

3 December 2001

SECTION H – SPECIAL PURCHASE ORDER REQUIREMENTS – BUYER GUIDANCE

The following H Clauses are not intended to be flowed in their entirety to all suppliers. Please use the following instructions as a guide to applicability of each H Clause. After reviewing the guidelines, if you still have a question regarding the applicability of a specific clause, please contact the appropriate JSF Subcontract Manager for additional guidance.

Clause	DESCRIPTION	DIRECTION TO BUYER
H-1	OBLIGATED FUNDS AND LIMITATION OF FUNDS FUNDS	

A-H-7	SUPPLIER SINGLE PROCESS INITIATIVES (SPIs)	Applicable to all suppliers that have initiated SPIs with USG.
A-H-8	BUYER-DIRECTED PROCUREMENTS	Applies whenever Buyer directs procurement. Coordinate with IPT.
A-H-9	RETENTION OF SPARES MANUFACTURING CAPABILITY	As a general rule, any subcontract in which we are paying non-recurring, i.e. those subcontracts where it is likely that special tooling and/or test equipment is being procured, or there is some infrastructure investment. Coordinate with IPT and AL, x77326 Mike Mills x or Troy Bomar X3347.
A-H-10	MANUFACTURING, TESTING AND DELIVERY CAPABILITY	As a general rule, any subcontract in which we are paying non-recurring, i.e. those subcontracts where it is likely that special tooling and/or test equipment is being procured, or there is some infrastructure investment. Coordinate with IPT and AL, x77326 Mike Mills x or Troy Bomar X33475.
A-H-11	PROGRAM MANAGEMENT AND STATUS REPORTING	Applies to major and/or critical suppliers or when SOW does not adequately define and request status reporting.
A-H-12	LESS THAN UNLIMITED RIGHTS TO EXTERNAL SHAPE AND/OR GEOMETRY	Applies to any supplier with deliverables that go into the aircraft or direct interfaces which will be captured and used in aircraft design drawings.
A-H-13	NOT INCLUDED OR RESERVED	Reserved. Buyer may use this to list exceptions to applicable CorpDocs or CorpDoc revisions should be placed in section I of standard JSF PO format.

SECTION H - SPECIAL PURCHASE ORDER REQUIREMENTS

H-1 OBLIGATED FUNDS AND LIMITATION OF FUNDS

- A. The Buyer shall not be obligated to pay the Supplier an amount in excess of funds obligated herein for each program element as indicated below.

The funds set forth below shall be considered actually obligated by the Buyer to the Supplier as of the first day of each period. In the event Buyer terminates or issues a stop work order for all or a portion of one or more categories, funding for the affected task or portion thereof shall be frozen as of the date notice is given to the Supplier.

A Termination Liability Funding Forecast shall be provided 30 days after receipt of an authorization to proceed with the work. Reports are required quarterly for the first four quarters; thereafter, updates shall be submitted as significant changes occur. "Significant change" is defined as a variance of 10% or \$500,000.00, whichever is less, to the program element price.

<u>Program Element</u>	<u>Prime Contract Number or Change Authorization</u>	<u>Funds Obligated</u>	<u>Date Obligated</u>
------------------------	--	------------------------	-----------------------

- B. It is further recognized that the funds authorized in paragraph A. above may be increased or decreased by the Buyer at any time by written notice to the Supplier.
- C. It is understood and agreed by the parties that this clause is applicable only until such time as the funds obligated for each program element equal the prices established therefore in the Purchase Order and that when the Purchase Order becomes fully funded, this clause shall be of no force and effect.

H-2 PERFORMANCE RESPONSIBILITY

- A. Total System Performance and Integration Responsibility (TSPiR) is the responsibility for the integration and necessary performance of the _____ (i.e. its systems and subsystem components (hardware, software and data and the support thereof), including the responsibility for undertaking any and all action necessary to assure that the total system will meet all requirements as defined in the Purchase Order. The Supplier hereby expressly agrees to accept Total System Performance Responsibility for the _____, whether or not its systems, subsystems, or components are fabricated, manufactured, or assembled by the Supplier or Supplier's Subcontractors, and notwithstanding that any such Subcontractor shall have been selected pursuant to any provision hereof encouraging or providing incentive for subcontracting with small or small disadvantaged business concerns.
- B. The Supplier has represented and this Purchase Order has been executed on the basis that the Supplier has reviewed and agrees with the practicality and feasibility of the applicable specifications recited in the Statement of Work referenced in the Purchase Order. Accordingly notwithstanding any conflict or inconsistency which hereafter may be found between achievement of the aforesaid performance requirements and adherence to the Supplier's proposed design for the product identified in paragraph A above, the Supplier hereby warrants that the system to be delivered here under will meet as a minimum the performance requirements as delineated in said specifications.

- C. The Supplier shall be fully responsible for the integration of all its systems, sub-systems, and components and hereby agrees to make certain that any or all required inspection and acceptance test procedures are accomplished and are sufficient to meet the specifications. Further, the Supplier agrees that all systems, subsystems and components will be installed and integrated into the _____ without any degradation of performance of that item or in the overall system performance. The Supplier's responsibility to install and integrate subsystems and components without resultant degradation of performance of any such item is in addition to and not in substitution of its responsibility to insure that the total system will meet all requirements of the systems requirements as provided in paragraph A above; and the requirements of this paragraph C shall in no way excuse the Supplier from compliance with any other requirements of this Special Contract Requirement.

- D. The Supplier shall be fully responsible for the support of all its systems, subsystems and

H-7 SUPPLIES TO BE ACCORDED DUTY-FREE ENTRY (MAR 1998) (DFARS 252.225-7008)

In accordance with paragraph (b) of the Duty-Free Entry clause of this Purchase Order, in addition to duty-free entry for all qualifying country supplies (end products and components) and all eligible end products subject to applicable trade agreements (if this Purchase Order contains the Buy American Act--Trade Agreements--Balance of Payments Program clause or the Buy American Act--North American Free Trade Agreement Implementation Act--Balance of Payments Program clause), the following foreign end products that are neither qualifying country end products nor eligible end products under a trade agreement, and the following nonqualifying country components, are requested to be accorded duty-free entry:

None

H-8 DISCLOSURE OF INFORMATION (DFARS 252.204-7000) (DEC 1991) (DEVIATION)

(a) The Subcontractor shall not release to anyone outside the Subcontractor's organization any information, regardless of medium (e.g., film, tape, document), pertaining to any part of this subcontract or any effort directly related to the JSF Program unless—

- (1) LM Aero and the Joint Strike Fighter Program Office (JSFPO) have given prior written approval; or
- (2) The information is otherwise in t

H-10 PRESERVATION OF RIGHTS FOR INFORMATION PROVIDED ELECTRONICALLY

Information, whether delivered under any SDRL or supplier equivalent form of this Purchase Order, or in response to the subcontractor's Statement of Work, provided via the JSF Virtual Enterprise that would be deemed to be Technical Data under DFARS 252.227-7013, "Rights In Technical Data—Noncommercial Items," or Computer Software and Software Documentation under DFARS 252.227-7014, "Rights in Noncommercial Software and Noncommercial Software Documentation," if it were delivered in written form, shall not lose its status as technical data, software or software documentation solely by virtue of access by LM Aero, its Teammates, or the U.S. Government by electronic means. The rights of the parties in such Technical Data, Computer Software, or Computer Software Documentation shall be as specified in the clauses stated in DFARS 252.227-7013 and DFARS 252.227-7014 as included in this Purchase Order.

H-11 ACQUISITION STREAMLINING INITIATIVES

The Supplier may submit a proposal for acquisition streamlining initiatives at any time during the performance of this Purchase Order. However, any acquisition streamlining initiatives proposed by the Supplier must be accompanied by supporting information. Such information must include cost and pricing data (if required by regulation), a risk assessment, and cost/benefit tradeoff analyses which clearly show that the proposed initiatives are cost effective, and a thorough discussion of whether the proposed initiatives comply with law and regulation. The Buyer, at its sole discretion, will accept those acquisition streamlining initiatives that it considers desirable and bilaterally modify the Purchase Order to incorporate those changes.

H-12 ENVIRONMENTAL CONTROLS (JAN 1991) (NAVAIR 252.223-9500)

For Purchase Orders performed within the jurisdiction of the San Diego, California, Air Pollution Control District (implemented pursuant to stipulated Conditional Order of Abatement [Petition No. 1371] issued by San Diego, California, Air Pollution Control District and agreed to by the U.S. Navy). Notwithstanding that this Purchase Order may require the use of paints or coatings which do not meet state or district requirements for reduced volatile organic compounds ("VOC's"), Supplier must comply with all federal, state, and local regulatory requirements respecting air quality and emission limitations. It remains Supplier's responsibility to meet the requirements for reduced VOC's even where to do so will require the use of engineering controls or other special painting equipment.

H-13 RESERVED

A-H-1 PROVISIONED BUY NOTICE (PBN)

- A. Supplier shall deliver to Buyer additional supplies and services when ordered by the Buyer through the issuance of a Provisioned Buy Notice (PBN). The PBN(s) shall be sequentially numbered. The Buyer, however, has no obligation to order any work pursuant to this clause. Supplier shall submit a proposal within thirty (30) calendar days after receipt of a PBN or upon request of Buyer, whichever is earlier. In the aggregate, proposals for PBNs ordering like supplies and services shall constitute combined for administrative convenience. The PBN shall be formalized by a supplement to the Purchase Order upon completion of negotiations. Failure to reach agreement shall be a dispute subject to the disputes clause of this Purchase Order.
- B. The delivery schedule in the PBN is the Buyer's desired delivery schedule. Supplier shall confirm within ten (10) days of receipt of the PBN that it accepts the delivery schedule and the PBN that it9accept

- C. Upon receipt of any Release Purchase Order/or Purchase Order Line Items issued under this Purchase Order which requires Government Source Inspection, the Supplier shall furnish a copy to the Government Representative who normally services Supplier's plant or, if none, the nearest Army, Navy, Air Force, or Defense Supply Agency inspection office. In the event the representative or office cannot be located, notify the Buyer immediately.
- D. Additional Quality instructions are included in the Section E and Section I of the Purchase Order.

A-H-4 INTERNATIONAL PARTICIPATION

- A. It is anticipated that the Buyer will be involved in a number of foreign offset/countertrade arrangements in various foreign countries in connection with the sale of Buyer's products to foreign countries. Supplier agrees to cooperate with the Buyer in fulfillment of such foreign offset/countertrade obligations, which Buyer may have undertaken or may undertake in the future.
- B. Buyer encourages Supplier to develop a plan for creating offset opportunities in many countries, including the following: the United Kingdom, the Netherlands, Norway, Denmark, Italy, Turkey, Canada, Singapore, France, Germany, Greece, Israel, Spain, Belgium, Australia, or the Republic of Korea. All offset or countertrade credit value resulting from Supplier's procurements, investments, or technology transfers related to work to be performed under this procurement shall accrue solely to the benefit of Buyer for its use.
- C. In addition, Supplier agrees to provide to Buyer, at no additional cost, a report every six (6) months during the performance of this Purchase Order summarizing, by country, the Supplier's lower-tier international procurement plan, investment plan, and technology transfer activity related to work to be performed under this procurement.

A-H-5 CORRECTION OF SUPPLIES ACCEPTED WITH DEFICIENCIES

If during the performance of this Purchase Order, the Buyer determines that it is necessary to accept supplies that are not fully compliant with existing Purchase Order agreements (i.e., that is, those involving deviations, waivers, shortages, unincorporated Engineering Change Proposals (ECP), etc.) or to accept supplies before the successful completion of all required testing such that Purchase Order compliance has not been determined, the Supplier agrees to deliver said supplies at the direction of the Buyer in accordance with the following:

- A. The Supplier agrees to correct such deviations, shortages, unincorporated ECPs, etc., as are listed on the Buyer's notification requiring delivery, or in the case where Purchase Order compliance has not been established before delivery, to correct deficiencies revealed by the testing required to be accomplished by the Buyer or by the Supplier and/or at final inspection

- C. Where deliveries have been made before completion of all testing, the Supplier will notify the Buyer, in writing, upon completion of the testing of changes required to the delivered items and will recommend a proposed method, date(s), and location for accomplishing the rework and/or parts replacement.

A-H-6 BUYER PROPERTY FURNISHED TO SUPPLIER

The Buyer shall furnish to the Supplier the material and/or parts, contained in Section J., to be used by the Supplier in the performance of this Purchase Order. The materials and/or parts identified shall be furnished in accordance with the schedule set forth therein. In the event said materials and/or parts are not furnished or are not furnished in accordance with the schedule set forth, an equitable adjustment may be made in the price, delivery schedule and other affected terms and conditions of this purchase Order in accordance with the "Changes" clause hereof.

(Identified in Section J, if any)

A-H-7 SUPPLIER SINGLE PROCESS INITIATIVES

- A. Supplier and the United States Government have agreed upon a variety of Single Process Initiative (SPI) block changes which have been incorporated into Supplier's prime contracts. As of the date of this Purchase Order, the following block changes have been approved:

Block Change Number	Title	Date
1 _____	_____	_____
2 _____	_____	_____
3 _____	_____	_____
4 _____	_____	_____

- B. The above referenced block changes are incorporated by reference into this Purchase Order. In the event of a conflict between the processes and procedures established above and the process or procedure otherwise provided in this Purchase Order, the above referenced block changes shall control. The only exception to the foregoing shall be with respect to provisions of this Purchase Order, if any, which are expressly identified as an exception to this provision.
- C. Future SPI block changes will be incorporated into this and other Purchase Orders between the Buyer and Supplier as the parties agree from time to time.

A-H-8 BUYER-DIRECTED PROCUREMENTS

The Buyer may direct the Supplier from time to time to procure parts, components or items from a specific source for incorporation into the end item to be delivered by the Supplier to the Buyer. Supplier shall contract direct with the specified source. These items are as follows:

Nomenclature

1. Supplier shall not proceed to manufacture or acquire any items requiring approval prior to their approval by Buyer. Supplier agrees to furnish such additional information as Buyer may need in order to obtain approval from the Government for manufacture or acquisition of the items required. Supplier shall include the requirements of this clause in each of its subcontracts issued hereunder.
 2. Title to the Special Test Equipment will rest in the Government in accordance with FAR Clause 52.245-18, Special Test Equipment, and will be considered Government Furnished Property.
 3. Supplier shall, at the request of the Buyer, provide the Buyer with a listing of the Special Test Equipment acquired under this purchase order. Said listing will be requested no more often than once each year and may be a copy of the records maintained in Supplier's format pursuant to FAR Section 45.
- C. Control Special Tooling and Special Test Equipment (tools) manufactured by Buyer as follows:
1. Tools shipped to the Supplier will be listed either on a Certified Tool List (CTL) Form FW28 if accountability is to be retained by Buyer, or on a Requisition and Invoice/Shipping Document (DD Form 1149) if accountability is to be transferred to the Supplier. The Supplier shall acknowledge receipt of tools with a Company authorized signature on the CTL. If Supplier takes exception to the information shown on the CTL, Supplier shall return the CTL to the Buyer with an explanation and a request for revision. The Supplier shall not alter any information shown on the CTL without prior authorization from the Buyer. The Supplier shall acknowledge, in writing, receipt of tools received on DD Form 1149.
 2. All tools in the possession of the Supplier or his subcontractors shall be protected from rust and/or contamination.
 3. The Supplier shall submit requests in writing when requesting changes or alterations to Buyer-furnished tools.
 4. The Supplier shall not rework or in any way alter any Buyer Furnished "control tools" without receiving written authorization from the Buyer.
 5. If Buyer requests a change, the Supplier will receive a Change Commitment Request. The Supplier shall complete and return the form to the Buyer with the supplemental data requested. Authority to rework, in the form of a letter, wire, Purchase Order Change Notice, etc., will be issued by the Buyer.
- D. Design, manufacture and/or procure, deliver and ship items of Special Tooling and/or Special Test Equipment when authorized by the Buyer. Administration and control shall be in accordance with FAR 52.245-17, Special Tooling, 52.245-18, Special Test Equipment, FAR 52.245-2 or -5 (as appropriate), Government Property, the clause above entitled "Retention of Spares Manufacturing Capability" and the following clauses 1 through 5.
1. The Supplier shall immediately proceed to manufacture or acquire the items based on the Buyer's authorization, unless otherwise stated in Buyer's order, since the items ordered under this paragraph D have already been approved for acquisition.

2. All items delivered hereunder shall successfully pass the acceptance tests and/or inspections set forth in a Buyer-approved STE Acceptance Test/Inspection Requirements Specification. This specification shall be prepared by the Supplier and submitted to Buyer in time to allow Buyer forty-five (45) days approval time. The specification shall call for inspections and tests of the type normally used by Supplier to confirm that the item is ready for use, supplemented if necessary to provide the Buyer with adequate proof of the acceptability of the unit.
3. Items ordered hereunder may be delivered to the Buyer or directly to the Government as specified in Buyer's order.
4. Items ordered hereunder may be shipped to Buyer, shipped to other locations in support of the Joint Strike Fighter Program, or retained by Supplier, as specified in Buyer's order, to support Supplier's production/spares manufacturing, repair and/or modification tasks. Packaging, packing, preservation, marking and shipment of items shall be in accordance with the terms contained elsewhere in this purchase order.
5. Items ordered hereunder to be retained by the Supplier shall be maintained and managed in accordance with the Appendices and clauses referred to above in this paragraph D.

A-H-11 PROGRAM MANAGEMENT AND STATUS REPORTING

A. Progress Status Reporting

Supplier is required to report Purchase Order status on a regular basis via teleconference or a written report. The report shall be submitted the first week of every month for those reports required on a monthly basis and each Monday morning for those required on a weekly basis, and shall at a minimum address the current status of Purchase Order requirements and progress and any changes in or impacts thereto.

B. Quarterly Program Status Reviews/Technical Interchange Meetings

Supplier shall conduct quarterly Program Status Reviews (PSR) at its facility, with the first meeting to be held 45 days after Purchase Order award. The Buyer's customer may attend the meetings. The PSR should include a detailed review of the Integrated Master Schedule, all detail level schedules, and time-phased budget plans. The specific agenda for the PSR should be pre-coordinated with the Buyer. Cost/schedule status and technical accomplishments should be included in the presentation. A red/yellow/green assessment of each major cost element and at the program summary level shall be provided. A Technical Interchange Meeting (TIM) will be held in conjunction with the PSR to present, discuss and develop solutions for specific issues of technical concern.

C. Technical Coordination Meetings (TCM)

The Supplier shall conduct informal TCMs at its facility. Either the Supplier or the Buyer may initiate agenda topics for these TCMs. However, Supplier-initiated topics should be pre-coordinated with the Buyer not less than ten (10) working days prior to the meeting date. The Buyer's customer may attend the meetings.

D. Working Group Meetings

Working groups will be formed as the need arises. The appropriate company will host meetings and the Buyer's customer may attend the meeting. Efforts will be made to rotate the meeting site among working group members. Teleconferencing whenever possible will be utilized in lieu of travel. For each meeting, the host will prepare an agenda and a clear statement of objectives. At the end of the meeting, a review of accomplishments vis-à-vis the objectives will be conducted and action items assigned. Within five (5) working days of the meeting, the host should prepare and distribute minutes of the meeting including action items.

A-H-12 LESS THAN UNLIMITED RIGHTS TO EXTERNAL SHAPE AND/OR GEOMETRY

In accordance with the contract clauses found in DFARS 252.227-7013/7014, Seller hereby agrees to provide Buyer unlimited rights to the external shape and/or geometry of the items delivered under this purchase order. This applies to the Catia definition of the physical external shape and interface definitions only. Any claims by Seller to Buyer for less than unlimited rights, including data describing the function or inner workings of any component, are contained in section K of this Purchase Order.