

SECTION 2

FAR CLAUSES

Clauses incorporated by reference: This subcontract incorporates the following clauses by reference with the same force and effect as if included in full text. Unless otherwise indicated, either below or in the Subcontract, the clause incorporated herein is the clause in effect on the date of this subcontract. Clauses which are no longer contained in the FAR but are listed below, shall still be effective for this subcontract if they are contained in the prime contract between Lockheed Martin and the Government.

Clause Number	FAR Citation	Title	Notes
2-1	52.203-6	Restrictions on Subcontractor Sales to the Government	The term "Government" or "Contracting Officer" shall not change as previously set forth in Paragraph (b)(1) of Clause 1-1
2-2	52.203-7	Anti-Kickback Procedures	The provisions of Paragraph 1-1 of these terms and conditions shall apply only to Subparagraph (c) (2), (3), (4), and (5). Any report made pursuant to Subparagraph (c)(2) shall be sent simultaneously to Lockheed Martin in care of: Vice President, Human Resources, Organization 27-01, Building 101. Subparagraph (c)(4) is revised to delete the phrase "the Contracting Officer may" in the first sentence and insert the phrase "after the Contracting Officer under the Lockheed Martin Contract has effected an offset at the prime contract level, or has directed Lockheed Martin to withhold any sum from the subcontractor, Lockheed Martin shall". The definitions in Paragraph 1-1 shall not apply to this phrase.
2-3	52.203-11	Certification and Disclosure Regarding Payment to Influence Certain Federal Transactions	
2-4	52.203-12	Limitation on Payments to Influence Certain Federal Transactions	
2-5	52.204-2	Security Requirements	Applicable if the work requires access to classified information; delete paragraph (c) of the clause. With ALT I, if this is a cost reimbursable R & D subcontract with an educational institution.
2-6	52.208-1	Required Sources for Jewel Bearings and Related Items (Removed 1/1/97)	The term "Government" or "Contracting Officer" shall not change as previously set forth in Paragraph (b)(1) of Clause 1-1. Applicable only to subcontracts in support of prime contracts issued before 1/1/97 which included this clause in the prime.

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2-7	52.211-5 (formerly 52.210-5)	Material Requirements	The term "Government" in the first sentence shall not change as previously set forth in Paragraph (b)(1) of Clause 1-1.
2-8	52.211-7 (formerly 52.210-7)	Other Than New Material, Residual Inventory, and Former Government Surplus Property (Removed 10/21/97)	The terms "Government" and "Contract" in Paragraph (a) shall not change as previously set forth in Paragraphs (b)(1) and (b)(3) of Clause 1-1. Applicable only to subcontracts in support of prime contracts issued before 10/21/97 which included this clause in the prime.
2-9	52.211-15 (formerly 52.212-8)	Defense Priority and Allocation Requirements	
2-10	52.215-1	Examination of Records by Comptroller General (Removed 10/1/95)	Paragraph (d)(1) shall be changed to read "appeals under the Disputes Clause of the prime contract under which this subcontract was issued". Applicable only to subcontracts in support of prime contracts issued before 10/1/95 which included this clause in the prime. Note: 52.215-1 was reinstated as "Instructions to Offerors - Competitive Acquisitions (October 1997)". This new version of the clause should not be flowed under this section.
2-11	52.215-2	Audit and Records - Negotiation	The term "Government" or "Contracting Officer" shall not change as previously set forth in Paragraph (b)(1) of Clause 1-1. Applies to cost reimbursable, incentive, time and material, labor hour, or price redeterminable subcontracts or if cost or pricing data is required. Mandatory if over simplified acquisition threshold.
2-12	52.215-14 (Formerly 52.215-26)	Integrity of Unit Prices (& Alt I)	
2-13	52.215-15 (Formerly 52.215-27)	Termination of Defined Benefit Pension Plans	If certified cost or pricing data has been required for award of the subcontract or there have been or will be any pre-award or post award cost determinations subject to FAR Subpart 31.2.
2-14	52.215-18 (Formerly 52.215-39)	Reversion or Adjustment of Plans for Post Retirement Benefits Other than Pensions	Applicable if certified cost or pricing data is anticipated to be required or if the Cost Principles at FAR Subpart 31.2 apply.
2-15	52.215-19 (Formerly 52.215-40)	Notification of Ownership Changes	Applicable if certified cost or pricing is contemplated to be required or if any pre-award or post-award cost determination will be subject to FAR Subpart 31.2.

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2-16	52.216-10	Incentive Fee	Applicable only if this subcontract includes an incentive fee.
2-17	52.219-8	Utilization of Small, Small Disadvantaged and Women Owned Small Business Concerns	Applicable if this subcontract is valued at more than \$10,000 and is not for personal services. Clause 1-1 does not apply to paragraph a. Mandatory if clause 52.219-9 is incorporated.
2-18	52.219-9	Small, Small Disadvantaged and Women Owned Small Business Subcontracting Plan	Applicable if this subcontract is valued at more than \$500,000 (\$1 million if construction on a public facility) This clause does not apply to small businesses.
2-19	52.219-13	Utilization of Women-Owned Small Businesses (Removed 10/1/95)	Applicable if this subcontract is more than \$25,000 and is not for personal services. Clause 1-1 does not apply to paragraph (b). Applicable only to subcontracts in support of prime contracts issued before 10/1/95 which included this clause in the prime.
2-20	52.220-3	Utilization of Labor Surplus Area Concerns (Removed 10/1/95)	The term "Government" or "Contracting Officer" shall not change as previously set forth in Paragraph (b)(1) of Clause 1-1. Applicable only to subcontracts in support of prime contracts issued before 10/1/95 which included this clause in the prime.
2-21	52.220-4	Labor Surplus Area Subcontracting Program (Removed 10/1/95)	The term "Government" or "Contracting Officer" shall not change as previously set forth in Paragraph (b)(1) of Clause 1-1. Applicable only to subcontracts in support of prime contracts issued before 10/1/95 which included this clause in the prime.
2-22	52.222-1	Notice to the Government of Labor Disputes	
2-23	52.222-2	Payment for Overtime Premiums (Cost Reimbursement subcontracts only)	Except for payment of overtime premium permitted by Paragraphs a)(1) through a)(4), no overtime premium is authorized under this subcontract unless the dollar amount is agreed upon during negotiations and the negotiated value is incorporated into this subcontract. This clause is NOT applicable to CPIF subcontracts that provide a swing from the target fee of at least plus or minus 3% and a subcontractor's share of at least 10%.

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2-24	52.222-4	Contract Work Hours and Safety Standards Act -- Overtime Compensation	Subcontractor shall indemnify Lockheed Martin against, and hold Lockheed Martin harmless from, any claim, suit, cost, damage, expense (including attorneys' fees), liability or withholding arising from Subcontractor's noncompliance therewith. The term "Government" or "Contracting Officer" shall not change as previously set forth in Paragraph (b)(l) of Clause 1-1.
2-25	52.222-20	Walsh-Healey Public Contracts Act	
2-26	52.222-26	Equal Opportunity	The term "Government" or "Contracting Officer" shall not change as previously set forth in Paragraph (b)(l) of Clause 1-1.
2-27	52.222-35	Affirmative Action for Special Disabled and Vietnam Era Veterans	The term "Government" or "Contracting Officer" shall not change as previously set forth in Paragraph (b)(l) of Clause 1-1.
2-28	52.222-36	Affirmative Action for Handicapped Workers	The term "Government" or "Contracting Officer" shall not change as previously set forth in Paragraph (b)(l) of Clause 1-1.
2-29	52.222-37	Employment Reports on Special Disabled Veterans and Veterans of the Vietnam Era	The term "Government" or "Contracting Officer" shall not change as previously set forth in Paragraph (b)(l) of Clause 1-1.
2-30	52.222-41	Service Contract Act of 1965, As Amended	
2-31	52.223-2	Clean Air and Water	"(c) Unless exempt from the provisions of this clause, this subcontract has been awarded by Lockheed Martin in reliance upon a prior Clean Air and Water Certification or self-certification executed by the Subcontractor and submitted to Lockheed Martin and said certification is by this reference herein incorporated in this subcontract. Subcontractor shall obtain like certifications from its subcontractors prior to the award of nonexempt subcontracts hereunder and in addition to this clause incorporate the certification requirement in such subcontracts."

2-32	52.223-3	Hazardous Material Identification and Material Safety Data	This clause is applicable when the subcontract indicates that items will be shipped directly to the Government. Upon award, the Subcontractor shall forward the form required therein, with reference to the Lockheed Martin prime contract and this subcontract five (5) days prior to shipment (i) to the "ship to" address, and (ii) to: Lockheed Martin Missiles & Space Company, Inc. Occupational Safety & Health Orgn. 47-20, Bldg. 101 P. O. Box 3504 Sunnyvale, CA. 94088-3504 The term "Government" shall mean "Government or Lockheed Martin", except in (h)(iii) where it shall remain "Government".
2-33	52.223-7	Notice of Radioactive Materials	In the second line, after the word "writing", insert the word "thirty". As used in this clause, "Government" shall mean "Government or Lockheed Martin".
2-34	52.223-11	Ozone-Depleting Substances	
2-35	52.225-3	Buy American Act-Supplies	Subcontractor shall notify Lockheed Martin if any end product delivered under this subcontract is not a "domestic-end product" as defined by this clause.
2-36	52.225-10	Duty-Free Entry	The term "Government" or "Contracting Officer" shall not change as previously set forth in Paragraph (b)(1) of Clause 1-1. The terms "Contract Administration Office" and "CAO" shall mean "Lockheed Martin".
2-37	52.225-11	Restrictions on Certain Foreign Purchases	
2-38	52.227-1	Authorization and Consent and Alternate I (if applicable)	Applies if the prime contract under which this is a subcontract contains a clause in which the Government gives authorization and consent with respect to patented inventions; the definition of the term "Government" in Paragraph (b)(1) of Clause 1-1 herein shall not apply. The term "Government", shall not change except the term "Government" as used in subparagraph (a)(1) of the 52.227-1 basic clause shall mean Lockheed Martin.
2-39	52.227-2	Notice and Assistance Regarding Patent and Copyright Infringement	The term "Government" or "Contracting Officer" shall not change as previously set forth in Paragraph (b)(1) of Clause 1-1.

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2-40	52.227-10	Filing of Patent Applications-Classified Subject Matter	The term "Government" or "Contracting Officer" shall not change as previously set forth in Paragraph (b)(l) of Clause 1-1.
2-41	52.229-10	State of New Mexico Gross Receipts and Compensating Tax (Cost Reimbursement only)	When cost or pricing data is required pursuant to FAR 15.408(d) (formerly FAR 15.804-8(c)) and (1) the subcontractor will be performing a cost reimbursement subcontract; (2) the contract directs or authorizes the contractor to acquire tangible personal property as a direct cost under a subcontract and title to such property passes directly to and vests in the United States upon delivery of the property by the vendor; and (3) the subcontract will be for services to be performed in whole or in part within the State of New Mexico.
2-42	52.232-9	Limitation on Withholding of Payments (Cost Reimbursement Only)	
2-43	52.232-17	Interest	Delete from the first sentence the phrase "(net of any applicable tax credit under the Internal Revenue Code (26 U.S.C. 1481))".
2-44	52.232-20	Limitation of Cost (Cost Reimbursement Only)	In (b)(l) of the clause "sixty (60) days" is changed to "thirty (30) days", and "seventy-five (75)%" is changed to "eighty-five (85)%".
2-45	52.234-1	Industrial Resources Developed Under Defense Production Act Title III	Applicable if the Government prime contract under which this subcontract is entered is for a major system and items of supply.
2-46	52.237-2	Protection of Government Buildings, Equipment and Vegetation	The term "Government" or "Contracting Officer" shall not change as previously set forth in Paragraph (b)(l) of Clause 1-1.
2-47	52.242-1	Notice of Intent to Disallow Costs	
2-48	52.242-13	Bankruptcy	
2-49	52.242-15 (formerly 52.212-13)	Stop Work Order (and Alt I if this is a cost reimbursable subcontract)	
2-50	52.243-1	Changes (Fixed Price) -- (and Alternate V if this is a Research and Development Subcontract)	In Paragraph (c) change "30 days" to "25 days". Delete the first sentence of Paragraph (e).
2-51	52.243-2	Changes (Cost Reimbursement) -- (and Alternate V if this is a Research and Development Subcontract)	In Paragraph (c) change "30 days" to "25 days". Delete the first sentence of paragraph (d).

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2-52	52.244-2	Subcontracts (and Alt I) (Cost Reimbursement and Subcontracts only)	(Cost Letter	In Paragraph (j), the term "Government" shall not change as previously set forth in Paragraph (b)(l) of Clause 1-1.
2-53	52.244-5	Competition in Subcontracting		
2-54	52.244-6	Subcontracts for Commercial Items and Commercial Components		This clause is applicable only if it is present in the Prime Contract.
2-55	52.245-17	Special Tooling (Fixed Price)		"Government" shall mean "Government or Lockheed Martin". Per Class Deviation 97-00007, DoD subcontracts shall incorporate the April, 1984 version of this clause, until October 16, 1998, or unless modified or extended by DoD.
2-56	52.245-18	Special Test Equipment (Cost Reimbursement Only)	(Cost	The term "Government" or "Contracting Officer" shall not change as previously set forth in Paragraph (b)(l) of Clause 1-1. The following is added: "(f) Within 45 days after delivery of the last item of hardware under this subcontract, or such later date as may be prescribed by Lockheed Martin, the Subcontractor shall furnish to Lockheed Martin a list of all special test equipment acquired or manufactured by the Subcontractor for use in the performance of this subcontract, and Lockheed Martin shall have the right to prescribe the manner of disposition. (g) All notices of intent to acquire Special Test Equipment shall be furnished to Lockheed Martin. In such instances, Subcontractor shall give Lockheed Martin forty-five (45) days advance notice in lieu of thirty (30) days specified in FAR 52.245-18."
2-57	52.246-2 or 52.246-7	Inspection of Supplies-Fixed Price (and Alt I if Fixed Price Incentive) Inspection of Research and Development- Fixed Price		"Government" shall mean "Government or Lockheed Martin". Subcontractor shall, as a minimum, require its subcontractors to provide and maintain an inspection system and records in accordance with the provisions of paragraph (b) thereof.
2-58	52.246-3 or 52.246-8	Inspection of Supplies - Cost Reimbursement Inspection of Research and Development-Cost Reimbursement	- Cost	"Government" shall mean "Government or Lockheed Martin". Subcontractor shall, as a minimum, require its subcontractors to provide and maintain an inspection system and records in accordance with the provisions of paragraph (b) thereof.
2-59	52.246-4	Inspection of Services - Fixed Price		The Government may also exercise any of Lockheed Martin's rights under this clause.

2-60	52.246-6	Inspection: Time and Materials and Labor Hour Type Subcontract	"Government" shall mean "Government or Lockheed Martin". Subcontractor shall, as a minimum, require its subcontractors to provide and maintain an inspection system and records in accordance with the provisions of paragraph (b) thereof.
2-61	52.247-63	Preference for US Flag Air Carriers	The term "Government" or "Contracting Officer" shall not change as previously set forth in Paragraph (b)(l) of Clause 1-1.
2-62	52.249-2	Termination for Convenience of the Government (Fixed Price)	In Paragraph (e) "1 year" is changed to "6 months", and Paragraph (j) is deleted.
2-63	52.249-6	Termination (Cost Reimbursement)	In Paragraph (f) "1 year" is changed to "6 months", and Paragraph (j) is deleted.
2-64	52.249-8 or 52.249-9	Default - Fixed Price Supplies and Services Default - Fixed Price Research and Development	The term "Government" in "c" shall not change as previously set forth in Paragraph (b)(l) of Clause 1-1. The provisions of this clause which provide that a failure to agree shall be a dispute within the meaning of the Government contract clause entitled "Disputes" shall have no force or effect.
2-65	52.249-14	Excusable Delays (Cost Reimbursement Only)	The definition of "Government" as previously set forth in Paragraph (b)(1) of Clause 1-1 shall not apply to Paragraph (a) of said clause.

2-66 SUBCONTRACTOR COST OR PRICING DATA

A. SUBMISSION OF COST OR PRICING DATA

1. The clauses at FAR 52.215-12 (formerly FAR 52.215-24) and 52.215-13 (formerly 52.215-25) are incorporated herein by reference with the same force and effect as if included in full text. The definitions contained in clause 1-1(b) shall apply except that the meaning of the phrases "Government" and "Contracting Officer" shall not change.

2. Subcontractor will assure that cost or pricing data submitted to Subcontractor by any lower-tier Subcontractor in accordance with the provisions of these clauses will be available for submission to Lockheed Martin upon request by Lockheed Martin.

3. Cost or pricing data, whether for the initial award of this subcontract or modifications, will be submitted to Lockheed Martin in accordance with the instructions contained in Table 15.2 of FAR 15.408 (formerly 15.804-6). Factual data will be clearly distinguished from estimated costs and projections. Subcontractor shall update such data when changes occur prior to final price negotiation, and shall certify in substantially the form prescribed in subsection 15.406-2 (formerly 15.804-4) of the Federal Acquisition Regulation (FAR) that, to the best of their knowledge and belief, such cost or pricing data were accurate, complete and current as of the date of agreement on the negotiated price of the subcontract or subcontract modification.

B. PRICE REDUCTION FOR DEFECTIVE COST OR PRICING DATA

If the Subcontractor was required to submit cost or pricing data for the initial award of this subcontract, the clauses at FAR 52.215-10 (formerly 52.215-22) and 52.215-11 (formerly 52.215-23)

are incorporated herein by reference with the same force and effect as if included in full text. If the Subcontractor was not required to submit cost or pricing data for the initial award of this subcontract, the clause at 52.215-11 (formerly 52.215-23) is incorporated herein by reference with the same force and effect as if included in full text. The definitions contained in clause 1-1(b) shall apply except that the meaning of the phrases "Government" and "Contracting Officer" shall not change.

C. REDUCTION OF DOLLAR THRESHOLDS

1. If the Contracting Officer of the Government prime contract, or Lockheed Martin at its discretion, determines that a lower dollar threshold shall apply, the \$500,000 threshold set forth above shall be reduced to the dollar amount so stated in this subcontract.

2. The reduced dollar amount shall be incorporated in all lower-tier subcontracts in which the clauses are inserted.

D. INDEMNIFICATION

In addition to any other remedies provided by law or under this Subcontract, if Lockheed Martin is subjected to any liability as the result of Subcontractor 's or its lower-tier Subcontractors' failure to comply with the requirements of the FAR clauses above, then Subcontractor agrees to indemnify and hold Lockheed Martin harmless to the full extent of any loss, damage or expense (excluding Lockheed Martin's overhead and profit markups, but including interest and penalties assessed in connection therewith) resulting from such failure. With respect to Subcontractor 's agreement to indemnify Lockheed Martin, Lockheed Martin shall be entitled to reduce the price of this Subcontract immediately upon the reduction of the price of its contract with the Government or higher-tier Subcontract, or, in the event funds remaining to be paid under this Subcontract are insufficient to cover the amount of the price reduction, Subcontractor shall, within thirty (30) days of notice of the price reduction, reimburse Lockheed Martin the full amount of the price reduction.

E. DISPUTES (cost or pricing data only)

1. In the event the Government Contracting Officer of the prime contract makes a determination pertaining to price reduction for defective cost or pricing data under the prime contract and such determination, in turn, relates to or affects this subcontract or any lower-tier subcontract, such determination by the Contracting Officer shall, except as provided in paragraph 2. below, be final and binding as between the parties hereto.

2. If the Subcontractor a) timely requests Lockheed Martin to appeal from such determination under the "Disputes" clause of the prime contract, and b) timely furnishes to Lockheed Martin grounds for taking such appeal which Lockheed Martin determines to be reasonable, then Lockheed Martin agrees, to the extent the prime contract allows and at the Subcontractor's expense, to appeal from such determination in Lockheed Martin's name and on Subcontractor's behalf pursuant to the "Disputes" clause of the prime contract. The decision rendered on any such appeal shall be final and binding as between the parties hereto.

2-67 PRICING BASED ON EXEMPTION FROM COST OR PRICING DATA

A. This clause is applicable if certified cost or pricing data was not required due to a representation by the Subcontractor that the items being procured qualified for an exemption from submission of certified cost or pricing data.

B. In pricing this subcontract Lockheed Martin relied on Subcontractor's representation that the items being procured are standard commercial items qualifying for an exemption from submission of certified cost or pricing data. If, however, the Contracting Officer of the Government prime contract determines that such price was not in fact based upon established catalog or market prices, and by reasons thereof, the Contracting Officer reduces amounts otherwise paid or payable to Lockheed Martin under the

prime contract, then the price of this subcontract shall be reduced accordingly and the subcontract modified in writing as may be necessary to reflect such reduction.