

NORTHROP GRUMMAN

Northrop Grumman Corporation
Integrated Systems

IS Western Region
One Hornet Way
El Segundo, CA. 90245-2804

In Reply Refer To: K08364-05-026P

22 August 2005

Duane Hahn
Versaform Corporation
1377 Specialty Drive
Vista, CA 92081

Attention: Mr. Duane Hahn

SUBJECT: USE OF DOMESTIC SPECIALTY METALS ON F/A-18 PROGRAM

Dear Sir:

F/A-18 supplier purchase orders contain a mandatory flow-down of DFARS clause 252.225-7014, Alt. 1, Preference for Domestic Specialty Metals. This clause requires that "Any specialty metals incorporated in articles delivered under this contract shall be melted in the United States or its outlying areas." The F/A-18 program requires that this provision be flowed down to sub-tier suppliers as well. Noncompliance to this mandatory flow-down can result in financial penalties, as well as unanticipated production costs due to end-item component reworks.

Recent increases in world demand for raw materials have caused price increases of specialty metals like titanium and stainless steel. These price increases raise the potential for violation of the requirements set forth in DFARS Clause 252.225-7014, Alt 1. Vigilance is needed to assure that the products provided by suppliers at every tier conform to the domestic metals requirements. Therefore, Northrop Grumman is requiring our F/A-18 supplier base to verify the following information:

- A) Confirmation that your company and all sub-tiers, no matter how far down the supplier chain, are and have been in full compliance with DFARS Clause 252.225-7014 Alt. 1.
- B) Confirmation that DFARS Clause 252.225-7014 Alt. 1 has been flowed to all of your sub-tier suppliers, no matter how far down the supplier chain, on all purchase orders issued, and that it is designated as a mandatory contractual requirement for all sub-tiers.

Please submit your written verification to the undersigned no later than 5 September 2005. Northrop Grumman will continue to audit supplier compliance to this DFARS requirement on a recurring basis via on-site supplier reviews and requests that you also deploy processes to conduct similar audits of your sub-tier suppliers to ensure continued adherence to DFARS Clause 252.225-7014, Alt. 1, Preference for Domestic Specialty Metals.

Please contact the undersigned should you have any questions regarding this requirement.

Northrop Grumman Systems Corporation
Integrated Systems, Western Region

A handwritten signature in black ink, appearing to read 'D Gomez', with a long horizontal flourish extending to the right.

Dave Gomez, Buyer
Dept: K08364/V1, 310.814.0512
d.gomez@ngc.com