

- b) any liquidated damages payable by the Contractor pursuant to the terms and conditions in Annex "K" ITB TERMS AND CONDITIONS
- c) any breach of warranty obligations; or
- d) any liability of Canada to a third party arising from any act or omission of the Contractor in performing the Contract.

- 7.24.3 Each Party agrees that it is fully liable for any damages that it causes to any third party in connection with the Contract, regardless of whether the third party makes its claim against Canada or the Contractor. If Canada is required, as a result of joint and several liability, to pay a third party in respect of damages caused by the Contractor, the Contractor must reimburse Canada for that amount.
- 7.24.4 The Parties agree that nothing herein is intended to limit any insurable interest of the Contractor or to limit the amounts otherwise recoverable under any insurance policy. The Parties agree that to the extent that the insurance coverage required to be maintained by the Contractor under this Contract or any additional insurance coverage maintained by the Contractor, whichever is greater, is more than the limitations of liability described in subarticle (2), the limitations provided herein are increased accordingly and the Contractor shall be liable for the higher amount to the full extent of the insurance proceeds recovered.
- 7.24.5 Canada at its sole discretion may terminate the contract if, at any time, the total cumulative liability of the Contractor for losses or damage suffered by Canada caused by the Contractor's performance of or failure to perform the Contract, excluding liability described under subsection 7.24.2 exceeds \$40 million. Canada may terminate the Contract by giving notice in writing to the Contractor and neither Party will make any claim against the other for damages, costs, expected profits or any other such loss arising out of the termination, but no such termination or expiry of the Contract shall reduce or terminate any of the liabilities that have accrued to the effective date of the termination.
- 7.24.6 The date of termination pursuant to this Article shall be the date specified by Canada in its notice to terminate. The date of termination shall be in Canada's discretion to a maximum of 12 months after service of the original notice to terminate pursuant to subarticle 5, above.
- 7.24.7 Canada's notice to the Contractor specifying the date of termination will supersede the provisions of Article 7.6.2 Option to Extend Contract and the Contract will automatically remain in force subject to all of the same terms and conditions until the date of termination and the Contractor agrees that it will be paid in accordance with the applicable provisions as set out in the Basis of Payment, Annex B and that the Contractor's liability remains as specified in subarticles (1) through (4), above.
- 7.24.8 Nothing herein shall limit Canada's other remedies, including Canada's right to terminate the Contract for default for breach by the Contractor of any of its obligations under this Contract, notwithstanding that the Contractor may have reached any limitation of its liability hereunder.

## **7.25 Inspection and Acceptance**

- 7.25.1 The acceptance of ships and vessels must be in accordance with the procedures of *CFTO C-03-005-012/AM-001*, Part 13, using form *CF 1148*, Report of Inspection of (SHIP) and, as applicable, form *CF 702*, Acceptance of (SHIP) into the Canadian Forces.
- 7.25.2 Without limiting the Contractor's obligations under the General Conditions 2035, all work must be subject to the Contractor's inspection prior to acceptance by Canada. The