

## MILESTONE PAYMENT CLAUSE (Jan 2006)

Milestone payments shall be made to the Seller when requested at the completion of the Agreement stipulated performance milestones, upon the following terms and conditions:

(a) Amount of Payments. Each milestone payment shall be the amount set forth in this Agreement for completion of the respective milestone. The Seller is required to submit with each request for payment, certification of the completion of the performance milestone for which the payment is requested. Verification of the completed milestone may be made by the Company or the Government or their designee(s).

(b) Title. (1) Title to the property described in this paragraph (b) shall vest in the Government to the extent and in the value of progress payments made to the Seller. Vestiture shall be immediately upon the date of this Agreement, for property acquired or produced before that date. Otherwise, vestiture shall occur when the property is or should have been allocable or properly chargeable to this Agreement.

(2) "Property," as used in this clause, includes all of the below-described items acquired or produced by the Seller that are or should be allocable or properly chargeable to this Agreement under sound and generally accepted accounting principles and practices.

(i) Parts, materials, inventories, and work in process;

(ii) Special tooling and special test equipment to which the Government is to acquire title under any other clause of this Agreement;

(iii) Nondurable (i.e., non-capital) tools, jigs, dies, fixtures, molds, patterns, taps, gauges, test equipment, and other similar manufacturing aids, title to which would not be obtained as special tooling under subparagraph (ii) above; and

(iv) Drawings and technical data, to the extent the Seller or subcontractors are required to deliver them to the Company by other clauses of this Agreement.

(3) Although title to property is in the Government under this clause, other applicable clauses of this Agreement, e.g., the termination or special tooling clauses, shall determine the handling and disposition of the property.

(4) The Seller may sell any scrap resulting from production under this Agreement without requesting the Company's approval.

(5) To acquire for its own use or dispose of property to which title is vested in the Government under this clause, the Seller must obtain the Company's advance approval of the action and the terms. The Seller shall repay to the Company any amount of milestone payments allocable to the property. Repayment may be by cash or credit memorandum.

(6) When the Seller completes all of the obligations under this Agreement, title shall vest in the Seller for all property (or the proceeds thereof) not (i) delivered to, and accepted by, the Company under this Agreement; or (ii) incorporated in supplies delivered to, and accepted by, the Company under this Agreement and to which title is vested in the Government under this clause.

(7) The terms of this Agreement concerning liability for Government-furnished property shall not apply to property to which the Government acquired title solely under this clause.

(c) Control of Costs and Property. The Seller shall maintain an accounting system and controls adequate for the proper administration of this clause.

(d) Reports and Access to Records. The Seller shall (1) furnish promptly such relevant reports, certificates, financial statements, and other information as may be reasonably requested by the Company, and (2) give the Government or the Company reasonable opportunity to examine and verify its books, records, and accounts.

(e) Special Provisions Regarding Default. If this Agreement is terminated pursuant to the default provisions of this Agreement (1) the Seller shall, upon demand, repay the Company the amount of milestone payments paid to the Seller, and (2) with respect to all property as to which the Company elects not to require delivery under the default provisions of this Agreement, title shall vest in the Seller upon repayment of milestone payments, and the Company shall be liable for no payment except as provided by the default provisions of this Agreement.

(f) Reservations of Rights. The rights and remedies of the Company provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Agreement. No payment, or vesting of title pursuant to this clause, shall excuse the Seller from performance of its obligations under this Agreement, nor constitute a waiver of any of the rights and remedies of the parties under this Agreement. No delay or failure of the Company in exercising any right, power or privilege under this clause shall affect any such right, power or privilege, nor shall any single or partial exercise thereof preclude or impair any further exercise thereof or the exercise of any other right, power or privilege of the Company.