

TIME AND MATERIAL PURCHASE ORDER TERMS AND CONDITIONS SUPPLEMENT

IT IS UNDERSTOOD AND AGREED that the following Terms and Conditions supplement the Terms and Conditions contained in, and become a part of, the attached "Time and Material" Purchase Order/Subcontract ("Purchase Order") between Seller and General Dynamics Land Systems, Inc. ("Buyer").

- i) **DIRECT MATERIALS** - Unless otherwise specified in the order Materials are to be invoiced at cost, exclusive of any overhead or profit, limited to raw and/or other materials, including stocked items. Such invoices shall be supported by Requisitions, Purchase Orders, paid invoices and receiving records.
- ii) **DIRECT LABOR** - Hours must not be invoiced at rates exceeding those indicated in this Purchase Order, Billings for Direct Labor are to cover hours worked by employees in the design, manufacture or processing of the product and shall be supported as follows:
 - (a) Daily time tickets for each employee, indicating actual starting time and stopping time to be posted at the time work begins and stops on a given job.
 - 1. Estimated or allocated time posted at day's end is not permissible.
 - 2. Corrections shall be made by drawing a line through the error, inserting correction and obtaining employee's supervisor's signature. Erasures are not permissible.
 - (b) Each employee charging time shall ring a clock card, or otherwise maintain an attendance record acceptable to Buyer, which must be reconciled to his time tickets.
 - (c) The following time-keeping and payroll records shall be made available to the Buyer.
 - 1. Time tickets and Clock Cards.
 - 2. Job Summaries.
 - 3. Actual Labor Rates.
 - 4. Labor Classifications and Employment Records.
 - 5. Payroll Registers and Evidence of Payment.
 - (d) If this purchase order is pursuant to a prime contract with the Federal Government that is principally for services, the Seller's work under this Purchase Order will be subject to the requirements of the Service Contract Labor Standards, also known as the Service Contract Act (the "Act" or "SCA"). This Act outlines the minimum monetary wages and fringe

benefits that must be paid to employees according to the applicable United States Department of Labor ("DoL") Wage Determination(s) ("WD"). In the event that a wage determination is not included as an attachment to this Purchase Order, it is Seller's responsibility to request a copy of the wage determination from Buyer. The failure to include any wage determination as an attachment or to incorporate any clauses related to compliance with the SCA, or Seller's failure to request a copy of the wage determination shall not excuse Seller from its obligations under the SCA or operate as a defense to the Seller's indemnity obligations in the event it fails to comply with the Act's requirements. Revised wage determinations only become applicable to this Purchase Order after the occurrence of both of the following events: (1) the revised wage determination has been incorporated in Buyer's prime contract; and (2) Buyer incorporates the revised wage determination into this Purchase Order. Seller is cautioned that there are severe financial penalties imposed by the DoL for any non-adherence to the Service Contract Act.

- (i) By executing this Purchase Order, Seller certifies that it will adhere to all requirements set forth in the FAR 52.222-41 clause incorporated into this Purchase Order, including all incorporated SCA implementing regulations, including but not limited to:
 - 1. Paying all SCA- covered personnel at wage rates equal to or higher than the relevant rates specified in the applicable wage determination(s) incorporated into this Purchase Order as attached.
 - 2. Providing the fringe benefits at equal to or higher than those wage rates specified in the applicable wage determination(s) incorporated into this Purchase Order as attached.
- iii) **SUBLET PURCHASE ORDERS** - Seller expressly agrees not to issue any orders for materials or services other than those for raw materials, processing (protective finishes and heat treating), and catalog shelf items, required in the performance of this Purchase Order without the prior written approval of Buyer, and in the absence of such prior approval, Buyer, will not reimburse Seller therefore. Sublet "Time and Material" Purchase Orders shall be subject to audit.
- iv) **TOOLS** - If a separate charge for new tools or reworking of tools is to be made, such charge must be agreed to and authorized by Buyer in writing. Separate invoices shall be issued for these tools which shall become the property of the Buyer.
- v) **COMPENSATION** - It is understood and agreed that the Direct Materials and Direct Labor charges resulting from this Purchase Order shall constitute full compensation to Seller for the performance of this Purchase Order and shall be in lieu of any and all other charges whatsoever.

- vi) **RECORDS** - Seller agrees to maintain and make available to the Buyer all records supporting the charges being made, including the following:
- (a) Separate job numbers shall be assigned for each order, release, or part number where applicable, as required for billing purposes;
 - (b) Records of shipment, delivery, or pick-up to Buyer;
 - (c) Time-keeping and payroll records as outlined in Paragraph ii) (c). of this Supplement; and
 - (d) Any other charges authorized by this Purchase Order shall be supported by source documents, such as, but not limited to, paid bills, expense reports.
- vii) **AUDIT** - Seller understands and agrees that amounts invoiced under this Purchase Order shall be subject to audit and that Buyer and/or the U. S. Government (if under a government prime contract) shall have access to and the right to examine, from time to time, any of Seller's books, documents and records pertaining to or supporting amounts invoiced. Buyer shall have no obligation to pay and shall have the right to a refund of any amounts paid exceeding that determined by such audit or audits to be due Seller in accordance with this Purchase Order.
- (a) To ensure Seller's compliance with the requirements of the SCA, if applicable, Buyer reserves the right for Buyer and/or the U. S. Government to conduct an audit of Seller's employee time and payroll records, which Seller must maintain under the recordkeeping requirements of the SCA at 29 C.F.R. § 4.6 and FAR 52.222-41. To support such audit, and as requested by Buyer, Seller agrees to provide the following information as a minimum to Buyer within five (5) calendar days of any such request from Buyer: Employee Name; Payroll period; Hours Worked; SCA Labor Category and wage rate; Base Hourly Rate; Hourly fringe benefits (i.e. "health & welfare," vacation, holiday) paid; copies of timesheets showing the days and hours worked; and, copies of actual employee pay stubs. If employees are assigned to multiple contracts during a given workweek, Seller agrees to provide a breakdown of the foregoing information by contract. Failure to provide these documents and any related information related to Service Contract Act compliance may be deemed grounds for, but not limited to, a termination of this Purchase Order for Default.
- viii) **INDEMNITY** - Seller will defend, indemnify and hold harmless Buyer and its employees, officer, agents and permitted assigns against any loss, liability or damage (including paying reasonable attorney's fees) incurred in connection with any claim for death, bodily injury or damage to any real or personal property that arises out of the Seller's negligence in the performance of this Purchase Order. Seller also will defend, indemnify and hold harmless Buyer and its employees, officer, agents and permitted assigns against any loss, liability or damage

(including paying reasonable attorney's fees) incurred in connection with or as a result of Seller's breach of any of the terms, conditions or obligations set forth in this Purchase Order, or for any violation of any applicable statutes, rules, regulations and orders of the United States, and of any State or political subdivision thereof (including but not limited to the Service Contract Act and related implementing regulations) by Seller, its employees, officers, agents or lower-tiered sub-contractors in connection with this Purchase Order.