

PURCHASE ORDER ATTACHMENT PF-03

PROPERTY IN POSSESSION OF SELLER

1. Title: This Attachment applies to all property, including but not limited to, production and raw material, Special Tooling and Special Test Equipment in possession of Seller (and any subcontractor or supplier of Seller at any tier) which is furnished to, acquired by, or fabricated by Seller (or any subcontractor or supplier at any tier), title to which is or becomes vested in the Buyer. Such property is referred to as Buyer-furnished property.

A. The requirements set forth in this Attachment shall not be construed to limit or relieve Seller of any of its obligations set forth or incorporated into Buyer's purchase order ("Order") of which this Attachment is a part.

B. Seller agrees that in placing any lower-tier subcontracts or purchase orders under this Order which involve the use of Buyer-furnished property, Seller shall include appropriate provisions to obtain rights comparable to those granted to Buyer by the "Property Rights" clause contained in the Purchase Order General Provisions and this Attachment PF-03, and agrees that it shall exercise rights for the benefit of Buyer, as Buyer may direct.

2. Accountability: Seller shall maintain a system to ensure the adequate control and protection of Buyer-furnished property. Additionally, the Buyer's representative may, at its option and at no additional cost to Buyer, conduct surveillance at a reasonable time of the Seller's or the Seller's subcontractor's Property Control System as the Buyer deems necessary to assure compliance with the terms and conditions of Buyer's Order. Further, Seller agrees, at no additional cost to Buyer, to store and maintain in serviceable condition, including the performance of calibration and preventative maintenance, all Buyer-furnished property in the Seller's or Seller's subcontractor's possession.

3. Verification: Seller shall, commencing with its receipt and during its custody or use of any Buyer-furnished property, accomplish not less than the following:

A. Examine property upon receipt to detect damage in transit;

B. Verify the contents of the shipment against the packing sheet as to the completeness and content and return a signed copy promptly to Buyer. If no discrepancy is reported within five (5) working days, the property shall be deemed to have been received in acceptable condition and to be as listed and described on the accompanying packing sheet;

C. Unless otherwise specified, perform functional testing prior to further processing or installation to determine satisfactory operation;

D. Establish and maintain adequate property control records and make such records available for review upon Buyer's request.

E. Provide the necessary precautions to guard against damage from handling and deterioration during use and/or storage;

F. Perform periodic inspection to assure adequacy of use and/or storage conditions; and

G. Ensure that Buyer-furnished property is used only as intended under this Order.

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4. Inventory: Seller shall, at no additional cost to Buyer, perform a physical inventory, at no less than a biennial basis or at the direction of Buyer, of all Buyer-furnished property in the possession of Seller. Within thirty (30) days after the completion of the inventory, Seller shall report the results, including all such property located at the facilities of any of Seller's subcontractor's at any tier, and shall certify to Buyer the accuracy and completeness of such physical inventory. Seller shall assist Buyer, at no additional cost to this Order, in resolving all discrepancies related to either Seller's or Buyer's inventory results.

5. Modifications: Seller shall not modify, add-on, or replace any Buyer-furnished property without Buyer's written authorization. Any such modification, addition, or replacement made by Seller without such authorization, is the sole responsibility of the Seller and is accomplished at Seller's expense. Modification, addition, or replacement subsequent to the original acquisition or fabrication of property which is necessary in order to reach full-rate capability and/or life expectancy as specifically required under the provisions of the applicable Order shall be made at no cost to Buyer. Title to any such additional or modified property required for rate capability or life expectancy shall vest in the Buyer or in accordance with the provisions of the applicable Order relating to title to all additional or modified property.

6. Loss: Seller shall immediately report to Buyer's purchasing representative the loss of any Buyer-furnished property or any such property found damaged, malfunctioning, or otherwise unsuitable for use. Seller shall determine and report the probable cause and necessity for withholding such property from use.

7. Disposition: Immediately upon completion or termination of this Order, Seller shall perform a physical inventory, adequate for accountability and disposition purposes, of all Buyer-furnished property applicable to such completed or terminated Order, and shall cause its subcontracts and suppliers at every tier to do likewise. If not already provided for in this Order, Seller shall request disposition of Buyer-furnished property from Buyer's procurement representative. Buyer shall instruct Seller, in writing, on the disposition of Buyer-furnished property and Seller shall comply as directed.

[End of PF-03]