SPECIFICATION ADDENDUM

SPECIAL INSTRUCTIONS

REQUIRED INSURANCE

Prior to start of performance, the Contractor shall, at its own expense, procure and maintain the following kinds of insurance with respect to performance under the contract. In accordance with HSAR 3052.217-95, Liability and Insurance, and 3052.228-70, Insurance the Contractor shall furnish the Contracting Officer with proof of insurance for the duration of the contract, including:

(1) Ship Repairer's Liability - $500,000 per occurrence.

(2) Comprehensive General Liability - $500,000 per occurrence.

(3) Full insurance coverage in accordance with the United States' Longshoremen's and Harbor Worker's Act.

(4) Full insurance coverage in accordance with the State's Workmen's Compensation Law (or its equivalent) for all places of performance under this contract.

The insurance certificate must provide the name of the US Coast Guard vessel and the contract number as specifically insured.

CHANGE REQUEST (CR)

(1) The Contractor shall not perform work without the Contracting Officer's authorization. This clause applies to Change Requests (CR), authorized by the Contracting Officer pursuant to the Changes clause. The Contractor shall perform the CR at the labor billing rates designated in the Schedule, as described in paragraph (2) of this clause. All work shall be paid at the prices stated in the Schedule.

(2) The CR composite labor rate is a flat, hourly rate used to price direct production labor hours. Contractors shall provide a detailed breakdown that fully supports the quoted CR composite labor rate. The CR composite labor rate shall be burdened to include the cost of direct production labor, all associated indirect costs, and profit/fee as described below:

a. Direct production labor is defined as work that is directly related to the alteration, modification, and repair tasks performed directly on, or in direct support of, components or systems identified in the CR or elsewhere in the contract. Examples of direct production labor include the following: abrasive cleaning/water blasting, tank cleaning, welding, burning, brazing, blacksmithing, machining (inside and outside), carpentry, electrical/electronic work, crane

operation, shipfitting, lagging/insulating, painting, boilermaking, pipe fitting, engineering (production), sheetmetal work, installation and removal of staging/scaffolding, rigging, material handling (shop to ship and within the worksite in support of labor task), set-up (moving tools and equipment from shop to ship to perform a task), fire watch, general labor (including general support of journeyman tasks), cleaning (including debris pickup and removal), and pattern making.

b. Indirect costs are defined as all non-direct production costs and support functions, defined as functions that do not directly contribute to the alteration, modification, or repair of the item or system identified. Examples of indirect costs include the following: planning, estimating, supervision, management, ship superintendent functions, clerical, surveying, security, transportation, supervision, labor costs, worker-compensation, taxes, inventory control, warehousing, licensing, insurance, all other support items and functions, fixed asset costs, rentals on items normally owned as fixed assets such as tools and hand operated power tools, electrical generators and compressors for operating tools (for drydocks), jigs and fixtures fabricated and used in shop to support production functions, security, contractor facility upkeep and utilities, workman's compensation, taxes, office supplies, etc.

c. Direct consumables and expendables: supply items, manufactured or procured by the Contractor that are consumed or expended in conjunction with direct production (e.g. rags, gloves, respirators/masks, etc.)

(3) Detailed pricing for the following shall be priced and itemized separately to include all costs and profit/fee as described below and shall not be included in the CR composite labor rate:

a. Direct materials: supply items, manufactured or procured by the Contractor, that are installed in conjunction with direct production, or are otherwise turned over to the Coast Guard (e.g. plate, angle iron, welding rods, paint, pumps, motors, engine and gearbox oil, engine jacket water, etc.)

b. Direct subcontracted services: direct production service items and procured by the Contractor to support the contract (e.g. gas-free engineering services, rented crane services, rented temporary air conditioning units and other rented tools not normally owned as fixed assets, etc.)

(4) CRs do not include replacement work performed pursuant to HSAR 3052.217- 92 Inspection and Manner of Doing Work clause or HSAR 3052.217-100 Guarantees clause.

(5) It is the Government's intention to authorize work identified during the contract performance period to the contractor, if a fair and reasonable price can be negotiated for such work, based on Schedule rates. If a fair and reasonable price cannot be negotiated, the Government may, at its discretion obtain services outside of the contract. Such services may be performed while the ship is undergoing repair in the contractor's facility pursuant to the Access to Vessels clause.

(6) Change Requests shall be transmitted electronically via email. The bullets below display the process of how change requests are to be followed during the availability.

CR Process will occur in the following order:

a. Condition Found Report (CFR) - Generated by the Contractor and provided to COR.

b. Condition Report Reply (CRR) - Generated by the COR and provided to Contractor.

c. Change Request - CR and IGE are generated by the COR and forwarded to KO.

d. Contractor's Proposal - Provided to the KO for the identified tasking on CR.

e. Negotiations - If needed, take place to establish pricing.

f. Approved Work Request - Forwarded to Contractor and COR by the KO.

g. KO provides copy of Change Request to the Contractor.

h. Modification to Contract - KS/KO will issue a modification covering all CRs.

(7) The contractor shall submit to the Contracting Officer the following information in all CR quotes:

a. The number of direct production labor hours that will be used to accomplish the tasks specified in the CR.

b. A list of each direct material, direct subcontracted service, and direct consumable and expendable item that will be used to accomplish the CR, and a corresponding price for each item. The Contracting Officer may request evidence in support of the offered prices such as material receipts and quotes received from subcontractors.

c. Any proposed changes to the Schedule of Work.

(8) The contractor shall not be entitled to payment for any hours ordered pursuant to this clause until a written contract modification is executed.

SCHEDULE OF WORK

(1) Notwithstanding other requirements specified in this contract, the contractor shall provide to the Contracting Officer and COR, the following documents within three (3) working days of the vessel's arrival at the contractor's facility for dry-dock availabilities and at the arrival conference for dockside availabilities:

a. Production Schedule.

b. Work Package Network.

c. Total Manpower Loading Curve.

d. Trade Manning Curves.

e. Subcontracting List.

(2) The Production Schedule shall list the earliest, latest, and scheduled start and completion date for each work item awarded and shall identify the critical path. The Work Package Network shall show the work items, milestones, key events, and activities and shall clearly identify the critical path. The Total Manpower Loading Curve shall show the required manning for the duration of the contract. The Trade Manning Curves shall show the required manning for each trade for the duration of the contract. The Subcontracting List shall show work items, milestones, key events, and activities to be accomplished by subcontractors.

(3) Work ordered and agreed upon, whether or not yet formalized via a change order (contract modification), shall be added to the Production Schedule, Trade Manning Curves, and Subcontracting List and submitted to the Contracting Officer and COR at each weekly Progress Meeting. Any anticipated or unanticipated deviation (greater than two (2) calendar days) from the Production Schedule shall be immediately brought to the attention of the Contracting Officer and COR.

(4) Any deviation in the Production Schedule which results in a delay in the completion of work on a vessel past the established performance period completion date may entitle the Government to remedies for late performance under subparagraph (f) of this clause titled Excusable delays.

ACCESS TO THE VESSEL

(1) As authorized by the Contracting Officer, a reasonable number of officers, employees and personnel designated by the Government, or representatives of other contractors and their subcontractors shall have admission to the facility and access to the vessel at all reasonable times to perform and fulfill their respective obligations to the Government on a noninterference basis. The contractor shall make reasonable arrangements to provide access for these personnel to office space, work areas, storage or shop areas, and other facilities and services reasonable and necessary to perform their duties. All such personnel shall comply with contractor rules and regulations governing personnel at its shipyard, including those regarding safety and security.

(2) The contractor further agrees to allow a reasonable number of officers, employees, and designated personnel of contractors on other contemplated work, the same privileges of admission to the contractor's facility and access to the vessel(s) on a noninterference basis, subject to contractor rules and regulations governing personnel in its shipyard, including those regarding safety and security.

TEMPORARY SERVICES

(1) Temporary services are services incidental to the performance of work, which are required in the schedule or specifications to be provided by the contractor. Temporary services may include the furnishing of water, electricity, telephone service, toilet facilities, garbage removal, office space, parking places or similar facilities.

(2) If performance time is extended due to Government-caused delay, the contractor may request an equitable adjustment for providing temporary services at the rate stated in the Schedule.