



DEPARTMENT OF DEFENSE
DEFENSE CONTRACT MANAGEMENT AGENCY
AERONAUTICAL
AIRCRAFT PROPULSION OPERATIONS, GE - AVIATION
1 NEUMANN WAY, MAIL DROP N-1
CINCINNATI, OHIO 45215



Mr. Ron W. Choate
Engines & USN/DLA Support Contracts
Military Systems
GE Aviation
MD H393
One Neumann Way
Cincinnati, OH 45215

21 June 2007

REFERENCES:

- (A) GE Aviation Specialty Metals Corrective Action Plan (CAP), 12 Jun 07
- (B) GE Aviation One-Time Waiver (OTW) Request, 12 Jun 07

Mr. Choate,

DCMA has evaluated and approved GE Aviation's (GE) CAP and OTW request referenced above.

Based on the evaluation, I have determined that GE has an effective CAP in place for achieving compliance for items provided the Government by both GE and its subcontractors in accordance with Section 842(b)(1)(A)(ii). Continued approval of GE's CAP is conditioned on the company complying with the initiatives it has established for ensuring its suppliers provide compliant product and meeting or showing adequate progress against all associated milestone dates. Accordingly, and on a periodic basis, GE will provide my office with information sufficient to measure compliance with the CAP and its associated milestones.

Under the approved CAP, it is GE's intent to use non-compliant parts in its inventory or its suppliers' inventories that were incorporated into items that were produced, manufactured or assembled in the United States prior to October 17, 2006 to satisfy current and future delivery requirements through September 29, 2010. GE has found compliant suppliers for the parts subject to the OTW and as non-compliant parts in inventory are depleted, GE will replenish inventories with compliant parts without any impact to contractual delivery schedules.

Non-compliant parts that fall under an approved DNAD may be final accepted by the Government without withholds under contracts awarded prior to November 16, 2006. DNAD covered parts are exempt from the specialty metals restrictions and may also be final accepted under contracts awarded on/after that date. If a DNAD is reduced in scope or canceled, contracts awarded while the DNAD was in effect continue their exception to the specialty metal restrictions. However, non-

compliant parts on hand or on order that no longer fall within an approved DNAD will not be acceptable for use on contracts awarded after the DNAD's scope is reduced or canceled. By deciding to include parts in its OTW request that fall under approved and pending DNADs, GE will avoid the potential problem where the scope of a DNAD is reduced or canceled for pre-October 17, 2006 inventories.

If GE finds itself in a situation where compliant parts are not available to replenish pre-October 17, 2006 inventory parts on a contract awarded prior to November 16, 2006, GE must inform the Procuring Contracting Officer (PCO) and request conditional acceptance and withhold. GE must also submit a separate CAP or a supplement to their approved broad-based CAP informing the Government how and when it will be able to provide compliant product. If a similar situation occurs on a contract awarded on/after November 16, 2006, conditional acceptance and withhold will not be an available option. GE must notify the PCO, and either provide a CAP with market research and documentation necessary to support a DNAD, or obtain compliant alternative parts.

In addition, and in accordance with Section 842(b)(1)(B) of the FY 2007 National Defense Authorization Act, GE's request for a One-Time Waiver has been approved and notice posted in FedBizOpps.gov on 21 Jun 07. The approval is applicable to those contracts identified by GE and provided to me as well as future contracts that include non-compliant items identified in GE's OTW request. For both current and future contracts, the specialty metal must have been incorporated into items that were produced, manufactured or assembled in the United States before October 17, 2006. GE will list these future contracts by number in their periodic updates to me that are required for monitoring CAP milestones progress.

Congress has determined that the Department of Defense may relieve contractors of their contractual compliance with specialty metal restrictions. It must not be practical or economical to replace or substitute parts, the items must be produced, manufactured or assembled in the United States before October 17, 2006, final acceptance must occur after that date and before September 30, 2010, and the non-compliances must not be knowing or willful. Where those conditions are met, and the DCMA Executive Director or Deputy Executive Director for Business Operations & Customer Relations approves the OTW, items subject to the OTW may be final accepted without further analysis or the application of consideration. However, if GE fails to demonstrate compliance with its CAP and/or fails to show adequate progress against the CAP milestones, I will consider disapproving the CAP, revoking the OTW approval, suspending the release of withholds, stopping the conditional acceptance of non-compliant items, and/or seeking other consideration that I deem appropriate.

Because the company's CAP is approved and the OTW granted, I will, within a few days, issue a separate letter authorizing release of withholds associated with conditional acceptances of non-compliant specialty metals.

In addition to the above, I would like to inform you that during DCMA's market research of Domestic Non-Availability Determinations (DNADs), it was noted that prime contractors are not taking actions to ensure that DPAS Rated Orders are flowed down to the lowest level in the supply chain. Because DPAS Rated Orders impact the availability of items containing specialty metal, please take steps to ensure that GE is properly administering DPAS and its flow down provisions.

If you have any questions, or I can be of further assistance in this matter, please feel free to contact me at your earliest convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Alberth", written in a cursive style.

Michael Alberth

Corporate Administrative Contracting Officer

cc: David Ricci, DCMA-OC
John Deas, DCMA-OCT
Jack Olson, DCMAG-MCG
David Riley, DCMAM-GC