

APPENDIX 1C

LOCKHEED MARTIN AERONAUTICS COMPANY

CONSTRUCTION CONTRACTS TERMS AND CONDITIONS

CALIFORNIA

PART A

DEFINITIONS

The following definitions are applicable to PARTS A, B, and C.

1. "LM Aero" means LOCKHEED MARTIN CORPORATION acting through its Lockheed Martin Aeronautics Company-Palmdale operating unit.
2. "Contractor" means the party identified on the face of the purchase order as Seller; as well as that party's agent or other person authorized to represent Contractor, such as the Contractor's superintendent or foreman, and Contractor's subcontractors at any tier.
3. "LM Aero Procurement Representative" means the person or persons, identified in the contract who are authorized by LM Aero to administer, alter, modify or change the provisions of the contract.
4. "Coordinator" means the LM Aero Contractor Job Coordinator, the individual designated by the Facilities or other organization as responsible for overseeing non-contractual aspects of the contracted-for project or operation.
5. "Contract" and "Purchase Order" are used synonymously and interchangeably herein.
6. "LM Aero ESH Manual" means the [PM-8013 Contractor Environmental Safety and Health Handbook](#)
7. "Acceptance," shall mean either (i) a signed written acknowledgement of these terms, or any modified version thereof, or; (ii) the commencement of performance by Contractor under this Purchase Order.

ARTICLE 1

INTERPRETATION AND APPLICABILITY

Acceptance of these terms shall be in accordance with the definition set forth above. PARTS A, B, and C of these Terms and Conditions shall be applicable when the contract block on the face of the LM Aero Purchase Order incorporating the document references a prime contract with the U.S. Government. Without such a reference on the Purchase Order, only PARTS A and B hereof shall be applicable. These terms and conditions supersede and replace the Terms and Conditions preprinted as part of the LM Aero Purchase Order form. In the event of any inconsistency between the provisions of these Terms and Conditions, the face of the LM Aero Purchase Order to which it applies and any other attachments, the order of precedence shall be:

- (a) Face of the Purchase Order
- (b) These Terms and Conditions
- (c) Other Attachments in alpha sequence

ARTICLE 2

STATEMENT OF WORK

Contractor shall furnish all material, equipment, and labor necessary to perform all work specified in the Purchase Order in strict accordance with the specifications and drawings attached thereto or incorporated by reference therein (which together herewith shall be referred to as the "Contract Document"), at the price or prices and within the period of time specified in such Purchase Order.

ARTICLE 3

LOCATIONS OF WORK, SITE INVESTIGATION AND REPRESENTATIONS

(a) The work under this contract shall be performed at such place or places as shall be designated in the Purchase Order and at such other place or places as may be necessary. Contractor acknowledges that it has satisfied itself as to the nature and location of the work and as to the general and local conditions, particularly those bearing upon (i) transportation, (ii) clarification of clean up and disposal requirements (as further set forth in the ARTICLE hereof entitled Cleaning Up), (iii) handling and storage of materials, (iv) availability of labor, (v) security requirements, (vi) water, (vii) electric power, (viii) roads, (ix) the conformation and condition of the ground, (x) the character, quality and quantity of surface and subsurface materials to be encountered, (xi) equipment and facilities needed preliminary to and during the prosecution of the work, (xii) uncertainties of weather, and (xiii) all other matters which can, in any way, affect the work or the cost thereof under this contract. Any failure by the Contractor to acquaint itself with all the available information

concerning these conditions shall not relieve Contractor from responsibility for estimating properly the difficulty or cost of successfully performing the work, without additional expense to LM Aero.

(b) LM Aero assumes no responsibility for any understanding or representation made by any of its employees, agents or representatives prior to the execution of this contract, unless such understanding or representation by LM Aero is expressly stated in this contract. Any such representations or understanding made but not expressly stated in the contract and for which liability is not expressly assumed by LM Aero herein shall be deemed only for the information of the Contractor and LM Aero and shall not render LM Aero responsible or liable therefor.

ARTICLE 4

SUPERINTENDENCE BY CONTRACTOR

Contractor shall give efficient supervision to the work using its best skill and attention. The Contractor's general manager, general superintendent or equivalent representative shall give his/her personal superintendence to the work or have on-site at all times during this effort a competent foreman or superintendent who is satisfactory to LM Aero and who shall have full authority to act for contractor.

ARTICLE 5

SUPERINTENDENCE BY LM Aero

(a) LM Aero shall provide at the construction site the services of a Field Engineer, whose duties shall include but not be limited to the following:

- (1) Act as liaison between LM Aero and the Contractor at the job site;
- (2) Make field decisions on behalf of LM Aero;
- (3) Inspect and approve details of the work as it progresses; and
- (4) Suspend the Contractor's operations for unsafe practices, or any other act or omission detrimental to sound construction practice. In such event Contractor shall not be entitled to an adjustment in schedule or price

(b) A field decision shall be binding on the Contractor and LM Aero when such decision is in writing and signed by LM Aero's Field Engineer provided that such decision (i) relates to changes in the work at no additional cost to LM Aero, and (ii) does not change the date of completion of the work. A field decision that affects cost or schedule must be authorized by LM Aero's authorized purchasing representative and will be processed as a change in accordance with the Article hereof entitled CHANGES.

ARTICLE 6

OPERATIONS AND STORAGE AREAS

All operations of the Contractor (including storage of materials) upon LM Aero premises shall be confined to areas authorized or approved by LM Aero. No unauthorized or unwarranted entry upon, passage through, or storage or disposal of materials shall be made upon premises of LM Aero. At LM Aero's option, such premises adjacent to the construction site may be made available for use by the Contractor without cost if such use will not interfere with other use or purposes of LM Aero. The Contractor shall hold and save Lockheed Martin Corporation, its officers, employees and agents, free and harmless from liability of any kind or character arising from any use, trespass or damage occasioned by Contractor's operations on the premises of third persons. Temporary buildings (storage sheds, shops, office or other structures) may be erected by the Contractor upon premises of LM Aero only with the approval of LM Aero, and if such temporary buildings are constructed, they shall be built with labor and materials furnished by the Contractor, without additional expense to LM Aero and in conformance with all building codes, laws, regulations and statutes. All such buildings shall remain the property of the Contractor and must be removed and the premises restored to its original condition by the Contractor at its expense promptly upon completion of the work. Upon written application of the Contractor and written approval of LM Aero, such buildings may be abandoned and need not be removed. The Contractor shall use only established roadways or construct and use such temporary roadways as may be authorized by LM Aero. Where materials are transported in the prosecution of the work, vehicles shall not be loaded beyond the loading capacity recommended by the manufacturer of the vehicle or prescribed by any Federal, state, municipal or other regulation. If it is necessary to cross curbing or sidewalks, protection against damage shall be provided by the Contractor, and any damage to roads, curbing or sidewalks shall be promptly repaired by Contractor without additional expense to LM Aero.

ARTICLE 7

LAYOUT OF THE WORK

Unless otherwise specified in Purchase Orders hereunder, Contractor shall set, cut and lay out the work as necessary and shall furnish all stakes, templates, platforms, equipment, and ranges and labor that may be required in performing such part of the work. All stakes or other marks shall be preserved by the Contractor until their removal is authorized by LM Aero's Field Engineer. LM Aero will furnish, on request from the Contractor, all location and limit marks reasonably necessary for the conduct of the work.

ARTICLE 8

PROGRESS CHARTS

If required by LM Aero in this contract, the Contractor shall, within five days after commencement of work, or such longer period as may be approved by LM Aero, prepare and submit to LM Aero's approval a feasibility schedule showing the order in which the Contractor proposes to carry on the work and the date on which Contractor will start the several steps

required to perform the work (including procurement of materials, plant and equipment) and the dates for completing each such step. The schedule shall be in the form of a progress chart of suitable scale to indicate appropriately the percentage of work scheduled for completion at any time. Contractor shall enter on the chart the actual progress at the end of each week, or at such intervals as may be approved by LM Aero, and shall immediately deliver to LM Aero three copies thereof.

ARTICLE 9

CONFORMANCE WITH SCHEDULE

(a) Contractor shall furnish such labor, facilities and equipment and shall work such hours, including night shifts, overtime operations, and Sunday and holiday work, as may be necessary to insure the prosecution of the work in accordance with the contract schedule at no added cost to LM Aero. If LM Aero shall determine the Contractor is falling behind the progress schedule, Contractor shall take necessary steps to meet such schedule, and LM Aero may require Contractor increase the amount of labor, the number of shifts, overtime operations, days of work, the amount of construction facilities or equipment, or any combination of the foregoing, all without additional cost to LM Aero.

(b) Failure of the Contractor to comply with the requirements of LM Aero under this provision shall be grounds for determination by LM Aero that the Contractor is not prosecuting the work with such diligence as will insure completion within the time specified in the contract. Upon such determination, LM Aero may terminate the Contractor's right to proceed with the work, or any part thereof, in accordance with the Article hereof entitled TERMINATION FOR DEFAULT.

(c) It is mutually understood and agreed that time is of the essence for this contract.

ARTICLE 10

UTILITIES

Unless otherwise provided in this contract, Contractor shall furnish such necessary water and electric current as may be required for the performance of such part of this contract that is to be accomplished within the boundaries of LM Aero property. At no additional expense to LM Aero, Contractor shall install and maintain any necessary temporary electrical and water supply connections, facilities and piping, but only at such locations and in such professional manner as may be authorized by LM Aero. Before final acceptance, all temporary connections, facilities, and piping installed by Contractor shall be removed in a professional manner, to the satisfaction of LM Aero. If LM Aero has the necessary source of water, electric power, or both readily available, such availability will be indicated in LM Aero's Request for Quotation or Request for Proposal and such utilities will then be furnished to Contractor as indicated.

ARTICLE 11

SAFETY PROVISIONS

(a) Contractor shall comply with all Federal, state, municipal, local, and other safety laws in the performance of work hereunder. Further, Contractor acknowledges, and shall comply with, the PART hereof entitled ENVIRONMENTAL PROTECTION HEALTH AND SAFETY.

(b) In the event any or all of the work to be performed hereunder shall be within areas used or occupied by LM Aero's employees (other than project engineers, inspectors, or such employees directly connected therewith), Contractor agrees to obtain proper clearance in writing from the LM Aero Environmental Safety and Health Branch prior to performing any work hereunder within such areas. Previous approval granted under any other contract or purchase order shall not be valid for the purpose hereof.

ARTICLE 12

SPECIFICATIONS AND DRAWINGS

The Contractor shall keep at the site of the work a copy of the drawings and specifications and shall at all times provide LM Aero access thereto. Anything mentioned in the specifications and not shown on the drawings, or shown on the drawings and not mentioned in the specifications, shall have the effect as if shown or mentioned in both. In any case of discrepancy either in the figures, drawings, or specifications, the matter shall be immediately submitted to a properly authorized representative of LM Aero, without whose decision said discrepancy shall not be resolved by the Contractor, save only at its own risk and expense. LM Aero's authorized representative shall resolve such discrepancy in writing or by initialing his/her approval on a clarifying revision on the figure, drawing, or specification. LM Aero may furnish from time to time such other detail drawings, specifications, data and other information as it may consider necessary. All drawings, plans, specifications, data and other information furnished by LM Aero to Contractor, or developed by Contractor in the performance of this contract, shall remain or become property of LM Aero, and Contractor agrees to deliver all such documents to LM Aero upon completion and acceptance or termination of the work. "As built" drawings shall be provided to LM Aero upon completion of contract.

ARTICLE 13

MATERIALS AND WORKMANSHIP

Unless otherwise specifically provided hereunder, all workmanship, equipment, materials and articles incorporated into the work covered by this contract are to be new and of the best grade of their respective kinds for the purpose intended. References in the specifications to equipment, material, articles, or patented processes by trade name, make, or catalog number, shall be regarded as establishing a standard of quality and shall not be construed as limiting competition. Where equipment, materials, articles, or patented processes are referred to in the specifications as "equal to" a particular

standard, the question of equality shall be determined by a duly authorized representative of LM Aero. The Contractor shall furnish to LM Aero for its approval the name of the manufacturer of machinery, the model number and other identifying data and information respecting the performance, capacity, nature and rating of the machinery and mechanical and other equipment which it contemplates incorporating in the work. When required by this contract, or when called for by LM Aero, the Contractor shall furnish LM Aero for approval full information concerning the materials or articles which it contemplates incorporating into the work. When so directed, samples of materials shall be submitted for approval at the Contractor's expense. Machinery, equipment, materials and articles installed or used without such approval shall be at the sole risk of Contractor of subsequent rejection.

ALL WORK UNDER THIS CONTRACT SHALL BE PERFORMED IN A SKILLFUL AND PROFESSIONAL MANNER AND IN ACCORDANCE WITH THE HIGHEST INDUSTRY STANDARDS. LM Aero may require, in writing, that the Contractor remove any employee LM Aero deems incompetent, careless, or otherwise objectionable.

ARTICLE 14

CHANGES

- (a) LM Aero may, at any time, without notice to the sureties, by written order designated or indicated to be a change order, signed by LM Aero's authorized Purchasing representative, make any change in the work within the general scope of the contract, including but not limited to changes: (i) in the specifications (including drawings and designs); (ii) in the method or manner of performance of the work; (iii) in the Government furnished facilities, equipment, materials services or site; or (iv) directing acceleration in the performance of the work.
- (b) Except as herein provided, no order, statement, or conduct of LM Aero shall be treated as a change under this clause or entitle the contractor to an equitable adjustment hereunder.
- (c) If any change under this clause causes an increase or decrease in the Contractor's cost of performance of any part of the work under this contract or the time required therefor (whether or not changed by any order) an equitable adjustment shall be made and the contract modified in writing accordingly; provided, however, that in the case of defective specifications for which LM Aero is responsible, the equitable adjustment shall include any increased cost reasonably incurred by the Contractor in attempting to comply with such defective specifications.
- (d) If the Contractor intends to assert a claim for an equitable adjustment under this clause, it must, within 30 days after receipt of a written change order under (a) above, submit to LM Aero a written statement setting forth the general nature and monetary extent of such claim, unless this period is extended by LM Aero.
- (e) No claim by the Contractor for an equitable adjustment hereunder shall be allowed if asserted after final payment under this contract.

ARTICLE 15

DIFFERING SITE CONDITIONS

- (a) Should the Contractor encounter, or LM Aero discover, during the progress of the work, (i) subsurface or latent physical conditions at the site materially differing from those indicated in this contract, or (ii) unknown physical conditions at the site, of an unusual nature, materially differing from those ordinarily encountered as to be generally recognized as not inherent in work of the character provided for in this contract, LM Aero shall be notified immediately of such conditions before they are disturbed. LM Aero shall thereupon promptly investigate the conditions, and if it finds that they do materially differ and cause an increase or decrease in the Contractor's cost of, or the time required for performance of any part of the work under this contract, whether or not changed as a result of such conditions, an equitable adjustment shall be made and the contract modified in writing, accordingly.
- (b) No claim of the Contractor under this clause shall be allowed unless the Contractor has given the notice required in (a) above; provided, however, the time prescribed therefore may be extended by LM Aero.
- (c) No claim by the Contractor for an equitable adjustment hereunder shall be allowed if asserted after final payment under this contract.

ARTICLE 16

INSPECTION AND ACCEPTANCE

- (a) All work and material (if not otherwise designated hereunder) shall be subject to inspection, examination, and test by LM Aero at any and all times during manufacture and construction. LM Aero shall have the right to reject defective material and to require the correction of unprofessional work. Without charge to LM Aero, rejected material shall be promptly and satisfactorily replaced with acceptable material by the Contractor, who shall promptly segregate and remove the rejected material from the premises. If the Contractor fails to proceed at once with the replacement of rejected material, the correction of defective work, or both as the case may be, LM Aero (i) may, by contract or otherwise, replace such material, correct such work, or both and charge the cost thereof to the Contractor or (ii) may terminate the right of the Contractor to proceed as provided in the Article hereof entitled TERMINATION FOR DEFAULT.
- (b) The Contractor shall furnish promptly without additional charge all reasonable facilities, labor and materials necessary for the safe and convenient inspection and testing that may be required by LM Aero inspectors. All inspections and tests by LM Aero shall be performed in such manner as not to unreasonably delay the work. Special performance and all other tests shall be performed as described in this contract. The Contractor shall be charged with any additional costs of inspection when material and work are not ready at the time inspection is specified by the Contractor for its inspection.
- (c) Should it be necessary or advisable by LM Aero at any time before final acceptance of the entire work to make an examination of work already completed, by removing or tearing out same, Contractor shall on request promptly furnish all

necessary facilities, labor and material. If such work is found to be defective or nonconforming in any respect due to fault of the Contractor or its subcontractors, contractor shall defray all the expenses of such examination and of satisfactory reconstruction. If, however, such work is found to meet the requirements of the contract, the actual cost of labor and material necessarily involved in the examination and replacement, plus a negotiated overhead and profit rate mutually agreed to, shall be allowed the Contractor, and it shall, in addition, if completion of the work has been delayed thereby, be granted a suitable extension of time.

(d) Unless otherwise provided in this contract, acceptance of all work required by this contract shall be made as promptly as practicable after completion and final inspection thereof. Acceptance shall be final and conclusive except as regards latent defects, fraud, such gross mistakes as amount to fraud or LM Aero's rights under any warranty or guarantee.

ARTICLE 17

WARRANTY

Contractor for itself, its successors and assigns, does hereby warrant to LM Aero that all materials and equipment furnished under this contract shall be new unless otherwise specified by LM Aero, and that:

(a) The materials (herein defined as including but not limited to fixtures, articles, supplies, equipment, and parts thereof) provided for the work under said contract shall be of good quality and free from fault or defect due to design (except to the extent such design is prescribed in the specification furnished by LM Aero), work, or material content, shall be free from fault under conditions of proper and normal use, and be in conformance with the Contract Documents.

Should any materials not be free of such fault or defect or otherwise fail to meet the requirements of the contract, LM Aero may, within one (1) year after completion of the work or for such longer period as provided in any manufacturer's warranty, reject the materials and direct the Contractor to proceed at once to make alterations or furnish new materials. All costs of removing such defective or nonconforming materials, furnishing and installing new materials or making alterations of materials, and all costs of tests made necessary by failure of the materials to meet this Warranty and other requirements of the contract, and all costs resulting from damage to other materials, work or the work site due to the defective or faulty materials, shall be borne by the Contractor.

(b) There shall be no omissions of materials and should there be any such omission, LM Aero may direct the Contractor to proceed at once to furnish and install the materials omitted. All costs of tests made necessary by such omissions, shall be borne by the Contractor.

(c) The performance of said contract shall be free from improper workmanship and in accordance with highest industry standards. In addition, all work performed hereunder shall be performed in accordance with the LM Aero ESH Manual. Should any work fail to meet the requirements of the contract, LM Aero may direct the Contractor to correct such work or otherwise perform to meet the requirements of this contract. All costs of correcting such work, or otherwise performing, and all costs of tests made necessary by the failure of the work to meet this Warranty or other requirements

of said contract, and all costs resulting from damage to other work, materials, or the work site due to the improper workmanship, shall be borne by the Contractor.

(d) The provisions hereof are applicable to any new materials installed, any alteration to presently installed materials, and any work corrected or otherwise performed pursuant to this Warranty.

(e) The terms and conditions of this Warranty are supplementary to and not in lieu of, a manufacturer's or any other warranty for any materials provided for the work under the contract.

(f) Upon the Contractor's failure to proceed promptly to comply with the terms of this Warranty, LM Aero may perform, or may have performed, such work as LM Aero deems necessary to fulfill such Warranty and the Contractor shall reimburse LM Aero promptly for all costs incurred by LM Aero for such work.

ARTICLE 18

RIGHT OF ENTRY

LM Aero, or anyone designated by it, may at any time, and from time to time, during the performance of the work, enter the area or structure for the purpose of performing other work by contract, or otherwise, and for any other purpose in connection with the installation of facilities. In so entering, LM Aero shall endeavor not to interfere with the Contractor and the Contractor shall not interfere with other work being done by or on behalf of LM Aero in the area or structure, and Contractor shall remain responsible for compliance with the terms of the contract.

ARTICLE 19

POSSESSION PRIOR TO COMPLETION

If prior to completion and final acceptance of all the work, LM Aero takes possession of any structure with the intent of retaining possession thereof, the Contractor, notwithstanding any of the other provisions herein, shall be relieved of the responsibility for loss or damage to such structure, other than that resulting from the Contractor's fault or negligence. Retaining possession, as described in this paragraph, does not constitute final acceptance of such structure, and Contractor shall remain responsible for compliance with the terms of the contract.

If such prior possession or use by LM Aero unreasonably delays the progress of the work or causes additional expense to the Contractor, LM Aero agrees to negotiate an equitable adjustment in the contract price, the time of completion or other, provided LM Aero is notified in writing and furnished satisfactory evidence that such entry or possession is, in fact, unreasonably delaying the progress of the work or causing additional expense to the Contractor. Any such request for equitable adjustment shall be made within five (5) working days subsequent to the first day of such entry or possession by

LM Aero, otherwise Contractor's right to request such an adjustment shall be deemed to be waived. Any such adjustment in contract price or time of completion shall be evidenced by a change order to such Purchase Order referenced hereto.

ARTICLE 20

CLEANING UP

Contractor shall, at all times, keep the construction area, including any storage areas used by Contractor, free from accumulations of waste material or rubbish and, prior to completion of the work, shall remove any non-hazardous waste material or rubbish from and about the premises and all tools, scaffolding, equipment and materials which are not the property of LM Aero. Upon completion of construction, Contractor shall leave the work and premises in a condition satisfactory to LM Aero. Hazardous waste shall be disposed of in accordance with the PART hereof entitled ENVIRONMENTAL PROTECTION HEALTH AND SAFETY.

Contractor shall comply with all instructions from LM Aero with respect to conditions at the site, and shall remove all its rubbish, debris and unnecessary materials, tools, and equipment, or upon failure to do so, to pay actual cost of such removal. Storage of all materials shall be under the supervision of LM Aero, but at the expense, if any, of Contractor. All salvageable materials shall be delivered to the on-site storage area as designated by LM Aero.

ARTICLE 21

INDEPENDENT CONTRACTOR

It is understood and agreed that Contractor shall perform its work hereunder as an independent contractor and at its sole risk and responsibility. It is further understood and agreed that:

- (a) Neither Contractor nor LM Aero intends by this contract that Contractor shall be an employee of LM Aero, and Contractor is not authorized to enter into, or create any obligations on behalf of LM Aero with any third parties. It is specifically understood and agreed that Contractor shall not act in any sense as an agent or representative of LM Aero.
- (b) Contractor agrees that any and all persons who may be employed or whose services may be retained by Contractor in order to perform the work provided for hereinabove are to remain the Contractor's employees, representatives, or agents, exclusively, without any relationship whatsoever to LM Aero. Any such employees, representatives, or agents of Contractor shall be promptly paid by Contractor for all services furnished hereunder. Contractor specifically understands and agrees that Contractor and any such employees, representatives, or agents are not entitled to any compensation or employment benefits that are or may be made available to LM Aero's employees, which benefits include, but are not limited to benefits under any group life insurance policies, group accident and sickness policies, retirement plans, or any other fringe benefit whatsoever.

(c) Contractor shall be responsible for all obligations and responsibilities covering and related to Social Security, Unemployment Insurance, Workers' Compensation Insurance, taxes, and all other reports and deductions required by state and federal law, if any.

(d) Contractor agrees to indemnify and hold harmless LM Aero, its officers, and employees, for any loss, cost, damage, expense, claim, and/or liabilities whatsoever, arising or resulting from any act or failure to act by Contractor, Contractor's employees, representatives, and agents, if any, in the performance of services set forth herein.

(e) LM Aero may, at its option, require that each of Contractor's employees, representatives and agents, execute a written document acknowledging acceptance of the terms and conditions of this Agreement.

ARTICLE 22

INSURANCE

(a) LM Aero shall, during the progress of the work, maintain all risk, property damage insurance protecting the work on site against loss or damage, subject to a deductible of \$100,000 each occurrence. Said insurance shall cover the interests of Contractor in the work and all materials, supplies, equipment, machinery and apparatus entering into or used in the construction of the work, including expendable items of Contractor's property which are used in or are incidental to the construction of the work but do not become a part thereof (such as temporary sheds, scaffolding and forms but excepting standard working tools), and which are not otherwise insured and while they are in, on or about the work or at or within one hundred (100) feet of the site thereof. Said insurance shall exclude all nonexpendable items of property whether owned by Contractor or not, which are used in or are incidental to the construction of the work, but do not become a part thereof. Contractor shall not be liable for the payment of any premium due under any such policy. Contractor shall be responsible for the first \$100,000 of any loss or damage due to the application of any policy deductible or exclusions.

(b) Contractor shall, during the progress of the work, maintain Worker's Compensation insurance, Contractor's Comprehensive General Liability, and Automobile Liability insurance covering all owned or rented automotive and other equipment that is used in or on the work. Such insurance shall be placed through insurance brokers and with insurance carriers approved by LM Aero and the policies shall name LM Aero, its directors, officers, agents and employees, and each of them, as additional insured. The limits of liability provided in each such Contractor's Comprehensive General Liability and Automobile Liability Insurance policy shall be five hundred thousand dollars (\$500,000) for injuries including accidental death to any one person and one million dollars (\$1,000,000) as respects injuries sustained by two or more persons in any one occurrence and a property damage limit of one million dollars (\$1,000,000) per occurrence. Said Contractor's Comprehensive General Liability and Automobile Liability Insurance shall include coverage for contractual liability assumed by the Contractor under the Article hereof entitled INDEMNIFICATION. Certificates of all such insurance shall be filed with LM Aero before commencement of

performance of the work and shall carry a provision that no cancellation or material change in the policy shall become effective except on thirty (30) days advance written notice thereof to LM Aero.

(c) Contractor shall furnish to LM Aero on a recurring basis certificates of all such insurance policies required by this contract, which certificates shall contain a provision that LM Aero shall not be liable for payment of any premium due under any such policies. Contractor agrees that it will take all necessary and proper steps to have any subcontract under this contract include LM Aero, its directors, officers, agents and employees, and each of them, as additional named insured in any policies of insurance required of and secured by any subcontractor.

ARTICLE 23

OTHER CONTRACTORS

(a) LM Aero may undertake or award other contracts for additional work, and the Contractor shall fully cooperate with such other contractors and LM Aero employees and carefully fit its own work to such additional work as may be directed by LM Aero. The Contractor shall not commit or permit any act which will interfere with the performance of work by any other contractor or by LM Aero employees.

(b) In the event there is more than one contractor engaged in the work or engaged in the construction of the entire project of which the work under this contract is a part, each such contractor shall be responsible to the other for damages to the work, injury to any person or persons, loss of life, or for any loss, cost, claims or damages arising out of or in connection with the work performed by each contractor including any loss, cost, expense or damage caused by the neglect or failure to finish or satisfactorily complete its part of the work within the time prescribed, time being of the essence. A similar provision is or will be in the contract between LM Aero and each other contractor of LM Aero that is performing or will perform part of such work or construction project. Contractor shall recover directly and only from the other contractor or contractors of LM Aero for any loss, cost, expense or damage occasioned by the actions or omissions of such contractor.

ARTICLE 24

COST AND PERFORMANCE

(a) LM Aero shall at all times have access to all work being performed hereunder by Contractor or by any of its subcontractors and suppliers, and shall have access to all books, records, correspondence, instructions, plans, specifications, drawings, memoranda, payroll records, vouchers, bills, receipts and all other information of whatsoever kind relating to performance of this contract (or otherwise evidencing Contractor's subcontractor's and supplier's, costs and expenses, and their payment thereof). Contractor shall preserve all such records, data and information and shall provide LM Aero with reasonable access thereto for not less than thirty-six (36) months after final payment of the contract

price. Contractor shall ensure that its subcontractors and suppliers agree to the above provisions in their agreements with Contractor.

(b) Prior to acceptance of the work hereunder, Contractor agrees to provide LM Aero with a construction and equipment cost breakdown for all items of labor, materials, equipment, supplies, services and all other expenditures of whatever nature which may be chargeable to the work by Contractor and each of its subcontractors. The construction and equipment cost breakdown requirements shall be provided to LM Aero in such a manner as to provide reasonable cost allocations and description for depreciation and insurance purposes.

ARTICLE 25

TERMINATION FOR DEFAULT

(a) If the Contractor refuses or fails to prosecute the work, or any separable part thereof, with such diligence as will insure its completion within the time specified in the Purchase Order, or any extension thereof, or fails to complete said work within such time, or fails to comply with any provisions of this contract, LM Aero may, by written notice to the Contractor and the surety under the performance bond, if any, terminate the Contractor's right to proceed with the work or such part of the work as to which there has been delay or as to which there has been any noncompliance. In such event, LM Aero may take over the work and prosecute the same to completion by contract or otherwise, and the Contractor and its sureties shall be liable to LM Aero for any excess cost occasioned LM Aero thereby. If the Contractor's right to proceed is so terminated, LM Aero may take possession of and utilize in completing the work such materials, appliances, facilities and equipment as may be on the site of the work and necessary therefor and may, at LM Aero's option, require Contractor to assign to LM Aero in the manner, at the times and to the extent directed by LM Aero such outstanding Purchase Orders, subcontracts or other commitments for materials, machinery, equipment or services incidental to the work.

(b) The right of the Contractor to proceed shall not be so terminated under this clause because of any delays in the completion of the work due to unforeseeable causes beyond the control and without the fault or negligence of the Contractor, including but not limited to, acts of God or of the public enemy, acts of the Government in either its sovereign or contractual capacity, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather or delays of subcontractors or suppliers due to such causes. The Contractor shall within 24 hours from the beginning of any such delay notify LM Aero in writing of the cause of delay. LM Aero shall ascertain the facts and the extent of the delay and may extend the time for completing the work when, in its judgment, the findings of facts justify such an extension, and its findings of fact thereon shall be final and conclusive on the parties hereto.

(c) If, after notice of termination under the provisions of this clause, it is determined that the Contractor was not in default under such provisions, or the default was excusable under the provisions of the foregoing paragraph, the rights and obligations of the parties shall be the same as if the notice of termination had been issued pursuant to the Article

hereof entitled TERMINATION FOR CONVENIENCE.(d) As used in the foregoing paragraphs of this article, the term "subcontractor or supplier" means subcontractors or suppliers at any tier.

ARTICLE 26

PAYMENTS

(a) Except as may otherwise be provided in this contract, the Contractor shall be paid the contract price following completion and final acceptance by LM Aero of all work called for by the Purchase Order, and after Contractor shall have furnished to LM Aero full and complete waivers or releases of all materialmen's and mechanics' liens (of Contractor, its subcontractors and suppliers at every tier) in such form as required by LM Aero in paragraph (c) of this Article, and thirty-five (35) days after filing and recordation of a Notice of Completion with the County Clerk, LM Aero shall pay to Contractor the full amount of the cost of the work, less all amounts theretofore paid. Such payment will be made upon the submission by Contractor of a final invoice prepared on the same basis as indicated in paragraphs (c) and (d) of this Article, provided that LM Aero may withhold part or all of such payment on the basis indicated in paragraph (b) of this Article.

(b) Contractor agrees that if (i) defective work has not been remedied, (ii) any claim is filed or reasonable evidence exists that a claim probably will be filed against Contractor, the premises or the work for unpaid material, labor or services, or (iii) Contractor has failed to make the required payment to the subcontractors for material, labor or services, then in any such event, LM Aero may withhold part or all of the payment or payments hereinabove referred to until such conditions have been remedied or removed or provided for satisfactorily to LM Aero.

(c) Invoices, serially numbered, shall be prepared and submitted in triplicate, one of which must be marked "original." LM Aero's Purchase Order number must appear on all copies of invoices. LM Aero may require the following certification to be shown thereon:

"I certify that the above bill is correct and just and that payment therefor has not been received."

_____ (Contractor)
By _____ (Title)

(d) The affidavit accompanying final payment shall identify the payment by serial number and shall be substantially in the following form:

"Purchase Order No. _____
Final Payment No. _____
I, _____, being the
_____ of _____ (Name-Undersigned)



(Title)

(Contractor)

The general contractor under contract for the construction of certain improvements identified in the Purchase Order shown above, issued by LOCKHEED MARTIN CORPORATION acting by and through Lockheed Martin Aeronautics Company - Palmdale, in support of the request for payment indicated above, being duly sworn under oath, do state that all bills, invoices, or the agreed price for all labor, services, and materials, performed or furnished to or on the site of work (the value of which is included in the actual or estimated amount of the invoice accompanying this affidavit) have been paid and are fully satisfied and discharged and that no right, claim, lien, or encumbrance is now or shall in the future become outstanding as to any such labor, service, or material covered by such invoice to Lockheed Martin Corporation.

Furthermore, in consideration of the payments received, and upon receipt of the amount due, the undersigned does hereby waive, release and relinquish all claim or right of lien which the undersigned may now have upon the work site described in the above-referenced Purchase Order.

By _____ (Contractor)

(Title)

Sworn to and subscribed before me
this ____ day of __, 20__.
_____" (SEAL)"
(Notary Public)

(e) If this contract provides that progress payments are to be made to Contractor, the following provisions shall be applicable in lieu of the foregoing paragraph (a):

(1) Progress payments may be made to Contractor based on a percentage or stage of completion of work and upon submission of properly prepared and certified invoices. Progress payments may be made as work progresses at the end of each calendar month, or as soon thereafter as practicable, based on actual costs certified and approved by LM Aero. The actual cost of material delivered and work performed on the site since date of last invoice may be included.

(2) In making such progress payments, there shall be retained ten percent (10%) of actual and estimated amounts until final completion and acceptance of all work covered by this contract.

(3) All material delivered on the site, or incorporated into the work, and any other work covered by progress payments made shall thereupon become the sole property of LM Aero, but this provision shall not be construed as

relieving Contractor from the sole risk and responsibility for such materials and work upon which payments have been made, or to relieve Contractor from the obligation to restore or replace any damaged work or materials, or as a waiver of the right of LM Aero to require the fulfillment of all of the terms of this contract on schedule.

(4) After completion of all work hereunder by Contractor, and acceptance by LM Aero, and after Contractor shall have furnished to LM Aero full and complete waivers of all materialmen's and mechanics' liens, and thirty-five (35) days after filing and recordation of a Notice of Completion with the Clerk of Los Angeles County, LM Aero shall pay to Contractor the full amount of the cost of the work, less all amounts theretofore paid.

(5) If (i) defective work has not been remedied, (ii) any claim is filed or reasonable evidence exists that a claim probably will be filed against Contractor, the premises or the work for unpaid material, labor or services, or (iii) Contractor has failed to make the required payments to the subcontractors for material, labor or services, then in any such event, LM Aero may withhold part or all of the payment or payments hereinabove referred to until such conditions have been remedied or removed or provided for satisfactorily to LM Aero.

(6) Invoices, serially numbered, shall be prepared and submitted in triplicate, one of which must be marked "original." LM Aero's Purchase Order number must appear on all copies of invoices.

(7) Each request/invoice for progress or final payment shall identify the payment by a sequence number and shall be certified in the following manner:

"Purchase Order No. _____
Final Payment or Progress Payment No. _____
I, _____, being the
(Name of Individual)
_____ of _____
(Title) (Contractor)

certify that the above bill is correct and just and that payment therefore has not been received."

(8) Final invoice shall be accompanied by affidavit in the form set forth in (d) above.

ARTICLE 27

INDEMNIFICATION

Contractor agrees to indemnify Lockheed Martin Corporation, its officers, agents and employees, and each of them, and hold them harmless from any and all claims, costs, damages, expenses, judgments, liabilities and losses of any nature or kind whatsoever, including but not limited to, legal costs and expenses, by reason of injury or death or damage to persons or property or otherwise arising out of or in any way connected with the work (referred to in the Article hereof entitled STATEMENT OF WORK) under this agreement including, without limitation, those damages caused by the negligence (act

or omission), willful misconduct or other fault of Contractor, its officers, agents, and employees and subcontractors. Said agreements to indemnify and hold harmless shall apply to any operations under any subcontract(s), and Contractor further agrees that any subcontract let under this Contract will contain provisions whereby the subcontractor agrees to indemnify and hold harmless Lockheed Martin Corporation, its officers, agents and employees, and each of them, in the aforesaid manner.

ARTICLE 28

PERFORMANCE BOND

Contractor shall, if requested by LM Aero before or within ten (10) days after execution of this contract, furnish a performance bond and a bond to protect against liens of materialmen, laborers and other claimants, each in the amount and form and issued by surety companies authorized to do business in the State of California. LM Aero shall reimburse Contractor for the actual cost of such bonds.

If it develops that Contractor cannot furnish a satisfactory bond or bonds, LM Aero shall have the right to terminate this contract and any Purchase Orders issued heretofore without liability of any kind. If, however, such termination is after LM Aero has authorized Contractor to commence work, such termination shall be in accordance with the Article herein entitled TERMINATION FOR CONVENIENCE.

ARTICLE 29

ASSIGNMENT

Neither this contract nor any interest under it shall be assigned nor subcontracted by Contractor without the prior written consent of LM Aero, except that claims for monies due or to become due under this contract may be assigned to a bank, trust company or other financing institution, including any Federal lending agency, by Contractor without such consent. LM Aero shall be furnished with two signed copies of any such assignment agreement. Payment to an assignee of any such claim shall be subject to set off or recoupment for any present or future claim or claims which LM Aero may have against Contractor except to the extent that any such claims are expressly waived in writing by LM Aero. LM Aero reserves the right to make direct settlements, adjustments in price, or both such adjustments and settlements with Contractor under the terms of this contract notwithstanding any assignment of claims for monies due or to become due hereunder and without notice to the assignee.

ARTICLE 30

TITLE TO WORK AND RISK OF LOSS

(a) Title to all of the work completed and all material, equipment and fixtures installed in the work shall vest in LM Aero upon installation thereof at the construction site, and the Contractor shall deliver to LM Aero all necessary indicia of ownership relating thereto.

(b) Contractor shall be liable for any loss or destruction of or damage to the work or to any material, equipment or fixtures to be installed in the work, except Contractor's liability shall be limited to \$100,000 for any such loss or damage, not due to Contractor's fault, negligence or willful misconduct caused by the perils specified in the Article hereof entitled INSURANCE against which LM Aero shall maintain insurance.

ARTICLE 31

NOTICE OF LABOR DISPUTES

(a) Whenever the Contractor has knowledge that any actual or potential labor dispute is delaying or threatens to delay the timely performance of this contract, Contractor shall immediately give written notice thereof to LM Aero. Such notice shall include all relevant information with respect to such dispute.

(b) Contractor agrees to insert the substance of this clause including this paragraph (b) in any subcontract placed by Contractor in regard to which a labor dispute may delay the timely performance of this contract.

ARTICLE 32

TAXES

Except as may otherwise be provided in Purchase Orders hereunder, the prices indicated in such Purchase Orders include all applicable Federal, state, and local taxes and duties. Contractor agrees to pay, when and as the same become due and payable, all taxes, assessments and similar charges which at any time prior to final settlement of this contract are properly and legally levied, assessed or imposed upon the Contractor, arising out of or in connection with the performance of any work, furnishing of any materials, or performing any services required hereunder. Contractor shall separately identify any taxes paid by Contractor on capital equipment that is purchased for the work. Contractor shall bear the risk of any such taxes and LM Aero shall not be liable therefor. It is agreed and understood that the Contractor is a "Licensed Contractor", as defined under the law and regulations of the jurisdiction where the work is to be performed, and will report and pay any and all applicable gross receipts, sales or use taxes.

ARTICLE 33

PATENT INDEMNIFICATION, TRADEMARK, TRADE SECRETS, AND COPYRIGHTS

The Contractor agrees to indemnify Lockheed Martin Corporation, its officers, agents, and employees against any and all liability, including costs and expenses, for infringement upon any Letters Patent of the United States (except Letters Patent issued upon an application which is now or may hereafter be, for reasons of national security, ordered by the Government to be kept secret or otherwise withheld from issue) or any foreign country, trademarks, trade secrets, copyrights or other property rights arising out of the performance of this contract or out of the use or disposal by or for the account of LM Aero for supplies furnished or construction work performed hereunder. The foregoing indemnity shall not apply unless the Contractor shall have been informed as soon as practicable by LM Aero of the suit or action alleging such infringement and shall have been given an opportunity to present recommendations as to the defense thereof; and, further, such indemnity shall not apply in any one of the following situations: (i) any infringement resulting from the addition to any such supplies or other supplies not furnished by the Contractor for the purpose of such addition; (ii) any settlement of a claim of infringement made without the consent of the Contractor, unless required by final decree of a court of competent jurisdiction; or (iii) any claim of infringement arising from use or disposal outside the scope of any license limitation under which the Contractor is bound, provided that the Contractor had notified LM Aero of the limitation prior to first delivery under this contract.

ARTICLE 34

NOTICE AND ASSISTANCE REGARDING PATENT INFRINGEMENT

- (a) The Contractor agrees to report to LM Aero, promptly and in reasonable written detail, each notice or claim of patent or copyright infringement based on the performance of this contract and asserted against it or against any of its subcontractors if it has knowledge thereof.

- (b) In the event of any claim or suit against LM Aero on account of any alleged patent or copyright infringement arising out of the performance of this contract or out of the use of any supplies furnished or work or service performed hereunder, the Contractor shall furnish to LM Aero, when requested by LM Aero, all evidence and information in possession of the Contractor pertaining to such suit or claim. Such evidence and information shall be furnished at the expense of LM Aero except where the Contractor has agreed to indemnify LM Aero.

- (c) This clause shall be included in all lower tier subcontracts.

ARTICLE 35

RESERVATION OF RIGHTS

The failure of LM Aero to insist, in any one or more instances, upon the performance of any of the term, covenants or conditions of this contract or the related Purchase Orders, or other documents shall not be construed as a waiver or a relinquishment of the future performance of any term, covenant or condition, but Contractor's obligation with respect to such performance shall continue in full force and effect.

ARTICLE 36

SUBCONTRACTORS

(a) LM Aero, upon notice to Contractor, may make payment directly to any subcontractor in accordance with the subcontract price for work performed under this contract. To the extent of any such direct payments to a subcontractor, payments made to Contractor, to be made, or both shall be adjusted and any refund due LM Aero as a result of such adjustments shall be promptly paid.

(b) In addition, LM Aero may terminate the work under the contract being performed by any subcontractor in accordance with the Article hereof entitled TERMINATION FOR CONVENIENCE and (i) contract directly with such subcontractor, or (ii) upon request by LM Aero, Contractor shall assign the subcontract involved to LM Aero. The terms and conditions of Contractor's subcontracts shall be consistent with the provisions of this paragraph (b).

ARTICLE 37

CANCELLATION FOR INSOLVENCY

In the event of the institution of any proceeding by or against either party, voluntary or involuntary, in bankruptcy or insolvency, or under any provisions of the United States Bankruptcy Act, or for the appointment of a receiver or trustee or an assignment for the benefit of creditors of either party, the other party shall be entitled to cancel this contract forthwith, without liability for loss of anticipated profits.

ARTICLE 38

TERMINATION FOR CONVENIENCE

In addition to the rights of LM Aero under the Article hereof entitled TERMINATION FOR DEFAULT, LM Aero may, at any time, for its own convenience, terminate this contract in whole or part, by written Notice of Termination for Convenience. Such Notice shall state the extent to which and the date on which such termination shall be effective. Upon such Termination for Convenience, the rights of LM Aero and Contractor shall be controlled by, and equitable settlement shall

be made according to the principles of Subpart 52.249-2 and Alternate I of the Federal Acquisition Regulations (FAR) in effect as of the date hereof. Failure of Contractor to submit notice of its intention to file a claim within thirty (30) days, unless such period is extended by LM Aero in writing, shall constitute an absolute waiver of any right to make such a claim.

ARTICLE 39

LICENSES, PERMITS AND COMPLIANCE WITH FEDERAL AND LOCAL LAWS

Contractor agrees to comply with all applicable provisions of Federal and State statutes, municipal ordinances, codes, regulations and requirements issued or imposed by any governmental authority and to indemnify and save harmless LM Aero against any damage or liability resulting from Contractor's failure to comply. Without limiting the generality of the foregoing and without additional expense to LM Aero, the Contractor shall obtain all necessary licenses and permits required in connection with the performance of this contract.

Contractor shall take proper safety and health precautions to protect the work, the workers, the public, and the property of others. Contractor shall also be responsible for all materials delivered and work performed until completion and acceptance of the entire construction work, except for any completed unit of construction thereof which theretofore may have been accepted.

ARTICLE 40

ASBESTOS HAZARDS (See the "ASBESTOS HAZARDS" Section of the Article of PART B entitled SAFETY AND HEALTH)

ARTICLE 41

CONTRACTOR INSPECTION SYSTEMS

(a) The Contractor shall (i) maintain an adequate inspection system and perform such inspections as will assure that the work performed under the contract conforms to contract requirements and all applicable codes, and (ii) maintain and make available to LM Aero adequate records of such inspections.

(b) Contractor shall provide and maintain a quality control system acceptable to LM Aero.

ARTICLE 42

GRATUITIES AND KICKBACKS

LM Aero may, by written notice to Contractor, terminate for default the right of Contractor to proceed under this order if LM Aero has reasonable cause to believe that gratuities (in the form of entertainment, gifts or otherwise) or kickbacks were offered or given by Contractor, or any agent or representative of Contractor with a view toward securing this order

or securing favorable treatment with respect to, awarding or amending or the making of any determinations with respect to the performance of this order.

ARTICLE 43

APPLICABLE LAW

Except for the Contractor's obligation to comply with environmental and related laws, which shall be determined in accordance with the law of the jurisdiction where the work is to be performed, this Contract shall be construed and performance thereof shall be determined according to the Laws of the State of California, exclusive of its conflicts-of-law rules.

ARTICLE 44

EQUAL OPPORTUNITY

The Equal Employment Opportunity clause in Section 202 of Executive Order (E.O.) 11246 as amended and the implementing rules and regulations (Title 41, Code of Federal Regulations, Part 60) are incorporated herein by reference, unless this contract is exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to Section 204 of E.O. 11246 or provisions of any superseding E.O. Contractor agrees to provide LM Aero with an executed Equal Employment Opportunity Certificate indicating Contractor's compliance or exempt status when requested by LM Aero. LM Aero requests such certificate on an annual basis. In the event Contractor has a current Certificate on file with LM Aero, it is incorporated herein by reference and shall be valid until the next annual request by LM Aero.

ARTICLE 45

AFFIRMATIVE ACTION FOR HANDICAPPED WORKERS

The Affirmative Action clause in Title 41, Code of Federal Regulations, Part 60, Subsection 741.4 and the implementing rules and regulations of the Department of Labor associated therewith are incorporated herein by reference unless the purchase order is under \$2,500.

ARTICLE 46

AFFIRMATIVE ACTION FOR DISABLED VETERANS AND VETERANS OF VIETNAM ERA

The Affirmative Action clause in Title 41, Code of Federal Regulations, Part 60, Subsection 250.4 and the implementing rules and regulations of the Department of Labor associated therewith are incorporated herein by reference unless the purchase order is under \$10,000.

ARTICLE 48

REMEDIES

The rights and remedies of LM Aero provided herein shall be cumulative and in addition to any other rights and remedies provided by law or equity.

ARTICLE 49

NONDISCLOSURE OF INFORMATION

Contractor agrees not to disclose to any third party or use any information or other matter furnished by or acquired from LM Aero or developed as a result of the services rendered herein except to the extent required by law and as otherwise may be authorized in writing by an authorized agent of LM Aero. Upon LM Aero's request, Contractor agrees to obtain from Contractor's employees, representatives, and agents, if any, a signed nondisclosure agreement acceptable to LM Aero.

ARTICLE 50

SECURITY

Contractor, Contractor's agents, employees, representatives, and subcontractors if any, assigned to perform work under this Agreement may be required to be citizens or permanent legal residents of the United States of America. Personal viewing of Birth Certificates/Naturalization papers is acceptable as proof. Contractor agrees to comply with all LM Aero and U.S. Government security requirements that are now, or will become effective, and that are applicable to Contractor's performance hereunder. Contractor further agrees to establish rules and regulations for its employees, representatives, and agents while on the premises of LM Aero, including all security regulations, substantially identical to and consistent with the rules and regulation established by LM Aero for its employees. Contractor, Contractor's agents, employees, representatives, and subcontractors, if any, assigned to perform work under this Agreement, upon entering LM Aero premises, may be required to satisfy additional requirements of the U.S. Government which may include the granting of personal security clearances. If such clearances are required, all reports and information shall be furnished, and proper security clearances obtained for such personnel prior to assignment to such premises. As a minimum, Contractor, its agents, employees, representatives, and subcontractors, if any, may be subject to escort at all times while on LM Aero's premises. Any delays experienced as a result of LM Aero's failure to provide timely escort shall not constitute a cause for Contractor claims on cost and/or schedule.

LM Aero may, from time to time, furnish Contractor with literature, data, or technical information which LM Aero considers necessary to furnish to Contractor for the performance of services pursuant to this Contract. In the event any of the furnished materials is classified or restricted, LM Aero shall so inform Contractor and Contractor agrees to comply with the United States Government security regulations applicable to such classified or restricted materials or information. If it

becomes necessary for Contractor to store classified material at Contractor's place of business, a facilities clearance will be required. In this event and at no additional cost to LM Aero, Contractor agrees to enter into a security agreement with the cognizant government agency and to maintain a system of security controls in accordance with the requirements set forth in the "Department of Defense Industrial Security Manual for Safeguarding Classified Security Information" (DoD 5220.220M), or any other required manual which will be an attachment to the security agreement. Contractor further agrees that all classified or restricted materials and such other unclassified materials furnished to it by LM Aero will be returned to LM Aero upon termination of Contractor's security clearance, or this Contract, whichever shall first occur. In the event any information furnished to Contractor is LM Aero Private Data or data that is Competition Sensitive, or otherwise proprietary to LM Aero, LM Aero shall so inform Contractor and Contractor shall handle this information strictly in accordance with Article 50, NONDISCLOSURE OF INFORMATION.

ENVIRONMENTAL PROTECTION HEALTH AND SAFETY

PART B

ARTICLE 51

DEFINITIONS

The following definitions are applicable to PART B.

1. "AVAPCD" means the Antelope Valley Air Pollution Control District.
2. "CAL/OSHA" means the California Division of Occupational Safety and Health.
3. "Coordinator" means the designated LM Aero individual responsible for interfacing with the Contractor on non-contractual aspects of the contracted-for project or operation.
4. "Employees" unless otherwise limited, means the employees of the contractor, any other contractors on the site, all subcontractors, and any and all agents of any of the foregoing.
5. "Hazard Communication Program" means a program meeting the requirements of Title 8 of the California Code of Regulations, Section 5194.
6. "LM Aero Environmental" means the Lockheed Martin Skunk Works Environmental Division.
7. "LM Aero Safety & Health" means the Lockheed Martin Skunk Works Safety and Health Department.

8. "Work Site" means the area marked off by warning tape, barricades, or other effective means of isolation., after the date of commencement of work.

ARTICLE 52

GENERAL

All work required or permitted to be performed hereunder shall be in compliance with all Federal, state, local, municipal and any other applicable environmental, safety and health statutes, rules, ordinances, regulations and requirements, including, but not limited to, those regarding occupational safety and health, protective clothing, personal protective equipment, air and water quality, hazardous materials and hazardous and solid waste. Contractor shall be solely responsible for the performance of work hereunder, and shall be solely responsible for the supervision and compliance of its officers, employees and agents, and subcontractors and subcontractor employees at any tier, while performing work hereunder.

Contractor's work shall be subject to inspection by LM Aero. If Contractor fails to comply with the provisions of this part, LM Aero shall have the right to stop work and require corrective action to be taken. If Contractor fails to take corrective action, LM Aero may terminate the right of the Contractor to proceed as provided in the Article hereof entitled TERMINATION FOR DEFAULT.

Without limitation to the foregoing, Contractor shall:

- (a) Take all prudent and proper environmental, health and safety precautions to protect LM Aero employees, LM Aero property, all other employees on the worksite and the public while performing work under this contract.
- (b) Inform all Contractor employees, agents and subcontractors and subcontractor employees of the relevant and applicable laws and regulations, and ensure such personnel are properly trained prior to commencing work hereunder.
- (c) Instruct, prior to commencement of operations, all agents and employees about relevant governmental laws and regulations, specific hazards expected to be encountered, and proper safety precautions to be observed.
- (d) The following documents shall be maintained at the Work Site by the Contractor and readily accessible to LM Aero:
 1. A copy of Contractor's written safety program,
 2. A copy of Contractor's written Hazard Communication Program, and

3. Copies of Material Safety Data Sheets (MSDSs) for all hazardous substances to be brought on LM Aero property.

(e) Obtain proper clearances in writing from LM Aero, as required by the Article of PART A entitled SAFETY PROVISIONS

(f) On request, provide to LM Aero complete and accurate environmental, safety & health data for use in evaluating Contractor's compliance; participate in pre-job conferences to review environmental, safety & health issues and responsibilities LM Aero shall: (a) Prior to commencement of work, communicate to the Contractor all known hazards associated with LM Aero operations or equipment, and. b) Identify an LM Aero Coordinator to interface with Contractor on the work hereunder.

ARTICLE 53

SAFETY AND HEALTH

Contractor shall take all precautions necessary to ensure the safety and health of all employees on the worksite.

(a) **PERSONAL PROTECTIVE EQUIPMENT (PPE)**

Contractor will meet applicable Federal, State, municipal, local and LM Aero requirements for personal protective equipment. Prior to commencing work under this contract, Contractor shall ensure that all employees are equipped with required protective clothing and equipment, and trained in its proper use. Contractor is responsible for ensuring that employees on the worksite use their protective clothing and equipment in conformance with applicable rules and regulations.

(b) **CONFINED SPACE ENTRY**

(1) If the Contractor is required to perform work in or near an area designated as a "confined space" in the course of contract performance at the worksite, the Coordinator shall identify to the Contractor the location of the confined space, and known and potential hazards associated therewith.

(2) To ensure the safety of Contractor personnel during entry into confined spaces (such as tanks, manholes and sewers, vessels, etc.) Contractor shall furnish to LM Aero a copy of the written Confined Space Program, which Contractor will adhere to during performance of the contract. Contractor will use monitoring equipment and perform appropriate testing procedures which includes, but is not limited to testing for oxygen deficiency and explosive gas levels, to supplement established confined space entry procedures.

(c) **LOCK OUT/LINE BREAKING**

- (1) If Contractor is required to lock out LM Aero equipment, Contractor shall notify the Coordinator. Contractor shall not enter an electrical control room unless escorted by the Coordinator or other authorized LM Aero representative.
- (2) Contractors servicing LM Aero machinery and equipment subject to lockout/tag out requirements shall conform to LM Aero lockout/tagout procedures. as contained within the LM Aero Safety and Health Manual.
- (3) Contractor shall not perform work on electrical circuits, machinery or lines (or connected equipment) carrying hazardous liquids or gases under pressure until all energy sources including controlling switches and valves, have been identified, and positively locked out and appropriately tagged, to prevent personal injury to its employees or others and/or damage to equipment due to unexpected start-up of electrical or mechanical equipment.
- (4) Upon completion of the job and before locks or tags have been removed, Contractor shall notify the Coordinator so power can be resumed to the equipment after the lockouts have been removed.

(d) **USE OF LM Aero MATERIALS AND EQUIPMENT**

Contractor shall not start, stop, adjust or relocate any LM Aero production or process equipment without the prior approval of the Coordinator.

(e) **DANGEROUS OPERATIONS - WARNINGS AND BARRICADES**

- (1) Prior to commencing work, Contractor must inform the Coordinator of any work posing a potential danger to LM Aero personnel and obtain written authorization from the Coordinator to proceed.
- (2) Contractor shall isolate Contractor's work areas from LM Aero operations and employees by using warning tape, barricades, or another effective means of isolation.
- (3) Contractor personnel shall erect and properly maintain, at all times, all necessary safeguards for the protection of both Contractor personnel, LM Aero employees and others. This includes:
 - (i) Utilizing warning signs and/or barricades, or stationing a Contractor employee to warn passers-by, and
 - (ii) Effectively barricading excavations, floor openings, etc.

(f) **ELECTRICAL SAFETY**

Contractor shall ensure that all electrical equipment used in the performance of this contract complies with applicable electrical codes for the work to be done.

(g) **USE OF HAZARDOUS MATERIALS - HAZARD COMMUNICATION**

(1) Contractor personnel shall not bring any hazardous substances (as defined by CAL/OSHA) onto LM Aero premises unless the Contractor maintains copies of the MSDS for those substances on-site and makes them readily available to LM Aero personnel. Contractor shall inform LM Aero of any hazardous substances used in Contractor's operations that LM Aero employees will be exposed to while performing work under this contract.

(2) Contractor shall ensure all containers of hazardous materials are labeled in compliance with CAL/OSHA regulations including the product name, appropriate hazard warnings, and the name and address of the manufacturer.

(3) LM Aero shall:

(a) Advise the Contractor concerning the hazardous substances used in LM Aero operations that the Contractor's employees will be exposed to while performing work under this contract.

(b) Make available to the Contractor Material Safety Data Sheets (MSDS) and sufficient information to permit the Contractor to train its employees.

(h) **ASBESTOS AND LEAD HAZARDS**

(1) General:

(a) Contractor warrants for itself, its officers, employees, agents and subcontractors at any tier, that it understands the currently known hazards which are presented to persons, property and the environment by asbestos and lead.

(b) Prior to commencement of work on this contract, Contractor will be provided an Asbestos Notification identifying LM Aero asbestos construction materials, as required by California law. This notification will be updated as necessary during the period of performance of the contract.

(2) Requirements for Contractors Working on Asbestos:

(a) Contractors performing maintenance, construction, repair, renovation, demolition, removal or salvage activities in which any materials containing asbestos **or** lead are sanded, abrasive blasted, sawed, cut, shoveled, removed, or otherwise handled in such a manner that asbestos or lead dust would be raised shall comply with all the applicable requirements of CAL/OSHA General Industry Safety Orders (GISO) Sections 5208 and 5216 and Construction Safety Orders, Sections 1529 and 1532.1.

(b) In addition to the foregoing, on request, the Contractor shall provide to LM Aero, or its designated representative, copies of CAL/OSHA notifications, monitoring results, and other documentation to demonstrate compliance with regulatory requirements.

(3) Incidental Contact with Asbestos and Lead:

This section applies to contractors who incidentally come into contact with asbestos or lead containing materials; i.e., contractors who have not been specifically hired to perform maintenance, construction, repair, renovation, demolition, salvage, or any other operation in which any material suspected of containing asbestos or lead is sanded, abrasive blasted, sawed, shoveled, removed, or otherwise handled in a manner that would raise asbestos or lead dust.

(a) Contractor shall immediately report to the Coordinator, or if the Coordinator is not available, directly to LM Aero Safety and Health, any work, spill or suspected spill of asbestos or lead containing materials. Contractor is to cease all operations in the immediate area of the spill. The approval of the coordinator and LM Aero Safety and Health is required before resuming operations.

(b) Contractor shall not disturb any pipe insulation, boiler insulation, or any other material reasonably suspected of containing asbestos or lead until the Contractor notifies the Coordinator. LM Aero Safety and Health's approval is required before operations may commence.

(i) **EMERGENCIES**

(1) Upon discovering a fire or other emergency, Contractor shall notify LM Aero's Central Dispatch by dialing plant extension F-I-R-E (3473), inform all Contractor and LM Aero employees in the areas, go to a safe location, inform response personnel, and notify the LM Aero Building Manager and coordinator as soon as practicable.

(2) If an evacuation alarm sounds while Contractor is working, Contractor shall evacuate all personnel in the worksite to a safe place, then notify the LM Aero Building Manager as soon as practicable.

(3) Contractor shall immediately report any spills or releases of hazardous materials to LM Aero Central Dispatcher at Ext. F-I-R-E. Immediately thereafter, Contractor shall advise the Coordinator of the incident.

ARTICLE 54

FIRE PREVENTION

(a) **CUTTING AND WELDING**

Prior to performing any welding or cutting operation outside of a welding booth, Contractor will contact the Coordinator to obtain a Cutting and Welding Permit from the LM Aero Safety and Health Department.

(b) SMOKING

(1) Contractor employees shall not smoke inside buildings or within 25 feet from any building entrance.. Smoking outside buildings is allowed only where a potential for fire does not exist. No smoking is allowed within 50 feet of aircraft, within paint hangars or spray booths, within 20 feet of any painting operations, or where prohibited by safety rules and regulations.

ARTICLE 55

ENVIRONMENTAL

Contractors shall comply with applicable provisions of Federal, State, municipal, local and other environmental statutes, rules, and regulations. Contractor shall take all necessary precautions for the protection of the environment and to prevent storage, transport or disposal of hazardous wastes, non-hazardous wastes, air emissions, or water discharges that are in violation of governmental regulations.

(a) HAZARDOUS WASTE HANDLING, STORAGE, TRANSPORT AND DISPOSAL

(1) Contractor shall specify in writing all hazardous wastes likely to be generated as a result of contractor activity to LM Aero Environmental prior to commencement of operations.

(2) Contractor shall handle, and store all hazardous wastes in accordance with Federal, state, municipal, and local rules, regulations, ordinances and other requirements as may be imposed by LM Aero.

(3) Contractor must segregate hazardous from non-hazardous waste; all hazardous waste generated by its operations must be labeled in accordance with all rules and regulations.

(4) All Contractor-generated hazardous waste shall be disposed of by LM Aero Environmental unless otherwise specified in the statement of work.

(5) Contractor shall be liable for the costs of LM Aero's response to any spill resulting from Contractor's actions, including, but not limited to, costs of containment, cleanup and disposal.

(b) NON-HAZARDOUS WASTE DISPOSAL

(1) Contractor shall handle, transport and dispose of all non-hazardous wastes in accordance with Federal, state, municipal, local and other rules, regulations, ordinances and requirements.

(2) Contractor shall not dispose of any non-hazardous wastes on LM Aero property.

(c) **WORK INVOLVING AIR EMISSIONS**

(1) If Contractor's operations require air pollution permit(s), Contractor shall maintain copies of Permit(s) to Operate (or Applications for Permits to Operate), or documentation to show an exemption from the permit requirements, on-site and make them readily available to LM Aero for all equipment and materials to be used by the Contractor on LM Aero property.

(2). Contractor shall maintain on-site, and make readily available to LM Aero, daily records of all coatings, solvents and other materials used where an **AVAPCD** Permit is required, or where documentation justifying an **AVAPCD** permit exemption is required.

(d) **WORK INVOLVING WATER DISCHARGES**

Contractor shall notify and obtain the written approval of the Coordinator before discharging any material regulated by State of Federal waste water discharge requirements into sinks, floor drains, storm drains or sewers.

PART C

ARTICLE 56

TITLE TO WORK AND RISK OF LOSS

Notwithstanding the provisions to the contrary in PART A, title to all property to be installed in the work to be performed under the contract shall pass directly from the Contractor to the Government upon delivery of such property to the job site, Paragraph (a) of the Article in PART A hereof entitled INSURANCE shall not apply to any Purchase Order hereunder which is subject to this PART C. Contractor shall be liable for any loss or destruction of or damage to the aforesaid property, and to the work performed hereunder, prior to the final acceptance of such work, provided that if LM Aero takes and retains possessions of the work pursuant to the Article in PART A hereof entitled POSSESSION PRIOR TO COMPLETION, Contractor's liability for such property and work shall be in accordance with such article.

ARTICLE 57

SUBCONTRACT APPROVAL

(a) The Contractor shall give advance notification to and obtain prior written consent from LM Aero before placing any proposed subcontract hereunder which (i) is on a cost, cost-plus-a-fee, time and material, or labor-hour basis, or (ii) is on a fixed-price basis exceeding in dollar amount either \$25,000 or five (5) percent of the price of any Purchase Order hereunder.

(b) In the case of a proposed subcontract which (i) is on a cost, cost-plus-a-fee, time and material, or labor-hour basis and which would involve an estimated amount in excess of \$10,000 including any fee, or (ii) is proposed to exceed \$100,000, or (iii) is one of a number of subcontracts under this contract with a single subcontract for the same or related supplies or services which, in the aggregate are expected to exceed \$100,000, the advance notification required by (a) above shall include:

(1) A description of the supplies or services to be called for by the subcontract;

(2) Identification of the proposed subcontractor and an explanation of why and how the proposed subcontractor was selected, including the degree of competition obtained;

(3) The proposed subcontract price, together with the Contractor's cost or price analysis thereof, including accurate, complete, and current cost or pricing data accompanied with a certificate from the subcontractor to the effect that all cost or pricing data has been considered by the subcontractor in preparing his proposal and that such data is accurate, complete and current, and has been provided to the Contractor; and

(4) Identification of the type of contract proposed to be used.

(c) The Contractor agrees that no subcontract placed under this contract shall provide for payment on a cost-plus-a-percentage-of-cost basis.

ARTICLE 58

PATENT INDEMNIFICATION

In addition the Article in PART A entitled PATENT INDEMNIFICATION, TRADEMARK, TRADE SECRETS, COPYRIGHTS, the following provisions shall apply to any Purchase Order hereunder which is subject to this PART C in accordance with the Article in PART A entitled INTERPRETATION AND APPLICABILITY.

(a) The Contractor shall indemnify the Government and its officers, agents, and employees against liability, including costs, for infringement of any United States Letters Patent (except Letters Patent issued upon an application which is now

or may hereafter be kept secret or otherwise withheld from issue by order of the Government) arising out of the manufacture of delivery of supplies or component parts thereof, or out of construction, alteration, modification, or repair of real property (hereinafter referred to as "construction work") under this contract, or out of the use or disposal by or for the account of the Government, of such supplies or component parts normally are or have been sold or offered for sale by the Contractor to, and which construction work is of a type normally performed by the Contractor for, the public in the open commercial market, or are such supplies, construction work, or component parts thereof with relatively minor modifications made thereto, or as to which the Contractor would customarily indemnify the purchaser.

(b) This indemnity shall not apply unless the Contractor shall have been informed as soon as practicable by the Government of the suit or action alleging such infringement, and shall have been given such opportunity as is afforded by applicable laws, rules, or regulation to participate in the defense thereof; and further such indemnity shall not apply if: (i) the infringement results from compliance with specific written instructions of the Contracting Officer directing a change in the supplies to be used, or directing a manner of performance of the contract not normally used by the Contractor; or (ii) the infringement results from the addition to, or change in, the supplies or components furnished or construction work performed, which addition or change was made by other than the Contractor subsequent to delivery or performance under this contract by the Contractor; or (iii) the claimed infringement is settled without the consent of the Contractor, unless required by final decree of a court of competent jurisdiction.

ARTICLE 59

AMENDMENTS

Upon request of LM Aero, Contractor shall, from time to time, accept amendments to this Contract or changes to Purchase Orders to which this Contract applies, to incorporate additional provisions of the Government's Prime Contract or with the provisions of amendments to the Government's Prime Contract. If any such amendment to this Contract or changes to Purchase Orders causes an increase or decrease in the cost of or time required for performance of such Purchase Orders, an equitable adjustment will be made in either the price, delivery schedule, or both, pursuant to the Article hereof entitled CHANGES.