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Registered - Return Receipt Requested

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Attention: [Redacted]

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Subject : Contract No. RD-91

Gentlemen:

Authorization is hereby granted for Subcontract of work set forth in your letter of September 7, 1955, in the amount of \$61,096.50. Such approval is granted in accordance with Article 10 of the subject contract, and is approved with the understanding that such approval shall not affect the total consideration of the contract.

Very truly yours,

[Redacted]

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Distribution:

- Orig - Addressee
- 2 - Finance
- 1 - RD-91 (Official)
- 1 - Vital Records
- 1 - [Redacted]
- 1 - [Redacted]
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(21 Sept '55)

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NOTICE

This material contains information affecting the national defense of the United States within the meaning of the espionage laws, Title 18, U.S.C., Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

Contract No. ~~SECRET~~

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Agreement made this ~~...~~ day of ~~...~~, between the United States of America (hereinafter called "the Government") represented by the Contracting Officer executing this contract and ~~...~~



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WITNESSETH:

WHEREAS, the Contractor maintains facilities for research and development, and has available the services of qualified personnel; and,

WHEREAS, the Government desires the Contractor to conduct certain research and development work and construct whatever equipment or articles may be hereinafter specified; and,

WHEREAS, the Contractor is willing to provide said facilities and qualified personnel and undertake such work on a cost-plus-a-fixed-fee basis as hereinafter specified;

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

ARTICLE 1. DEFINITIONS.

"Contracting Officer" refers to the present Contracting Officer and his successors in office. "Director" refers to the present Director of the Agency and his successors in office. "Authorized Representative" refers to any person designated in writing as such by the Contracting Officer or the Director, and such person can act hereunder only in the limited respects and to the extent specified in provisions of this contract wherein the term "Authorized Representative" is specifically used.

ARTICLE 2. SCOPE OF SUBJECT WORK.

The Contractor shall supply the necessary qualified personnel, facilities, and materials, and shall use its best efforts to conduct the work specified in the Schedule of this contract in accordance with the specifications and/or drawings stated in the Schedule. The Contractor shall cooperate in consultation and otherwise as may be practicable with the Contracting Officer or his authorized representative upon the request of either. Monthly progress reports showing expenditures of funds, funds committed, and funds remaining, as well as an outline of the work accomplished under the Schedule shall be furnished the Contracting Officer or his authorized representative. Technical Reports, prepared in the manner normally practiced by the Contractor, shall be furnished the Contracting Officer or his authorized representative at such intervals as may be indicated in the Schedule. In addition, the Contractor shall prepare specifications, drawings on reproducible masters, and shall supply full information concerning the components, devices, apparatus, and methods with which this contract is concerned, and shall

RD REG

Order No. 55-8050
Voucher No. 1A273-55
Proc. chg. 5-7912-50-022

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Reqn. No. MB 55-454

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deliver them, together with all models developed hereunder, to the Contracting Officer or his authorized representative upon their request. The Contractor shall furnish a complete and final report of work under this contract, and shall maintain records in which descriptions and illustrations of any inventions made in this work shall be entered as they are made, with appropriate dates, signatures, and witnesses.

ARTICLE 3. CHANGES.

The Contracting Officer may at any time, by a written order, make changes in or additions to the drawings and specifications, issue additional instructions, or require additional work within the general scope of the contract. If any such change causes an increase or decrease in the estimated cost of, or the time required for performance of this contract, or otherwise affects any other provision of this contract, an equitable adjustment shall be made (i) in the estimated cost or delivery schedule, or both, (ii) in the amount of any fixed fee to be paid to the Contractor, and (iii) in such other provisions of the contract as may be so affected, and the contract shall be modified in writing accordingly. Any claim by the Contractor for adjustment under this clause must be asserted within sixty (60) days from the date of receipt by the Contractor of the notification of change; Provided, however, That the Contracting Officer, if he decides that the facts justify such action, may receive and act upon any such claim asserted at any time prior to final payment under this contract. Failure to agree to any adjustment shall be a dispute concerning a question of fact within the meaning of the clause of this contract entitled "Disputes." However, nothing in this clause shall excuse the Contractor from proceeding with the contract as changed.

ARTICLE 4. LIMITATION OF COST.

(a) It is estimated that the total cost to the Government, exclusive of any fixed fee, for the performance of this contract will not exceed the estimated cost set forth in the Schedule, and the Contractor agrees to use its best efforts to perform the work specified in the Schedule and all obligations under this contract within such estimated cost. If at any time the Contractor has reason to believe that the costs which it expects to incur in the performance of this contract in the next succeeding thirty (30) days, when added to all costs previously incurred, will exceed eighty-five percent (85%) of the estimated cost then set forth in the Schedule, or if at any time, the Contractor has reason to believe that the total cost to the Government, exclusive of any fixed fee, for the performance of this contract will be substantially greater or less than the then estimated cost thereof, the Contractor shall notify the Contracting Officer in writing to that effect, giving its revised estimate of such total cost for the performance of this contract.

(b) The Government shall not be obligated to reimburse the Contractor for costs incurred in excess of the estimated cost set forth in the Schedule and the Contractor shall not be obligated to continue performance under the

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contract or to incur costs in excess of the estimated cost set forth in the Schedule, unless and until the Contracting Officer shall have notified the Contractor in writing that such estimated cost has been increased and shall have specified in such notice a revised estimated cost which shall thereupon constitute the estimated cost of performance of this contract. When and to the extent that the estimated cost set forth in the Schedule has been increased, any costs incurred by the Contractor in excess of such estimated cost prior to the increase in estimated cost shall be allowable to the same extent as if such costs had been incurred after such increase in estimated cost.

ARTICLE 5. ALLOWABLE COST, FIXED FEE, AND PAYMENT.

(a) For the performance of this contract, the Government shall pay to the Contractor the cost thereof determined by the Contracting Officer to be allowable in accordance with Part 2 of Section XV of the Armed Services Procurement Regulation as in effect on the date of this contract and the Schedule (hereinafter referred to as "Allowable Cost"), plus such fixed fee, if any, as may be provided for in the Schedule.

(b) Once each month (or at more frequent intervals, if approved by the Contracting Officer) the Contractor may submit to an authorized representative of the Contracting Officer, in such form and reasonable detail as such representative may require, an invoice or public voucher supported by a statement of cost incurred by the Contractor in the performance of this contract and claimed to constitute Allowable Cost. Each statement of cost shall be certified by an officer or other responsible official of the Contractor authorized by it to certify such statements.

(c) As promptly as may be practicable after receipt of each invoice or voucher and statement of cost, the Government shall, except as hereinafter provided and subject to the provisions of paragraph (d) below, make payment thereon as approved by the Contracting Officer. After payment of eighty-five percent (85%) of the fixed fee set forth in the Schedule, as from time to time amended, further payment on account of the fixed fee shall be withheld until a reserve of either (i) fifteen percent (15%) of the total fixed fee or (ii) \$100,000, whichever amount is less, shall have been set aside, such reserve or the balance thereof to be retained until the execution and delivery of a release by the Contractor as provided in paragraph (e) hereof.

(d) At any time or times prior to final payment under this contract the Contracting Officer may cause to be made such audit of the invoices or vouchers and statements of cost as shall be deemed necessary. Each payment theretofore made shall be subject to reduction to the extent of amounts included in the related invoice or voucher and statement of cost which are found by the Contracting Officer on the basis of such audit not to constitute Allowable Cost, and shall also be subject to reduction for overpayments or to increase for underpayments on preceding invoices or vouchers. On receipt of the voucher or invoice designated by the Contractor as the "completion voucher" or "completion invoice" and statement of cost, which shall be submitted by the Contractor as promptly as may be practicable following completion of the work

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under this contract but in no event later than one (1) year (or such longer period as the Contracting Officer may, in his discretion, approve in writing) from the date of such completion, and following compliance by the Contractor with all provisions of this contract (including, without limitation, provisions relating to patents and the provisions of paragraphs (e) and (f) of this clause), the Government shall as promptly as may be practicable pay any balance of Allowable Cost.

(e) The Contractor and each assignee under an assignment entered into under this contract and in effect at the time of final payment under this contract shall execute and deliver at the time of and as a condition precedent to final payment under this contract, a release discharging the Government, its officers, agents and employees of and from all liabilities, obligations, and claims arising out of or under this contract, subject only to the following exceptions:

- (1) Specified claims in stated amounts or in estimated amounts where the amounts are not susceptible of exact statement by the Contractor.
- (2) Claims, together with reasonable expenses incidental thereto, based upon the liabilities of the Contractor to third parties arising out of the performance of the contract, which are not known to the Contractor on the date of the execution of the release, and of which the Contractor gives notice in writing to the Contracting Officer not more than six (6) years after the date of the release or the date of any notice to the Contractor that the Government is prepared to make final payment, whichever is earlier.
- (3) Claims for reimbursement of costs (other than expenses of the Contractor by reason of its indemnification of the Government against patent liability), including reasonable expenses incidental thereto, incurred by the Contractor under the provisions of the contract relating to patents.

(f) The Contractor agrees that any refunds, rebates or credits (including any interest thereon) accruing to or received by the Contractor or any assignee which arise out of the performance of this contract and on account of which the Contractor has received reimbursement shall be paid by the Contractor to the Government. The Contractor and each assignee under an assignment entered into under this contract and in effect at the time of final payment under this contract shall execute and deliver at the time of and as a condition precedent to final payment under this contract, an assignment to the Government of refunds, rebates or credits (including any interest thereon) arising out of the performance of this contract, in form and substance satisfactory to the Contracting Officer. Reasonable expenses incurred by the Contractor for the purpose of securing any such refunds, rebates or credits shall constitute Allowable Cost when approved by the Contracting Officer.

(g) Any cost incurred by the Contractor under the terms of this contract which would constitute Allowable Cost under the provisions of this clause shall be included in determining the amount payable under this contract, notwithstanding any provisions contained in the specifications or other documents incorporated in this contract by reference, designating services to be performed or materials to be furnished by the Contractor at its expense or without cost to the Government.

(h) Payment of the fixed fee shall be made to the Contractor as provided in the Schedule subject, however, to the withholding provisions of paragraph (c) hereof.

ARTICLE 6. RECORDS.

(a) (1) The Contractor agrees to maintain books, records, documents and other evidence pertaining to the costs and expenses of this contract (hereinafter collectively called the "records") to the extent and in such detail as will properly reflect all net costs, direct and indirect, of labor, materials, equipment, supplies and services, and other costs and expenses of whatever nature for which reimbursement is claimed under the provisions of this contract. The Contractor's accounting procedures and practices shall be subject to the approval of the Contracting Officer; provided, however, that no material change will be required to be made in the Contractor's accounting procedures and practices if they conform to generally accepted accounting practices and if the costs properly applicable to this contract are readily ascertainable therefrom.

(2) The Contractor agrees to make available at the office of the Contractor at all reasonable times during the period set forth in subparagraph (4) below any of the records for inspection, audit or reproduction by the Comptroller of the Contracting Government Agency or his authorized representatives.

(3) In the event the Comptroller of the Contracting Government Agency or his authorized representatives determines that his audit of the amounts reimbursed under this contract as transportation charges will be made at a place other than the office of the Contractor, the Contractor agrees to deliver, with the reimbursement voucher covering such charges or as may be otherwise specified within two years after reimbursement of charges covered by any such voucher, to such representative as may be designated for that purpose through the Contracting Officer such documentary evidence in support of transportation costs as may be required by the Comptroller of the Contracting Government Agency or his authorized representatives.

(4) Except for documentary evidence delivered to the Government pursuant to subparagraph (3) above, the Contractor shall preserve and make available its records for a period of six years (unless a longer period of time is provided by applicable statute) from the date of the voucher or invoice submitted by the Contractor after the completion of the work under the contract and designated by the Contractor as the "completion voucher" or "completion invoice" or, in the event this contract has been completely terminated, from the date of the termination settlement agreement; provided, however, that records which relate to (A) appeals under the clause of this contract entitled "Disputes," (B) litigation or the

settlement of claims arising out of the performance of this contract, or (c) costs or expenses of the contract as to which exception has been taken by the Comptroller of the Contracting Government Agency or his authorized representatives, shall be retained by the Contractor until such appeals, litigation, claims, or exceptions have been disposed of, but in no event for less than the six-year period mentioned above.

(5) Except for documentary evidence delivered pursuant to subparagraph (3) above, and the records described in the proviso of subparagraph (4) above, the Contractor may in fulfillment of its obligation to retain its records as required by this clause substitute photographs, microphotographs or other authentic reproductions of such records, after the expiration of two years following the last day of the month of reimbursement to the Contractor of the invoice or voucher to which such records relate, unless a shorter period is authorized by the Contracting Officer with the concurrence of the Comptroller of the Contracting Government Agency or his authorized representatives.

(6) The provisions of this paragraph (a), including this subparagraph (6), shall be applicable to and included in each subcontract hereunder which is on a cost, cost-plus-a-fixed-fee, time-and-material or labor-hour basis.

(b) The Contractor further agrees to include in each of his subcontracts hereunder, other than those set forth in subparagraph (a) (6) above, a provision to the effect that the subcontractor agrees that the Comptroller of the Contracting Government Agency or his authorized representatives, shall, until the expiration of three years after final payment under the subcontract, have access to and the right to examine any directly pertinent books, documents, papers, and records of such subcontractor involving transactions related to the subcontract. The term "subcontract," as used in this paragraph (b) only, excludes (i) purchase orders not exceeding \$1,000 and (ii) subcontracts or purchase orders for public utility services at rates established for uniform applicability to the general public.

ARTICLE 7. GOVERNMENT PROPERTY.

(a) The Government shall deliver to the Contractor the property described in the Schedule or the Specifications at the times stated therein, or if not so stated in sufficient time to enable the Contractor to perform this contract. If any of such property is not delivered to the Contractor by such time or times, the Contracting Officer, upon written request of the Contractor, shall equitably adjust the time of performance of this contract. In no event shall the Government be liable to the Contractor for damages or loss of profit by reason of any delay in or failure to deliver any or all of the items set forth in the Schedule or Specifications.

(b) Title to all property furnished by the Government shall remain in the Government. Title to all property purchased by the Contractor, for the cost of which the Contractor is entitled to be reimbursed as a direct item of cost under this contract, shall pass to and vest in the Government upon delivery of such property by the vendor. Title to other property, the cost of which is reimbursable to the Contractor under this contract, shall pass to and

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vest in the Government upon (i) issuance for use of such property in the performance of this contract, or (ii) commencement of processing or use of such property in the performance of this contract, or (iii) reimbursement of the cost thereof by the Government, whichever first occurs. All the items to be furnished by the Government, as set forth in the Schedule or Specifications, together with all property acquired by the Contractor title to which vests in the Government under this paragraph, are subject to the provisions of this clause and are hereinafter collectively referred to as "Government Property."

(c) Title to the Government Property shall not be affected by the incorporation or attachment thereof to any property not owned by the Government, nor shall such Government Property, or any part thereof, be or become a fixture or lose its identity as personality by reason of affixation to any realty. The Contractor shall maintain adequate property control records of the Government Property and shall identify the Government Property as such in accordance with the provisions of the "Manual for Control of Government Property in Possession of Contractors" as in effect on the date of this contract, which is incorporated herein by reference.

(d) The Government Property provided or furnished pursuant to the terms of this contract shall, unless otherwise provided herein, be used only for the performance of this contract.

(e) The Contractor shall maintain and administer in accordance with sound industrial practice, a program for the maintenance, repair, protection and preservation of Government Property so as to assure its full availability and usefulness for the performance of this contract. The Contractor shall take all reasonable steps to comply with all appropriate directions or instructions which the Contracting Officer may prescribe as reasonably necessary for the protection of Government Property.

(f) (i) The Contractor shall not be liable for any loss of or damage to the Government Property, or for expenses incidental to such loss or damage, except that the Contractor shall be responsible for any such loss or damage (including expenses incidental thereto) (A) which results from willful misconduct or lack of good faith on the part of any of the Contractor's directors or officers, or on the part of any of its managers, superintendents, or other equivalent representatives, who has supervision or direction of (I) all or substantially all of the Contractor's business, or (II) all or substantially all of the Contractor's operations at any one plant or separate location in which this contract is being performed, or (III) a separate and complete major industrial operation in connection with the performance of this contract; or (B) which results from a failure on the part of the Contractor, due to the willful misconduct or lack of good faith on the part of any of its directors, officers, or other representatives mentioned in subparagraph (A) above, (I) to maintain and administer, in accordance with sound industrial practice, the program for maintenance, repair, protection and preservation of Government Property as required by paragraph (e) hereof, or (II) to take all reasonable steps to comply with any appropriate written directions of the Contracting Officer under paragraph (e) hereof; or (C) for which the Contractor

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is otherwise responsible under the express terms of clause(s) _____ of this contract, or of the clause or clauses designated in the Schedule; or (D) which results from a risk expressly required to be insured under this contract, but only to the extent of the insurance so required to be procured and maintained, or to the extent of insurance actually procured and maintained, whichever is greater; or (E) which results from a risk which is in fact covered by insurance or for which the Contractor is otherwise reimbursed, but only to the extent of such insurance or reimbursement; provided that, if more than one of the above exceptions shall be applicable in any case, the Contractor's liability under any one exception shall not be limited by any other exception. This clause shall not be construed as relieving a subcontractor from liability for loss or destruction of or damage to Government Property in its possession or control, except to the extent that the subcontract, with the prior approval of the Contracting Officer, may provide for the relief of the subcontractor from such liability. In the absence of such approval, the subcontract shall contain appropriate provisions requiring the return of all Government Property in as good condition as when received, except for reasonable wear and tear or for the utilization of the property in accordance with the provisions of the prime contract.

(ii) The Contractor shall not be reimbursed for, and shall not include as an item of overhead, the cost of insurance, or any provision for a reserve, covering the risk of loss of or damage to the Government Property, except to the extent that the Government may have required the Contractor to carry such insurance under any other provision of this contract.

(iii) Upon the happening of loss or destruction of or damage to the Government Property, the Contractor shall notify the Contracting Officer thereof, and shall communicate with the Loss and Salvage Organization, if any, now or hereafter designated by the Contracting Officer, and with the assistance of the Loss and Salvage Organization so designated (unless the Contracting Officer has designated that no such organization be employed), shall take all reasonable steps to protect the Government Property from further damage, separate the damaged and undamaged Government Property, put all the Government Property in the best possible order, and furnish to the Contracting Officer a statement of (A) the lost, destroyed and damaged Government Property, (B) the time and origin of the loss, destruction or damage, (C) all known interests in commingled property of which the Government Property is a part, and (D) the insurance, if any, covering any part of or interest in such commingled property. The Contractor shall make repairs and renovations of the damaged Government Property or take such other action as the Contracting Officer directs.

(iv) In the event the Contractor is indemnified, reimbursed, or otherwise compensated for any loss or destruction of or damage to the Government Property, it shall use the proceeds to repair, renovate or replace the Government Property involved, or shall credit such proceeds against the cost of the work covered by the contract, or shall otherwise reimburse the Government, as directed by the Contracting Officer. The Contractor shall do nothing to prejudice the Government's right to recover against third parties for any such loss, destruction or damage and, upon the request of the Contracting Officer, shall, at the Government's expense, furnish to the Government all reasonable

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assistance and cooperation (including the prosecution of suit and the execution of instruments of assignment in favor of the Government) in obtaining recovery. In addition, where the subcontractor has not been relieved from liability for any loss or destruction of or damage to Government Property, the Contractor shall enforce the liability of the subcontractor for such loss or destruction of or damage to the Government Property for the benefit of the Government.

(g) The Government shall at all reasonable times have access to the premises where any of the Government Property is located.

(h) The Government Property shall remain in the possession of the Contractor for such period of time as is required for the performance of this contract unless the Contracting Officer determines that the interests of the Government require removal of such property. In such case the Contractor shall promptly take such action as the Contracting Officer may direct with respect to the removal and shipping of Government Property. In any such instance, the contract may be amended to accomplish an equitable adjustment in the terms and provisions thereof.

(i) Upon the completion of this contract, or at such earlier date as may be fixed by the Contracting Officer, the Contractor shall submit to the Contracting Officer in a form acceptable to him inventory schedules covering all items of the Government Property not consumed in the performance of this contract (including any resulting scrap), or not theretofore delivered to the Government, and shall deliver or make such other disposal of the Government Property as may be directed by the Contracting Officer. Recoverable scrap shall be reported in accordance with a procedure and in such form as the Contracting Officer may direct. The net proceeds of any such disposal approved by the Contracting Officer shall be credited to the cost of the work covered by the contract or shall be paid in such manner as the Contracting Officer may direct.

(j) Unless otherwise provided herein, the Government shall not be under any duty or obligation to restore or rehabilitate, or to pay the costs of the restoration or rehabilitation of the Contractor's plant or any portion thereof which is affected by the removal of any Government Property.

(k) Directions of the Contracting Officer and communications of the Contractor issued pursuant to this clause shall be in writing.

ARTICLE 8. INSURANCE-LIABILITY TO THIRD PERSONS.

(a) The Contractor shall procure and thereafter maintain workmen's compensation, employer's liability, comprehensive general liability (bodily injury) and comprehensive automobile liability (bodily injury and property damage) insurance, with respect to performance under this contract, and such other insurance as the Contracting Officer may from time to time require with respect to performance under this contract; provided, that the Contractor in fulfillment of its obligation to procure workmen's compensation insurance may, with the approval of the Contracting Officer and pursuant to statutory authority, maintain a self-insurance program. All insurance required pursuant to the

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provisions of this paragraph shall be in such form, in such amounts, and for such periods of time, as the Contracting Officer may from time to time require or approve, and with insurers approved by the Contracting Officer.

(b) The Contractor agrees, to the extent and in the manner required by the Contracting Officer, to submit for the approval of the Contracting Officer any other insurance maintained by the Contractor in connection with the performance of this contract and for which the Contractor seeks reimbursement hereunder.

(c) The Contractor shall be reimbursed: (i) for the portion allocable to this contract of the reasonable cost of insurance as required or approved pursuant to the provisions of this clause, and (ii) for liabilities to third persons for loss of or damage to property (other than property (A) owned, occupied or used by the Contractor or rented to the Contractor or (B) in the care, custody, or control of the Contractor), or for death or bodily injury, not compensated by insurance or otherwise, arising out of the performance of this contract, whether or not caused by the negligence of the Contractor, its agents, servants or employees, provided such liabilities are represented by final judgments or by settlements approved in writing by the Government, and expenses incidental to such liabilities, except liabilities (I) for which the Contractor is otherwise responsible under the express terms of the clause or clauses, if any, specified in the Schedule, or (II) with respect to which the Contractor has failed to insure as required or maintain insurance as approved by the Contracting Officer or (III) which results from willful misconduct or lack of good faith on the part of any of the Contractor's directors or officers, or on the part of any of its managers, superintendents, or other equivalent representatives, who has supervision or direction of (1) all or substantially all of the Contractor's business, or (2) all or substantially all of the Contractor's operations at any one plant or separate location in which this contract is being performed, or (3) a separate and complete major industrial operation in connection with the performance of this contract. The foregoing shall not restrict the right of the Contractor to be reimbursed for the cost of insurance maintained by the Contractor in connection with the performance of this contract, other than insurance required to be submitted for approval or required to be procured and maintained pursuant to the provisions of this clause, provided such cost would constitute Allowable Cost under the clause of this contract entitled "Allowable Cost, Fixed Fee and Payment."

(d) The Contractor shall give the Government or its representatives immediate notice of any suit or action filed, or prompt notice of any claim made, against the Contractor arising out of the performance of this contract, the cost and expense of which may be reimbursable to the Contractor under the provisions of this contract, and the risk of which is then uninsured or in which the amount claimed exceeds the amount of coverage. The Contractor shall furnish immediately to the Government copies of all pertinent papers received by the Contractor. If the amount of the liability claimed exceeds the amount of coverage, the Contractor shall authorize representatives of the Government to collaborate with counsel for the insurance carrier, if any, in settling or defending such claim. If the liability is not insured or covered by bond, the

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Contractor shall, if required by the Government, authorize representatives of the Government to settle or defend any such claim and to represent the Contractor in or take charge of any litigation in connection therewith: Provided, however, That the Contractor may, at its own expense, be associated with the representatives of the Government in the settlement or defense of any such claim or litigation.

ARTICLE 9. INSPECTION AND CORRECTION OF DEFECTS.

(a) All work under this contract shall be subject to inspection and test by the Government, to the extent practicable at all reasonable times and places including the period of performance, and in any event prior to final acceptance. The Contractor shall provide and maintain an inspection system acceptable to the Government covering the work hereunder. The Government, through any authorized representative, may inspect the plant or plants of the Contractor or of any of its subcontractors engaged in the performance of this contract. If any inspection or test is made by the Government on the premise of the Contractor or a subcontractor, the Contractor shall provide and shall require subcontractors to provide all reasonable facilities and assistance for the safety and convenience of the Government inspectors in the performance of their duties. All inspections and tests by the Government shall be performed in such a manner as will not unduly delay the work. Final inspection and acceptance by the Government shall be made as promptly as practicable after delivery. The time and place of delivery, final inspection, and acceptance shall be as set forth in the schedule.

(b) The Contractor warrants that the services rendered in the performance of this contract will conform to the requirements of this contract and to high professional standards in the field, and that any article delivered to the Government under this contract will conform to the requirements of this contract and will not be defective in material or workmanship.

(c) At any time during performance of this contract, but not later than six (6) months (or such other period as may be provided in the schedule) after final acceptance, the Government may require the Contractor to remedy by correction or replacement as directed by the Contracting Officer, any failure by the contractor to comply with its obligations under paragraph (b) hereof. Except as otherwise provided in paragraph (d) hereof, the cost of any such replacement or correction shall be included in "Allowable Cost" determined as provided in the clause of this contract entitled "Allowable Cost, Fixed Fee and Payment," but no additional fee shall be payable with respect thereto. Corrected articles shall not be tendered again for acceptance unless the former tender and the requirements of correction is disclosed. If the contractor fails to proceed with reasonable promptness to perform such replacement or correction, the Government (i) may by contract or otherwise perform such replacement or correction and charge to the Contractor any increased cost occasioned the Government thereby, or may reduce any fixed fee payable under this contract (or require repayment of any fixed fee theretofore paid) in such amount as may be equitable under the circumstances;

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or (ii) in the case of articles not delivered, may require the delivery of such articles, and shall have the right to reduce any fixed fee payable under this contract (or to require repayment of any fixed fee theretofore paid) in such amount as may be equitable under the circumstances; or (iii) may terminate this contract for default as provided in the clause of this contract entitled "Termination." Failure to agree on the amount of any such increased cost to be charged to the Contractor or to such reduction in, or repayment of, the fixed fee shall be a dispute concerning a question of fact within the meaning of the clause of this contract entitled "Disputes."

(d) Notwithstanding the provisions of paragraph (c) hereof, the Government may at any time require the contractor to remedy by correction or replacement, without cost to the Government, any failure by the Contractor to comply with its obligations under paragraph (b) hereof, if such failure is due to fraud, lack of good faith, or willful misconduct on the part of any of the contractor's directors or officers, or on the part of its managers, superintendents, or other equivalent representatives, who has supervision or direction of (i) all or substantially all of the Contractor's business; or (ii) all or substantially all of the Contractor's operations at any one plant or separate location in which this contract is being performed; or (iii) a separate and complete major industrial operation in connection with the performance on this contract. Fraud, lack of good faith, or willful misconduct on the part of any of such supervisory personnel shall be deemed to include the selection of individual employees or the retention of employees after any of such supervisory personnel has reason to believe that such employees are habitually careless or otherwise unqualified.

(e) Corrected articles tendered as replacements shall be subject to the provisions of this clause in the same manner and to the same extent as supplies originally delivered under this contract.

(f) The contractor shall make its records of all inspection work available to the Government during the performance of this contract and for such longer period as may be specified in this contract.

(g) Except as otherwise provided in the schedule, the contractor's obligation to correct or replace Government-furnished property (which is property in the possession of or acquired directly by the Government and delivered or otherwise made available to the contractor) shall be governed by the provisions of the clause of this contract entitled "Government Property."

ARTICLE 10. SUBCONTRACTS.

(a) The Contractor shall give advance notification to the Contracting Officer of any proposed subcontract hereunder which (i) is on a cost or cost-plus-a-fixed-fee basis, or (ii) is on a fixed-price basis exceeding in dollar amount either \$25,000 or five percent (5%) of the total estimated cost of this contract.

(b) The Contractor shall not, without the prior written consent of the Contracting Officer, place any subcontract which (i) is on a cost or cost-plus-a-fixed-fee basis, or (ii) is on a fixed-price basis exceeding in dollar amount either \$25,000 or five percent (5%) of the total estimated

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cost of this contract, or (iii) provides for the fabrication, purchase, rental, installation or other acquisition, of any item of industrial facilities, or of special tooling having a value in excess of \$1,000, or (iv) is on a time-and-material or labor-hour basis, or (v) involves research and development work. The Contracting Officer may, in his discretion, ratify in writing any such subcontract; such action shall constitute the consent of the Contracting Officer as required by this paragraph (b).

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

(d) The Contracting Officer may, in his discretion, specifically approve in writing any of the provisions of a subcontract. However, such approval or the consent of the Contracting Officer obtained as required by this cause shall not be construed to constitute a determination of the allowability of any cost under this contract, unless such approval specifically provides that it constitutes a determination of the allowability of such cost.

(e) The Contractor shall give the Contracting Officer immediate notice in writing of any action or suit filed, and prompt notice of any claim made against the Contractor by any subcontractor or vendor which, in the opinion of the Contractor, may result in litigation, related in any way to this contract with respect to which the Contractor may be entitled to reimbursement from the Government.

ARTICLE 11. NOTICE AND ASSISTANCE REGARDING PATENT INFRINGEMENT.

The provisions of this clause shall be applicable only if the amount of this contract is in excess of \$5,000.

(a) The Contractor shall report to the Contracting Officer, promptly and in reasonable written detail, each notice or claim of patent infringement based on the performance of this contract of which the Contractor has knowledge.

(b) In the event of litigation against the Government on account of any claim of patent infringement arising out of the performance of this contract or out of the use of any supplies furnished or work or services performed hereunder, the Contractor shall furnish to the Government, upon request, all evidence and information in possession of the Contractor pertaining to such litigation. Such evidence and information shall be furnished at the expense of the Government except in those cases in which the Contractor has agreed to indemnify the Government against the claim being asserted.

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ARTICLE 12. FILING OF PATENT APPLICATIONS.

(a) Before filing or causing to be filed a patent application disclosing any subject matter of this contract, which subject matter is classified "Secret" or higher, the Contractor shall, citing the thirty (30) day provision below, transmit the proposed application to the Contracting Officer for determination whether, for reasons of national security, such application should be placed under an order of secrecy or sealed in accordance with the provisions of 35 U. S. Code 181-188 or the issuance of a patent should be otherwise delayed under pertinent statutes or regulations; and the Contractor shall observe any instructions of the Contracting Officer with respect to the manner of delivery of the patent application to the U. S. Patent Office for filing, but the Contractor shall not be denied the right to file such patent application. If the Contracting Officer shall not have given any such instructions within thirty (30) days from the date of mailing or other transmittal of the proposed application, the Contractor may file the application.

(b) The Contractor shall furnish to the Contracting Officer, at the time of or prior to the time when the Contractor files or causes to be filed a patent application disclosing any subject matter of this contract, which subject matter is classified "Confidential", a copy of such application for determination whether, for reasons of national security, such application should be placed under an order of secrecy or the issuance of a patent should be otherwise delayed under pertinent statutes or regulations.

(c) In filing any patent application coming within the scope of this clause, the Contractor shall observe all applicable security regulations covering the transmission of classified subject matter.

ARTICLE 13. PATENT RIGHTS.

(a) As used in this clause, the following terms shall have the meanings set forth below:

(i) The term "Subject Invention" means any invention, improvement or discovery (whether or not patentable) conceived or first actually reduced to practice either (A) in the performance of the experimental, developmental, or research work called for or required under this contract, or (B) in the performance of any experimental, developmental, or research work relating to the subject matter of this contract which was done upon an understanding in writing that a contract would be awarded; provided that the term "Subject Invention" shall not include any invention which is specifically identified and listed in the Schedule for the purpose of excluding it from the license granted by this clause.

(ii) The term "Technical Personnel" means any person employed by or working under contract with the Contractor (other than a subcontractor whose responsibilities with respect to rights accruing to the Government in inventions arising under subcontracts are set forth in paragraphs (g), (h), and (i) of this clause) who, by reason of the nature of his duties in connection with the performance of this contract, would reasonably be expected to make inventions.

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(iii) The terms "subcontract" and "subcontractor" mean any subcontract or subcontractor of the Contractor, and any lower-tier subcontract or subcontractor under this contract.

(b) The Contractor agrees to and does hereby grant to the Government an irrevocable, nonexclusive, nontransferable, and royalty-free license to practice, and cause to be practiced by or for the United States Government throughout the world, each Subject Invention in the manufacture, use and disposition according to law, of any article or material, and in the use of any method; provided, however, that with respect to (i) any Subject Invention made by other than Technical Personnel, (ii) any Subject Invention conceived prior to, but first actually reduced to practice in the course of, any of the experimental, developmental, or research work specified in paragraph (a)(i) above, and (iii) the practice of any Subject Invention in foreign countries, the obligation of the Contractor to grant the aforesaid license and the other rights hereinafter provided in this clause shall be limited to the extent of the Contractor's right to grant the same without incurring any obligation to pay royalties or other compensation to others solely on account of said grant. No license granted herein shall convey any right to the Government to manufacture, have manufactured, or use any Subject Invention for the purpose of providing services or supplies to the general public in competition with the Contractor or the Contractor's commercial licensees in the licensed fields. Nothing contained in this paragraph shall be deemed to grant any license under any invention other than a Subject Invention.

(c) The Contractor shall:

(i) Make a written disclosure to the Contracting Officer promptly after conception or first actual reduction to practice of each Subject Invention which reasonably appears to be patentable;

(ii) Certify to the Contracting Officer not less often than every twelve months, commencing with the date of this contract, whether or not any Subject Inventions were conceived or first actually reduced to practice during the preceding twelve months; and

(iii) Prior to final settlement of this contract, make a summary report of all those Subject Inventions previously disclosed and of those Subject Inventions conceived or first actually reduced to practice after the last certification but prior to the summary report.

(d) The Contractor shall also, in connection with each Subject Invention referred to in paragraph (c)(i) above;

(i) Specify, at the time of making written disclosure, whether or not a United States Patent application claiming such Invention has been or will be filed by or on behalf of the Contractor. If the Contractor specifies that a United States patent application will be filed claiming such Invention, the Contractor shall file or cause to be filed such application in due form

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and time. If the Contractor decides not to file or cause to be filed said application after having specified that it would file, the Contractor shall so notify the Contracting Officer at the earliest practicable date and in any event not later than eight months after first publication, public use or sale;

(ii) In the event the Contractor specifies that it has not filed and will not file (or having specified that it will file, thereafter notifies the Contracting Officer to the contrary), (A) inform the Contracting Officer in writing at the earliest practicable date of any publication of such Invention made by or known to the Contractor or, where applicable, of any contemplated publication by the Contractor, stating the date and identity of such publication or contemplated publication, and (B) convey to the Government the Contractor's entire right, title and interest in such Invention by delivering to the Contracting Officer upon written request such duly executed instruments (prepared by the Government) of assignment, application and other papers as are deemed necessary to vest in the Government the Contractor's right, title and interest aforesaid, and the right to apply for and prosecute patent applications covering such Invention throughout the world, subject, however, to the right reserved to the Contractor in paragraph (e) to file foreign applications, and subject further to the reservation of a nonexclusive and royalty-free license to the Contractor (and to its existing and future associated and affiliated companies, if any, within the corporate structure of which the Contractor is a part) which license shall be assignable to the successor of that part of the Contractor's business to which the Subject Invention pertains;

(iii) Furnish promptly to the Contracting Officer on request an irrevocable power of attorney to inspect and make copies of each United States patent application filed by or on behalf of the Contractor covering any Subject Invention;

(iv) In the event the Contractor, or those deriving rights from the Contractor, elects not to continue prosecution of any such United States patent application filed by or on behalf of the Contractor, so notify the Contracting Officer not less than sixty days before the expiration of the response period and, upon written request, deliver to the Contracting Officer such duly executed instruments (prepared by the Government) as are deemed necessary to vest in the Government the Contractor's entire right, title and interest in the Subject Invention and the application, subject to the reservations as specified in (ii) above; and

(v) Deliver to the Contracting Officer duly executed instruments fully confirmatory of any license rights herein agreed to be granted to the Government.

(e) The Contractor, or those deriving rights from the Contractor, has the option of filing patent applications in foreign countries on Subject Inventions. If this option is not exercised in the time and manner set forth below, the Government shall have the right to file applications in each foreign country in which the Contractor has not exercised its option.

(i) In the event that the Contractor specifies under the provisions of paragraph (d) that it has not filed and will not file a United States patent application (or having specified that it will file, thereafter notifies

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the Contracting Officer to the contrary) the Contractor shall have six months from the date of making the written disclosure required by paragraph (c)(i) to file foreign patent applications.

(ii) In the event that a United States patent application is filed by or on behalf of the Contractor under the provisions of paragraph (d), the Contractor shall have six months from the date of the United States application, or six months from the date permission is granted to file foreign applications where such filing had been prohibited for security reasons, within which to file foreign patent applications. With respect to each Subject Invention on which it has specified that a United States patent application has been or will be filed by or on behalf of the Contractor, the Contractor shall (A) inform the Contracting Officer in writing of each foreign patent application for such Invention filed by or on behalf of the Contractor within six months after the filing by the Contractor of the corresponding United States application, and, if practicable, prior to the publication of the Subject Invention in any country, (B) inform the Contracting Officer in writing at the earliest practicable date of any publication of the Subject Invention made by or known to the Contractor or, where applicable, of any contemplated publication by the Contractor, stating the date and identity of such publication or contemplated publication, (C) upon written request of the Contracting Officer, convey to the Government the Contractor's entire right, title, and interest in such Invention in those countries in which the Contractor has not, within six months after the filing of the corresponding United States application, filed foreign patent applications, and deliver to the Contracting Officer, upon written request, such duly executed instruments (prepared by the Government) of assignment, application, and other papers as are deemed necessary to vest in the Government the Contractor's right, title, and interest as aforesaid and the right to apply for and maintain patents covering such invention, subject, however, to the reservation of a non-exclusive and royalty-free license to the Contractor (and to its existing and future associated and affiliated companies, if any, within the corporate structure of which the Contractor is a part) which license shall be assignable to the successor of that part of the Contractor's business to which the Subject Invention pertains, and (D) in the event that the Contractor, or those deriving rights from the Contractor, elects not to continue the prosecution of any foreign application which has been filed by or on behalf of the Contractor, or elects not to maintain any patent granted on such application, so notify the Contracting Officer not less than ninety days before the expiration of the response period or patent lapse date and, upon written request, deliver to the Contracting Officer such duly executed instruments (prepared by the Government) as will convey to the Government the Contractor's entire right, title, and interest in the application or patent, subject to a reservation as specified in (C) above.

(f) If the Contractor fails to deliver to the Contracting Officer the certificates required by paragraph (c)(ii) of this clause or fails to furnish the written disclosures for all Subject Inventions required by paragraph (c)(i) of this clause shown to be due in accordance with any certificate delivered under paragraph (c)(ii), there shall be withheld from payment

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until the Contractor shall have corrected such failures either (i) ten percent (10%) of the amount of this contract, as from time to time amended, or (ii) \$5,000, whichever is less. After payment of eighty percent (80%) of the amount of this contract, as from time to time amended, payment shall be withheld until a reserve of either (i) ten percent (10%) of such amount, or (ii) \$5,000, whichever amount is less, shall have been set aside, such reserve or balance thereof to be retained until the Contractor shall have furnished to the Contracting Officer (A) the summary report required by paragraph (c)(iii) of this clause, (B) written disclosures for all Subject Inventions required by paragraph (c)(i) of this clause which are shown to be due in accordance with certificates delivered under paragraph (c)(ii) or in accordance with such summary report, and (C) the information as to any subcontractor required by paragraph (h) of this clause. The maximum amount which may be withheld under this paragraph shall not exceed ten percent (10%) of the amount of this contract or \$5,000, whichever is less, and no amount shall be withheld under this paragraph when the minimum amount specified by this paragraph is being withheld under other provisions of this contract. The withholding of any amount or subsequent payment thereof to the Contractor shall not be construed as a waiver of any rights accruing to the Government under this contract. This paragraph shall not be construed as requiring the Contractor to withhold any amounts from a subcontractor to enforce compliance with the patent provisions of a subcontract.

(g) The Contractor shall exert all reasonable effort to negotiate for the inclusion of this Patent Rights clause in any subcontract hereunder of \$3,000 or more having experimental, developmental, or research work as one of its purposes. In the event of refusal by a subcontractor to accept the Patent Rights clause, the Contractor shall not proceed with the subcontract without written authorization of the Contracting Officer, and upon obtaining such authorization, shall cooperate with the Government in the negotiation with such subcontractor of an acceptable patent rights clause; provided, however, that the Contractor shall in any event require the subcontractor to grant to the Government patent rights under Subject Inventions of no less scope and on no less favorable terms than those which the Contractor has under such subcontract, except that in no event shall the subcontractor be required to grant to the Government patent rights in excess of those herein agreed to be granted to the Government by the Contractor.

(h) The Contractor shall, at the earliest practicable date, notify the Contracting Officer in writing of any subcontract containing a patent rights clause, furnish the Contracting Officer a copy of such clause, and notify the Contracting Officer when such subcontract is completed. It is understood that with respect to such subcontract clause, the Government is a third party beneficiary; and the Contractor hereby assigns to the Government all the rights that the Contractor would have to enforce the subcontractor's obligations for the benefit of the Government with respect to Subject Inventions. The Contractor shall not be obligated to enforce the agreements of any subcontractor hereunder relating to Subject Inventions.

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(i) When the Contractor shows that it has been delayed in the performance of this contract by reason of its inability to obtain in accordance with paragraph (g) a suitable patent rights clause from a qualified subcontractor for any item or service required under this contract for which the Contractor itself does not have available facilities or qualified personnel, the Contractor's delivery dates shall be extended for a period of time equal to the duration of such delay; and, upon request of the Contractor, the Contracting Officer shall determine to what extent, if any, an additional extension of the delivery dates and an increase in contract prices based upon additional costs incurred by such delay are proper under the circumstances; and the contract shall be modified accordingly. If the Contractor, after exerting all reasonable effort, is unable to obtain a qualified subcontractor as set forth above, the Contractor may submit to the Contracting Officer a written request for waiver or modification of the requirement that a suitable patent rights clause be included in the subcontract. Such request shall specifically state that the Contractor has used all reasonable effort to obtain such qualified subcontractor, and shall cite the waiver or termination provision hereinafter set forth. If, within thirty-five (35) days after the date of receipt of such request for a waiver or modification of said requirement, the Contracting Officer shall fail to deny in writing such request, the requirement shall be deemed to have been waived by the Government. If within such period the Contractor shall receive a written denial of such request by the Contracting Officer, this contract shall thereupon automatically terminate and the rights and obligations of the parties shall be governed by the provisions of the clause of this contract entitled "Termination for the Convenience of the Government."

ARTICLE 14. AUTHORIZATION AND CONSENT.

The Government hereby gives its authorization and consent for all use and manufacture of any patented invention in the performance of this contract or any part hereof or any amendment hereto or any subcontract hereunder (including any lower-tier subcontract).

ARTICLE 15. COPYRIGHT.

(a) The Contractor agrees to and does hereby grant to the Government, and to its officers, agents and employees acting within the scope of their official duties, (i) a royalty-free, nonexclusive and irrevocable license to reproduce, translate, publish, use, and dispose of, and to authorize others so to do, all copyrightable material first produced or composed and delivered to the Government under this contract by the Contractor, its employees or any individual or concern specifically employed or assigned to originate and prepare such material; and (ii) a license as aforesaid under any and all copyrighted or copyrightable work not first produced or composed by the Contractor in the performance of this contract but which is incorporated in the material furnished under the contract, provided that such license shall be only to the extent the Contractor now has, or prior to completion or final settlement of the contract may acquire, the right to grant such license without becoming liable to pay compensation to others solely because of such grant.

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(b) The Contractor agrees that it will exert all reasonable effort to advise the Contracting Officer, at the time of delivering any copyrightable or copyrighted work furnished under this contract, of any adversely held copyrighted or copyrightable material incorporated in any such work and of any invasion of the right of privacy therein contained.

(c) The Contractor agrees to report to the Contracting Officer, promptly and in reasonable written detail, any notice or claim of copyright infringement received by the Contractor with respect to any material delivered under this contract.

ARTICLE 16. REPRODUCTION AND USE OF TECHNICAL DATA.

The Contractor agrees to and does hereby grant to the Government, to the full extent of the Contractor's right to do so without payment of compensation to others, the right to reproduce, use, and disclose for governmental purposes (including the right to give to foreign governments for their use as the national interest of the United States may demand) all or any part of the reports, drawings, blueprints, data, and technical information specified to be delivered by the Contractor to the Government under this contract; provided, however, that nothing contained in this paragraph shall be deemed, directly or by implication, to grant any license under any patent now or hereafter issued or to grant any right to reproduce anything else called for by this contract.

ARTICLE 17. REPORTING OF ROYALTIES.

If this contract is in an amount which exceeds \$10,000, the Contractor agrees to report in writing to the Contracting Officer, during the performance of this contract and prior to its completion or final settlement, the amount of any royalties or royalty rates paid or to be paid by it directly to others in connection with the performance of this contract, together with the names and addresses of licensors to whom such payments are made and either the patent numbers involved or such other information as will permit identification of the patents or other basis on which royalties are to be paid. Where the Contractor's compliance with the foregoing reporting requirement is found by the Contracting Officer to be impracticable because of the size of the Contractor's business or because of the nature of its accounting procedures, the Contractor may furnish one or more reports, based on its established accounting periods and covering the entire contract period, of royalties in excess of \$1,000 (if computed on an annual basis) paid or to be paid to each licensor on the Contractor's overall business, together with such other information as will permit identification of the patents or other basis on which royalties are to be paid, in which event the Contractor shall furnish the Contracting Officer, upon his request and at Government expense, an allocation of such royalty payments to Government business or to the work or supplies covered by this contract; reference to any such periodic royalty reports, previously furnished to any Government agency and covering the period of performance of this contract, shall constitute compliance with the reporting requirement of this clause.

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ARTICLE 18. SECURITY.

(a) Disclosure of Information. It is understood that disclosure of information relating to the work contracted for hereunder, to any person not entitled to receive it, or failure to safeguard all secret, confidential, and restricted matter that may come to the Contractor or any person under his control in connection with the work under this contract, may subject the Contractor, his agents, employees and subcontractors to criminal liability under the laws of the United States (Act of 25 June 1948, c.645, 62 Stat. 862 as amended). The provisions of the "Security Requirements for Contractors" and of the "Contractor's Security Agreement," copies of which have been furnished to the Contractor, are incorporated herein by reference.

(b) Subcontractors. The Contractor shall cause a like provision to be inserted in all subcontracts under this contract where consistent with security. In case of doubt, the Contractor shall seek, and be guided by, the advice of the Contracting Officer.

ARTICLE 19. DISPUTES.

Except as otherwise provided in this contract, any dispute concerning a question of fact arising under this contract which is not disposed of by agreement shall be decided by the Contracting Officer, who shall reduce his decision to writing and mail or otherwise furnish a copy thereof to the Contractor. Within 30 days from the date of receipt of such copy, the Contractor may appeal by mailing or otherwise furnishing to the Contracting Officer a written appeal addressed to the Director, and the decision of the Director or his duly authorized representative for the hearing of such appeals shall be final and conclusive; provided that, if no such appeal is taken, the decision of the Contracting Officer shall be final and conclusive. In connection with any appeal proceeding under this clause, the Contractor shall be afforded an opportunity to be heard and to offer evidence in support of its appeal. Pending final decision of a dispute hereunder, the Contractor shall proceed diligently with the performance of the contract and in accordance with the Contracting Officer's decision.

ARTICLE 20. BUY AMERICAN ACT.

The Contractor agrees that there will be delivered under this contract only such unmanufactured articles, materials and supplies (which term "articles, materials and supplies" is hereinafter referred to in this clause as "supplies") as have been mined or produced in the United States, and only such manufactured supplies as have been manufactured in the United States substantially all from supplies mined, produced, or manufactured, as the case may be, in the United States. Pursuant to the Buy American Act (41 U. S. Code 10a-d), the foregoing provision shall not apply (i) with respect to supplies excepted by the Director from the application of that Act, (ii) with respect to supplies for use outside the United States, or (iii) with respect to the supplies to be delivered under this contract which are of a class or kind determined by the Director or his duly authorized representative not to be mined, produced, or manufactured, as

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the case may be, in the United States in sufficient and reasonably available commercial quantities and of a satisfactory quality, or (iv) with respect to such supplies, from which the supplies to be delivered under this Contract are manufactured, as are of a class or kind determined by the Director or his duly authorized representative not to be mined, produced, or manufactured, as the case may be, in the United States in sufficient and reasonably available commercial quantities and of a satisfactory quality: Provided, That this exception (iv) shall not permit delivery of supplies manufactured outside the United States if such supplies are manufactured in the United States in sufficient and reasonably available commercial quantities and of a satisfactory quality.

ARTICLE 21. OFFICIALS NOT TO BENEFIT.

No member of or delegate to Congress, or resident commissioner, shall be admitted to any share or part of this contract, or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

ARTICLE 22. COVENANT AGAINST CONTINGENT FEES.

The Contractor warrants that no person or selling agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business. For breach or violation of this warranty the Government shall have the right to annul this contract without liability or in its discretion to deduct from the contract price or consideration the full amount of such commission, percentage, brokerage or contingent fee.

ARTICLE 23. CONVICT LABOR.

In connection with the performance of work under this contract, the Contractor agrees not to employ any person undergoing sentence of imprisonment at hard labor.

ARTICLE 24. EIGHT-HOUR LAW OF 1912.

This contract, to the extent that it is of a character specified in the Eight-Hour Law of 1912 as amended (40 U. S. Code 324-326) and is not covered by the Walsh-Healey Public Contracts Act (41 U. S. Code 35-45), is subject to the following provisions and exceptions of said Eight-Hour Law of 1912 as amended, and to all other provisions and exceptions of said Law:

No laborer or mechanic doing any part of the work contemplated by this contract, in the employ of the Contractor or any subcontractor contracting for any part of the said work, shall be required or permitted to work more than eight hours in any one calendar day upon such work, except upon the condition that compensation is paid to such laborer or mechanic in accordance with the provisions of this clause. The wages of every such laborer and mechanic

employed by the Contractor or any subcontractor engaged in the performance of this contract shall be computed on a basic day rate of eight hours per day; and work in excess of eight hours per day is permitted only upon the condition that every such laborer and mechanic shall be compensated for all hours worked in excess of eight hours per day at not less than one and one-half times the basic rate of pay. For each violation of the requirements of this clause a penalty of five dollars shall be imposed upon the Contractor for each such laborer or mechanic for every calendar day in which such employee is required or permitted to labor more than eight hours upon said work without receiving compensation computed in accordance with this clause; and all penalties thus imposed shall be withheld for the use and benefit of the Government.

ARTICLE 25. NONDISCRIMINATION IN EMPLOYMENT.

(a) In connection with the performance of work under this contract, the Contractor agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the Contracting Officer setting forth the provisions of the nondiscrimination clause.

(b) The Contractor further agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

ARTICLE 26. GRATUITIES.

(a) The Government may, by written notice to the Contractor, terminate the right of the Contractor to proceed under this contract if it is found, after notice and hearing, by the Director or his duly authorized representative, that gratuities (in the form of entertainment, gifts, or otherwise) were offered or given by the Contractor, or any agent or representative of the Contractor, to any officer or employee of the Government with a view toward securing a contract or securing favorable treatment with respect to the awarding or amending, or the making of any determinations with respect to the performing of such contract; provided, that the existence of the facts upon which the Director or his duly authorized representative makes such findings shall be in issue and may be reviewed in any competent court.

(b) In the event this contract is terminated as provided in paragraph (a) hereof, the Government shall be entitled (i) to pursue the same remedies against the Contractor as it could pursue in the event of a breach of the contract by the Contractor, and (ii) as a penalty in addition to any other damages to which it may be entitled by law, to exemplary damages in an amount (as determined by the Director or his duly authorized representative) which shall be not less than three nor more than ten times the costs incurred by the Contractor in providing any such gratuities to any such officer or employee.

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(c) The rights and remedies of the Government provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under this contract.

ARTICLE 27. EXCUSABLE DELAYS.

The Contractor shall not be in default by reason of any failure in performance of this contract in accordance with its terms (including any failure by the Contractor to make progress in the prosecution of the work hereunder which endangers such performance) if such failure arises out of causes beyond the control and without the fault or negligence of the Contractor. Such causes include, but are not restricted to: acts of God or of the public enemy; acts of the Government; fires; floods; epidemics; quarantine restrictions; strikes; freight embargoes; unusually severe weather; and failure of subcontractors to perform or make progress due to such causes, unless the Contracting Officer shall have determined that the supplies or services to be furnished under the subcontract were obtainable from other sources and shall have ordered the Contractor in writing to procure such services or supplies from such other sources, and the Contractor shall have failed reasonably to comply with such order. Upon request of the Contractor, the Contracting Officer shall ascertain the facts and extent of such failure and, if he shall determine that such failure was occasioned by any one or more of the said causes, the delivery schedule shall be revised accordingly.

ARTICLE 28. EMPLOYMENT OF ALIENS.

No aliens employed by the Contractor shall be permitted to have access to the plans or specifications, or the work under construction, or to participate in the contract trials, without the written consent beforehand of the Director or his duly authorized representative.

ARTICLE 29. ASSIGNMENT OF RIGHTS.

No assignment of any of the Contractor's rights under this contract shall be made.

ARTICLE 30. TERMINATION.

(a) The performance of work under the contract may be terminated by the Government in accordance with this clause in whole, or from time to time in part, (1) whenever the Contractor shall default in performance of this contract in accordance with its terms (including in the term "default" any such failure by the Contractor to make progress in the prosecution of the work hereunder as endangers such performance), and shall fail to cure such default within a period of ten days (or such longer periods as the Contracting Officer may allow) after receipt from the Contracting Officer of a notice specifying the default, or (2) whenever for any reason the Contracting Officer shall determine that such termination is in the best interests of the Government.

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Any such termination shall be effected by delivery to the Contractor of a Notice of Termination specifying whether termination is for the default of the Contractor or for the convenience of the Government, the extent to which performance of work under the contract is terminated, and the date upon which such termination becomes effective. If, after notice of termination of this contract for default under (1) above, it is determined that the Contractor's failure to perform or to make progress in performance is due to causes beyond the control and without the fault or negligence of the Contractor pursuant to the provisions of the clause of this contract relating to excusable delays, the Notice of Termination shall be deemed to have been issued under (2) above, and the rights and obligations of the parties hereto shall in such event be governed accordingly.

(b) After receipt of a Notice of Termination and except as otherwise directed by the Contracting Officer, the Contractor shall (1) stop work under the contract on the date and to the extent specified in the Notice of Termination; (2) place no further orders or subcontracts for materials, services, or facilities except as may be necessary for completion of such portion of the work under the contract as is not terminated; (3) terminate all orders and subcontracts to the extent that they relate to the performance of work terminated by the Notice of Termination; (4) assign to the Government, in the manner and to the extent directed by the Contracting Officer, all of the right, title, and interest of the Contractor under the orders or subcontracts so terminated, in which case the Government shall have the right, in its discretion, to settle or pay any or all claims arising out of the termination of such orders and subcontracts; (5) with the approval or ratification of the Contracting Officer, to the extent he may require, which approval or ratification shall be final and conclusive for all purposes of this clause, settle all outstanding liabilities and all claims arising out of such termination of orders and subcontracts, the cost of which would be reimbursable in whole or in part, in accordance with the provisions of this contract; (6) transfer title (to the extent that title has not already been transferred) and, in the manner, to the extent, and at the times directed by the Contracting Officer, deliver to the Government (i) the fabricated or unfabricated parts, work in process, completed work, supplies, and other material produced as a part of, or acquired in respect of the performance of, the work terminated by the Notice of Termination, (ii) the completed or partially completed plans, drawings, information, and other property which, if the contract had been completed, would be required to be furnished to the Government, and (iii) the jigs, dies, and fixtures, and other special tools and tooling acquired or manufactured for the performance of this contract for the cost of which the Contractor has been or will be reimbursed under this contract; (7) use its best efforts to sell in the manner, at the times, to the extent, and at the price or prices directed or authorized by the Contracting Officer, any property of the types referred to in provision (6) of this paragraph, provided, however, that the Contractor (i) shall not be required to extend credit to any purchaser, and (ii) may acquire any such property under the conditions prescribed by and at a price or prices approved by the Contracting Officer; and provided further that the proceeds of any such transfer or disposition shall be applied in reduction of any payments to be made by the Government to the Contractor under this contract or shall otherwise be credited

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to the price or cost of the work covered by this contract or paid in such other manner as the Contracting Officer may direct; (8) complete performance of such part of the work as shall not have been terminated by the Notice of Termination, and (9) take such action as may be necessary, or as the Contracting Officer may direct, for the protection and preservation of the property related to this contract which is in the possession of the Contractor in which the Government has or may acquire an interest. The Contractor shall proceed immediately with the performance of the above obligations notwithstanding any delay in determining or adjusting the amount of the fixed-fee, or any item of reimbursable cost, under this clause. At any time after expiration of the plant clearance period, as defined in Section VIII, Armed Services Procurement Regulation, as it may be amended from time to time, the Contractor may submit to the Contracting Officer a list, certified as to quantity and quality, of any or all items of termination inventory not previously disposed of, exclusive of items the disposition of which has been directed or authorized by the Contracting Officer, and may request the Government to remove such items or enter into a storage agreement covering them. Not later than fifteen (15) days thereafter, the Government will accept title to such items and remove them or enter into a storage agreement covering the same, provided that the list submitted shall be subject to verification by the Contracting Officer upon removal of the items, or if the items are stored, within forty-five (45) days from the date of submission of the list, and any necessary adjustment to correct the list as submitted shall be made prior to final settlement.

(c) After receipt of a Notice of Termination, the Contractor shall submit to the Contracting Officer its termination claim in the form and with the certification prescribed by the Contracting Officer. Such claim shall be submitted promptly but in no event later than two years from the effective date of termination, unless one or more extensions in writing are granted by the Contracting Officer upon request of the Contractor made in writing within such two-year period or authorized extension thereof. However, if the Contracting Officer determines that the facts justify such action, he may receive and act upon any such termination claim at any time after such two-year period or any extension thereof. Upon failure of the Contractor to submit its termination claim within the time allowed, the Contracting Officer may determine, on the basis of information available to him, the amount, if any, due to the Contractor by reason of the termination and shall thereupon pay to the Contractor the amount so determined.

(d) Subject to the provisions of paragraph (c), the Contractor and the Contracting Officer may agree upon the whole or any part of the amount or amounts to be paid (including an allowance for the fixed-fee) to the Contractor by reason of the total or partial termination of work pursuant to this clause. The contract shall be amended accordingly, and the Contractor shall be paid the agreed amount.

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(e) In the event of the failure of the Contractor and the Contracting Officer to agree in whole or in part, as provided in paragraph (d) above, as to the amounts with respect to costs and fixed-fee, or as to the amount of the fixed-fee, to be paid to the Contractor in connection with the termination of work pursuant to this clause, the Contracting Officer shall determine, on the basis of information available to him, the amount, if any, due to the Contractor by reason of the termination and shall pay to the Contractor the amount determined as follows:

(1) If the settlement includes cost and fixed-fee

(i) There shall be included therein all costs and expenses reimbursable in accordance with this contract, not previously paid to the Contractor for the performance of this contract prior to the effective date of the Notice of Termination, and such of these costs as may continue for a reasonable time thereafter with the approval of or as directed by the Contracting Officer, provided, however, that the Contractor shall proceed as rapidly as practicable to discontinue such costs.

(ii) There shall be included therein so far as not included under (i) above, the cost of settling and paying claims arising out of the termination of work under subcontracts or orders, as provided in paragraph (b)(5) above, which are properly chargeable to the terminated portion of the contract.

(iii) There shall be included therein the reasonable costs of settlement, including accounting, legal, clerical, and other expenses reasonably necessary for the preparation of settlement claims and supporting data with respect to the terminated portion of the contract and for the termination and settlement of subcontracts thereunder, together with reasonable storage, transportation, and other costs incurred in connection with the protection or disposition of termination inventory; provided, however, that if the termination is for default of the Contractor there shall not be included any amounts for the preparation of the Contractor's settlement proposal.

(iv) There shall be included therein a portion of the fixed-fee payable under the contract determined as follows:

(A) In the event of the termination of this contract for the convenience of the Government and not for the default of the Contractor, there shall be paid a percentage of the fee equivalent to the percentage of the completion of work contemplated by the contract, less fixed-fee payments previously made hereunder.

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(B) In the event of the termination of this contract for the default of the Contractor, the total fixed-fee payable shall be such proportionate part of the fee (or, if this contract calls for articles of different types, of such part of the fee as is reasonably allocable to the type of article under consideration) as the total number of articles delivered to and accepted by the Government bears to the total number of articles of a like kind called for by this contract.

If the amount determined under this paragraph is less than the total payment of fixed-fee theretofore made to the Contractor, the Contractor shall repay to the Government the excess amount.

(2) If the settlement includes only the fixed fee, the amount thereof will be determined in accordance with subparagraph (e)(1)(iv) above.

(f) The Contractor shall have the right of appeal, under the clause of this contract entitled "Disputes," from any determination made by the Contracting Officer under paragraphs (c) or (e) above, except that if the Contractor has failed to submit its claim within the time provided in paragraph (c) above and has failed to request extension of such time, he shall have no such right of appeal. In any case where the Contracting Officer has made a determination of the amount due under paragraph (c) or (e) above, the Government shall pay to the Contractor the following: (i) if there is no right of appeal hereunder or if no timely appeal has been taken, the amount so determined by the Contracting Officer, or (ii) if an appeal has been taken, the amount finally determined on such appeal.

(g) In arriving at the amount due the Contractor under this clause there shall be deducted (1) all unliquidated advance or other unliquidated payments theretofore made to the Contractor, (2) any claim which the Government may have against the Contractor in connection with this contract, and (3) the agreed price for, or the proceeds of sale of, any materials, supplies, or other things acquired by the Contractor or sold pursuant to the provisions of this clause and not otherwise recovered by or credited to the Government.

(h) In the event of a partial termination, the portion of the fixed-fee which is payable with respect to the work under the continued portion of the contract shall be equitably adjusted by agreement between the Contractor and the Contracting Officer, and such adjustment shall be evidenced by an amendment to this contract.

(i) The Government may from time to time, under such terms and conditions as it may prescribe, make partial payments and payments on account against costs incurred by the Contractor in connection with the terminated portion of the contract whenever in the opinion of the Contracting Officer the aggregate of such payments shall be within the amount to which the Contractor will be entitled hereunder. If the total of such payments is in

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excess of the amount finally determined to be due under this clause, such excess shall be payable by the Contractor to the Government upon demand, together with interest computed at the rate of 6% per annum, for the period from the date such excess payment is received by the Contractor to the date on which such excess is repaid to the Government; provided, however, that no interest shall be charged with respect to any such excess payment attributable to a reduction in the Contractor's claim by reason of retention or other disposition of termination inventory until ten days after the date of such retention or disposition.

(j) The provisions of this clause relating to the fixed-fee shall be inapplicable if this contract does not provide for payment of a fixed-fee.

(k) Unless otherwise provided for in this contract, or by applicable statute, the Contractor from the effective date of termination and for a period of six years after final settlement under this contract, shall preserve and make available to the Government at all reasonable times at the office of the Contractor, but without direct charge to the Government, all its books, records, documents, and other evidence bearing on the cost and expenses of the Contractor under this contract and relating to the work terminated hereunder, or, to the extent approved by the Contracting Officer, photographs, micro-photographs, or other authentic reproductions thereof.

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SECRETSCHEDULE "A"ARTICLE 2. SCOPE OF SUBJECT WORK

| <u>Item</u> | <u>Quantity</u> | <u>Description</u> |
|-------------|-----------------|--|
| 1 | 3 | <p><u>Engineering Models of a Passive Intercept Receiving System</u> generally in accordance with the Department of Defense Exhibit, titled "ELINT Maritime Receiving System-Prototype Design" and in accordance with technical proposal 2.651, on file with the Contractor, Contracting Officer and the technical representative. Included will be one (1) model 513D Tecktronic Oscilloscope. The proposal is modified and/or clarified as follows:</p> <ol style="list-style-type: none"> 1. Inclusion of a combining amplifier for recorder outputs 2. Inclusion of two video selector switches instead of one (as shown in proposal) 3. Signal presence alarm light (with spare contacts on relay for additional control functions) 4. Jack output for each video and recorder output |
| 2 | 3 sets | <u>Spare Parts</u> for Item 1 above. Each set will contain 50% spares for such items as amplifiers, tubes, etc., and 25% spares for durable hardware items such as antenna horns, etc. |
| 3 | 10 copies | <u>Final Engineering Report</u> for work under Item 1 above. This report shall provide a summary of all work performed under Item 1 and shall include all information pertinent to the equipment delivered under Item 1 except that contained in the instruction guide of Item 4 below. |
| 4 | 10 copies | <u>Instruction and Operation Guide</u> for the equipment delivered under Item 1 above. This informal instruction guide shall contain information on the theory of operation, installation, adjustment, operation and maintenance of the Passive Intercept Receiving System. |
| 5 | 1 set | Complete design drawings per Section VII B of T.P. No. 651. |
| | | Total Cost Plus Fixed Fee Items 1-5 <u>\$277,076.00</u> |

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Item 1 - First equipment six (6) months after receipt by the Contractor of fully executed contract. Remainder at one (1) per month thereafter until complete.

Item 2 - Concurrent with Item 1.

Item 3 - Ninety (90) days after delivery of first equipment.

Item 4 - Thirty (30) days after delivery of first equipment.

Item 5 - Thirty (30) days after delivery of Item 1.

ARTICLE 4. LIMITATION OF COST

It is estimated that total cost to the Government, exclusive of any fixed fee, for the performance of this contract will be Two Hundred Fifty-Nine Thousand, Thirty-Six Dollars and No Cents (\$259,036.00). See Article 5 below for the amount of the fixed fee.

ARTICLE 5. ALLOWABLE COSTS, FIXED FEE, AND PAYMENT

- 8
- (a) Fixed Fee. The fixed fee (7%) payable to the Contractor for full performance of the subject work shall be Eighteen Thousand, Fourty Dollars and No Cents (\$18,040.00).
- (b) Allowable Costs. The cost, as stipulated in Article 4, incurred by the Contractor in performance of this contract, in an amount not exceeding Two Hundred Fifty-Nine Thousand, Thirty-Six Dollars and No Cents (\$259,036.00). Such sum is exclusive of the fixed fee.

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I. The allowable costs of the performance of this contract which are hereby defined as the necessary cost of direct labor, materials, and other direct items of the nature described in Sections (1) through (12) and (14) below, incurred by the Contractor directly in the performance of this contract and which are claimed by the Contractor and accepted by the Contracting Officer, and an amount for overhead and general and administrative expenses determined in accordance with Section (13) below:

- (1) The costs of materials including (i) the net cost after deducting all discounts, of materials and parts purchased directly for the performance of this contract; (ii) the cost of materials and parts withdrawn from the Contractor's store or stock rooms; and (iii) the cost of materials and parts fabricated or partially fabricated in the Contractor's manufacturing plants or shops for the performance of this contract, charged in accordance with a sound accounting method consistently followed by the Contractor. Due credit shall be given for any surplus or scrap at current price, whether or not the surplus or scrap is sold.

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- (2) The salaries and wages of engineers, technicians, draftsman and workmen directly employed in the performance of this contract and properly chargeable directly thereto in accordance with a sound accounting method consistently followed by the Contractor, excluding therefrom old age benefit taxes and social security taxes pertaining to such employment.
 - (3) The cost, including installation, of special tools, dies, jigs, equipment, etc., necessary for the performance of this contract, but not considered as capital items, as well as the cost of necessary plant rearrangement for the installation of such special tools, dies, jigs, equipments, etc., and the cost of removal thereof.
 - (4) The costs which the Government has agreed to assume under the articles hereof entitled "Insurance" and "Government Property", are including the cost of such extra-hazardous insurance as may be approved by the Contracting Officer under the provisions of Section (9) of this subparagraph; but exclusive of the cost of any other insurance allocable to this contract, it being understood and agreed that the cost of all such insurance has been taken into account in establishing the overhead percentage rate specified in Section (13) hereof.
 - (5) Payment of taxes to the extent provided in this contract and subject to the conditions provided in this contract; and payment of royalties to the extent provided in this contract.
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(6) The cost of work directly subcontracted hereunder in accordance with the provisions of the clause hereof entitled "Subcontracts", and as elsewhere provided in this contract.
 - (7) Reasonable subsistence and travel incurred by direct labor employees, section engineers and executive engineers in connection with this project, except local travel and other items of an overhead nature incurred while in travel status but exclusive of local travel and travel of administrative and other indirect labor employees which has been taken into account in establishing the overhead percentage rate specified in Section (13) hereof.

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- (8) The cost of packing, crating and shipping the complete articles, if any, called for by this contract in accordance with the provisions hereof and publication and mailing expense incurred directly in the performance of this contract.
- (9) Such other items, neither excluded by other provisions of this contract nor considered unallowable under Part 2 of Section XV of the Armed Services Procurement Regulation, as should, in the opinion of the Contracting Officer, be included in the cost of the work called for by this contract. Any such item allowed by the Contracting Officer shall be specifically certified by the Contracting Officer as being allowed under this sub-paragraph.
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- (10) In the event that any work is performed in a department not used in computing the overhead rates as set forth in Section (13) below, the cost of such work including actual burden of that department shall be reimbursed as a material charge under Section (1) above or as a facility charge under Section (3) above; provided, however, that in the event that an hourly rate is established for such department or division for any period, payments will be made for such period according to the allowable cost subparagraphs of paragraph I under Article 5.
- (11) The cost of services by others not reimbursed under Section (2) above as are necessary for the performance of this contract.
- (12) Communication expenses incurred by direct labor employees, section engineers, and executive engineers while in travel status in connection with this contract.
- (13) Direct labor overhead rates, and general and administrative expense rates based on cost of sales (including general and administrative expense), shall be negotiated, and agreed upon in writing between the Contractor and the representative of the Department of Defense, for GPOE contracts with the Government for the respective calendar periods during which work hereunder is performed, and as certified by the cognizant Department of Defense Auditor. Whenever necessary, the last previously established rate shall be used provisionally until the properly allowable rate shall have been established. The rates shall be

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negotiated no oftener than every six months or for such longer period as may be mutually agreeable. Any failure on the part of the Department of Defense and the contractor to agree on a requested revision of the overhead rates shall be considered a dispute concerning a question of fact within the meaning of the article of this contract entitled "Disputes"; pending settlement under such article, the contractor shall diligently proceed with performance. The following rates shall be used provisionally until the properly allocable rates have been established in accordance with this Section (13):

| | |
|--|-----------|
| Mechanical Engineering Department Plant 12 | \$2.03(*) |
| General and Administrative Expense | 6.678(**) |

- (*) Applicable to Departmental Direct Labor Hours
 (**) Applicable to total costs, exclusive of General and Administrative Expenses.

The Contractor shall promptly notify the Contracting Officer hereunder of the direct labor overhead rates and the General and Administrative expense rates negotiated with the Department of Defense and applicable to the type of work being performed under this contract. Said notification should be accompanied with the following certification:

"I certify that no item of cost claimed as a direct charge under terms of the contract has been included as an element of expense in establishing the overhead rate(s)."

Such rates shall be set forth in an amendment to this contract.

- (14) Premiums paid for overtime hours worked by direct labor employed in the performance of this contract and properly chargeable directly hereto, provided that such overtime has been duly authorized to the extent such authorization is required by applicable Government directives. Overtime premium in the maximum amount of \$1315.00 is hereby approved for performance of this contract. The Contractor to charge only the actual amount of **overtime worked** and no fee is applicable to overtime premiums.

- (c) Special Property Acquisition. The Contractor shall obtain the approval of the Contracting Officer before (i) purchasing any item of capital equipment at a cost of \$500.00 or more, (ii) making any building alteration at a cost of \$500.00 or more, (iii) constructing buildings, or (iv) leasing real property, for the cost of any portion or all of which reimbursement will be claimed hereunder.

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- (d) Modifications and Changes in Part 2, Section XV of ASFR. Notwithstanding the inclusion herein by reference of Part 2 of Section XV referred to as "Allowable Cost", it is understood and agreed that any modifications and changes made in such "Allowable Cost" by the Department of Defense which are not reflected in Part 2 of Section XV in effect on the date of this contract, are hereby incorporated into and made a part of the "Allowable Costs."
- (e) Inter-Company Profits. The Contractor agrees not to allow any inter-company profits between itself and its subsidiaries, affiliates or associated companies; provided, however, that this clause shall not apply to sales of commercial items, if the price charged by the seller in respect to comparable sales currently being made by the seller to the Government or the public; and providing, further, that the price charged the Contractor is no higher than the Contractor would have to pay in the open market.

ARTICLE 7. GOVERNMENT PROPERTY

The Government will furnish one (1) set of high frequency antenna drawings for use during the term of the contract. After performance tests have been conducted by the Government (See Article 9(a) below) on the second equipment, same will be returned to the Contractor by the Government for environmental testing by the Contractor. See Article 31 for Government-Furnished Services.

ARTICLE 9. INSPECTION AND CORRECTION OF DEFECTS.

- (a) Performance Tests. All three (3) units of Item 1 shall have performance tests conducted by [redacted] in accordance with Paragraph IV C of Technical Proposal No. 651. The Contractor will be advised by the Contracting Officer or his Technical Representative if antenna tests will be performed by the Government or if such tests are to be waived. The antenna tests are not a responsibility of the contractor. 25X1
- (b) Environmental Tests. The first and third equipment delivered after completion of the performance test (See (a) above) will not be subject to Environmental Tests. The second equipment will be subject to Environmental Tests to be conducted by [redacted] in accordance with Paragraph VIII of Technical Proposal No. 651. 25X1

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ARTICLE 18. SECURITY

The equipment and instruction books furnished under this contract shall be considered UNCLASSIFIED. The engineering reports and the association of the Government organization with the contract shall be classified **SECRET**.

ARTICLE 31. GOVERNMENT-FURNISHED SERVICES

If the Government deems it advisable to conduct antenna tests, it will furnish facilities for antenna tests as required in Paragraph IV C of Technical Proposal No. 651.

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IN WITNESS WHEREOF, the parties hereto have executed this contract as of the day and year first above written.

THE UNITED STATES OF AMERICA

BY _____

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TITLE Contracting Officer

BY _____

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TITLE Vice President

I, _____, certify that I am the
of the corporation named as Contractor herein; that
who signed this contract on behalf of the Contractor was then
of said corporation; that said contract was duly signed
for and in behalf of said corporation by authority of its governing body,
and is within the scope of its corporate powers.

(Corporate Seal)

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~~SECRET~~APPENDIX IIIINSTRUCTIONS TO CONTRACTORS FOR ACCOUNTABILITY OF PROPERTY

Within sixty days after completion of the contract and in accordance with Articles 6 and 8 thereof, final inventory lists should be submitted showing all Government property purchased, developed, constructed, or otherwise obtained under the contract including Government Furnished Property and not expended in performing the work called for. Such final inventory lists should make the following segregation of such property and fully describe it as to nomenclature, condition and quantity:

- (a) Non-expendable articles of personal property on hand.
- (b) Expendable articles of personal property on hand.
- (c) Articles of personal property developed and constructed under the terms of the contract.
- (d) Articles of personal property of any kind delivered to others during the period of the contract. EXPLAIN
- (e) Non-expendable articles of personal property for which no other accounting is made (such as losses by fire, theft, etc.). EXPLAIN
- (f) Alteration and/or construction work done under the contract.

In the final inventory lists, the Contractor should indicate in an appropriate column whether the item was (1) Contractor procured and reimbursable under the contract, or (2) whether the item was supplied directly as Government-furnished equipment, and (3) whether the Contractor wishes to bid for its purchase, and, if so, the amount of his bid. Expendable items of under \$50.00 per unit may be listed by categories rather than itemized.

Certification. The accounting for materials, supplies, and equipment expended in performance of the work called for by the contract should be made by furnishing a signed certification as follows:

"The undersigned Contractor, having completed the work called for by Contract No. _____ hereby certifies that all materials, supplies and equipment which were furnished to the Contractor by the Government for use on the contract, or for which the Contractor has been or will be reimbursed by the Government under the terms of the contract, if not specifically included in the foregoing inventories, were expended in performing the work called for by the contract."

Submission of Final Inventory. Final inventories should be submitted in triplicate (preferably attached to invoice or voucher covering final costs under the particular contract). Such a report must be submitted and approved before final payment is made.

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