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**General Terms of Purchase**

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## **I. Scope of validity, inclusion**

1. The legal relationship between the suppliers and the purchaser is based exclusively on the following terms and conditions and any other individual agreements reached. Changes and amendments to these terms and conditions must be in writing. This also applies for any deviations from or cancellation of this requirement for written form.

Purchaser general terms and conditions do not represent a part of the contractual relationship even if this is not explicitly contradicted by the purchaser.

## **II. Orders**

1. Orders and their acceptance by the suppliers as well as delivery schedule call-offs by the purchaser (including any amendments or supplements) can be made in written or electronic form. Only the text of the order used by the purchaser shall apply in line with these terms and conditions. Delivery schedule call-offs can also be made by data transmission. If the purchaser orders by data transmission, the suppliers are responsible for ensuring that the data contents are overwritten correctly when processing the provided data.

2. The purchaser is entitled to cancel the order if the purchaser has not received the suppliers' order confirmation within five working days from receipt of the order by the suppliers. Delivery schedule call-offs on the basis of existing outline agreements become binding - unless otherwise agreed in the outline agreement – at the latest five days after receipt thereof if not contradicted in writing by the suppliers.

3. Within the scope of what is acceptable, the purchaser can demand changes to the design and construction of the supplied object. The effects thereof, in particular any rise or fall in costs and delivery dates, are to be regulated by mutual agreement.

## **III. Payments**

1. Insofar as no other terms of payment have been agreed, the purchaser shall pay within 30 days with 3 % discount and net within 60 days. In the event of early deliveries being accepted, the maturity date for payment shall be calculated from the specified delivery date.

2. Invoices are to be sent in duplicate and must contain the suppliers' number, number and date of the order or the delivery schedule call-off and the delivery address. The invoice may only relate to one delivery note.

3. Payment will be made at the purchaser's discretion, either by money transfer or cheque.

4. The purchaser is entitled to agree on the implementation of a credit note system with the customer.

5. In the event of a faulty delivery the purchaser is entitled to withhold payment pro rata until correct fulfilment of the order. The purchaser is also entitled to offset supplier claims against debit notes or credit notes.

#### **IV. Non-assignment clause**

1. Without the purchaser's prior approval – which may not be refused unduly - the suppliers are not entitled to assign their claims on the purchaser or have them collected by third parties. Approval is deemed to have been given in the event of an agreement of extended reservation of ownership. The purchaser is entitled to refuse approval of assignment of the suppliers' claims if the assignee has not confirmed explicitly in writing that all offsetting and retention rights that the purchaser has against the suppliers can also be exerted against them – i.e. the assignee. Any assignment contrary to these terms and conditions of claims against the purchaser by the suppliers to a third party without the purchaser's permission shall be invalid. The provisions of Article 354a German Commercial Code (HGB – Handelsgesetzbuch) shall remain unaffected by this.
2. Offsetting by the purchaser with other claims than accepted or legally enforceable claims is excluded.

#### **V. Notice of defects**

The purchaser shall notify the suppliers in writing within 5 days of any apparent faults or defects in the delivery as soon as they have been discovered in the course of normal business procedures. In this respect, the suppliers waive their right to an objection of belated notice of defect. If quality assurance agreements have been reached, their provisions have precedence over the terms and conditions contained herein.

#### **VI. Non-disclosure clause**

Treatment of confidential information and production means

1. The contractual partners agree to treat as business secrets any non-public business and technical details that come to their notice in the course of the business relationship.
2. Drawings, models, patterns, samples, production means, tools and similar items remain the property of the purchaser and are to be treated with care, insured to an adequate amount and protected against access by third parties. They may not be passed on or otherwise made accessible to unauthorised third parties without the prior written permission of the purchaser. Duplication or copying of any such items is only permitted within the scope of business requirements and copyright regulations as well as the regulations of other laws serving to protect industrial property rights.
3. Sub-suppliers and employees are to be bound to corresponding adherence.
4. The contractual partners may only use their business relationship for advertising purposes by prior written agreement.
5. Models, apparatus, moulds and tools are to be insured against accidental damage or destruction and are to be maintained and stored correctly. The costs for this are to be borne by the suppliers/manufacturers.
6. This also applies for tools, moulds, apparatus and models that are not in direct use for production.

#### **VII. Data protection**

The suppliers may only use such persons for fulfilment of the contract who have been bound to maintain and observe the obligation of secrecy and, where necessary,

data secrecy pursuant to Article 5 Federal Data Protection Law (BDSG – Bundesdatenschutzgesetz) as well. The suppliers agree that data which has come to their notice in the course of their services shall only be used for work as stipulated in the agreement (designated purpose). If data is generated and stored by the suppliers as a result of services provided by them, they shall protect such data against misuse and loss. This data shall be handed over to the purchaser completely and without delay if so demanded by the purchaser. By coordination with suppliers, the purchaser can also examine on site the measures to ensure adherence to the requirements of this agreement. If necessary, the suppliers shall also provide required details in accordance with Article 4g Federal Data Protection Law. This obligation shall apply without restriction beyond the end of this contractual relationship.

### **VIII. Delivery of contractual products and spare parts**

The suppliers are obliged to supply the contractual products and all amended versions thereof for a period of at least fifteen years for subsequent sales purposes and series production. This is binding for the duration of this agreement and for fifteen (15) years after the last delivery of goods. The suppliers are obliged to bind their sub-suppliers to guarantee this accordingly as well. The suppliers are obliged to supply the goods in accordance with the last valid version of this agreement or the corresponding order.

### **IX. Delivery dates and deadlines**

1. Agreed dates and deadlines are binding insofar they are not designated explicitly in writing as non-binding. The receipt of the goods by the purchaser is decisive for compliance of the delivery date or deadline. Goods which are not delivered on time can be rejected without any specific declaration by the purchaser. Unless otherwise specified, the suppliers shall supply DDP (Incoterms 2000).
2. In the case of deliveries according to a set delivery plan of the purchaser, deliveries shall be made according to that delivery plan. Deliveries may not go beyond the extent of that delivery plan. In the case of an additional JIT order call-off by the purchaser, the JIT order call-off shall have priority over the delivery schedule call-off.
3. Deliveries prior to the agreed delivery dates are to be avoided. If the suppliers are nevertheless delivered prior to the agreed delivery date, the purchaser shall have the right to refuse acceptance of the products or accept the products on condition that all storage costs be borne by the suppliers.
4. The suppliers shall notify the purchaser immediately in writing if circumstances occur which may prevent the delivery from being made on the agreed date.

### **X. Default of delivery**

Suppliers are in default of delivery if agreed dates and deadlines have been exceeded without the need for any new deadlines to be set. The purchaser, however, can only withdraw from the contract or demand damages instead of contractual performance after having set the suppliers an appropriate subsequent deadline for performance and that deadline also having passed without fulfilment of obligations.

The suppliers are obliged within the scope of legal regulations to compensate the purchaser for damages incurred as a result of the overdue delivery, even without any

subsequent deadline having been set. Compensation also covers additional freight costs, refitting costs and additional expenses for covering purchases. If the purchaser has agreed a default penalty we can demand this even if we have not initially demanded it at the time of the belated handover/acceptance.

## **XI. Force majeure**

1. Force majeure, in particular industrial disputes, unrest, official action and other unforeseen, unavoidable events which are uncontrollable by either contractual partner exempt the respective contractual partners from their contractual obligations for the duration of the fault and the extent of its effects. The partner in whose area of responsibility the event of force majeure occurs shall inform the other party punctually in each case about the duration of the fault as well as any solution possibilities that become evident. In the event of a case of force majeure lasting longer than thirty calendar days or if it can be foreseen upon the occurrence thereof that in all possibility it will last longer than thirty calendar days, the other contractual partner is entitled to withdraw from the agreement; this shall also apply if it becomes apparent following an occurrence of force majeure that this will last longer than originally assumed.

2. In the event of cases of force majeure, the contractual partners are obliged within the scope of what can be reasonably expected to provide the necessary information without delay and adjust their obligations in all good faith to suit the change in conditions.

## **XII. Termination**

The Purchaser can terminate the contractual relationship (particularly in the case of outline agreements) at any time if there is a justifiable cause. Under these circumstances, the suppliers shall be reimbursed for the costs incurred up until then for the production/procurement of the ordered products. No further rights on the part of the suppliers are incurred as a result of the termination.

## **XIII. Quality and documentation**

1. The suppliers shall observe the accepted standards of technology, safety regulations and agreed technical data in the European Union and its member states for their deliveries. Changes in the supplied object require the prior written agreement of the purchaser. The suppliers are responsible for the punctual supply of the ordered products in accordance with the purchaser's order documents, namely in the precise quantity and quality as stipulated in the specifications, drawings, spare parts lists and possible separate agreements and/or by sample of the respective product.

All products must be manufactured in such a way that they conform with the requirements of (E) TSO C127a and JAR25 Amendment 15, FAR25 Supplement 1 to 98 plus 101,103,104,105 and 108 as specified by the purchaser. The products must also be constructed in compliance with the current requirements of the specifications of the respective aircraft manufacturer and the technical drawings of the purchaser. The suppliers are aware of all documents named in this section and their content. The suppliers are obliged to request latest documents on a regular basis.

2. The purchaser is to be notified of the origin of newly included supply items or a change of origin without delay or request in compliance with a long-term supplier

declaration. The suppliers are liable for all disadvantages suffered by the purchaser as a result of incorrect or belated submission of the supplier declaration. If necessary, the suppliers shall provide proof of their details on the origin of the goods in the form of an information sheet confirmed by their respective customs office.

3. The suppliers are obliged to introduce, document and maintain a quality management system. The purchaser has the right at all times to demand copies of the quality management documents from the suppliers and check the conformity with the agreed quality assurance measures by means of audits and inspection. The suppliers are obliged to bind sub-suppliers accordingly within the realms of legal possibilities.

4. Insofar as aircraft manufacturers, authorities or similar institutions that are involved in aviation safety or purchaser's customers demand an audit of production and the purchaser's audit documents in order to verify specific requirements, the suppliers agree upon request by the purchaser to grant them the same rights in their company and provide all reasonable support. The suppliers are obliged to bind sub-suppliers accordingly within the realms of legal possibilities.

5. Prior to initial delivery, suppliers are obliged to carry out initial prototype testing and then send initial samples together with the initial sample test report to the purchaser. In the case of assembly groups which are bought from the suppliers by the purchaser, the suppliers are obliged to carry out initial prototype testing of the individual parts used and to send the documentation of the initial sampling together with the initial prototype test report for the assembly group to the purchaser. Prior to the initial delivery of altered parts, the suppliers agree to manufacture initial samples and carry out initial prototype testing and send the initial sample with documents and reports in this respect free-of-charge for approval to the purchaser. Irrespective of this, the suppliers shall voluntarily send the purchaser a quality performance report at least once a month.

6. The suppliers are obliged to check all material provided by the purchasers within the realm of what is acceptable to ensure its perfect condition. In the event of any faults, processing may only be undertaken with the purchaser's prior written permission.

If additional quality assurance and/or environmental protection agreements or special agreements have been reached with regard to the respective supplied item, they shall be a constituent part of this agreement.

7. If the type and scope of the inspection, as well as the inspection equipment and methods, have not been agreed specifically between the suppliers and the purchaser, the purchaser shall be prepared within the scope of own knowledge, experience and possibilities, to explain the inspections to the suppliers upon demand by the latter in order to establish the required standard of inspection technology. In addition, the purchaser will inform the suppliers upon request about respective safety regulations. In the case of the supplied items with special characteristics marked in the technical documentation or by separate agreement, the suppliers also shall keep separate records of when, in what manner and by whom the supplied items have been checked with regard to these characteristics and what the results were of the necessary tests.

8. In the event of a fault, it must be possible to retrace this to such extent that a limitation is possible of the faulty supplied items. The required data for this is to be coordinated between the purchaser and the suppliers.

9. The suppliers are obliged to store the complete documentation about quality assurance carefully and completely and keep it available for inspection for a period of fifteen (15) years following the last delivery. The suppliers are obliged to bind sub-suppliers accordingly within the realms of legal possibilities.

10. The suppliers' responsibility for fault-free and punctual delivery of contractual products or spare-parts is neither reduced nor excluded by any audit or inspection of the manufacturing process by the purchaser or the aircraft manufacturer, authorities or similar institutions. The purchaser's guarantee rights shall not be affected by this either. Any faults and other complaints found and documented in the course of an audit must be repaired/rectified prior to delivery of the contractual products. Changes or repairs to the contractual products must be approved beforehand by personnel authorised by the purchaser.

#### **XIV. Information system, inspection**

At all times during the contractual period and following the termination or end of this contract, the suppliers must store in their information system complete and exact records dating back to the origins of the supplied product and covering the fulfilment of their obligations from this agreement.

Such records are to be stored in accordance with the requirements of the aviation safety authorities or for a period of at least seven (7) years from the delivery date of such a product, whichever shall be the longest. All documents must be stored in their current form and may not be updated, amended in any form or destroyed without the prior written permission of the purchaser.

The suppliers guarantee that they have been inspected in respect of this information system and has received the corresponding certificates from the aviation safety authorities such as (but not restricted to) EASA part 145, EN 9100. The suppliers are to keep up to date all certificates received from the aviation safety authorities and extend them to cover the complete duration of this agreement. The suppliers shall notify the purchaser automatically about any changes or extensions to such certificates.

The suppliers will allow at all times and from time to time during the term of this agreement and following the end or termination thereof the purchaser and persons authorised by the purchaser to inspect the records specified in section \_\_ during normal business hours and provide copies and extracts of these records at the purchaser's expense.

The purchaser has the right to inspect the product and all materials and parts received by the suppliers for the production of the product at any time and from time to time up to and including the acceptance test of the product at the suppliers' works or at the site of delivery under the following conditions:

The purchaser shall have access to all relevant technical data that may reasonably be required for inspection purposes.

The purchaser shall have the right to carry out all forms of inspection at the suppliers' works and at the works of any sub-suppliers.

Any such inspection does not represent acceptance or approval of the product by the purchaser.

The suppliers declare herewith their agreement to hand over the documents to the purchaser for unrestricted use if a petition for reorganisation of the suppliers should be submitted, the suppliers cease business operations, the suppliers cease to deliver even after an extended deadline or the suppliers declare their unwillingness to supply.

#### **XV. Technical data and safety regulations**

1. In conjunction with recording safety data, the suppliers agree herewith to provide together with the initial prototype testing report an appropriate safety data sheet pursuant to EEC 91/155 for all components that contain dangerous substances. This also applies for all materials used for surface protection.

2. The following technical data is also demanded as part of the documents to be provided as defined in the respective procurement specifications.

With the first delivery:

- Assembly drawing
- Installation drawings
- Cross-section drawings
- Spare parts lists
- Technical data sheets
- Qualification test programs and test reports
- Fire, smoke and toxicity test programs and test reports
- FMEA/FMES for machinery and final reliability rating
- Maintenance instructions for components
- Approval test process including approval test report form
- FAI report
- Production verification rules for specific “safety parts”
- Flow diagram for production and inspection for each delivery
- Approval test report
- Declaration on construction and performance or conformity certificate.

#### **XVI. Warranty / Liability for defects**

1. The purchaser can demand the following in the event of a delivery of faulty goods if the respective statutory and following listed conditions have been fulfilled and insofar as nothing different has been agreed individually:

a) Prior to the commencement of production (processing or installation), the purchaser shall give the suppliers a one-off opportunity for sorting out and rectification of faults or subsequent (replacement) delivery, unless this is not reasonably acceptable for the purchaser. Supplementary performance must take place within 24 hours of fault detection and notification of the suppliers. If the suppliers are unable to comply with this or do not comply with this without delay, the purchaser can withdraw from the agreement without setting any further deadlines and send the goods back at the suppliers' risk. In urgent cases in order to maintain production and following notification of the suppliers, the purchaser can obtain appropriate quantities of alternative supplies, carry out rectification of the fault or have it rectified by a third party.

Any costs arising as a result thereof are to be borne by the suppliers. If the same goods are supplied again in a faulty state, the purchaser is entitled to withdraw from the agreement including the non-fulfilled scope of delivery following written warning

and repeat faulty delivery without this incurring any rights on the part of the suppliers on any legal grounds whatsoever.

b) If the fault is first discovered after commencement of production despite adherence to the obligations of section V of these general terms and conditions, the purchaser can at own discretion

- demand one-off supplementary performance pursuant to Article 439 par. 1, 3 and 4 German Civil Code (BGB – Bürgerliches Gesetzbuch) and compensation for the transport costs (excluding towing costs) necessary for the supplementary performance as well as removal and installation costs (labour costs and material costs), or

- reduce the purchase price or

- withdraw from the agreement or

- demand compensation or repayment of expenses if the statutory requirements have been met.

c) In the event of a culpable infringement of obligations above and beyond the delivery of faulty goods (e.g. infringement of warning, advisory or examination duties), the purchaser can demand by law compensation for consequential harm resulting from defects, as well as for the compensation for consequential harm resulting from defects paid by the purchaser to its customers, in compliance with the requirements of the following section XIII. Consequential harm resulting from defects represents the damages following delivery of faulty goods which are incurred by the purchaser from other legal objects rather than from the goods themselves.

2. Goods to be replaced by the suppliers are to be placed at their disposal upon demand and at their expense by the purchaser without delay unless the respective parts have already been delivered or installed or a handover of the parts is not possible for the purchaser for any other reason.

3. Claims from liability for defects (warranty) become void after a period of 3 years (statute of limitations) insofar as no longer period of limitation has been prescribed by agreement or law. The warranty period commences on the date on which the aircraft is delivered to a customer of the aircraft manufacturer and upon acceptance of the delivery by the purchaser. The warranty period ends after the date on which the aircraft was delivered to a customer of the aircraft manufacturer. Accessories made available to the purchaser's suppliers are not affected by this.

4. Products that are not covered by the warranty must be repaired by the suppliers within a maximum processing period of ten calendar days. The processing time commences upon receipt by the suppliers of the parts to be repaired and ends when they are ready for dispatch. If the suppliers are unable to adhere to the processing time, they declare herewith as reasonable estimate of the damages suffered by the purchaser (and not as contractual penalty) to pay as appropriate compensation 5 % of the order value per day of the exceeded processing time from the agreed delivery date, however, no more than a maximum of 20 %.

5. Irrespective of the above, the suppliers guarantee for a period of 4 years (guarantee period) from the date of the delivery that the products

- a) are free of faults,

- b) comply with the specifications, prototype drawing and the other contractual or statutory requirements placed on them and

- c) comply with the accepted state of the art.



**XVII. Liability**

1. Insofar as no other special liability regulations have been reached at any other point of these terms and conditions, the suppliers are obliged in compliance with statutory regulations to pay compensation for damages which have been incurred by the purchaser directly or indirectly as a consequence of a faulty or substandard delivery, infringement of safety regulations or any other legal grounds for which the suppliers are to be held responsible. Any limitation of the suppliers' liability for premeditation or gross negligence shall be legally non-binding in respect of the purchaser. In particular, the following provisions shall apply:
2. If claims are made against the purchaser by third parties on the ground of non-modifiable legal norms for liability regardless of culpability, the suppliers shall exempt the purchaser to such extent as they would directly be liable to the third party themselves in place of the purchaser. The principles of Article 254 German Civil Code (BGB – Bürgerliches Gesetzbuch) shall also apply accordingly for the settlement of claims between the purchaser and suppliers in the event of liability regardless of culpability. This also applies in the event of direct recourse to the suppliers.
3. The suppliers shall be liable for measures by the purchaser to avert damages (e.g. recall campaigns) insofar as such measures appear reasonably necessary on the grounds of circumstances, errors, faults etc. attributable to the suppliers or if the purchaser should be legally obliged to such action by law, official instruction or court order.
4. The purchaser will inform and consult the suppliers comprehensively and without delay if intending to take action against the suppliers under the terms of the preceding provisions. The purchaser shall give the suppliers due opportunity to examine the claim for compensation. The contractual parties shall keep each other continuously informed and coordinate in respect of steps to be taken, in particular the possibilities of a regulatory settlement as compromise in respect of claims by third parties.

**XVIII. Industrial property rights, development work**

1. The suppliers are liable for claims that occur during due contractual use of the supplied items as a result of an infringement of industrial property rights and property right registrations (industrial property rights), of which at least one from the property rights family has been published either in the home country of the suppliers by the European Patent Office or in one of the states of the European Union or the USA.
2. The suppliers exempt the purchaser and its customers from any claims from the use of such industrial property rights.
3. This does not apply insofar as the suppliers have manufactured the supplied items according to the drawings, models or other equivalent descriptions, details or instructions from the purchaser and do not know or must not know in connection with the products they have developed that industrial property rights have been infringed upon as a result thereof.
4. The contractual partners agree to notify each other immediately of any risks or possible risks of infringement and action by third parties that become known and give each other opportunity to take appropriate mutually agreed action against corresponding claims.
5. The same applies if it comes to the knowledge of a contractual partner that rights

of the other contractual party which are of significance within the contractual relationship between the contractual parties are being infringed upon by third party.

6. Upon request by the purchaser, the suppliers will give notification of the use of published and non-published own and licensed industrial property rights and registration of such rights in the supplied objects.

7. In the event that the suppliers also carry out development work for the purchaser, the suppliers shall carry out such development work on the basis of the latest standard of science and technology. The purchaser shall receive an exclusive, gratuitous, irrevocable, conveyable and sub-licensable right of use for all application purposes to the know how and the copyrighted and non-copyrighted results of development work. Inventions that arise in the course of the development work by the suppliers shall be implemented in full by the suppliers and conveyed to the purchaser in full extent without delay and free of charge.

### **XIX. Reservation of ownership**

The Purchaser accepts a simple reservation of ownership declared by the suppliers. Extended or enlarged reservations of ownership, particularly, group retention, will not be accepted.

### **XX. Transport**

In the case of dispatch sales according to buyer's instructions, the purchaser reserves the right to stipulate the shipping route as well as the choice of carrier and type of packaging separately in advance. The purchaser will take out transport insurance.

### **XXI. Non-competition clause**

The suppliers may neither sell nor offer for sale direct or through third parties the parts/components that have been manufactured according to the purchaser's drawings and specifications as spare parts to end customers or trade organisations. Likewise, it is also forbidden to have production undertaken by third parties with the objective of selling the parts/components via them or on own account.

The parts may only be marked with the supplier code issued by the purchaser and not with the name of the supplier. An exemption from this non-competition clause requires written permission from the purchaser.

### **XXII. Advertising and public announcements**

The Suppliers may not use the name of the purchaser or the name of the purchaser's products and/or the aircraft program for advertising purposes, press notices and/or public announcements without prior written approval.

### **XXIII. Insurance**

The suppliers must take out and maintain general liability insurance for an amount of not less than EUR 100,000,000.00 (or the equivalent thereof) per occurrence.

The suppliers must also take out and maintain liability insurance for aviation productions. The coverage limit any such insurance must not be less than EUR 500,000,000.00 (or the equivalent thereof) per occurrence and per year.

**XXIV. Repurchase of spare parts**

The suppliers shall repurchase from the purchaser all products that go above and beyond the requirements of the purchaser and were initially delivered by the suppliers or for which the suppliers have a valid licence agreement with another supplier. The purchaser will observe standard purchasing models when stipulating order quantities and agree with the suppliers on such quantities. The price of each part repurchased by the purchasers shall correspond to the invoiced part of the spare part which was paid to the suppliers or the suppliers' catalogue price at the time of the repurchase depending on which amount, including delivery costs, is lower. The prerequisite for this is that the spare parts are unused and in a good condition. The purchaser shall deliver these goods to the suppliers' works. The suppliers are under no obligation to repurchase spare parts for which the suppliers have no other market. There shall be no repurchase fees.

**XXV. General provisions**

1. In the event of the Suppliers ceasing payment or if bankruptcy proceedings are started in respect of their assets or application is made for out of court settlement proceedings, the purchaser is entitled to withdraw from the contract for the incomplete section or to terminate the contract.
2. In the event of a provision of these terms and conditions or other agreements reached between the contractual parties being or becoming invalid, void or ineffective, it shall have no effect on the validity of the remaining agreement. The contractual partners shall replace the invalid, void or ineffective provision with another provision which shall be as close as possible to the originally intended purpose.
3. The place of fulfilment shall be the location of the respective works which is recipient of the delivery.
4. All legal relationships between the customers and the purchaser shall be subject to German law under exclusion of the regulations of the United Nations Convention on Contracts for the International Sale of Goods. The purchaser, however, reserves the right to take action at the court having jurisdiction over the headquarters of the suppliers.
5. The purchaser's domicile is agreed as venue for all disputes from this agreement.

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