

**Lake Union Drydock Company**  
**Standard Subcontract Supplemental Terms and Conditions**  
**November 2003**

Applicability: Lake Union Drydock Company's, herein "Buyer" general purchase order terms and conditions are printed on the purchase order form. If the P.O. covers Seller's performance of work or provision of services directly on or to a vessel or part thereof, the following terms and conditions apply in addition to the terms and conditions contained on the P.O. form.

Government Contract Provisions: If the P.O. relates to any government contract (federal, state or political subdivision thereof) Seller is responsible for understanding and compliance with all terms and conditions of the prime contract between Buyer and government agency as related to or as applicable to subcontracts. Prime contract provisions are available for review in Buyer's office or from the government agency having jurisdiction. Seller warrants that it is familiar with all applicable prime contract provisions including but not limited to general terms and conditions, entitlement to claims, inspection requirements, warranty provisions, liquidated damages clauses, prevailing wage requirements and other general provisions as well as specifications, drawings and related addenda, and Seller agrees to be bound by and to perform the subcontract in strict compliance with all such provisions and documents. Seller assumes with respect to Buyer, so far as the subcontract work is concerned, all of the obligations and responsibilities that Buyer assumes toward the government agency under the prime contract. Buyer shall have all the rights and remedies toward Seller as related to the work that the government has toward Buyer under the prime contract. Seller's recovery for changes shall not exceed the amount allowed Buyer under Buyer's prime contract.

Insurance: Seller warrants that it has separately secured the following insurance coverages: United States Longshore and Harborworkers' coverage including Employers' Liability; Commercial General Liability (minimum \$1,000,000.) and Ship Repairers Legal Liability including Traveling Workmen, Contractual Liability and Demurrage Endorsements (minimum \$1,000,000.); and Auto Liability, including owned, non-owned and hired (minimum \$1,000,000). Seller agrees to add Buyer as Additional Insured on its Liability policies with respect to subcontracted work and provide certificates of insurance to Buyer as evidence with 30 days notice of cancellation or material change. If and when requested, Seller shall provide copies of policies to Buyer.

Indemnity: Seller agrees to defend, indemnify and hold Buyer harmless from any and all claims, costs, demands, losses and liabilities arising from or connected with the merchandise furnished or services performed by Seller to the fullest extent permitted by law. In the event of concurrent negligence of Buyer or its other agents or employees, such indemnity will only apply proportionately to the extent of Seller's negligence or its agents' or employees'.

Reports: Whenever Seller knows of, or reasonably can anticipate the occurrence of any facts, discrepancies, problems or circumstances that can or will significantly or substantially alter the time of performance, or delivery of materials needed, or which can give rise to any claim for increased compensation, or which requires a change in plans or specifications, then Seller shall promptly notify and submit a written report to Buyer's Project Manager / Ship Superintendent detailing the problem, its impact on cost and schedules, and suggested solutions.

Employees: Sellers employees shall be experienced and qualified to perform the work assigned and shall comply with all relevant safety regulations and shipyard rules. Seller shall have a qualified supervisor on the job site at all times during performance of work. Seller shall not employ any personnel at Buyer's shipyard or aboard ship that are objectionable to Buyer.

Scheduling: Seller shall comply with Buyer's master schedule to insure timely completion. If requested, Seller will provide Buyer's project Superintendent with a work schedule demonstrating Seller's proposed performance schedule to be compatible with the master schedule and to meet the required completion or delivery date. Adjustments will be made as necessary to this schedule as directed by Buyer. Seller's performance will be monitored against this schedule.

Guaranty: Seller shall pay in a timely fashion for all labor, materials and equipment ordered, and save Buyer, Vessel and vessel owner harmless from any and all liens and related expenses arising from performance hereunder. If Buyer has reason to believe that Seller has not paid for any lienable claims for labor, materials, equipment, supplies or taxes, Buyer may require evidence satisfactory to Buyer that payment has been made. If payment has not been made, Buyer reserves the right to withhold payments sufficient to protect itself from any such claims or to pay amounts due jointly to Seller and claimants. If required, Seller shall furnish performance and payment bonds in an amount and form satisfactory to Buyer prior to start of work.

Miscellaneous: Seller warrants that it has fully investigated and is satisfied as to the nature and location of the work, the applicability of government contract provisions and the character, quantity and kind of materials and equipment encountered or needed for performance of the work. Seller warrants compliance with applicable standards of ABS, USCG, IEEE, ASTM, SSPC and other standards as may be applicable to the work. Seller shall not subcontract any portion of the work without prior written permission of Buyer. Seller shall carry on the work such that the work site shall at all times be clean, orderly, free from debris and free from hazards to others, and on completion shall remove all unused materials, debris and equipment belonging to seller. Seller is responsible for security and control of all tools and materials supplied for the work.