

## APPENDIX D

### ADDITIONAL TERMS AND CONDITIONS PERTAINING TO FOREIGN PROCUREMENTS

#### I. PROVISIONS APPLICABLE TO GOODS BEING IMPORTED INTO THE UNITED STATES WITH ASSISTS PROVIDED BY BUYER

##### A. APPLICABILITY

This Part applies to Buyer's purchase orders for goods that will be imported into the United States.

##### B. U. S. CUSTOMS REQUIREMENTS

U.S. Customs regulations (Code of Federal Regulations ("CFR"), Title 19) require that the value of imported merchandise include the value of any Assist (as described below) supplied by the buyer and used in the production or sale of such merchandise.

##### C. ASSISTS

###### 1. Definition

Assists are defined in 19 CFR Section 152.102. Assists generally refer to articles or materials (or engineering or design work performed outside the U.S. which is necessary for production) provided to the seller free of charge or at reduced cost by the buyer for the seller's use in connection with the production or the sale of the merchandise for export to the U.S.

###### 2. Types of Assists

Regarding goods imported under Buyer's purchase orders, the most frequent examples of Assists are as follows:

- a. Tooling provided by Buyer by Supplier at no cost.
- b. Equipment provided by Buyer to Supplier at no cost.
- c. Material provided by Buyer to Supplier at no cost which is incorporated into Supplier's goods.

##### D. TRACING ASSISTS

Assists must be tracked to the applicable parts (or other goods) being imported into the U.S. under Buyer's purchase orders in order to declare the proper value of such imported parts or goods (hereinafter referred to as "goods") pursuant to Customs regulations. The procedures set forth herein are intended to ensure assists are properly identified and reported in the process of clearing the goods through U.S. Customs.

##### E. PURCHASE ORDER SPECIAL CHARGES

Buyer in some cases pays for items or services as a separate line item charge on its purchase orders, rather than including the cost of such items or services in the unit price of the good. When such item or service is used in the manufacture or sale of the goods being imported into the United States, the value of the item or service must be accounted for in declaring the value of the imported

goods. Typical examples of Special Charge items and services are special tooling, special manufacturing charges and special test charges.

F. VENDOR REQUIRED MATERIAL (“VRM”)

VRM refers to material which Buyer furnishes to Supplier at no cost (or at less than the fair market value of the material) which is incorporated into the goods being imported into the U.S. under Buyer’s purchase order. The value of the VRM must be included in the value of the goods for the purpose of clearance through U. S. Customs.

G. SUPPLIER RESPONSIBILITIES

1. General

Suppliers are responsible for (a) notifying Buyer of shipments of goods for which assists or special charges have been provided as set forth in Paragraph H, (b) reporting assists or reportable special charges on invoices as set forth in Paragraph I and (c) reporting the correct value of assists and special charges as set forth in Paragraph J.

2. Importer of Record

- a. The Importer of Record is responsible for clearance of the goods through Customs in accordance with applicable Customs regulations and for payment of all Customs fees and duties. The determination of which party has the Importer of Records responsibility is determined by the terms of the purchase order or agreement covering the purchase of the goods.
- b. If Buyer is the Importer of Records for goods manufactured by Supplier under a Buyer purchase order and imported into the United States with an Assist or Special Charge as described herein, Supplier shall be liable for any duties, fees, penalties, administrative charges or other costs (“Costs”) of any nature arising out of Supplier’s failure to comply with the provisions of this Part.

H. SUPPLIER’S NOTIFICATION TO BUYER

1. In order to enable Buyer to trace assists and special charges to the applicable goods, Supplier shall provide written notification to Buyer’s Import Administration Group in advance of shipment of the first piece or article produced using each separate assist or special charge. Whenever possible, this notification will be provided at least ten (10) days in advance of shipment.
  - a. Such written notification shall include identification of the goods, the applicable purchase order, a description of the assist or special charge and available shipping information to help identify the applicable shipment.

I. SUPPLIER INVOICES - REQUIRED NOTATIONS

1. Assists or Special Charges (Excluding VRM)

- a. Supplier’s invoice for the first piece or article being imported into the United States under Buyer’s purchase orders that were manufactured or sold with each separate assist or reportable special charge, other than VRM, shall contain the following notation:

“The goods covered by this invoice were produced or sold with an Assist or Special Charge provided by Buyer. The total value of the Assist or Special Charge is U.S. \$ \_\_\_\_\_. For further information, the import broker should contact the Buyer’s Import Administration Group.”

- b. Since in most cases the entire amount of the Assist or Special Charge will be reported in connection with the first article being imported, there will be no need to include any special notation on subsequent invoices.

2. VRM Assists

- a. Supplier’s invoice for all pieces or articles being imported into the United States under Buyer’s purchase orders that were manufactured using VRM, shall contain the following notation:

“The goods covered by this invoice were produced or sold with Buyer supplied material not included in the unit price of the goods. The value per unit of the Buyer supplied material is U.S. \$ \_\_\_\_\_. For further information, the import broker should contact the Buyer’s Import Administration Group.”

J. VALUE OF ASSIST AND SPECIAL CHARGES

- 1. The value of Assists and Special Charges (except VRM) to be reported on Supplier’s invoice is as follows:

- a. If an entire Special Charge is reportable, the value is the amount of the special charge on Supplier’s purchase order. This value (i.e. the total amount of the Special Charge) will generally be reported when clearing the first piece or article produced in connection with the Special Charge through U.S. Customs.
- b. If the entire Special Charge is not reportable as an Assist (that is, only a portion of the Special Charge constitutes an Assist), the value to be reported on Supplier’s invoice will be determined by the following precedence:
  - (1) The amount of the Special Charge which constitutes an Assist as broken down by Buyer on its purchase order.
  - (2) The amount of the Special Charge which constitutes an Assist as identified by Buyer in a separate document provided to Supplier.
  - (3) The amount of the Special Charge which Buyer’s Import Administration Group directs should be reported as an Assist.
- c. If tooling or equipment is provided under a loan agreement, the amount of the Assist is the value of the tooling or equipment as identified on Buyer’s loan agreement.
- d. If no value is otherwise provided, Buyer’s Import Administrations Group will identify the proper amount to be reported.

- 2. The value of VRM to be reported as an Assist on Supplier’s Invoice as follows:

- a. If Buyer has provided Supplier with the unit value of VRM, this value shall be reported on each invoice for important goods incorporating VRM material.
- b. If Buyer has not provided Supplier with the unit value of VRM, Buyer's Import Administration Group will provide the unit value of VRM to be reported as an Assist on each invoice.

K. MARKING INSTRUCTIONS FOR GOODS IMPORTED INTO THE UNITED STATES FOR PRATT AND WHITNEY ORDERS

If Supplier manufactures finished parts procured by Buyer and the purchase order is for production (generally parts or materials that become part of the saleable end product), then the following marking requirements apply to the aforementioned finished parts in order to comply with U. S. Customs Department Regulations governing country of origin marking:

- A. Marking of the shipping carton(s) is required and shall be accomplished by placing the Statement "Made In (insert country of origin)" in the same general area as the shipping label(s). The statement must be legible, conspicuous, and written in English alpha characters of at least one centimeter in height.
- B. Marking of each finished part is required and shall be accomplished by either affixing a string (not wire) tag or individual packaging in bags displaying the statement "Made In (insert country of origin)". All Marking must be conspicuous, legible and indelible.
  - (i) When the finished part(s) is covered with a non-transparent protective wrap, the wrap must ALSO be marked with the country of origin.
- C. Marking shall be applied to unit container(s) or bag(s) for each individual piece in addition to the shipping carton(s), unless an exception is granted in writing by Buyer.
- D. If questions arise regarding marking requirements, contact the cognizant Buyer.

L. DELIVERY TERMS FOR GOODS IMPORTED INTO THE UNITED STATES

The following delivery terms apply to goods imported into the United States whenever this Part from Buyer's Standard Terms and Conditions of Purchase is incorporated in Buyer's purchase order.

a. SPECIFIC DELIVERY TERMS

Supplier agrees to fulfill its obligations as described below based on the specific delivery terms incorporated into Buyer's purchase order. The specific delivery terms will be incorporated into Buyer's order as follows: (1) the face of Buyer's order will incorporate this Part of Buyer's Standard Terms and Conditions of Purchase in accordance with paragraph a.1 below, and (2) the F.O.B. block on the face of Buyer's order will contain one of the defined terms set forth in paragraph a.2 below.

For example: If the face of Buyer's purchase order contains the incorporation language in a.1 and the F.O.B. block contains the delivery term "DDP", Supplier's obligations are as set forth under "DDP" in paragraph a.2 below.

1. Incorporation of This Part of Buyer's Standard Terms

This Part of Buyer's Standard Terms and Conditions of Purchase will be incorporated on the face of Buyer's purchase order by reference. The following statement may be used to accomplish this incorporation:

"Supplier's delivery and related obligations shall be in accordance with this Part of Buyer's Standard Terms and Conditions of Purchase and the defined delivery terms set forth in the F.O.B. block of this order."

2. Defined Delivery Terms

The defined delivery terms used in the F.O.B. block of Buyer's order are as follows:

DELIVERY  
ITEM

SUPPLIER OBLIGATIONS

DDP Supplier bears the entire risks and costs of delivering the goods to Buyer's plant in the United States (or other location designated in writing by Buyer); including, obtaining any export and import licenses, being importer of record for clearance of the goods through U.S. Customs, contracting with an import broker to clear goods through U.S. Customs, paying all export and import duties and taxes and other export or import related charges, contracting at its expense for carriage of the goods to the delivery point and assuming all risk of loss or damage to the goods until delivery to Buyer's plant (or other location designated in writing by Buyer). Title will remain with Supplier until the goods have been delivered to Buyer's plant (or other locations designated in writing by Buyer) in conformity with the purchase order terms.

CIF Supplier is responsible for the cost of delivering the goods to the named port of destination, for the risk of loss or damage to the goods up to the time the goods have been delivered on board an ocean vessel or transoceanic aircraft and for procuring insurance to cover the full purchase price of the goods during transport to the port of destination after Supplier no longer has the risk of loss. Supplier will obtain at its own risk and expense all necessary export licenses and pay all export duties and taxes and other export related charges, contract at its own expense for the carriage of the goods to the named port of destination, contract at its own expense for cargo insurance with a reputable insurance company acceptable to Buyer which contract shall insure the full purchase price of the goods in U.S. dollars and name Buyer as the insured party. Supplier at its own expense shall provide Buyer without delay with the usual transport document for the agreed port of destination. Title will remain with Supplier until the goods have been delivered to such vessel or aircraft.

PCA The delivery terms will be in accordance with the Partnership Collaboration Agreement covering the goods being furnished under Buyer's purchase order.

SPAG

The delivery terms will be in accordance with a Special Written Agreement incorporated into Buyer's purchase order.

b. Supplier Invoices

Supplier will identify on its invoices which goods are being furnished on consignment under a Partnership Collaboration Agreement. Supplier will include the following statement on invoices which cover Partnership Collaboration Agreement goods furnished on consignment:

“The goods identified on this invoice are being imported into the United States under a Partnership Collaboration Agreement with United Technologies Corporation, [specify entity]. Questions regarding delivery or other terms may be referred to [name appropriate contact].”