

## SSI Subcontract

THIS AGREEMENT, made and entered into as of 3/1/05 with an effective date commencing on the date that the US Government shall award a contract to HAMILTON SUNDSTRAND CORPORATION for the Strategic Supplier Initiative ("Effective Date"), by and between **AAR PARTS TRADING INC.**, doing business as AAR DEFENSE SYSTEMS & LOGISTICS, having offices at One AAR Place, 1100 N. Wood Dale Road, Wood Dale, IL, 60191 (hereinafter referred to as **SELLER**), and **HAMILTON SUNDSTRAND CORPORATION**, on behalf of HAMILTON SUNDSTRAND POWER SYSTEMS, having offices at 4400 Ruffin Road, San Diego, California 92123, U.S.A., (hereinafter referred to as **BUYER**). SELLER and BUYER may be referred to individually as a "Party" or collectively as the "Parties":

### Recitals

**WHEREAS**, SELLER is in the business of providing inventory management for the United States military services which includes, but is not limited to, systems management, asset warehousing, material forecasting and inventory storage, and

**WHEREAS**, BUYER manufactures, markets, sells, and supports its auxiliary power unit systems for installation and operation on board U.S. military helicopters; and

**WHEREAS**, the U.S. Government has selected BUYER for the responsibility to manage spare parts for auxiliary power unit systems installed on U.S. Government helicopters;

**WHEREAS**, BUYER and SELLER desire to set forth the terms and conditions under which SELLER shall provide the material and inventory management support for such spare parts on auxiliary power unit systems.

**NOW, THEREFORE**, in consideration of the mutually agreed to conditions, covenants and promises set forth herein, the parties hereby agree to the following terms and conditions:

### PROPRIETARY NOTICE AND RESTRICTIONS

*This document contains information which is confidential and proprietary to Hamilton Sundstrand Corporation. As a condition of and as consideration for receiving this document, the recipient agrees that this document and the information contained herein, shall not be disclosed outside the recipient or duplicated or used for any purpose other than performance of this Agreement without the prior written consent of Hamilton Sundstrand Corporation. The information subject to this restriction is contained on all pages referring to this notice.*

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## 1.0 DEFINITIONS

The following definitions shall apply to terms employed in this Agreement, unless other meaning or definition is expressly indicated:

**"Agreement"** means this SSI Subcontract including all appendices, amendments, and Orders issued hereunder or otherwise in connection herewith.

**"APU"** or **"Auxiliary Power Unit"** or **"APU System"** means BUYER's model T-62T-\_\_\_\_ shipset, including the Auxiliary Power Unit and components thereof.

**"BUYER"** means HAMILTON SUNDSTRAND CORPORATION, for and on behalf of HAMILTON SUNDSTRAND POWER SYSTEMS.

**"Government"** means U.S. Government agencies.

**"Order"** means any purchase order and amendments thereto issued pursuant to this Agreement including the Terms and Conditions herein. SELLER's preprinted terms are agreed to not be applicable, unless agreed otherwise in writing.

**"SELLER"** means AAR Parts Trading Inc., dba AAR DEFENSE SYSTEMS & LOGISTICS.

**"Unapproved Part(s)"** means a part, component, or Material used therein that has not been manufactured in accordance with BUYER approved procedures and/or a part, component, or Material that has not been approved by BUYER for use in conjunction with this Agreement. A part, component, or Material purchased by BUYER from the U.S. Government shall not be considered an Unapproved Part.

## 2.0 SSI Contract

Pursuant to Appendix A (SSI SOW) and the terms and conditions set forth herein, SELLER will provide APU Material and inventory support to BUYER, based on a Percentage of the Prime Contract Price. This DSCR Prototype Contract covers all Material requirements for contract FA8208-05-D-0002.

HSC shall pay AAR Consideration in the amount of 9.5% of the Prime Contract price for subcontracted Stock items, 25% for subcontracted DVD items.

## 3.0 GENERAL TERMS

### 1.0 INDEMNIFICATION

SELLER shall defend, indemnify and hold harmless BUYER, its officers, agents, and employees from and against any and all costs, expenses and liabilities resulting from any claims, suits or judgments for any property damage and/or personal injury suffered as a direct result of, or in connection with, SELLER's negligence in the procurement, possession and management of Material.

### 2.0 ECONOMIC ADJUSTMENT

Unless otherwise specifically provided for herein, all prices set forth herein are deemed to be in then year economics and not subject to adjustment for inflation/deflation.

### **3.0 MATERIAL**

SELLER agrees to purchase from BUYER, subject to the applicable terms and conditions of the Distributorship Agreement No. 98878 between SELLER and BUYER, the Material required to support the Repair of Aircraft.

**THE PURCHASE AND DISTRIBUTION OF UNAPPROVED PARTS SHALL BE CONSIDERED A MATERIAL BREACH OF THIS AGREEMENT AND WILL BE A REASON TO INVALIDATE PROVISIONS OF THIS AGREEMENT. IN THE EVENT THAT SELLER PROCURES OR DISTRIBUTES UNAPPROVED PARTS, SELLER AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS BUYER FROM ANY AND ALL CLAIMS, LOSS OR EXPENSE RESULTING DIRECTLY OR INDIRECTLY FROM SUCH USE.**

**BOTH PARTIES AGREE THAT THE REFERENCE TO "UNAPPROVED PARTS" IN THE PARAGRAPH ABOVE SHALL EXCLUDE THE PURCHASE OF PARTS BY SELLER DIRECTLY FROM VENDORS, AS AUTHORIZED BY HAMILTON SUNDBRAND, AND FROM GOVERNMENT AGENCIES, SUCH AS THE NADEP AND DLA.**

### **4.0 PAYMENT**

Payment in U.S. Dollars (USD) shall be due according to the terms of net forty-five (45) days from the date of receipt of the invoice by BUYER, through facsimile or other electronic means. Invoice copies shall be sent to BUYER by electronic means, with the original invoice forwarded to BUYER by mail. Either PARTY shall have the right to set off any amount owing under this Agreement from the other PARTY against any amount payable under this Agreement.

### **5.0 ADMINISTRATIVE ARTICLES**

#### **5.1 Assignment**

No Order subject to these standard terms and conditions of sale or any service interest hereunder shall be assignable by SELLER, unless such assignment is agreed to in writing by the BUYER. BUYER may without advance notice to the SELLER assign any such purchase order or any interest therein.

#### **5.2 Amendments**

Oral statements and understandings are not valid or binding. No amendment of this Agreement shall be effective unless the parties hereto duly execute a written agreement, signed by their duly authorized officers.

#### **5.3 Interpretation of Law**

This Agreement shall be governed by and interpreted in accordance with the laws of the State of California, U.S.A. In the event, however, that BUYER and SELLER fail to resolve any disputes through negotiations, BUYER and SELLER hereby irrevocably consent and agree that any legal action, suit or proceeding arising out of or in any way connected with this Agreement, shall be instituted in the State of California, U.S.A.

#### **5.4 Non-Waiver**

SELLER's or BUYER's failure at any time to enforce any provision of this Agreement does not constitute a waiver of such provision or prejudice either party's right to enforce such provision at any subsequent time.

#### **5.5 Headings**

Article and paragraph headings used in this Agreement are for convenient reference only and do not affect the interpretation of the Agreement.

#### **5.6 Partial Invalidity**

If any provision of this Agreement or any order based thereon is or becomes void or unenforceable by force or operation of law, the other provisions shall remain valid and enforceable, and the Parties shall substitute for the stricken provision another provision of a similar effect as is permitted by law so as to accomplish the legally permissible purposes of the Parties which were intended by the stricken provision.

#### **5.7 Entire Agreement; Order of Precedence**

This Agreement sets forth the entire agreement, and supersedes any and all prior understandings, representations and communications between BUYER and SELLER, whether written or oral, related to the subject matter of this Agreement. In the event of a conflict or inconsistency between the terms of the following documents, the following order of precedence shall control:

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#### **5.8 Notices**

Notices required or authorized hereunder shall be provided in writing, via first class mail (postage prepaid), by hand, facsimile or other electronic means and the date upon which such notice is received by the addressee shall be deemed to be the date appearing therein. In the event of a facsimile transmission, the facsimile shall be deemed received only if the sending machine produces a receipt evidencing error free transmission to the intended recipient and the sender promptly provides and electronic notification to the intended recipient thereafter.

All notices to SELLER shall be as follows:

**AAR DEFENSE SYSTEMS & LOGISTICS**

1100 N. Wood Dale Road  
Wood Dale, Illinois, 60191

Attention: Vice President, Defense Programs  
Telephone: (630) 227-2000  
Fax: (630) 227-2929

All notices to BUYER shall be as follows:

**HAMILTON SUNDSTRAND POWER SYSTEMS**

4400 Ruffin Road  
P.O. Box 85757  
San Diego, CA 92186-5757

Attention: Contract Specialist  
Telephone: (858) 627- 6096  
Fax: (858) 627- 6215

#### **5.9 Inspection and Acceptance**

Upon receipt of Material by SELLER, SELLER may inspect the Material to ensure compliance with the terms of the purchase order under which the Material was ordered, and with the terms of this Agreement. SELLER shall accomplish such inspection and acceptance within thirty (30) days after receipt of the Material. SELLER shall promptly notify BUYER of any discrepancies discovered as a result of such inspection. After such thirty (30) day inspection and acceptance period, the Material shall be conclusively deemed as accepted by SELLER, unless SELLER has rejected such Material.

**5.10 Compliance with Law**

SELLER shall comply with all laws and regulations relating to the possession, leasing, operation, control, use, maintenance, delivery and/or return of the Material.

**5.11 Confidentiality**

Each Party agrees to retain in confidence all information received from the other Party with respect to any APU System or Material related to this Agreement and not to use such information for any purpose not contemplated by this Agreement or disclose such information to any other party unless the information: is in the public domain through no act of the disclosing Party; is previously known to the disclosing Party on a nonconfidential basis; is received by the disclosing Party from a third party having no obligation of confidentiality to the other Party; or is required to be disclosed by law or legal process. Any expiration or termination of this Agreement shall not alter the rights or obligations of strict confidentiality, including but not limited to the obligations of the Parties arising during the term hereof with respect to information disclosed by one Party to the other Party prior to such expiration or termination.

**5.12 Termination****5.12.1 Termination for Cause**

Either Party may terminate this contract, in any part hereof, for cause in the event of any material default by the other Party, or if the other Party fails to materially comply with any contract terms and conditions, or fails to provide, upon request, with adequate assurances of future performance.

In the event BUYER is in material default of this Agreement and BUYER fails to cure such material default within sixty days (60) of notification by SELLER, then SELLER may terminate this Agreement and BUYER agrees to not compete with SELLER regarding the sale of Material to the U.S. Government, for a period of three (3) years from the date of the Agreement termination.

In the event SELLER is in material default of this Agreement and SELLER fails to cure such material default within sixty days (60) of notification by BUYER, then BUYER may terminate this Agreement. In the event of said default, BUYER has the option to purchase existing Material in SELLER's stock and SELLER agrees to sell back to BUYER such existing Material at BUYER's invoice price to SELLER, less a 40% restocking fee.

**5.12.2 Termination by the Government**

In the event that the SSI contract is terminated by the Government prior to the expected expiration date, SELLER 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 this contract, SELLER shall be paid a percentage of the contract price reflecting the percentage of the work performed prior to the notice of termination. SELLER shall also be paid reasonable charges that it can demonstrate, to the satisfaction of BUYER and the Government using its standard record keeping system have resulted from the termination. SELLER shall not be paid for any work performed or costs incurred that reasonably could have been avoided.

BUYER will purchase any new and unused Material remaining in BUYER's inventory after settlement of the U.S. Government termination claim. The purchase price for the new and unused Material shall be one hundred percent (100%) of the invoice price that BUYER paid to SELLER for the Material acquisition. Subject to the U.S. Government termination claim settlement, BUYER may be entitled to an additional Material handling and administrative fee calculated as a percentage of the total amount paid by SELLER to BUYER under the terms of this paragraph.

**5.12.3 Termination for BUYER Convenience**

In the event of termination for any reason other than for cause due to SELLER default, termination costs will be determined in accordance with the Termination for Convenience provisions in FAR Part 12.

BUYER agrees to cancel any open orders at no cost to SELLER and to purchase any new and unused Material remaining in SELLER's inventory after notice of the termination. The purchase price for the new and unused Material shall be one hundred percent (100%) of the invoice price that SELLER paid to BUYER for the Material acquisition, plus a 22% SELLER markup. BUYER shall have no obligation to purchase any remaining Material in SELLER's inventory that is in excess of \$1.5 million.

#### **5.12.4 Bankruptcy**

In the event either PARTY (i) makes a general assignment for the benefit of creditors or becomes insolvent, (ii) files a voluntary petition in bankruptcy, (iii) petitions for or acquiesces in the appointment of any receiver, trustee, or similar officer to liquidate or conserve its business or any substantial parts of its assets, (iv) commences under the laws of any competent jurisdiction any proceeding involving its insolvency, bankruptcy, reorganization, readjustment of debt, dissolution, liquidation or any other similar proceeding for the relief of financially distressed debtors, (v) becomes the object of any proceeding or action of the type defined in (iii) or (iv) above and such proceeding or action remains undismissed or unstayed for at least thirty (30) days, or (vi) is divested of a substantial part of its assets for at least thirty (30) days, it shall constitute an anticipatory breach of contract by that PARTY for the purpose of any determination of the other PARTY's rights and remedies at law, including the right to terminate this Agreement by providing written notice of termination to such PARTY.

#### **5.13 Excusable Delay**

A PARTY shall not be responsible nor be deemed to be in fault on account of delay in the performance of its obligations herein, other than with respect to payment obligations, due to causes beyond that PARTY's fault or negligence, including but not limited to, acts of God, fires, floods, explosions, earthquakes, epidemics or quarantine restrictions, acts of Government, wars, insurrections, riots, failures of transportation, strikes or labor troubles causing cessation, slowdown or interruption of work, unusually severe weather, and excusable delays of common carriers. In the event of such a delay, the PARTY shall properly notify the other PARTY of any such delay and the expected extent thereof.

#### **6.0 RISK OF LOSS**

Unless the contract specifically provides otherwise, risk of loss or damage to the Material provided under this contract shall remain with the SELLER until, and shall pass to the BUYER upon:

1. Delivery of the Material to a carrier, if transportation is forward operating base (f.o.b.) origin.
2. Delivery of the Material to the Government at the destination specified in the contract, if transportation is f.o.b. destination.

#### **7.0 WARRANTY**

HSPS factory warranty will apply to all parts under this agreement.

#### **8.0 LIMITATION OF LIABILITY**

- I. Except as otherwise provided at (II) below, the SELLER will not be liable to the BUYER for incidental or consequential damages resulting from any defect or deficiencies in accepted items.
- II. The SELLER will not be liable to the BUYER for any damages resulting from acts of war or aircraft loss due to accident.

#### **9.0 COMPLIANCE WITH LAWS UNIQUE TO GOVERNMENT CONTRACTS**

The SELLER agrees to comply with 31 U.S.C. 1352 relating to limitations on the use of appropriated funds to influence certain Federal contracts; 18 U.S.C. 431 relating to officials not to benefit; 40 U.S.C. 327, et seq., Contract Work Hours and Safety Standards Act; 41 U.S.C. 51-58, Anti-Kickback Act of 1986; 41 U.S.C. 265 and 10 U.S.C. 2409 relating to whistleblower protections; 49 U.S.C. 40119, Buy American; and 41 U.S.C. 423 relating to procurement integrity.

#### **10.0 INDEPENDENT RESEARCH & DEVELOPMENT (IR&D) ACCOUNTING**

The SELLER shall comply with FAR 31.205-18 and exclude all costs required in the performance of this Contract from its IR&D cost pools that will be allocated to any future Government contracts.

#### **11.0 TERM OF THE AGREEMENT**

This Agreement shall remain in effect from the date first written above for a period of ten (10) years or until terminated pursuant to the terms and conditions herein, or by mutual agreement.

**IN CONSIDERATION OF THE ABOVE**, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives.

**AAR PARTS TRADING INC.**  
for and on behalf of  
**AAR DEFENSE SYSTEMS & LOGISTICS**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**HAMILTON SUNDSTRAND CORPORATION**  
for and on behalf of  
**HAMILTON SUNDSTRAND POWER SYSTEMS**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



# STATEMENT OF WORK

## Contract Administration Services

### To Support Hamilton Sundstrand US Government Contract Administration.

#### **BACKGROUND:**

Hamilton Sundstrand Corporation (HSC) is proposing a Corporate Contract with the USAF and DLA to supply approximately 16 part numbers (see Exhibit A), currently covered by the Distribution Agreement between HSC and AAR Corporation. HSC plans to use AAR as a Subcontractor to perform various Contract Administration, Source Inspection, Logistics, and Supply functions.

Some of the part numbers in Exhibit A will be Stock Items (full lead-time delivery) and some part numbers will be **Direct Vendor Delivery (DVD)**. Stock Items would be ordered at standard Manufacturer lead times contained in the contract. DVD items would be forecasted and stocked by AAR in order to meet the delivery requirements specified in the contract.

#### **Stock Items:**

AAR will assist HSC in administering the award of US Government Delivery Orders (DOs) for Stock items. HSC will provide these parts at full lead-time to the AAR Source Inspector in San Diego, CA. Upon Source approval, these parts will be shipped direct to the address shown on the DOs, and remain HSC-owned inventory. AAR will prepare the DD250, barcodes and MSLs, enter the shipment into the Government's WAWF system, obtain US Government QAR approval, and forward the material to HSC shipping department, either FOB Origin or FOB Destination to the destination specified in the DO. The DD250/Invoice will be prepared by AAR for HSC with the remit to address as HSC. AAR will invoice HSC for the amount of the negotiated service fee for these contract administration services.

#### **DVD Items:**

AAR will forecast Government requirements and issue commercial Purchase Orders to HSC. These purchase orders will include MIL STD quality and packing requirements. AAR will perform Source Inspection on the DVD items. HSC will ship to a single "Ship To Address" (AAR in Wood Dale, IL). AAR will pay HSC the base price for DVD items. When a Delivery Order is received from DSCR, AAR will administer the DO, prepare the DD250, and ship FOB Destination to the destination specified in the DO. The DD250 will have HSC as Prime Contractor, the Remit to address will be AAR, and AAR will recognize the full contract price as revenue.

The prime contract will identify which parts are Stock and which are DVD. A specific part number cannot be both Stock and DVD. However, a part can move from one category to the other, in accordance with the Add/Delete Clause in the contract. Such changes shall be effective after the contract leadtime for that part has expired. Defense Supply Center Richmond will have final approval over which items are Stock and which are DVD items.

#### **SOW TASKS**

##### **1.0 Forecasting**

1.1 AAR shall establish a system for Forecasting demand of DVD items in Exhibit A. This system shall include review of Government requirements including Back Orders, "G" Conditions, and MICAPS. The system will also include review of US Government stock levels, and open orders for these items. HSC will assist AAR in obtaining access to Government systems (i.e. WEBCATS) to perform this function.

##### **2.0 DELIVERY ORDERS:**

2.1. AAR will monitor DLA's Procurement Gateway and will provide HSC a copy of each delivery order. AAR shall verify Quantity, Unit Price and Delivery Schedule on each DO to make sure it is in accordance with the schedules in the Prime Contract. AAR will request DO modifications as necessary.

2.2. AAR shall review all DO for Terms & Conditions, Packaging requirements, Quality requirements, and shipping instructions that may vary from the prime contract. AAR will flow these requirements to HSC, using HSC "JDE" Sales Order Entry Form (military) or request a DO modification on behalf of HSC.

2.3. AAR will forecast requirements and place Purchase Orders (PO) with HSC for the DVD items. These PO's will be placed at the lead-times specified in the Subcontract Agreement. HSC will be responsible for meeting the Subcontract delivery leadtime. AAR will be responsible for meeting the DVD delivery

## STATEMENT OF WORK

### Contract Administration Services

requirements stated in the Prime Contract.
2.4. AAR will ensure compliance with the Packaging Requirements in each DVD DO. Buyer will ensure compliance with the Packaging Requirements in each STOCL DO. AAR will review and flow down on HSC JDE-SALES ORDER ENTRY FORM (military) such requirements.
2.10. AAR will comply with the Quality Assurance requirements in each DVD DO. Quality Assurance Provisions (QAP) will not apply to any DO 's under this contract. Flight Safety Items and Critical Safety Items will not apply to DO's issued under this contract.
2.11 AAR will comply with any Contract Data Requirement Lists in each DO. HSC will assist AAR as necessary in data preparation for any CDRL's.
2.12 AAR will be responsible for supporting any SURGE Requirements in the Prime Contract. This may include pre-buys for stock to meet contract delivery requirements for Surge items.
<b>3.0 STATUS &amp; SHIPPING</b>
3.1. AAR will be responsible for shipping to US Government locations worldwide. AAR will provide Customer Delivery Status Reporting for all STOCK and DVD items. For STOCK items, HSC will provide stage of production, estimated delivery date, and reason for delay on any delinquent items. For DVD items, AAR will provide stage of production, estimated delivery date.
3.2. AAR, when notified by HSC, will respond to all CPSS status and expediting requests from the US Government for DVD items. AAR will provide Stage of Production and estimated delivery date. HSC will respond to CPSS status and expedites for Stock items.
3.3. AAR will prepare all Stock Bills, Pack Slips, Commercial Bill of Lading, etc required by the contract for both Stock items and DVD items. For TBD Ship-To addresses, AAR is responsible for obtaining the appropriate address.
3.4. AAR will prepare all Material Inspection and Receiving Reports (DD250's) required by the contract or DO (for both Stock and DVD items). AAR will be responsible for providing all required data including but not limited to; Contract Number, Shipment Number, Prime Contractor, Administered By, Shipped From, Payment By, Shipped To, Marked For, Inspection Point, Acceptance Point, Transportation Control Number, Mil-Strip number, Accounting Appropriation number, etc. AAR will be responsible for entering this data in the Government WAWF system.
3.5 AAR will perform Source Inspection at HSC San Diego on all items (Stock and DVD) items under this contract. HSC shall provide adequate working facilities free of charge for the AAR Source Inspector.
3.6. AAR will be responsible for submitting the parts and the DD250 to the US Government Quality Assurance Representative (QAR) for Inspection and Acceptance when required.
3.7 On DVD items, AAR will be responsible for shipping the parts required by the DO in accordance with the contract. AAR will also be responsible for delivery of any CDRLS required by the DO, with assistance from HSC.
3.8 AAR will be responsible for all Invoice preparation and timely submittal to the proper DFAS office. AAR will also invoice HSC for services performed. HSC will provide AAR with WAWF access for the purposes of submitting DD250s for signature and release, and invoicing on all shipments through the WAWF system. AAR access to HSC WAWF will be limited to those transactions surrounding only the AAR-managed parts and shipments.
<b>4.0 DELIVERY STANDARDS</b>
4.1 For STOCK items, AAR is expected to meet a Delivery Standard of 15 days after receipt of the item from HSC. Performance will be measured as Calendar Days from receipt of material by AAR Source Inspector, to the delivery date to the HSC Shipping department. AAR will be responsible for any fines, penalties or consideration due the Government as a result of exceeding the 15 day Delivery Standard. HSC will be responsible for any fines, penalties or consideration due the Government as a result of exceeding the Subcontract leadtime to AAR.
4.2 For DVD items, AAR is expected to meet the Delivery Standard in the contract. AAR will be responsible for any fines, penalties or consideration due the Government as a result of exceeding the Prime Contract delivery standard.
Abbreviated UMMIPS Delivery Standards (POPS/ADOs)



## STATEMENT OF WORK

### Contract Administration Services

Mil Strip Priority	Issue Priority	CONUS FOB DEST	CONUS FOB ORIGIN	OCONUS FOB DEST	OCONUS FOB ORIGIN
01-03	IPG1	2 days	1 day	7 days	1 day
04-08	IPG2	5 days	1 day	12 days	1 day
09-15	IPG3	12 days	3 days	40 days	3 days

  

4.3 For DVD items, terms will be FOB Origin, Inspection and Acceptance at Destination. AAR is responsible for delivery to the carrier within days above.  
Issue Priority is used until the POPS is changed to recognize Mil-Strip priority.  
OCONUS FOB DEST priority 09-15 DO may state a shorter delivery than 40 days.

4.4 For DVD items, the Delivery Standards will be measured as Calendar Days from DO Acknowledgement by AAR via EDI 997 to the Delivery of the item to the FOB point in the DO via EDI 856.

4.5 AAR is expected to meet the above DVD Delivery Standards on 95% of the DVD Delivery Orders received. This DVD performance metric will be measured on an annual basis in accordance with the DVD Incentive Plan. If AAR fails to meet this DVD performance metric, AAR will be responsible for any refunds, rebates, or penalties in the contract.

4.6 Average Time on Backorder (ATOB): AAR is expected to meet a ATOB metric of less than 30 days for DVD items. This ATOB metric will be measured on an annual basis. If AAR fails to meet this ATOB performance metric, AAR will be responsible for any refunds, rebates, or penalties in the contract.

4.7 Exceptions to DVD Performance Metrics:  
metric, AAR will be responsible for any refunds, rebates, or penalties in the contract.

4.8 Exceptions to DVD Performance Metrics:  
AAR is not responsible for DVD Performance Metrics when:

FMS and Military overseas orders where freight forwarder or Consolidation and Containerization Point (CCP) address is not provided in the DO.

OCONUS items – if shipping addresses are not received in a timely manner from the US Government.

Orders requiring DD250 signature approval by local DCMA.

Orders for NSNs that exceed the expected demand by 25% or more.

Orders with a value over \$100,000.00.

**5.0 POST DELIVERY ADMINISTRATION**

5.1. AAR will assist HSC in the collection of outstanding Accounts Receivable from the US Government under this contract, through the use of WAWF and other means. AAR shall provide HSC an Aged Accounts Receivable Report upon request. AAR will take a pro-active role in the collection of receivables over 30 days past due.

5.2. AAR will reconcile amounts due HSC under the contract and provide a report to HSC upon request.

5.3. AAR will assist HSC in contract close-out actions with the US Government. AAR will be responsible for obtaining final payment for all items shipped.

5.4. AAR will assist HSC in contract terminations with the US Government. With the assistance of HSC, AAR will prepare all Termination Claim Forms and Requests for Equitable Adjustments (REA) required under the contract.

5.5 AAR will assist HSC in Warranty Returns from the customer. AAR will verify Delivery Order, Date of Shipment, Part Number, Quantity, and Condition. If the contract Warranty applies, AAR will obtain an RMA number from HSC and ship the item to HSC for Technical Review.

5.5 AAR will assist HSC in Material Review Board (MRB) actions. AAR will promptly inform HSC of any discrepancies found during Source Inspection.

**6.0 PROGRAM REVIEWS**

6.1 AAR will participate in Semi-Annual Program Reviews with HSC and DSCR. These reviews will be held either at HSC in San Diego, CA or at DSCR in Richmond, VA. The Performance Metrics in the contract will be analyzed and reviewed at these program reviews.

6.2 AAR will participate in various meetings at DSCR and HSC as required by HSC.