

1) THE CLAUSE SET FORTH IN FAR 52.232-16/DFARS 252.232-7004 FOR OTHER THAN SMALL BUSINESS CONCERNS OR FAR 52.232-16 ALT I/DFARS 252.232-7004 FOR SMALL BUSINESS CONCERNS WITH APPROPRIATE CHANGES TO REFLECT THE POSITION OF THE PRIME CONTRACTOR AS PURCHASER AND THE SUBCONTRACTOR AS VENDOR, PROVIDED FOR BY PARAGRAPH 32.504, IS INCORPORATED HEREIN BY REFERENCE.

UNDER THIS ORDER, THE PROGRESS PAYMENT PERCENTAGE RATE SHALL BE % AND THE LIQUIDATION RATE PERCENTAGE SHALL BE %. ALL RIGHTS OF THE SELLER WITH RESPECT TO THE PROPERTY TO WHICH THE GOVERNMENT HAS TITLE UNDER THIS ORDER BY INCLUSION OF THE PROGRESS PAYMENT CLAUSE SHALL BE SUBORDINATE TO THE RIGHTS OF THE GOVERNMENT TO REQUIRE DELIVERY OF SUCH PROPERTY TO IT IN THE EVENT OF BANKRUPTCY OR INSOLVENCY OF SELLER.

THE DEFENSE CONTRACT AUDIT AGENCY SHALL HAVE THE RIGHT TO AUDIT PERTINENT BOOKS, RECORDS AND ACCOUNTS PERTAINING TO THIS ORDER. SELLE INVOICES MUST BE ACCOMPANIED BY FORM SF1443, CONTRACTOR'S REQUEST FOR PROGRESS PAYMENT. THE CONTEXT OF THIS FORM MAY BE CHANGED WHERE APPROPRIATE TO INDICATE THE NORMAL BUYER/SELLER RELATIONSHIP.

PURCHASER MAY REDUCE, SUSPEND, OR INCREASE THE LIQUIDATION RATE OF PROGRESS PAYMENTS UNDER THE CONDITIONS SPECIFIED IN FAR PART 32.503-6.

2) TO THE EXTENT THAT PROGRESS PAYMENTS ARE MADE WHICH ARE NOT APPLICABLE TO GOVERNMENT CONTRACTS WHICH AUTHORIZE PROGRESS PAYMENTS, THE FOLLOWING PROVISIONS APPLY:

SUCH FUNDS ADVANCED BY THE BUYER UNDER THE TERMS OF THIS PURCHASE ORDER SHALL BE USED SOLELY AND EXCLUSIVELY IN THE PERFORMANCE OF THIS PURCHASE ORDER AND UNTIL SO USED SHALL REMAIN THE PROPERTY OF THE BUYER.

"SELLER HEREBY GRANTS PURCHASER A SECURITY INTEREST IN EQUIPMENT, MACHINERY, CONTRACT RIGHTS, INVENTORY, INCLUDING WORK-IN-PROCESS INVENTORY, GOODS, MERCHANDISE AND RAW MATERIALS, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND ANY REPLACEMENTS, IMPROVEMENTS, SUBSTITUTIONS, ATTACHMENTS, ACCESSORIES AND ACCESSIONS THERETO OR THEREON PROVIDED BY PURCHASER OR PURCHASED BY SELLER WITH PROGRESS PAYMENTS OR ADVANCES MADE BY PURCHASER AND TO BE USED BY SELLER IN MANUFACTURING PRODUCTS ORDERED BY PURCHASER UNDER THIS ORDER. SELLER AGREES TO EXECUTE AND DELIVER ALL DOCUMENTS REQUESTED BY PURCHASER TO PROTECT AND MAINTAIN PURCHASER'S SECURITY INTERESTS."

UPON DEFAULT BY THE SELLER IN PERFORMING ANY OF THE TERMS AND CONDITIONS OF THIS PURCHASE ORDER, THE BUYER SHALL HAVE THE RIGHT TO THE RETURN OF ALL PROGRESS PAYMENTS MADE BY THE BUYER TO THE SELLER, AND THE RIGHT TO TAKE POSSESSION OF ALL PROPERTY IN WHICH THE BUYER HAS A SECURITY INTEREST PURSUANT TO THE TERMS OF THIS PURCHASE ORDER. BUYER SHALL HAVE THE SAME RIGHT TO TAKE POSSESSIO AS INDICATED IN THE PRECEDING SENTENCE IF THE SELLER SHALL BE INVOLVED IN FINANCIAL DIFFICULTIES AS EVIDENCED BY (I) AN ATTACHMENT MADE ON OR THE GRANTING OF A SECURITY INTEREST IN THE PROPERTY OF THE SELLER WHICH IN THE BUYER'S OPINION JEOPARDIZES TH SELLER'S ABILITY TO PERFORM THIS PURCHASE ORDER OR CONFLICTS WITH THE RIGHT TO POSSESSION OF THE PROPERTY IN WHICH THE BUYER HAS A SECURITY INTEREST; (II) THE INABILITY OF THE SELLER TO PAY ITS DEB GENERALLY AS THEY BECOME DUE; (III) THE MAKING OF AN ASSIGNMENT BY THE SELLER FOR THE BENEFIT OF CREDITORS; (IV) THE CONSENTING BY TH SELLER TO THE APPOINTMENT OF A RECEIVER FOR ALL OR A SUBSTANTIAL

PART OF ITS PROPERTY; (V) THE SELLER FILING OR HAVING FILED AGAIN IT A PETITION IN BANKRUPTCY OR FOR REORGANIZATION OR FOR THE ADOPTION OF AN ARRANGEMENT UNDER THE FEDERAL BANKRUPTCY ACT OR AN ANSWER OR ADMISSION SEEKING THE RELIEF THEREIN PROVIDED; (VI) THE SELLER BEING ADJUDICATED A BANKRUPT; (VII) ANY CHANGE IN SELLER'S CONDITION FINANCIAL OR OTHERWISE OR ITS BUSINESS OR PROSPECTS WHICH, IN THE OPINION OF BUYER, IS MATERIALLY ADVERSE. IN THE EVE THE BUYER ELECTS TO TAKE POSSESSION PURSUANT TO THE TERMS OF THIS PURCHASE ORDER, THE SELLER AGREES PROMPTLY TO ASSEMBLE ALL PROPERTY INVOLVED AND MAKE IT AVAILABLE TO THE BUYER AT A CONVENIENT PLACE.

3) SELLER INVOICES REQUESTING PROGRESS PAYMENT DOLLARS SHALL BE MAILED TO THE ADDRESS NOTED ON THE PURCHASE ORDER.

REGULAR AND PROGRESS PAYMENT LIQUIDATION INVOICES SHALL BE FORWARDED TO THE ADDRESS SHOWN ABOVE ON THE PURCHASE ORDER.