



Lockheed Martin Corporation

December 7, 2005

Subject: DFARS 252.225-7014, Preference for Domestic Specialty Metals, and Alternate I

Dear Lockheed Martin Supplier:

The purpose of this letter is to remind you of the necessity for full compliance with the specialty metals requirements associated with DoD subcontracts. These mandatory requirements have their origin in federal law (10 USC 2533a, the "Berry Amendment"), and are implemented by Department of Defense Federal Acquisition Regulation Supplement (DFARS) clause 252.225-7014, its Alternate I, and by Lockheed Martin's contractual terms and conditions. Please note that the DFARS clause's Alternate I requires that you flow-down this requirement to all subordinate contractors/suppliers delivering any component that contains specialty metals. Also, there is no minimum quantity or dollar threshold exemption – *any* amount of specialty metal, from *any* tier of our supply chain, must be compliant with the DFARS clause.

Pursuant to DFARS 252.225-7014, specialty metals incorporated in articles delivered to Lockheed Martin must be: (1) melted in the United States, its possessions or Puerto Rico; (2) melted in a "qualifying country" as defined in DFARS 225.872-1; or, (3) incorporated in an article manufactured in a "qualifying country." The United States is not listed as a qualifying country in DFARS 225.872-1.

Failure to comply with the subject DFARS clause in the past has resulted in Government investigations, monetary forfeitures and payment withholds, and delayed deliveries to DoD customers. Additionally, Congressional oversight and unfavorable press reports can negatively impact the entire Aerospace and Defense industry, including Lockheed Martin and its supply chain. Our collective goal must be to fully comply with the requirements of the subject clause.

Please review your own processes and procedures for compliance with the Preference for Domestic Specialty Metals clause, and communicate with your subcontractors and suppliers so they understand their responsibilities as well.

Sincerely,  
Tom Plungis  
Director, Global Supply Chain Management  
Subcontracts & Supply Chain Management