) When required to obtain cost or pricing data from its subcontractors, pursuant to the provisions of this purchase order, Seller shall obtain such data.