

September 23, 2005
NBC-05-029

LMI AEROSPACE INC
3600 MUELLER RD
SAINT CHARLES, MISSOURI 63301-8004



Dear Valued Supplier,

Subject: DFARS 252.225-7014 Preference for Domestic Specialty Metals,
Alternate 1 (Apr 2003)

The purpose of this letter is to alert you to recent non-compliances with the DFARS clause on the Preference for Domestic Specialty Metals, as flowed down on most of our DoD subcontracts. Our collective goal is to ensure compliance with the requirements of the subject clause (252.225-7014, Alternate 1) as well as the clarifying Notice (Attachment A) that is included in all of our DoD subcontracts with this clause. Please note that the subject clause must be flowed down to all of your sub-tier suppliers regardless of whether they contract directly with Boeing for other work.

Violations of this clause in the past have resulted in government investigations, monetary forfeitures and withholds, and in delayed deliveries to DoD customers. Additionally, congressional oversight and unfavorable press reports can negatively impact the entire Aerospace and Defense industry, including Boeing and its supply base.

Effective immediately the following corrective actions are being taken by The Boeing Company:

- 1) The Boeing Supplier Quality organization will perform periodic focused Process Validation Assessments (PVA) to check compliance with the subject clause.
- 2) Boeing will use its findings to engage industry associations to monitor industry compliance issues and identify root cause and corrective actions across the industry.

Each of you needs to validate you have proper flow down of this clause and validate you have compliance. We trust that you as a valued supplier will understand the seriousness of this issue and will assist us in achieving total compliance with the requirements of the subject Specialty Metals clause.

Sincerely,

A handwritten signature in cursive script, appearing to read "Norma Clayton".

Norma Clayton
Vice President Supplier Management & Procurement
Integrated Defense Systems

Enclosure: Attachment A - Notice of the requirements of DFARS Clause 252.225-7014

Attachment A

Notice of the requirements of DFARS Clause 252.225-7014, *Preference For Domestic Specialty Metals, Alternate I* (hereinafter "specialty metals clause")

DoD's interpretation of this specialty metals clause is that it prohibits the contractor (including its suppliers at every tier) from incorporating into military parts, components, and/or end item deliverables "specialty metals" (identified in the clause, including titanium and stainless steel) which have been melted outside the United States, its possessions, or Puerto Rico, unless certain limited exceptions set forth in the clause or DFARS Subpart 225.7002-2 apply. One such exception is for specialty metals that were melted in a qualifying country or incorporated into an article manufactured in a qualifying country. Those countries are listed at DFARS 225.872-1(a) or (b). Since the United States is not listed as a qualifying country, DoD does not consider it to be a qualifying country. Even if a qualifying country exception applies, the source for specialty metals melted outside the United States may also have to be listed in an applicable Qualified Products List (QPL), such as that set forth in Douglas Material Specification (DMS) 2201, *Procurement From Foreign Sources - Metallic Raw Material*. Please check your purchase order carefully for any such requirement. If your purchase order contains this requirement, you must comply with its provisions unless you apply for and are granted, through The Boeing Company, one or more of the limited exemptions authorized under the specialty metals clause.

If your organization is issued a purchase order with the specialty metals clause, compliance to the following is strongly encouraged:

- a. Your Quality Assurance Personnel, particularly Receiving Inspection, (i.e. where in-coming material and certifications are verified), should be made aware of specialty metals clause requirements, and ensure that no foreign melted specialty metals are utilized to fabricate any components for use on a product to be supplied to DoD unless they are melted in a qualifying country.
- b. If a distributor or other subtier supplier is the source of your material, ensure that the specialty metals clause requirements have been flowed down. Also take the necessary steps to ensure that your supplier provides only specialty metals (such as titanium or stainless steel) that have been melted within the United States or in a qualifying country and, if required, proper certifications are issued.

If your organization needs further information and/or assistance, please contact the Boeing Procurement Quality Representative assigned to your facility or identified in your purchase order.