

**KLUNE INDUSTRIES
PURCHASE ORDER ATTACHMENT CFM
(12/04)
BUYER/GOVERNMENT PROPERTY IN POSSESSION OF SELLER
(SUBCONTRACTOR)**

I. The provisions of FAR 52.245-2 or FAR 52.245-5, as applicable, are hereby incorporated into the purchase order. 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 of which this is a part.

a. 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 or the Government. For the purpose of this purchase order, such property is referred to as Buyer/Government-furnished property.

b. In the event the provisions of Buyer's prime contract from the U.S. Government require that title to Special Tooling and Special Test Equipment shall vest in the Government, title to such property shall vest in the Government upon acquisition by the Seller. Title to such property shall at that time immediately and directly pass to the Government so that title shall not at any time vest in the Buyer.

II. Seller shall maintain a system to ensure the adequate control and protection of Buyer/Government-furnished property. Upon receipt of notification from the Buyer, the Seller shall complete and return within fifteen (15) working days a Property System Certification describing the system that will be used to control Buyer/Government-furnished property. Additionally, the Buyer's representative may, at its option and at no additional cost to this purchase order or the 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 purchase order.

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

a. examine 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 records to satisfy the requirement of FAR 45.505 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 storage;

f. perform periodic inspection to assure adequacy of storage conditions; and

g. ensure that Buyer/Government-furnished property is used only for performing this purchase order, unless otherwise provided in this order or approved by the cognizant contracting officer.

IV. As partial fulfillment of the requirements of FAR 45.508, the Seller shall, at no additional cost to this purchase order or the Buyer, perform a physical inventory, at no less than a biennial basis or the direction of the Buyer, of all Buyer/Government-furnished property in the possession of the 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 the Buyer the accuracy and completeness of such physical inventory. Seller shall assist Buyer, at no additional cost to this purchase order or the Buyer, in resolving all discrepancies related to either Seller's or Buyer's inventory results.

V. Seller shall not modify, add-on, or replace any Buyer/Government-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 or property which is necessary in order to reach full-rate capability and/or life expectancy as specifically required under the provisions of the applicable purchase 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 Government in accordance with the provisions of the applicable purchase order relating to title to all additional or modified property.

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

b. Seller agrees, at no additional cost to this purchase order or the Buyer, to store and maintain in serviceable condition, including the performance of calibration and preventative maintenance, all Buyer/Government-furnished property in the Seller's or Seller's subcontractor's possession.

VI. Immediately upon termination or completion of this purchase order, the Seller shall perform a physical inventory, adequate for accountability and disposition purposes, of all Buyer/Government-furnished property applicable to such terminated or completed purchase order and shall cause its subcontracts and suppliers at every tier to do likewise.

a. Upon completion of this purchase order, if scrap or excess property in the value of \$100.00 or more results from the use of any Buyer/Government furnished property, Seller shall execute Buyer's Scrap and Excess Property Warranty Form and return it to the Buyer.

b. Seller shall prepare inventory schedules using applicable Government Inventory Schedule Forms, Standard Forms 1426 through 1434, of all of the Buyer/Government-furnished property in the possession of the Seller, or its subcontractors at any tier. The Inventory Schedule Forms shall be in such details as acceptable to the Buyer. Pending written disposition instructions by the Buyer, all Buyer/Government furnished property, at Buyer's option, may remain in Seller's possession and control and shall be maintained in accordance with the provisions referenced in FAR 52.245-2, the paragraph entitled "Property Administration" i.e.: (1) The Contractor and/or Subcontractor shall be responsible and accountable for all Government property provided under this contract and shall comply with Federal Acquisition Regulation (FAR) Subpart 45.5, as in effect on the date of this contract.

(2) The Contractor or Subcontractor shall establish and maintain a program for the use, maintenance, repair, protection, and preservation of Buyer/Government property in accordance with sound industrial practice and the applicable provisions of Subpart 45.5 of the FAR.

(3) If damage occurs to Buyer/Government property, the risk of which has been assumed by the Government under this contract, the Government shall replace the items or the Contractor or Subcontractor shall make such repairs as the Government directs. However, if the Contractor or

Subcontractor cannot effect such repairs within the time required, the Contractor or Subcontractor shall dispose of the property as directed by the Buyer/Contracting Officer. When any property for which the Government is responsible is replaced or repaired, the Buyer/Contracting Officer shall make an equitable adjustment in accordance with paragraph (h) of FAR clause 52.245-2.

(4) The Contractor or Subcontractor represents that the contract price does not include any amount for repairs or replacement for which the Government is responsible. Repair or replacement of property for which the Contractor or Subcontractor is responsible shall be accomplished by the Contractor or Subcontractor at its own expense at no additional expense or cost to either the Government or the Buyer.

VII. Seller agrees that in placing any lower-tier subcontracts or purchase orders under this purchase order which involve the use of Buyer/Government-furnished property, Seller shall include appropriate provisions to obtain rights comparable to those granted to Buyer or the Government by FAR 52.245-2, the clause "*Government-furnished property*"

(1) The Buyer/Government shall deliver to the Contractor or Subcontractor, for use in connection with and under the terms of this contract, the Buyer/Government-furnished property described in the Schedule or specifications together with any related data and information that the Contractor or Subcontractor may request and is reasonably required for the intended use of the property (hereinafter referred to as "Buyer/Government-furnished property").

(2) The delivery or performance dates for this contract are based upon the expectation that Buyer/Government-furnished property suitable for use (except for property furnished "as is") will be delivered to the Contractor or Subcontractor at the times stated in the Schedule or, if not so stated, in sufficient time to enable the Contractor or Subcontractor to meet the contract's delivery or performance dates.

(3) If Buyer/Government-furnished property is received by the Contractor or Subcontractor in a condition not suitable for the intended use, the Contractor or Subcontractor shall, upon receipt of it, notify the Buyer/Contracting Officer, detailing the facts, and, as directed by the Buyer/Contracting Officer and at Government expense, either repair, modify, return, or otherwise dispose of the property. After completing the directed action and upon written request of the Contractor or Subcontractor, the Buyer/Contracting Officer shall make an equitable adjustment as provided in paragraph (h) of FAR 52.245-2.

(4) If Buyer/Government-furnished property is not delivered to the Contractor or Subcontractor by the required time, the Buyer/Contracting Officer shall, upon the Contractor or Subcontractor's timely written request, make a determination of the delay, if any, caused the Contractor or Subcontractor and shall make an equitable adjustment in accordance with paragraph (h) of FAR 52.245-2, and this attachment, and agrees that it shall exercise rights for the benefit of the Buyer and the Government, as Buyer may direct.

VIII. If Buyer's purchase order authorizes the use of Government-owned facilities in the performance of this order, Seller is authorized to use the Government-owned facilities set forth in the accountability orders listed in the body of this purchase order on a no-charge basis; provided, such accountability orders authorize such no charge use and all conditions and restrictions in such orders are first fully complied with. Any change in the amount of Government-owned facilities furnished pursuant to this purchase order is subject to FAR 52.245-2, "Changes in Government-furnished property"

(1) The Buyer may, by written notice,

(i) decrease the Government-furnished property provided or to be provided under this contract, or

(ii) substitute other Government-furnished property for the property to be provided by the Government, or to be acquired by the Contractor or Subcontractor for the Government, under this contract.

The Contractor or Subcontractor shall promptly take such action as the Contracting Officer may direct regarding the removal, shipment, or disposal of the property covered by such notice.

(2) Upon the Contractor or Subcontractor's written request, the Contracting Officer shall make an equitable adjustment to the contract in accordance with paragraph (h) of this clause, if the Government has agreed in the Schedule to make the property available for performing this contract and there is any --

(i) Decrease or substitution in this property pursuant to subparagraph (b)(1) of this clause; or

(ii) Withdrawal of authority to use this property, if provided under any other contract or lease.

Information, advice, approvals or instructions given by Buyer's technical personnel or other representatives shall be deemed expressions of personal opinion only and shall not affect Buyer's or Seller's rights and obligations hereunder set forth in writing which is signed by Buyer's Purchasing Representative and which states it constitutes an amendment or change in this purchase order.

Seller agrees that it will not directly or indirectly, through overhead charges or otherwise, include in the price of this order, or seek reimbursement under this order for, any rental charge paid by Seller for the use on other contracts of the facilities referred to herein.