

**General Dynamics NASSCO-Norfolk
MILITARY SHIP REPAIR PROGRAMS
PURCHASE ORDER
SPECIAL TERMS AND CONDITIONS
FOR THE FFG MSMO PROGRAM
Contract Number N00024-10-C-4306**

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PART A. SPECIAL TERMS AND CONDITIONS

The following provisions supplement the provisions contained in Part A of NASSCO-Norfolk Military Ship Repair Programs Purchase Order General Terms and Conditions.

1. Guarantee (Additional Provisions Relating to Correction of Defects (NAVSEA) (OCT 1990))

(a) Seller guarantees that the Contract Work will be free from defects in material, workmanship and design and will conform to this Contract for a period of sixty (60) days after redelivery of the Vessel by Buyer to the Government (the "Guarantee Period"). With respect to any Contract Work identified as incomplete at the time of redelivery, the Guarantee Period shall run from the date such Contract Work is completed.

(b) If at any time during the Guarantee Period, any failure of the Contract Work to comply with this Contract or any defect or deficiency in the Contract Work shall be discovered, Seller shall repair or replace such Contract Work to the satisfaction of Buyer at Seller's expense, including incidental costs, such as travel and/or transportation costs.

(c) Seller's liability shall extend for an additional 60-day Guarantee Period for those defects or deficiencies that Seller has corrected.

2. Guarantee (Extension of Commercial Warranty (NAVSEA) (NOV 1996))

Seller shall extend to the Government and Buyer the full coverage of any standard commercial warranty normally offered in a similar commercial sale, provided that such warranty is available at no additional cost to the Government or Buyer. Seller shall provide a copy of the standard commercial warranty with the item. The standard commercial warranty period shall begin upon expiration of the Guarantee Period for the applicable material or software. Acceptance of the standard commercial warranty does not waive the Government's or Buyer's rights under the Inspection and Acceptance provisions of this Contract, nor does it limit Buyer's rights with regard to other terms and conditions of this Contract. In the event of a conflict, the terms and conditions of this Contract shall take precedence over the standard commercial warranty.

3. Inspection and Acceptance

Seller shall maintain complete records of all inspection work performed by Seller and shall make such inspection records available to Buyer during Contract performance and for a period of six (6) months after completion of all Contract Work.

PART B: PERFORMANCE AT BUYER'S FACILITIES AND ON VESSELS

In the event that Seller, its employees, agents or suppliers (including delivery persons), enters any facility owned, leased or operated by Buyer, including any Vessel, Seller shall comply with the following additional terms and conditions.

The following provisions supplement the provisions contained in Part B of NASSCO-Norfolk Military Ship Repair Programs Purchase Order General Terms and Conditions.

[none]

PART C: PRIME CONTRACT CLAUSES

The following clauses are flowed down pursuant to the requirements of the Prime Contract.

1. Access to Proprietary Data or Computer Software (NAVSEA) (JUN 1994)

(a) Performance under this Contract may require that Seller have access to technical data, computer software, or other sensitive data of another party who asserts that such data or software is proprietary. If access to such data or software is required or to be provided, Seller shall enter into a written agreement with such party prior to gaining access to such data or software. The agreement shall address, at a minimum, (i) access to, and use of, the proprietary data or software exclusively for the purposes of performance of the work required by this Contract, and (ii) safeguards to protect such data or software from unauthorized use or disclosure for so long as the data or software remains proprietary. In addition, the agreement shall not impose any limitation upon the Government or Buyer or their employees with respect to such data or software. A copy of the executed agreement shall be provided to the Government Contracting Officer via Buyer. Buyer may unilaterally modify this Contract to list those third parties with which Seller has agreement(s).

(b) Seller agrees to: (i) indoctrinate its personnel who will have access to the data or software as to the restrictions under which access is granted; (ii) not disclose the data or software to another party or other Seller personnel except as authorized by the Government Contracting Officer; (iii) not engage in any other action, venture, or employment wherein this information will be used, other than under this Contract, in any manner inconsistent with the spirit and intent of this requirement; (iv) not disclose the data or software to any other party, including, but not limited to, joint venturer, affiliate, successor, or assign of Seller; and (v) reproduce the restrictive stamp, marking, or legend on each use of the data or software whether in whole or in part.

(c) The restrictions on use and disclosure of the data and software described above also apply to such information received from the Government or Buyer through any means to which Seller has access in the performance of this Contract that contains proprietary or other restrictive markings.

(d) Seller agrees that it will promptly notify the Government Contracting Officer via Buyer of any attempt by an individual, company, or Government or Buyer representative not directly involved in the effort to be performed under this Contract to gain access to such proprietary information. Such notification shall include the name and organization of the individual, company, or Government or Buyer representative seeking access to such information.

(e) Seller shall include this requirement in subcontracts of any tier that involve access to information covered by subparagraph (a).

(f) Compliance with this requirement is a material requirement of this Contract.

2. CALIBRATION REOUIREMENTS

Seller agrees to have an established calibration system in accordance with the requirements of either ISO 17025 or ANSI/NCSL Z540 to control the accuracy of their measuring and test equipment, as applicable to work specified by this contract.

3. Computer Software and/or Computer Data Base(s) Delivered to and/or Received from the Government or Buyer (NAVSEA) (APR 2004)

(a) Seller agrees to test for viruses all computer software and/or computer databases, as defined in DFARS 252.227-7014, Rights In Noncommercial Computer Software and Noncommercial Computer Software Documentation, in Part D2 below, before delivery of that computer software or computer database in whatever media and on whatever system the software is delivered. Seller warrants that any such computer software and/or computer database will be free of viruses when delivered.

(b) Seller agrees to test any computer software and/or computer database(s) received from the Government or Buyer for viruses prior to use under this Contract.

(c) Unless otherwise agreed in writing, any license agreement governing the use of any computer software to be delivered as a result of this Contract must be paid-up and perpetual, or so nearly perpetual as to allow the use of the computer software or computer data base with the equipment for which it is obtained, or any replacement equipment, for so long as such equipment is used. Otherwise, the computer software or computer database does not meet the minimum functional requirements of this Contract. In the event that there is any routine to disable the computer software or computer database after the software is developed for or delivered to the Government or Buyer, that routine shall not disable the computer software or computer database until at least twenty-five (25) calendar years after the delivery date of the affected computer software or computer database to the Government or Buyer.

(d) No copy protection devices or systems shall be used in any computer software or computer database delivered under this Contract to restrict or limit the Government or Buyer from making copies. This does not prohibit license agreements from specifying the maximum amount of copies that can be made.

(e) Delivery by Seller to the Government or Buyer of certain technical data and other data is now frequently required in digital form rather than as hard copy. Such delivery may cause confusion between data rights and computer software rights. It is agreed that, to the extent that any such data is computer software by virtue of its delivery in digital form, the Government and Buyer will be licensed to use that digital-form with exactly the same rights and limitations as if the data had been delivered as hard copy.

(f) Any limited rights legends or other allowed legends placed by Seller on technical data or other data delivered in digital form shall be digitally included on the same media as the digital-form data and must be associated with the corresponding digital-form technical data to which the legends apply to the extent possible. Such legends shall also be placed in human readable form on a visible surface of the media carrying the digital-form data as delivered, to the extent possible.

4. Government Surplus Property (NAVSEA) (SEP 1990)

No former Government surplus property or residual inventory resulting from terminated Government contracts shall be furnished under this Contract unless (i) such property is identified in the Special Contract Requirements or (ii) is approved in writing by the Contracting Officer. Notwithstanding any such identification in the Special Contract Requirements or approval by the Contracting Officer, Seller agrees all items or components described in this requirement shall comply in all respects with the specifications contained herein.

5. Condition Found Report (CFR)

(a) Seller shall identify needed repairs and recommend corrective action during Contract performance for those deficiencies discovered which are not covered by the Specifications. Needed repairs and corrective action reported will be submitted to Buyer in the form of a Condition Found Report ("CFR").

(b) CFR's, cost estimates, and supporting data shall be submitted via electronic means, in an electronic format compatible with standard desk top software programs, within three (3) working days of identification of the requirement. As a minimum, the CFR will include the following:

- (i) Identify contract number, ship and hull number
- (ii) Serialized by CFR number
- (iii) Identification of the applicable Work Item number
- (iv) Date requirement was discovered
- (v) Description of the work requirement
- (vi) Specific location of the work
- (vii) Recommendation for corrective action
- (viii) Recommendation for the appropriate/best time to accomplish the work (i.e. during current availability with or without schedule change, future CNO or Continuous Maintenance Availability. Provide supporting rationale for the recommendation, such as cost efficiencies, availability of work force, availability of material, premium expenditures, etc.
- (ix) Cost and time estimates, and the time frame for which it is valid, including:
 - (1) Class "C" cost estimate. If the work requirement cannot be estimated within three (3) working days, provide a class "F" estimate (+ - 40%) identifying any potential impact which may affect the current schedule. The class "F" estimate will also contain the date on which a class "C" estimates will be provided.
 - (2) Estimated Premium/Acceleration Costs, including premium costs for; material, subcontractors, man-hours, rework and any additional costs to on going work resulting from inclusion of the CFR work requirement.
- (x) Identification of related changes, if any, to the internal milestones and production and contract completion dates. If none, so state.

6. Exclusion of Mercury (NAVSEA) (MAY 1998)

Mercury or mercury-containing compounds shall not intentionally be added to or come in direct contact with hardware or supplies furnished under this Contract.

7. Non-Smoking Policy (JAN 2005)

In light of the Navy's policy regarding smoke-free facilities, the entire Vessel, topside and below decks, is to be considered a "No Smoking Area" unless otherwise indicated by shipboard policy.

8. Organizational Conflict of Interest (NAVSEA) (JUL 2000)

(a) "Organizational Conflict of Interest" means that because of other activities or relationships with other persons, a person is unable or potentially unable to render impartial assistance or advice to the Government, or the person's objectivity in performing the Contract Work is or might be otherwise impaired, or a person has an unfair competitive advantage. "Person" as used herein includes

corporations, partnerships, joint ventures, and other business enterprises.

- (b) Seller warrants that, to the best of its knowledge and belief, and except as otherwise set forth in this Contract, Seller does not have any organizational conflict of interest(s) as defined in paragraph (a).
- (c) It is recognized that the Contract Work may create a potential organizational conflict of interest on the instant Contract or on a future acquisition. In order to avoid this potential conflict of interest, and at the same time to avoid prejudicing the best interest of the Government, the right of Seller to participate in future procurement of equipment and/or services that are the subject of any work under this Contract shall be limited as described below in accordance with the requirements of FAR 9.5.
- (d) (i) Seller agrees that it shall not release, disclose, or use in any way that would permit or result in disclosure to any party outside the Government any information provided to Seller by the Government during or as a result of performance of this Contract. Such information includes, but is not limited to, information submitted to the Government on a confidential basis by other persons. Further, the prohibition against release of Government provided information extends to cover such information whether or not in its original form, e.g., where the information has been included in Seller generated work or where it is discernible from materials incorporating or based upon such information. This prohibition shall not expire after a given period of time.
- (ii) Seller agrees that it shall not release, disclose, or use in any way that would permit or result in disclosure to any party outside the Government any information generated or derived during or as a result of performance of this Contract. This prohibition shall expire after a period of three (3) years after completion of performance of this Contract.
- (iii) The prohibitions contained in subparagraphs (d)(i) and (d)(ii) shall apply with equal force to any affiliate of Seller, any subcontractor, consultant, or employee of Seller, any joint venture involving Seller, any entity into or with which it may merge or affiliate, or any successor or assign of Seller. The terms of paragraph (f) of this Special Contract Requirement relating to notification shall apply to any release of information in contravention of this paragraph (d).
- (e) Seller further agrees that, during the performance of this Contract and for a period of three (3) years after completion of performance of this contract, Seller, any affiliate of Seller, any subcontractor, consultant, or employee of Seller, any joint venture involving Seller, any entity into or with which it may subsequently merge or affiliate, or any other successor or assign of Seller, shall not furnish to the Government, either as a subcontractor or a consultant to a prime contractor or subcontractor, any system, component or services which is the subject of the work to be performed under this Contract. This exclusion does not apply to any recompetition for those systems, components or services furnished pursuant to this Contract. As provided in FAR 9.505-2, if the Government procures the system, component, or services on the basis of work statements growing out of the effort performed under this Contract, from a source other than Seller, subcontractor, affiliate, or assign of either, during the course of performance of this Contract or before the three-year period following completion of this Contract has lapsed, Seller may, with the authorization of the cognizant Government Contracting Officer, participate in a subsequent procurement for the same system, component, or service. In other words, Seller may be authorized to compete for procurement(s) for systems, components or services subsequent to an intervening procurement.

- (f) Seller agrees that, if after award, it discovers an actual or potential organizational conflict of interest, it shall make immediate and full disclosure in writing to the Government Contracting Officer via Buyer. The notification shall include a description of the actual or potential organizational conflict of interest, a description of the action which Seller has taken or proposes to take to avoid, mitigate, or neutralize the conflict, and any other relevant information that would assist the Government Contracting Officer in making a determination on this matter. Notwithstanding this notification, the Government and Buyer may terminate this Contract for the convenience of the Government if determined to be in the best interest of the Government.
- (g) Notwithstanding subparagraph (f) above, if Seller was aware, or should have been aware, of an organizational conflict of interest prior to the award of this Contract or becomes, or should become, aware of an organizational conflict of interest after award of this Contract and does not make an immediate and full disclosure in writing to the Government Contracting Officer via Buyer, the Government and Buyer may terminate this Contract for default.
- (h) If Seller takes any action prohibited by this requirement or fails to take action required by this requirement, the Government and Buyer may terminate this Contract for default.
- (i) The Government Contracting Officer's decision as to the existence or nonexistence of an actual or potential organizational conflict of interest shall be final.
- (j) Nothing in this requirement is intended to prohibit or preclude Seller from marketing or selling to the Government its product lines in existence on the effective date of this Contract; nor, shall this requirement preclude Seller from participating in any research and development or delivering any design development model or prototype of any such equipment. Additionally, sale of catalog or standard commercial items are exempt from this requirement.
- (k) Seller shall promptly notify the Government Contracting Officer via Buyer, in writing, if it has been tasked to evaluate or advise the Government concerning its own products or activities or those of a competitor in order to ensure proper safeguards exist to guarantee objectivity and to protect the Government's interest.
- (l) Seller shall include this requirement in subcontracts of any tier which involve access to information or situations/conditions covered by the preceding paragraphs.
- (m) The rights and remedies described herein shall not be exclusive and are in addition to other rights and remedies provided by law or elsewhere included in this Contract.
- (n) Compliance with this requirement is a material requirement of this Contract.

9. Protection of the Vessel (NAVSEA) (SEP 1990)

Seller shall exercise reasonable care, as agreed upon with Buyer, to protect the Vessel from fire and shall maintain a system of inspection over the activities of its welders, burners, riveters, painters, pipe fitters, and similar workers, and of its suppliers, particularly where such activities are undertaken in the vicinity of the Vessel's magazines, fuel oil tanks, or storage rooms containing inflammable materials. All ammunition, fuel oil, motor fuels, and cleaning fluids shall have been off-loaded and the tanks cleaned, except as may be mutually agreed between Buyer and Seller prior to performance of any Contract Work by Seller. All tanks under alteration or repair shall be cleaned, washed, and steamed out

or otherwise made safe to the extent necessary, and Seller shall furnish Buyer with a “Gas Chemists’ Certificate” before any hot work is performed.

10. Qualifications of Contractor Nondestructive Testing (NDT) Personnel (NAVSEA) (APR 2004)

- (a) Seller and any Nondestructive Testing (NDT) subcontractor shall utilize for the performance of required NDT, only Level I, II and III personnel currently certified in accordance with NAVSEA Technical Publication T9074-AS-GIB-010/271, ACN Notice 1 of 16 February 1999. Documentation pertaining to the qualification and certification of NDT personnel shall be made available to Buyer for review upon request.
- (b) Process Control Procedures as determined to be required by Seller and NASSCO-Norfolk Quality Assurance Manager will be submitted to NASSCO Quality Assurance Manager for approval 14 working days prior to start of work.
- (c) Seller is required to comply with all applicable standard items invoked on this contract.
- (d) These requirements do not apply with respect to nuclear propulsion plant systems and other matters under the technical cognizance of NAVSEA (SEA 08). Because of health and safety considerations, such matters will continue to be handled by NAVSEA (SEA 08).

11. Small Business Subcontracting by Large Business Sellers

- (a) The Prime Contract requires that Buyer subcontract to small businesses, either directly or indirectly, a percentage of direct costs related to Prime Contract production work. This requirement may be met at any subcontracting tier.
- (b) To facilitate Buyer’s meeting the requirement of subparagraph (a), above, large business Sellers shall identify to Buyer the number of dollars that Seller pays to small businesses for services or supplies, and in each case, Seller shall identify any special category of the small business, *i.e.*, veteran-owned, service-disabled veteran-owned, disadvantaged, women-owned, or HUBZone small business.
- (c) Buyer cannot “tier” profit or fee on any major subcontract (purchase order). “Tiering” is the adding of profit or fee to Seller’s profit or fee. A “major subcontract” is a subcontract (purchase order) held by a large business Seller. There is one exception to this tiering prohibition, and that is when a large business Seller is awarded a fixed-price subcontract (purchase order) via competition. Therefore, large business Sellers shall identify the amount of profit or fee that is included in their proposals to Buyer if the subcontract (purchase order) was not competitively bid.

12. Travel Costs (NAVSEA) (MAR 2001)

- (a) Seller shall not charge, and Buyer shall not pay, as an allowable cost under this Contract, any man-hour costs (whether straight-time or overtime) for Seller personnel or Seller’s subcontractor personnel traveling to or from work sites, including travel to work sites other than Seller’s facility for performance of this Contract.
- (b) Workers being paid under this Contract, as Seller personnel or Seller’s subcontractor personnel, shall complete a full shift at the worksite, and no compensation will be paid for travel time before or after the shift.

- (c) This requirement pertains only to payments for travel time before and after these workers' regular shifts and does not apply to legitimate travel costs incurred during normal working hours, provided that those costs are otherwise reasonable, allocable and allowable. This requirement does not apply to manufacturer's representatives of Original Equipment Manufacturer ("OEM") representatives when specifically required by Buyer or Government work specifications.
- (d) (i) Additionally, Seller shall not charge, and Buyer shall not pay, any transportation costs under this Contract associated with transporting Seller or Seller's subcontractor personnel between Seller's facility (or Seller's subcontractor's facility) and any other work site to perform scheduled ship availability or inter-availability work. Transportation costs include, but are not limited to, bus fare, carfare, train fare, or boat fare, paid by the work force or paid by Seller on behalf of the work force.
- (ii) Subparagraph (d)(i) does not preclude payments to Seller for allowable transportation costs incurred, such as those for bus and driver, to transport workers to a Government facility or other directed Government work site for performance of scheduled ship availability or inter-availability work. Transportation costs incurred in the replacement of personnel when such replacement is accomplished for Seller's or employee's convenience shall not be reimbursed by Buyer.

13. Technical Representatives

(a.) TIMEKEEPING AND INVOICING

Technical Representatives will check in and out with NASSCO-Norfolk's Subcontract Department. Time sheets will be signed by the NASSCO-Norfolk Subcontract Superintendent or an authorized NASSCO-Norfolk representative. A copy of the signed time sheet will be forwarded to the Subcontract Department.

All invoices will be booked as soon as they are received. All labor hours shall be substantiated with time sheets indicating the individual's name, dates and time worked each day. All material and other direct charges, such as hotels and rental cars, shall be detailed and substantiated with copies of invoices.

(b.) TRAVEL

The Subcontract Superintendent shall approve all travel in advance. Costs for transportation, lodging, meals and incidental expenses incurred by the subcontractor personnel on official company business directly related to this subcontract shall be considered to be reasonable and allowable only to the extent that they comply with the provision of FAR 31.206-46 and travel costs do not exceed on a daily basis the maximum per diem rates in effect at the time of travel as set forth in the Federal Travel Regulations, prescribed by the General Services Administration, for travel in the conterminous 48 United States.

Airfare costs in excess of the lowest customary standard, coach or equivalent airfare offered during normal business hours are unallowable except when such accommodations required circuitous routing, required travel during unreasonable hours, excessively prolonged travel, result in increased cost that would offset transportation savings, are not reasonably adequate for the physical or medical needs of the traveler, or are not reasonably available to meet mission requirements. However, in order for airfare

costs in excess of the above standard airfare to be allowable, the applicable condition(s) set forth in this paragraph must be documented, justified and approved by the Contract Manager of NASSCO-Norfolk.

Mileage for personal vehicles shall be a cost allowable to this subcontract only if the travel is approved in advance by the Subcontract Superintendent and is to and from the Subcontractor's facility and NASSCO-Norfolk's facility. Mileage shall be reimbursed per mile or at the rate allowed by the Internal Revenue Service for the tax year. Allowable travel cost shall be included in all pricing and not charged separately.

14. Use of Black Oxide Coated Brass Threaded Fasteners (BOCBTFs)

Due to safety concerns, use of BOCBTFs is not authorized when installing or replacing threaded fasteners in the accomplishment of any work required by any Work Item in this Contract.

15. Use of Power Grinders and Saws (NAVSEA) (SEP 1990)

(a) All portable pneumatic grinders or reciprocating saws that are to be used on reactor plant material or equipment or used within the reactor compartment shall be equipped with safety lock-off devices. In addition, Seller agrees that all portable pneumatic grinders or reciprocating saws that it purchases or acquires subsequent to the date of this Contract, for use in performance of this Contract in Naval workplace areas shall be equipped with safety lock-off devices.

(b) A "safety lock-off device" is any operating control which requires positive action by the operator before the tool can be turned on. The lock-off device shall automatically and positively lock the throttle in the off position when the throttle is released. Two consecutive operations by the same hand shall be required first to disengage the lock-off device and then to turn on the throttle. The lock-off device shall be integral with the tool, shall not adversely affect the safety or operating characteristics of the tool, and shall not be easily removable.

(c) Devices, such as a "dead man control" or "quick-disconnect," which do not automatically and positively lock the throttle in the off position when the throttle is released, are not safety lock-off devices.

16. Notification of Changes (NAVSEA) (JAN 1983)

(a) Definitions. As used in this requirement, the term "Buyer" includes any representative of Buyer with authority to bind Buyer under this Contract, but does not necessarily include any other individual who in any way communicates with Seller. As used in this requirement, the term "conduct" includes both actions and failures to act, and includes the furnishing of, or the failure to furnish, any item under any requirement of this Contract.

(b) Notice. The primary purpose of this requirement is to obtain prompt reporting of any conduct which Seller considers would constitute or would require a change to this Contract. The parties acknowledge that proper administration of this Contract requires that potential changes be identified and resolved as they arise. Therefore, except for changes identified as such in writing and signed by Buyer, Seller shall notify the Buyer of any conduct which Seller considers would constitute or would require a change to this Contract. Such notice shall be provided promptly, and in any event within thirty (30) calendar days from the date Seller identifies any such conduct. The Notice shall be written and shall state, on the basis of the most accurate information available to Seller:

- (i) The date, nature, and circumstances of the conduct regarded as a change;
- (ii) The name, function, and activity of the individuals directly involved in or knowledgeable about such conduct;
- (iii) The identification of any documents and the substance of any oral communication involved in such conduct;
- (iv) The particular elements of contract performance for which Seller might seek an equitable adjustment under this Contract, including:
 - (1) What vessel(s) have been or might be affected by the potential change;
 - (2) To the extent practicable, labor or materials or both which have been or might be added, deleted, or wasted by the potential change;
 - (3) To the extent practicable, Seller's preliminary order of magnitude estimate of cost and schedule effect of the potential change; and
 - (4) What and in what manner are the particular technical requirements or contract requirements regarded as changed.

(c) Continued Performance. Except as provided in paragraph (f) below, following submission of notice, Seller shall take no action to implement a potential change until advised by Buyer in writing as provided in (d) below, unless the potential change was previously directed by Buyer, in which case Seller shall conform therewith. Nothing in this paragraph (c) shall excuse Seller from proceeding with contract work other than implementation of the potential change or from proceeding in accordance with directions issued by Buyer.

(d) Buyer's Response. Buyer shall promptly, and in any event within twenty one (21) calendar days after receipt of Notice, respond thereto in writing. In such response, Buyer shall either:

- (i) Confirm that the conduct of which Seller gave notice would constitute a change, and when necessary, direct the mode of further performance; or
- (ii) Countermand any conduct regarded by Seller as a change; or
- (iii) Deny that the conduct of which Seller gave notice would constitute a change and, when necessary, direct the mode of further performance; or
- (iv) In the event Seller's notice information is inadequate to make a decision under (i), (ii) or (iii) above, advise Seller what additional information is required.

Failure of Buyer to respond within the time required above shall be deemed a countermand under (d)(ii).

(e) Equitable Adjustments. Equitable adjustments for changes confirmed or countermanded by Buyer shall be made in accordance with the clause of this Contract entitled "CHANGES", or any other requirement of this Contract which provides for an equitable adjustment.

(f) Special Procedures. Paragraph (c) provides that Seller is to take no action to implement a potential change pending Buyer's response to the Seller's notice of the potential change, except where specifically directed by Buyer. In special situations, however, where

(1) The circumstances do not allow sufficient time to notify Buyer of the facts prior to the need to proceed with the work; and

2) The work must proceed to avoid hazards to personnel or property or to avoid additional cost to Buyer, Seller may proceed with work in accordance with the potential change. In such special situations, Seller shall Buyer in writing within ten (10) days of the conduct giving rise to the potential change that Seller has proceeded and shall describe the nature of the special situation which required proceeding prior to notification. Within thirty (30) calendar days of the conduct giving rise to the potential change, Seller shall provide notice as required in (b) above. Buyer shall respond as set forth in (d) above. If Buyer determines that the conduct constitutes a change and countermands it, Seller shall be entitled to an equitable adjustment for performance in accordance with that change prior to the countermand including performance resulting from the countermand.

(g) When Seller identifies any conduct which may result in delay to delivery of the vessel(s), Seller shall promptly so inform Buyer thereof prior to providing the notice required by paragraph (b) above.

(h) Despite good faith best efforts, occasions may arise in which Seller does not provide notice within the time periods specified in paragraphs (b) and (f) above. Accordingly, prior to the end of the first and third quarters of each calendar year through the period of performance of this Contract, beginning with the ____quarter of_____, Seller shall deliver to Buyer an executed bilateral contract modification, in the format set forth in Exhibit "A" to this clause, covering the six-month period ending with the second and fourth quarters, respectively, of the preceding year, with such specific exceptions, if any, as are identified by Seller. If Seller cites specific exceptions to the release, Seller shall concurrently provide Buyer with notice, containing the information set forth in paragraph (b) of this clause, for each item excepted from the release. However, the release required by this requirement shall not make unallowable any costs which are otherwise allowable under any other requirement of this Contract.

Within sixty (60) days of receipt of the release, Buyer shall sign and return a copy of the release to Seller. If Buyer fails to execute and return the release within the required time, then the release shall be deemed to be void and of no effect for the period involved.

(i) If the release in accordance with paragraph (h) above is not provided to Buyer by Seller in the time required, Buyer may execute the release as set forth in Exhibit "A" and send it to Seller. If Seller fails to execute the release and return it to Buyer (with any specific exceptions) within sixty (60) days of receipt thereof, the required release shall then be deemed effective as if signed by Seller.

Exhibit A to "Notification of Changes" clause

This modification reflects the agreement of the parties to the mutual full and final releases for the consequences of that conduct (as conduct is defined in the clause entitled "NOTIFICATION OF CHANGES"), described below, except the conduct identified in Attachment A hereto is excluded and not covered by the terms of this release.

1. Except for the conduct listed in Attachment A by either party, neither Seller nor Buyer shall be entitled to

any equitable adjustment or to money damages and/or other relief for any conduct, as specified below.

2. In consideration of the foregoing the parties hereby agree to the following release:

a. Buyer, for itself, its assigns, vendors, suppliers, and contractors, hereby remises, releases, and forever discharges Seller, its officers, agents and employees from any and all entitlement of Buyer to equitable adjustment of the contract cost and fee and delivery schedule due to conduct under this Contract, which occurred on or before _____ .

b. Seller, for itself, its successors, assigns, vendors, suppliers, and subcontractors, hereby remises, releases and forever discharges Buyer, its officers, agents and employees from (i) any and all entitlement of Seller to equitable adjustment of the contract cost and fee and/or delivery schedule of this Contract or of any other contract with Buyer, or any contract between Seller and any third party by reason of any conduct which increases the Seller's cost or time of performance of work under this Contract and (1) was known to Seller, (2) occurred on or before _____, and (3) Seller failed to give notice prior to date of this release; and (ii) any and all liabilities to Seller for money damages and/or other relief for the impact of any such conduct, upon this contract or any other contract with Buyer, or any contract between Seller and any third party.

17. Payment Instructions for Multiple Accounting Classification Citations (NAVSEA) (APR 2004)

(a) The Prime Contract and this Contract are funded by multiple accounting classification citations referred to as accounting classification reference numbers (ACRNs). Contract line item numbers (CLINs) are further broken down into sub line item numbers (SLINs) in Section B and on the financial accounting data sheet (FADS).

(b) Invoicing Instructions. Seller is required to invoice by CLIN/SLIN and ACRN. Invoices should not reference both the CLIN and SLIN. If the SLINs are shown on the FAD sheet and ACRNs and dollar amounts have been identified for them, then only the SLIN is required not the CLIN. The ACRN is always required. The amounts invoiced for each ACRN cannot exceed that authorized for each CLIN/SLIN as identified on the FAD sheet.

(c) Payment Instructions. Pay according to the CLIN/SLIN/ACRN cited on the invoice or progress payment. Each ACRN assigned to the specific CLIN/SLIN should be charged in the amount assigned to each CLIN/SLIN as identified on the FAD sheet as long as the amount does not exceed that authorized for the assigned ACRN, CLIN or SLIN. In the event the invoice or progress payment has not identified specific amounts to be paid from each ACRN, payment for each ACRN shall be prorated across all ACRNs assigned to that CLIN/SLIN on the invoice or progress payment.

PART D: INCORPORATED FAR AND DFARS CLAUSES

The following clauses are flowed down pursuant to the requirements of the Prime Contract.

The following clauses of the FAR and DFARS are hereby incorporated into this Contract by reference as if given in full text, subject to the following definitions. The full text of FAR and DFARS clauses may be accessed electronically at the following internet websites:

FAR <http://www.arnet.gov/far>

DFARS <http://www.acq.osd.mil/dp/dars/dfars/dfars.html>

1. Definitions

The following terms will have the meanings indicated in each of the following FAR and DFARS clauses, unless the context indicates otherwise:

- (a) "Contract" means this Contract
- (b) "Contractor" means Seller
- (c) "Contracting Officer" means Buyer
- (d) "Government" means Buyer
- (e) "Subcontractor" means Seller's subcontractors

The following additional definitions and references apply to this Contract under the prime contract:

- (f) "Department" means the Department of the Navy.
- (g) References to the Federal Acquisition Regulation (FAR). All references to the FAR in this Contract shall be deemed to also reference the appropriate sections of the Defense FAR Supplement (DFARS), unless clearly indicated otherwise.
- (h) References to the Armed Services Procurement Regulation or Defense Acquisition Regulation. All references in this Contract to either the Armed Services Procurement Regulation (ASPR) or the Defense Acquisition Regulation (DAR) shall be deemed to be references to the appropriate sections of the FAR/DFARS.
- (i) "National Stock Numbers." Whenever the term "Federal Item Identification Number" and its acronym FIIN, or the term "Federal Stock Number" and its acronym FSN appear in this Contract, those terms and acronyms shall be interpreted as "National Item Identification Number" (NIIN) and "National Stock Number" (NSN), respectively, which shall be defined as follows:
 - (1) National Item Identification Number (NIIN). The number assigned to each approved Item Identification under the Federal Cataloging Program. It consists of nine numeric characters, the first two of which are the National Codification Bureau (NCB) Code. The remaining positions consist of a seven digit non significant number.
 - (2) National Stock Number (NSN). The National Stock Number (NSN) for an item of supply consists of the applicable four position Federal Supply Class (FSC) plus the applicable nine position NIIN assigned to the item of supply.

FAR Clauses

52.202-1	Definitions JUL 2004
52.203-3	Gratuities APR 1984
52.203-5	Covenant Against Contingent Fees APR 1984
52.203-6	Restrictions On Subcontractor Sales To The Government JUL 1995
52.203-7	Anti-Kickback Procedures JUL 1995
52.203-8	Cancellation, Rescission, and Recovery of Funds for Illegal or Improper Activity JAN 1997
52.203-10	Price Or Fee Adjustment For Illegal Or Improper Activity JAN 1997
52.203-12	Limitation On Payments To Influence Certain Federal Transactions JUN 2003
52.204-2	Security Requirements AUG 1996
52.204-4	Printed or Copied Double-Sided on Recycled Paper AUG 2000
52.204-7	Central Contractor Registration OCT 2003
52.204-10	Reporting Executive Compensation and First-Tier Subcontract Awards SEP 2007
52.209-6	Protecting the Government's Interest When Subcontracting With Contractors Debarred, Suspended, or Proposed for Debarment JAN 2005
52.211-5	Material Requirements AUG 2000
52.211-15	Defense Priority And Allocation Requirements SEP 1990
52.215-2	Audit and Records--Negotiation JUN 1999
52.215-8	Order of Precedence--Uniform Contract Format OCT 1997
52.215-10	Price Reduction for Defective Cost or Pricing Data OCT 1997
52.215-12	Subcontractor Cost or Pricing Data OCT 1997
52.215-15	Pension Adjustments and Asset Reversions OCT 2004
52.215-18	Reversion or Adjustment of Plans for Postretirement Benefits (PRB) Other than Pensions OCT 1997
52.216-7	Allowable Cost And Payment DEC 2002
52.219-4	Notice of Price Evaluation Preference for HUBZone Small Business Concerns OCT 2004
52.219-8	Utilization of Small Business Concerns MAY 2004
52.219-9	Alt II Small Business Subcontracting Plan (Jan 2002) Alternate II OCT 2001
52.222-20	Walsh-Healey Public Contracts Act DEC 1996
52.222-21	Prohibition Of Segregated Facilities FEB 1999
52.222-26	Equal Opportunity APR 2002

52.222-35 Equal Opportunity For Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans DEC 2001

52.222-36 Affirmative Action For Workers With Disabilities JUN 1998

52.222-37 Employment Reports On Special Disabled Veterans, Veterans Of The Vietnam Era, and Other Eligible Veterans DEC 2001

52.223-3 Hazardous Material Identification And Material Safety Data JAN 1997

52.223-5 Pollution Prevention and Right-to-Know Information AUG 2003

52.223-6 Drug-Free Workplace MAY 2001

52.223-11 Ozone-Depleting Substances MAY 2001

52.223-12 Refrigeration Equipment and Air Conditioners MAY 1995

52.223-14 Toxic Chemical Release Reporting AUG 2003

52.225-8 Duty-Free Entry FEB 2000

52.225-13 Restrictions on Certain Foreign Purchases MAR 2005

52.227-1 Authorization and Consent JUL 1995

52.227-2 Notice And Assistance Regarding Patent And Copyright infringement AUG 1996

52.227-10 Filing Of Patent Applications--Classified Subject Matter APR 1984

52.227-11 Patent Rights--Retention By The Contractor (Short Form) JUN 1997

52.227-12 Patent Rights--Retention By The Contractor (Long Form) JAN 1997

52.227-13 Patent Rights--Acquisition By The Government JAN 1997

52.228-7 Insurance--Liability To Third Persons MAR 1996

52.230-2 Cost Accounting Standards APR 1998

52.230-3 Disclosure And Consistency Of Cost Accounting Practices APR 1998

52.230-6 Administration of Cost Accounting Standards APR 2005

52.232-9 Limitation On Withholding Of Payments APR 1984

52.232-17 Interest JUN 1996

52.232-20 Limitation Of Cost APR 1984

52.232-22 Limitation Of Funds APR 1984

52.232-23 Alt I Assignment of Claims (Jan 1986) - Alternate I APR 1984

52.232-25 Prompt Payment OCT 2003

52.232-33 Payment by Electronic Funds Transfer--Central Contractor Registration OCT 2003

52.233-1 Alt I Disputes (Jul 2002) - Alternate I DEC 1991

52.233-3 Alt I Protest After Award (Aug 1996) - Alternate I JUN 1985

52.237-2 Protection Of Government Buildings, Equipment, And Vegetation APR 1984

52.237-3 Continuity Of Services JAN 1991
52.242-1 Notice of Intent to Disallow Costs APR 1984
52.242-2 Production Progress Reports APR 1991
52.242-3 Penalties for Unallowable Costs MAY 2001
52.242-10 F.O.B. Origin--Government Bills Of Lading Or Prepaid Postage APR 1984
52.242-11 F.O.B. Origin--Government Bills Of Lading Or Indicia Mail FEB 1993
52.242-12 Report of Shipment (REPSHIP) JUN 2003
52.242-13 Bankruptcy JUL 1995
52.243-2 Changes--Cost-Reimbursement AUG 1987
52.243-6 Change Order Accounting APR 1984
52.244-5 Competition In Subcontracting DEC 1996
52.246-23 Limitation Of Liability FEB 1997
52.246-24 Limitation Of Liability--High-Value Items FEB 1997
52.247-1 Commercial Bill Of Lading Notations APR 1984
52.248-1 Value Engineering FEB 2000
52.249-6 Termination (Cost Reimbursement) MAY 2004
52.249-14 Excusable Delays APR 1984
52.251-1 Government Supply Sources APR 1984
52.252-2 Clauses Incorporated By Reference FEB 1998
52.252-6 Authorized Deviations In Clauses APR 1984
52.253-1 Computer Generated Forms JAN 1991

DFAR Clauses

- 252.201-7000 Contracting Officer's Representative DEC 1991
- 252.203-7001 Prohibition On Persons Convicted of Fraud or Other Defense-Contract-Related Felonies
DEC 2004
- 252.203-7002 Display Of DOD Hotline Poster DEC 1991
- 252.204-7000 Disclosure Of Information DEC 1991
- 252.204-7003 Control Of Government Personnel Work Product APR 1992
- 252.204-7004 Alt A Central Contractor Registration (52.204-7) Alternate A NOV 2003
- 252.204-7005 Oral Attestation of Security Responsibilities NOV 2001
- 252.205-7000 Provision Of Information To Cooperative Agreement Holders DEC 1991
- 252.209-7004 Subcontracting With Firms That Are Owned or Controlled By The Government of a
Terrorist Country MAR 1998
- 252.211-7000 Acquisition Streamlining DEC 1991
- 252.215-7000 Pricing Adjustments DEC 1991
- 252.215-7002 Cost Estimating System Requirements OCT 1998
- 252.215-7004 Excessive Pass-Through Charges APR 2007
- 252.219-7003 Small, Small Disadvantaged and Women-Owned Small Business Subcontracting Plan
(DOD Contracts) APR 1996
- 252.223-7004 Drug Free Work Force SEP 1988
- 252.223-7006 Prohibition On Storage And Disposal Of Toxic And Hazardous Materials APR 1993
- 252.225-7001 Buy American Act And Balance Of Payments Program APR 2003
- 252.225-7002 Qualifying Country Sources As Subcontractors APR 2003
- 252.225-7012 Preference For Certain Domestic Commodities JUN 2004
- 252.225-7014 Alt I Preference For Domestic Specialty Metals (Apr 2003) -Alternate I APR 2003
- 252.225-7015 Restriction on Acquisition of Hand Or Measuring Tools APR 2003
- 252.225-7016 Restriction On Acquisition Of Ball and Roller Bearings MAY 2004
- 252.225-7019 Restriction on Acquisition of Foreign Anchor and Mooring Chain APR 2003
- 252.225-7022 Restriction On Acquisition Of Polyacrylonitile (PAN) Carbon Fiber APR 2003
- 252.225-7025 Restriction on Acquisition of Forgings APR 2003
- 252.225-7030 Restriction On Acquisition Of Carbon, Alloy, And Armor Steel Plate APR 2003
- 252.225-7039 Contractors performing private security functions AUG 2011
- 252.227-7013 Rights in Technical Data--Noncommercial Items NOV 1995

- 252.227-7014 Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation JUN 1995
- 252.227-7016 Rights in Bid or Proposal Information JUN 1995
- 252.227-7019 Validation of Asserted Restrictions--Computer Software JUN 1995
- 252.227-7027 Deferred Ordering Of Technical Data Or Computer Software APR 1988
- 252.227-7030 Technical Data--Withholding Of Payment MAR 2000
- 252.227-7034 Patents--Subcontracts APR 1984
- 252.227-7037 Validation of Restrictive Markings on Technical Data SEP 1999
- 252.227-7039 Patents--Reporting Of Subject Inventions APR 1990
- 252.231-7000 Supplemental Cost Principles DEC 1991
- 252.232-7003 Electronic Submission of Payment Requests JAN 2004
- 252.236-7013 Requirement for competition opportunity for American steel producers, fabricators, and manufacturers. JAN 2009
- 252.237-7010 Prohibition on interrogation of detainees by contractor personnel NOV 2010
- 252.237-7019 Training for Contractor Personnel Interacting with Detainees SEP 2006
- 252.242-7000 Postaward Conference DEC 1991
- 252.242-7003 Application For U.S. Government Shipping Documentation/Instructions DEC 1991
- 252.242-7004 Material Management And Accounting System DEC 2000
- 252.242-7005 Cost/Schedule Status Report MAR 2005
- 252.243-7002 Requests for Equitable Adjustment MAR 1998
- 252.244-7000 Subcontracts for Commercial Items and Commercial Components (DoD Contracts)MAR 2000
- 252.245-7001 Reports Of Government Property MAY 1994
- 252.246-7000 Material Inspection And Receiving Report MAR 2003
- 252.246-7001 Warranty Of Data DEC 1991
- 252.246-7003 Notification of Potential Safety Issues JAN 2007
- 252.247-7023 Transportation of Supplies by Sea MAY 2002
- 252.249-7002 Notification of Anticipated Program Termination or Reduction DEC 1996
- 252.251-7000 Ordering From Government Supply Sources NOV 2004

PART E: ATTACHMENTS

The following attachments supplement the attachments incorporated by Part C of NASSCO Military Ship Repair Programs Purchase Order General Terms and Conditions.

The following attachment is incorporated into this Contract as if given in full text:

[none]