

PROPERTY CUSTODY AGREEMENT PROVISIONS
TO THE PURCHASE ORDER OF PACIFIC SCIENTIFIC ENERGETIC MATERIALS COMPANY
THIS ATTACHMENT IS HEREBY INCORPORATED
IN THIS ORDER AND MADE AN INTEGRAL PART HEREOF

CUSTODY AGREEMENT TERMS AND CONDITIONS

- 1 These Provisions set for the terms and conditions applicable to all special tooling, special test equipment, and all other property of any nature whatsoever in the classes set forth (hereinafter also referred to as "accountable items") except consumable property, buildings or non-servable structures owned by the United States Government (hereinafter referred to as "Government") or by Pacific Scientific Energetic Materials Company (herein after referred to as "PSEMC" or "Buyer"). The classes of property covered by this Agreement and constituting accountable items area as follows:
 - a. Those listed in the schedule hereof or exhibits hereto.
 - b. Those which are shipped to Seller by Buyer or by another subcontractor of Buyer, upon receipt of such items by Seller.
 - c. Those manufactured or acquired by Seller pursuant to a Purchase Order from Buyer, upon acceptance by Buyer of a Vendor's Certified Tool inventory covering such items.
 - d. Those manufactured, acquired or appropriated by Seller or replace accountable items subject to this Agreement, upon completion of such manufacture, acquisition or appropriation.
- 2 Special tooling, special test equipment, and other items of Government or PSEMC property shall be defined as set forth in Part 45, Government Property, of the Federal Acquisition Regulations (FARS) and Part 245, Government Property, of the Defense Federal Acquisition Regulation Supplement (DFARS), as applicable, in effect as of the date of this Purchase Order.
- 3 Seller further agrees that, with respect to accountable items identified as Government-owned, it will comply with FARS Part 45 and DFARS Part 245, as applicable, the provisions of which shall prevail in the event of a conflict with any other provision of this Agreement. Records maintained by Seller pursuant to the foregoing documents shall be the official accountability records for all accountable items, whether Government or PSEMC owned.
- 4 This Agreement shall continue in effect with respect to all accountable items which become subject to the provisions of this Agreement until such time as this Agreement is terminated by Buyer in writing, or until Seller makes final disposition of all accountable property subject to this order in accordance with written instructions from Buyer.
- 5 Upon Seller's completion of work under such Purchase Orders, as may be issued by Buyer, which require the use of accountable items covered hereunder. Seller agrees to store and maintain accountable items in usable condition at their present location, or such other locations as may be authorized in writing by Buyer, until such accountable items shall have been returned to Buyer or otherwise disposed of as directed by Buyer in writing. Seller may request disposition instructions for such accountable items at any time that said property is no longer required by Seller. Buyer agrees to pay all reasonable transportation and packaging charges connected with the delivery or disposition of said accountable items in accordance with Buyer's written instructions.
- 6 Buyer shall from time to time prepare a list of accountable items in possession of Seller which list shall be referenced in the Schedule of this Agreement or on a change order hereto, and by such reference incorporated herein as an exhibit. Such exhibits will be in the form of Vendor's

Certified Tool Inventory (PSEMC Form #2199), Shipper Workbook (PSEMC Form #67(HL) or Form DI-QA-204(CH)F01 or DD1149), or other such form as Buyer may elect.

Acceptance by Seller of this Agreement or change order hereto in which an exhibit is described shall be deemed a verification by Seller of the accuracy of the list of accountable items and other data in exhibit attached to this Agreement or change order hereto. Such verification by Seller shall be based upon either a current physical inventory of records of Seller which are verified by the taking of a physical inventor of such accountable items by Seller at least once a year.

Seller shall, as charges or additions to or modifications of accountable items are made, submit to Buyer such information as will permit Buyer to prepare additional or revised exhibits which shall be attached and incorporated by change order hereto.

- 7 These terms and conditions shall be applicable to accountable items in the possession of Seller from and after the events specified in paragraphs 1a, 1b, 1c and 1d, until Seller disposes of such items in accordance with written instructions from Buyer, even though oversight, or for any other reason, such items may not be described in an exhibit of this Agreement.
- 8 Unless otherwise provided in this Agreement upon accountable items becoming subject to the provisions of this Agreement, Seller shall assume the risk of and shall be responsible for any loss of or damage to such accountable items except for reasonable wear, tear or obsolescence occurring during the authorized use of such accountable items.
- 9 Seller agrees not to use any accountable items covered by this Agreement except in the performance of Purchase Orders issued by Buyer, provided, however, in the event of such accountable items are Government Property then upon prior written notice by Seller to Buyer, Seller shall have the right to use such items in the manufacture of end items for direct sale to the United States Government to the extent the Government has the right under price or prices of the purchase orders, involving the use of accountable items, the cost of these accountable items or any allowance to charge to cover depreciation or amortization.
- 10 Buyer shall not be obligated to may any payments to Seller for any costs incurred by Seller in effecting compliance with the Agreement; provided, however, that Seller may include in quotations and prices for work under production purchase orders from Buyer, reasonable costs for necessary modifications, refurbishing or alterations to accountable items as may be necessary for such work. If Buyer approves such modifications, refurbishing or alterations, such production purchase order will direct such work and provide for payment of Seller's proper charges.
- 11 Buyer may at any time, at its discretion, temporarily or permanently transfer all or any part of the accountable items subject to this Agreement to a plant of Buyer or the Plant of another subcontractor of Buyer. Such transfers shall be recorded on subsequently revised exhibits issued by change orders under this Agreement.
- 12 Buyer and/or the Government as appropriate shall at all reasonable times have access to any building or enclosure where any of the accountable items and related records are located for the purpose of inspection same, of or removing same, or for the purpose of observing any experimental, research, testing or development program in connection with such items.
- 13 Seller agrees to give Buyer timely notification of any actual or impending occurrence or condition which may affect Seller's performance or Buyer's rights hereunder. Such occurrence or condition includes, but is not limited to, bankruptcy, insolvency, disputes, work stoppage, strikes, litigation, fire or other disasters, etc.

- 14 Restoration of Seller's Premises and Abandonment. Unless otherwise provided herein, Buyer acting for the Government:
- a. May abandon any Government Property in place, and thereupon all obligations of Buyer or the Government regarding such abandoned property shall cease; and
 - b. Has no obligation to Seller with regard to restoration or rehabilitation of Seller's premises, either in case of abandonment, paragraph 14a, or disposition on completion of need or of the Purchase Order, paragraph 5.