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DEPARTMENT OF THE NAVY
CHIEF OF CIVIL ENGINEERS
Bureau of Yards and Docks
Washington 25, D. C.

BUDOCKS 4862.1A
R310/GKS:nl
23 December 1957

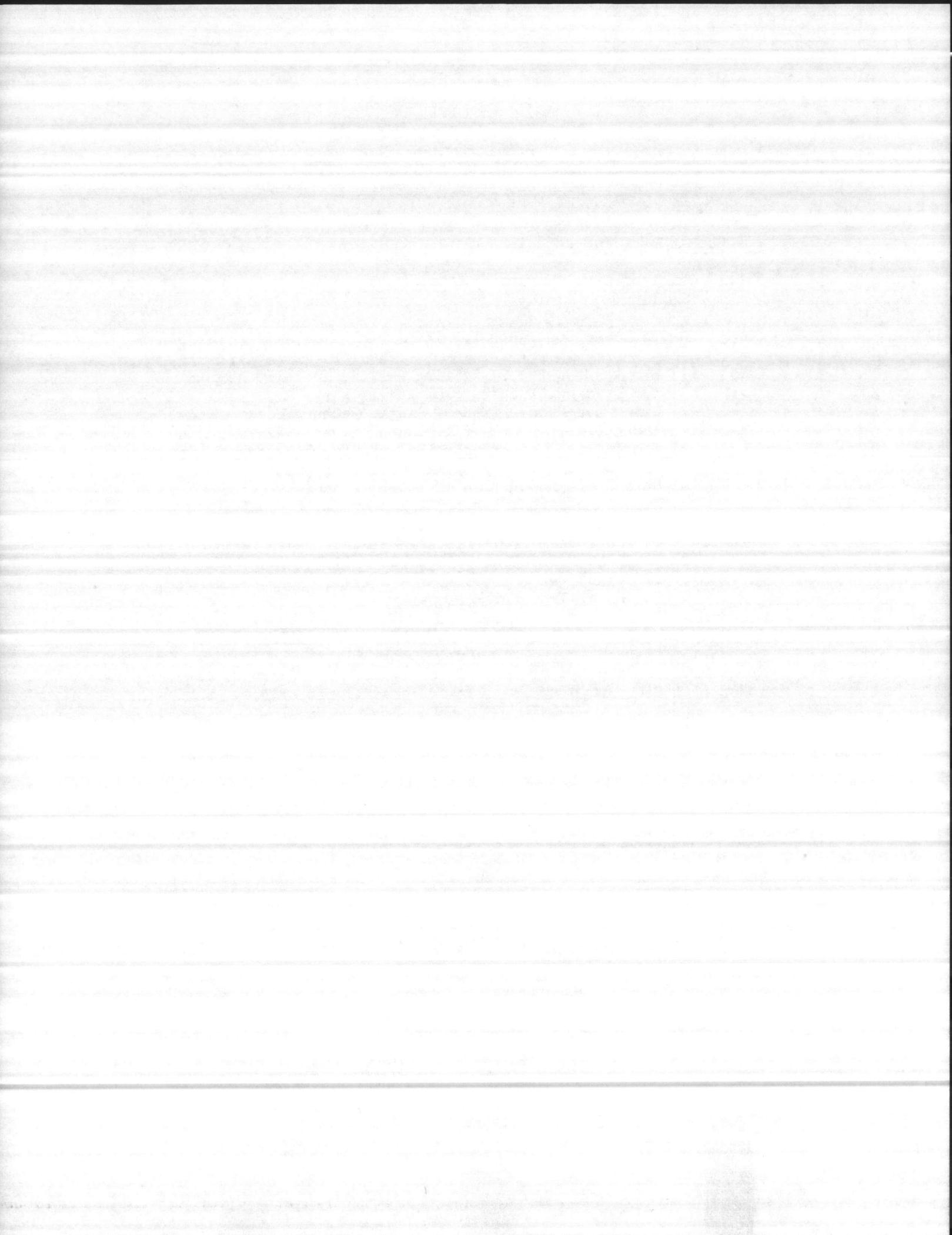
BUDOCKS INSTRUCTION 4862.1A

From: Chief of Civil Engineers
To: Distribution List

Subj: NOy(R)-Lease Contracts for Industrial Reserve Plants

- Encl:
- (1) Sample Brochure Soliciting Private Industry Proposals for Leasing of Industrial Facilities
 - (2) Guide for Preparation of Single Tenancy Lease of Industrial Property (Agreement of Lease, Part I)
 - (3) Instructions for Preparation of Single Tenancy Leases of Industrial Property (Agreement of Lease, Part I)
 - (4) Guide for Preparation of Multiple Tenancy Lease of Industrial Property (Agreement of Lease, Part I)
 - (5) Instructions for Preparation of Multiple Tenancy Leases of Industrial Property (Agreement of Lease, Part I)
 - (6) NAVDOCKS Form 2390 (9-56), "General Terms and Conditions of Lease" (Part II of Both Single and Multiple Tenancy Leases of Industrial Property)

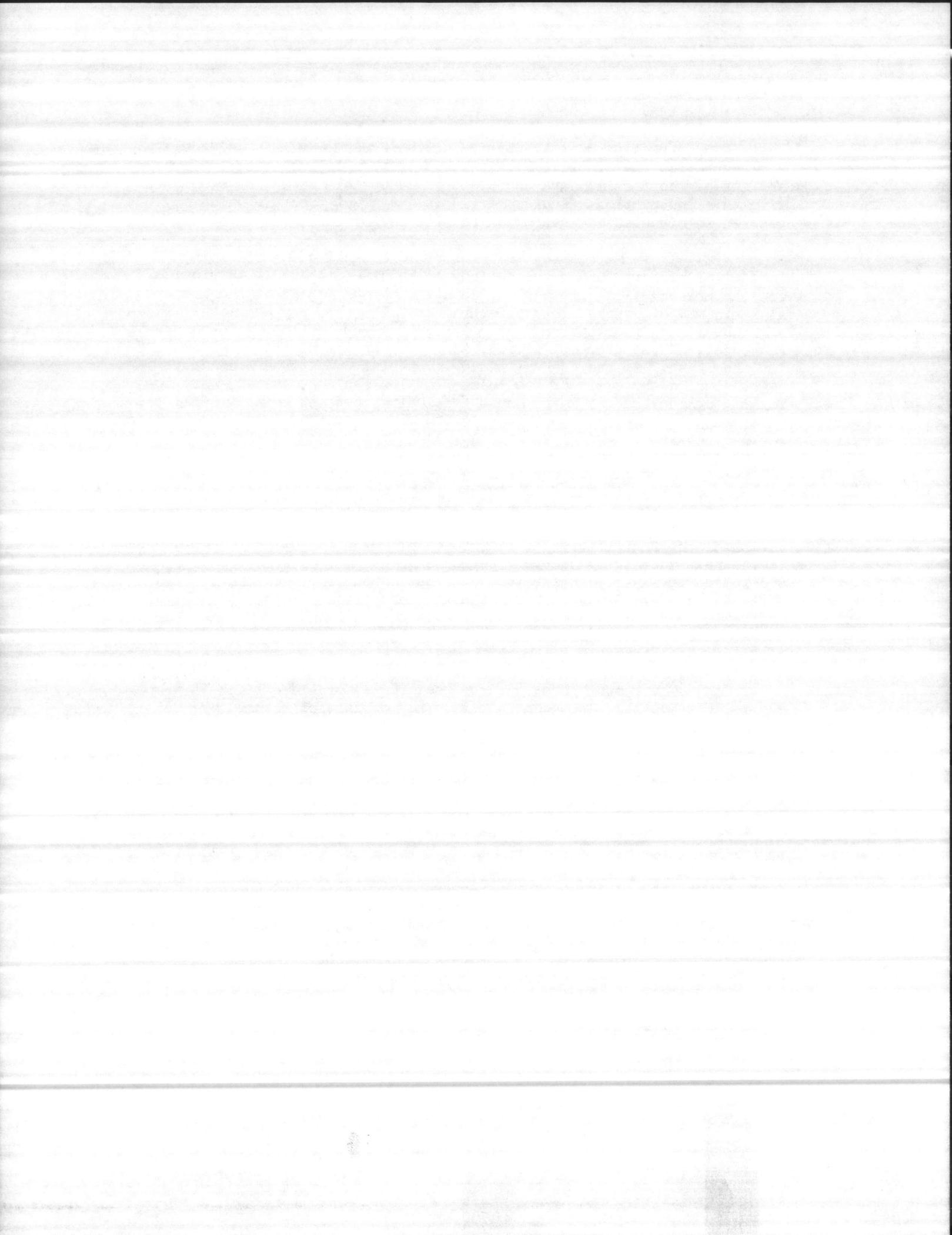
1. Purpose. To promulgate current policy and clarify certain areas in connection with the authority and responsibilities of the District Public Works Officers and the Officers in Charge of NOy(R) leases covering Industrial Real Property and related personal property.
2. Cancellation. BUDOCKSINST 4862.1 of 17 September 1952 is hereby cancelled.
3. Authority. This Instruction implements, to the extent authorized in NPR&D Reg. #2 (Rev. 1 June 1953) the policies and procedures to be followed in connection with outleasing non-excess Industrial Real Property and related personal property.
4. Procedures
 - a. Publicizing, negotiation and lease preparation
 - (1). When the cognizant Bureau determines that an Industrial Reserve Facility is temporarily excess to its needs and refers the property to the Bureau of Yards and Docks for outleasing, this Bureau will obtain the general approval of the Chief of Naval Operations and the Secretary of the Navy to offer the property for lease on a single or multiple tenancy



basis. Upon receipt of such approvals, the Bureau of Yards and Docks will authorize the District Public Works Officer to publicize the availability of the facility and negotiate an acceptable lease in accordance with this Instruction. Enclosure (1) is a type of brochure which may be used to circularize Industrial Facilities for leasing.

(2) It is emphasized that the prime objective in outleasing industrial property under the custody of this Department is to provide for the preservation, protection, maintenance and repair of the property at a minimum of expense to the Department. The property should be leased with the lessee undertaking such preservation, protection, maintenance and repair of the property leased, as a part or all of the consideration for the lease. Leases of Navy-owned industrial property are usually negotiated on the basis of the lessee, at its own cost and expense, performing all day-to-day maintenance (including, but not being limited to, janitorial service, clean-up service and minor repairs), and, in addition thereto, doing or causing to be done, long-term maintenance up to a limited amount per year, with a provision, at the option of the Government, for carry-over of the unexpended balance from year to year or payment of such unexpended sums into the U. S. Treasury. "Long-term maintenance" used in NOy(R) leases may be defined as any item of protection, maintenance, repair, partial or complete replacement, overhaul, rehabilitation or preservation of the facilities, the recurrence of which is not anticipated within the next succeeding one-year period and the cost of which, when considered in total for similar items, is estimated to exceed two hundred and fifty dollars (\$250.00). In negotiating industrial leases, it is highly desirable to retain adequate control over the expenditure of money for the performance of long-term maintenance. Cost of insurance and performance bond are not creditable to these funds.

(3) The rental to be paid by the lessee for Class I and II property may reflect and take into consideration any obligation assumed by the lessee to maintain, protect and repair the leased premises (or the entire unit or installation where only part thereof is leased) and to restore such premises to their condition at the inception of the lease. Such rental also shall reflect and take into account the tax free character of the property, when applicable, so that the rental to be paid and the obligations assumed will not only assure a fair and reasonable return to the Government but also prevent any unfair competitive advantage being derived by a lessee over competitors who may own their own premises or lease them from private sources. Instructions concerning the leasing of Defense-owned production equipment for non-defense production and the rental of Government-owned machine tools and metalworking equipment are set forth in BUDOCKSINST 4870.1 of 17 March 1954 and BUDOCKSINST 4870.3A of 29 August 1956 respectively. Data required by these two Instructions should be assembled and forwarded to the Bureau at an early date in order that approval for leasing may be obtained from the Office of Defense Mobilization.



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A breakdown showing how the rental was computed should be furnished the Bureau for review and record purposes. An inventory and condition report should also be prepared and made a part of the proposed lease.

(4) Recommended guide forms, together with appropriate instructions as to their use, incorporating all currently required terms pertaining to the outleasing of Industrial Properties under single or multiple tenancy, are furnished as enclosures (2), (3), (4), and (5). While the variety of the substantive provisions of Industrial Property leases under consideration may not lend itself to complete standardization, a maximum degree thereof can be achieved by following enclosures (2) and (4) in accordance with instructions set forth in enclosures (3) and (5).

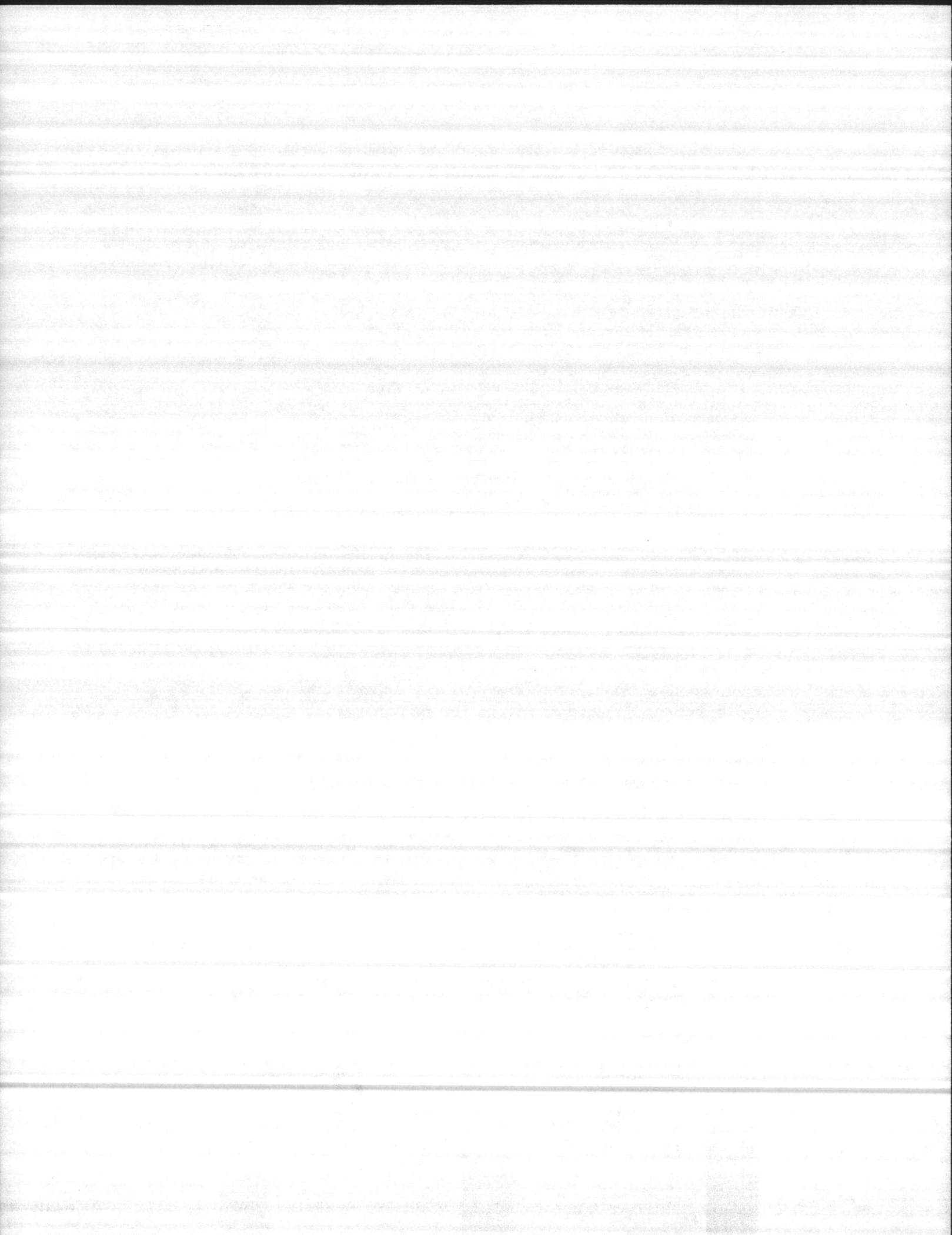
(5) Attention is invited to the fact that the specimen special provisions treating of such items as renegotiation, standby arrangements, maintenance of an entire facility on the basis of something less than complete occupancy, etc. are not as yet attached to enclosures (3) and (5). These provisions are in the course of preparation and will be forwarded by a change to this Instruction when completed.

(6) Enclosure (6), NAVDOCKS 2390 (9-56), Part II of Standard Form for Industrial Plant Leases, entitled "General Terms and Conditions of Lease" contains those provisions of more or less general applicability to all outleases of Industrial Property as to which law and/or policy require a high degree of uniformity. Part II will, therefore, be used in connection with Part I and is applicable to either single or multiple tenancy.

b. Clearances. After full understanding has been reached with a prospective lessee, two copies of an unexecuted draft of the proposed lease shall be prepared in the District Public Works Office and forwarded to the Bureau of Yards and Docks for review. After all required clearances are obtained, the District Public Works Office will be notified and an original and two copies of the lease shall be executed by the prospective lessee and forwarded to the Bureau for signature of the Contracting Officer. Conformed copies will be prepared and final execution will be made by the Bureau. Right of entry shall not be granted to the lessee until a formal lease or letter of intent has been fully executed or the Bureau has authorized a prior right of entry. A Memorandum of Understanding may be executed by the prospective Officer in Charge and the prospective lessee to record the negotiations. The Memorandum of Understanding, if used, should contain a statement to the effect that the agreements reached are tentative only and are subject to further approvals.

c. Administration

(1) Contracting Officer. The Chief of the Bureau of Yards and Docks is responsible as Contracting Officer for enforcing the terms and conditions of NOy(R) leases.



(2) Officer in Charge of the Lease

(a) To discharge the responsibilities of enforcing the terms and conditions of NOy(R) leases, the Contracting Officer will designate the Officer in Charge of the lease who will be the direct representative of the Contracting Officer in matters affecting the administration of the lease.

(b) As a general rule, the District Public Works Officer will be designated Officer in Charge. However, in some cases where a representative of the Sponsor Bureau has been designated Officer in Charge because the Facility is actively producing for the Sponsor Bureau, the facilities of the District Public Works Office are available to him for such technical assistance as may be requested.

(3) Setting up Accounts

(a) The lessee shall be required to maintain an acceptable form of accounting in connection with his maintenance obligation. No standard form of accounting can be established for this purpose. The Officer in Charge should request the assistance of the Navy Area Audit Office (NAAO) to advise the lessee as to an acceptable form of accounting of the lessee's obligation under the lease. The lessee's existing accounting system or a modification thereof which is acceptable to the NAAO is all that is required.

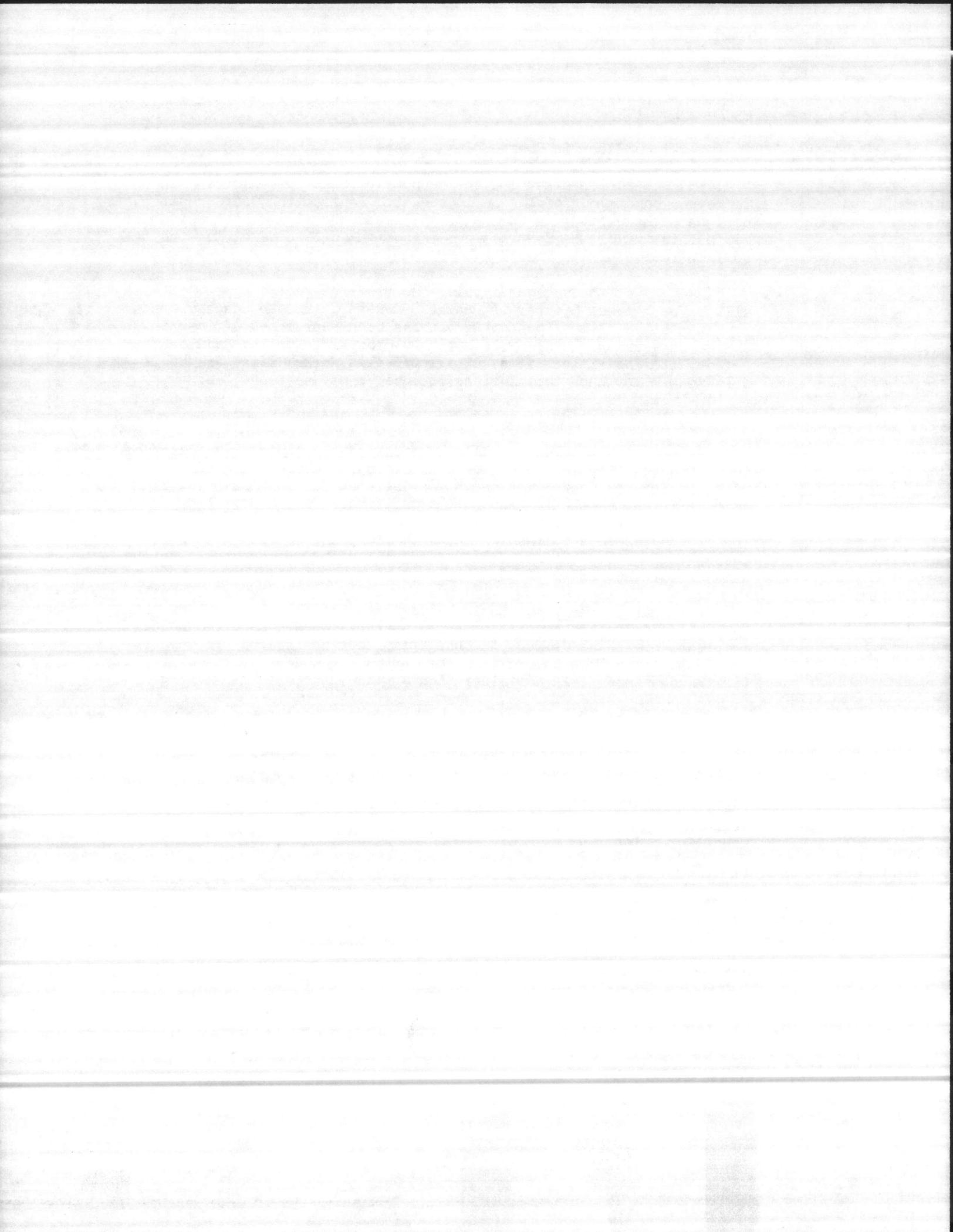
(b) The NAAO should be requested to make an audit of the lessee's maintenance account at such intervals as are required under the lease or as the Officer in Charge may deem necessary. The use of NAAO assistance does not relieve the Officer in Charge of responsibility for the complete field administration of the lease.

(4) Reports

(a) In order that the Bureau may be apprised at all times of the financial status of the lease, a monthly consolidated report "Monthly Financial Report on Leased N.I.R. Plants", NAVDOCKS Form 1805, shall be submitted in duplicate for each lease prior to the 15th of the following month, except when specific Bureau approval has been given to report at a later date.

(b) The Officer in Charge shall also submit a quarterly statement with the reports for the periods ending 30 June, 30 September, 31 December and 31 March, showing:

1. Brief description and cost of each work order credited during the quarter against the lessee's maintenance obligation;
2. Date on which the cost of work was credited;
3. List of work directed but not credited and estimated cost.



(c) In addition, the Officer in Charge should periodically review the terms and provisions of the lease and advise the Bureau whenever, in the opinion of the Officer in Charge, any such lease should be renegotiated.

(5) Cash Rent. Payments of the cash rental obligation, if any, under the lease, should be forwarded without delay to the Officer in Charge, Navy Regional Accounts Office, Washington 25, D. C. In the event the tenant becomes 15 days in arrears in the payment of rent, the Officer in Charge should make written demand for payment.

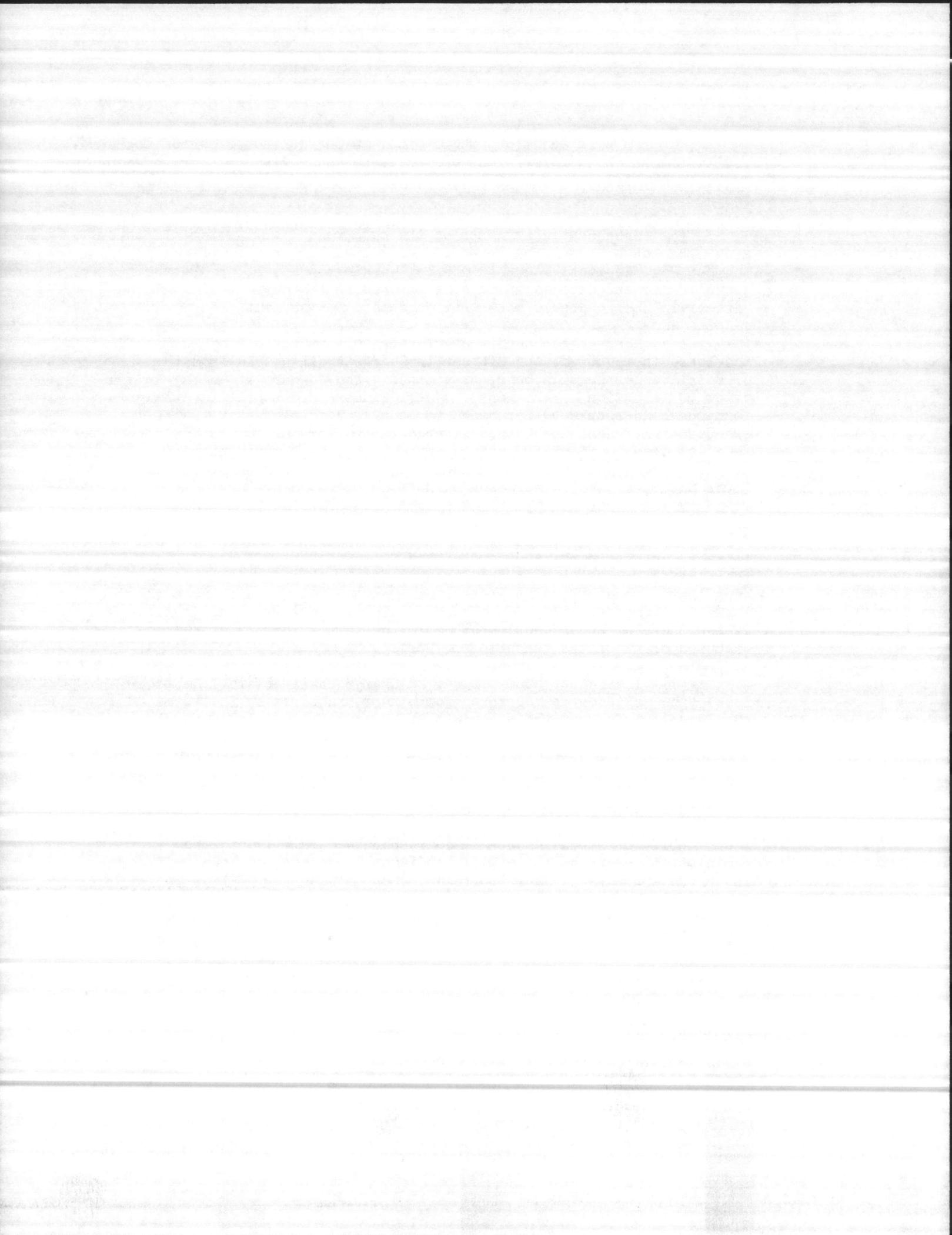
(6) Bond. If a bond guaranteeing performance of the terms of the lease is required, the Officer in Charge shall obtain from the prospective lessee such bond, or a binder, and forward it to the Bureau prior to execution of the lease. Where binders are submitted, the performance bond should be forwarded as soon as possible after the fully executed instrument has been delivered to the lessee. Care should be taken to clearly identify the bond with the lease secured thereby. Standard Form 25, "Performance Bond" should be used if possible but forms issued by any corporation authorized by the Secretary of the Treasury to act as surety are acceptable if they contain the same conditions. A performance bond or deposit of collateral security in the form of cash or negotiable Government bonds shall be required of all lessees, unless in the judgment of the District Public Works Officer, the size and reputation of the organization leasing the facility is such that a bond offers no greater assurance of performance than the lease instrument itself. When such a determination is made, justification therefor should be contained in the letter forwarding the unexecuted draft of the lease to the Bureau. | ?

(7) Insurance. The Officer in Charge shall obtain from the lessee the policies of insurance, or binder, required by the terms of the lease and forward the documents at once to the Office of Naval Material, Insurance Branch. Requests for insurance information in connection with leases of Naval Industrial Reserve Plants should be sent via the Bureau of Yards and Docks to the Office of Naval Material. It is the policy of the Navy Department to require adequate fire and extended coverage insurance on all outleased industrial facilities.

(8) Correspondence. All correspondence relative to the administration of the lease will be directly between the local Officer in Charge and this Bureau. Correspondence between the Officer in Charge and the lessee also will be direct with information copies of the more important correspondence to this Bureau and to the representatives of the Sponsor Bureau.

(9) Maintenance

(a) Plans and Specifications. When maintenance work is to be performed by the lessee, plans and specifications for such work shall



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be in such form and in such detail as the Officer in Charge shall deem necessary. The preparation of plans and specifications may be accomplished by the Officer in Charge, using personnel available to him, or by the lessee with the approval of the Officer in Charge, or by an architect and engineer. If the latter is deemed necessary, approval of the selection of the architect and engineer may be made by the Officer in Charge. The fee shall be approved by the Officer in Charge in accordance with instructions promulgated to the District Public Works Officers regarding fees on NBy (NOy) Architect-Engineer contracts and is chargeable to the maintenance fund if the project itself is so chargeable. In instances where the existing drawings are not "as built" and do not reflect the existing conditions, every effort should be made to correct drawings and bring them up to date. Any alteration or addition to the facilities shall be entered on the proper drawings in order that the plans shall at all times remain "as built". If the expenditure of funds for this purpose jeopardizes the physical maintenance of the facility, this Bureau should be so informed.

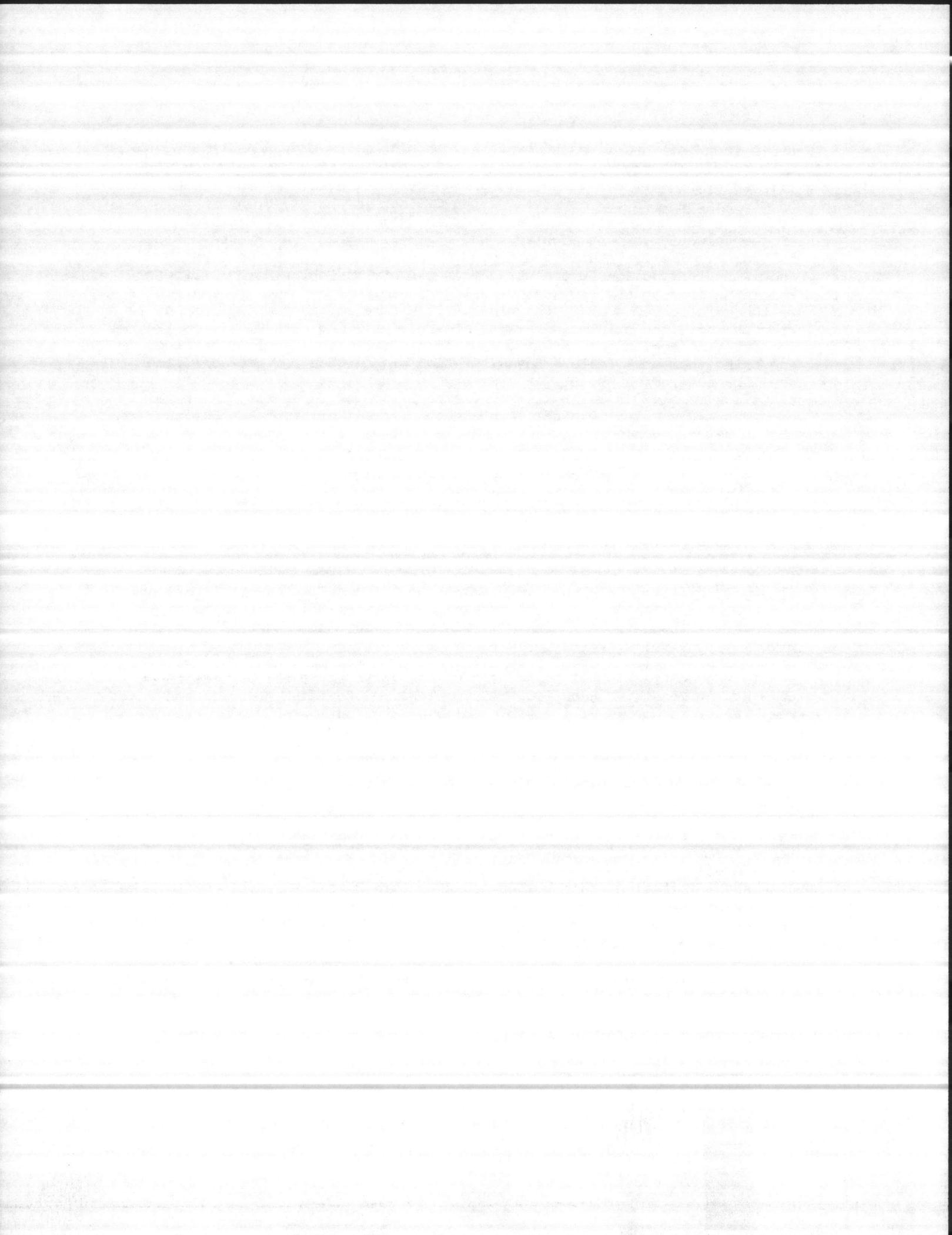
(b) Contracts by Lessee for Maintenance

1. The procedures established by Contract Administration, NAVDOCKS TP-Ad-4 revised March 1957, should be followed to the greatest practicable extent.

2. When the estimated cost of a maintenance project is \$1,999.99 or less, the lessee may negotiate and award an informal contract for the accomplishment of such work and such contract shall be subject to approval by the Officer in Charge. Should the estimated cost of contracts exceed \$1,999.99, competitive lump sum or unit price bids shall be obtained by the lessee. The list of prospective bidders and all documents pertaining to the contract shall be subject to the approval of the Officer in Charge. At least two bona fide bids are required for each proposed contract. The Officer in Charge will approve the award to the lowest bidder except when extenuating circumstances prevail, in which case the facts shall be forwarded to the Bureau for decision. The performance of work on all contracts shall be inspected by the Officer in Charge, or his representative, to protect the Government's interest.

3. Should the lessee deem it expedient or desirable to negotiate a contract or to enter into a Cost-Plus-a-Fixed-Fee Contract, the estimated cost of which is more than \$1,999.99, authorization from this Bureau shall be requested by the Officer in Charge. All pertinent data and information shall be forwarded to this Bureau to enable it to make a decision. Where a Cost-Plus-a-Fixed-Fee contract is authorized, the fee shall be approved by this Bureau prior to the accomplishment of any work chargeable to the contract.

(c) Purchase of Maintenance Supplies. Where the lease contract is of such nature that the cost of maintenance supplies constitutes, in part the lessee's long term maintenance obligation, the Officer in Charge shall require the lessee to prepare a monthly or quarterly budget for his approval.



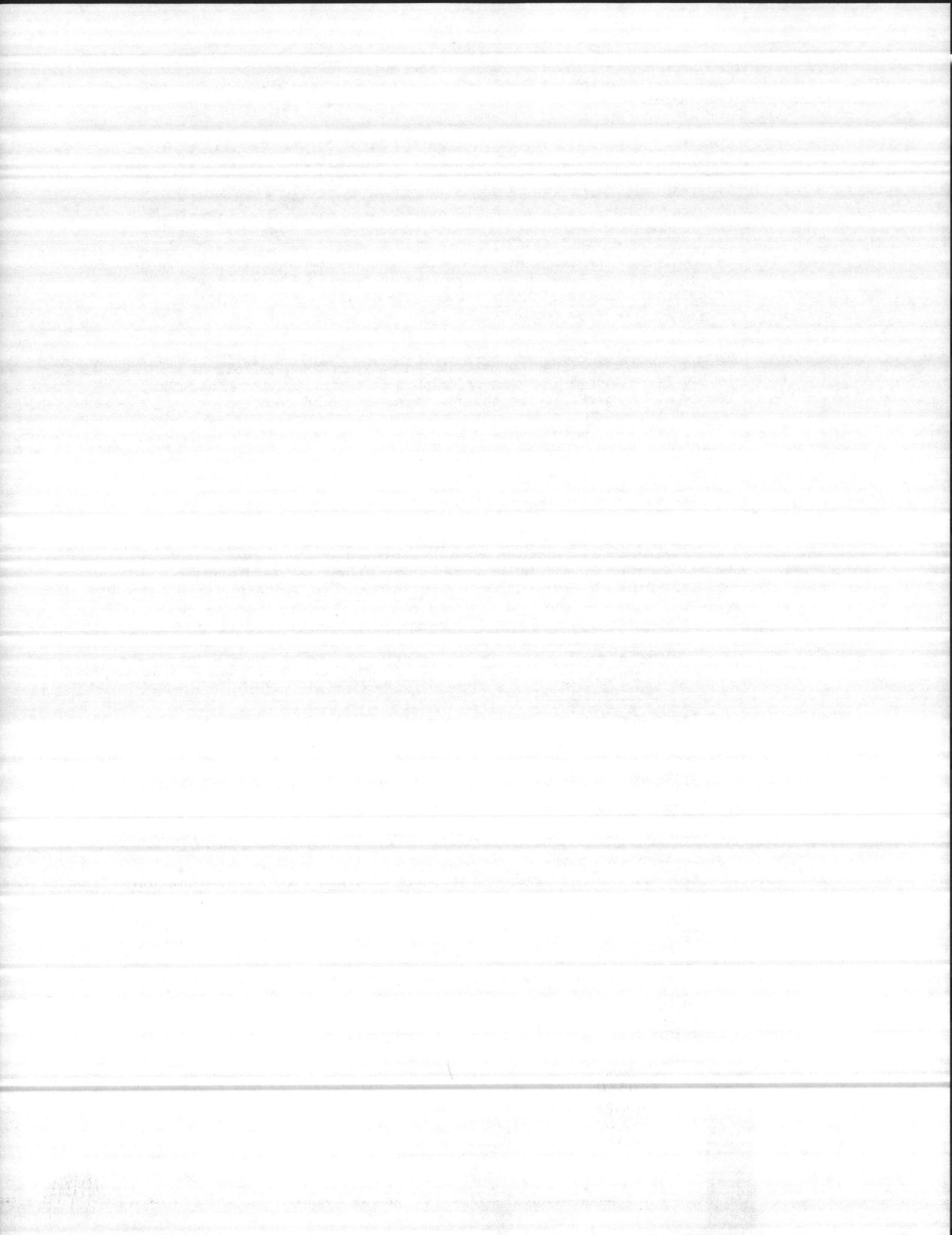
This budget should be considered in the light of the overall requirements for the maintenance of the plant and should be submitted for such periods as the Officer in Charge may deem necessary. Purchase orders shall be approved by the Officer in Charge, or blanket authority may be given the lessee to purchase certain types of supplies, provided the lessee does not exceed a specified budget. Competitive bids are not required unless the Officer in Charge considers better prices may be received. The final credit against the maintenance account should not be given until evidence of payment is furnished by the lessee. After credit has been allowed, ownership to the supplies shall be vested in the Government.

(d) Maintenance Personnel. Where the lease contract is of such nature that the normal maintenance personnel payroll of a lessee is reflected in whole or in part in the obligation under the lease, a budget similar to the one above should be required.

(e) Maintenance Publications. The following Bureau publications, as applicable, should be used as guides in doing maintenance work:

- Refuse Disposal, NAVDOCKS TP-Pu-1 of 1 September 1952
- Insect and Rodent Control, NAVDOCKS TP-Pu-2 of 1 February 1956
- Power Generation and Distribution, NAVDOCKS TP-Pu-3:
 - Chapter 1, Electric Power Generation, of 15 September 1954
 - Chapter 2, Mobile Emergency Power Plants, of 15 May 1954
 - Chapter 4, Power Plant Water Conditioning, of 15 December 1953
 - Chapter 5, Internal Combustion Engines, of 15 December 1953
 - Chapter 6 & 7, Central Heating Plants and Compressed Air Plants, of 15 July 1954
 - Chapter 8, Electric Power Distribution, of 15 October 1955
 - Chapter 9, Distribution of Steam, High-Temperature Water, and Compressed Air, of 1 June 1954
- Fire Prevention and Fire Protection, NAVDOCKS TP-Pu-4 of 15 August 1954
- Storm Drainage Systems, NAVDOCKS TP-Pw-1 of 1 October 1952
- Soil Conservation, NAVDOCKS TP-Pw-5 of 1 March 1953
- Railroad Trackage, NAVDOCKS TP-Pw-6 of 1 September 1952
- Petroleum Fuels and Lubricant Systems, NAVDOCKS TP-Pw-7 of 1 November 1953
- Waterfront and Harbor Facilities, NAVDOCKS TP-Pw-8 of 1 September 1954
- Water Supply Systems, NAVDOCKS TP-Pw-12 of 1 February 1954
- Sewerage Systems, NAVDOCKS TP-Pw-15 of 1 May 1954
- Storage Facilities, NAVDOCKS TP-Pw-16 of 1 August 1953
- Snow Removal, NAVDOCKS TP-Pw-29 of 1 October 1953
- Maintenance and Operation of Public Works and Public Utilities, NAVDOCKS TP-Pw-30 of 15 December 1953
- Inspection for Maintenance of Public Works and Public Utilities, NAVDOCKS TP-Pw-31 of 15 August 1955

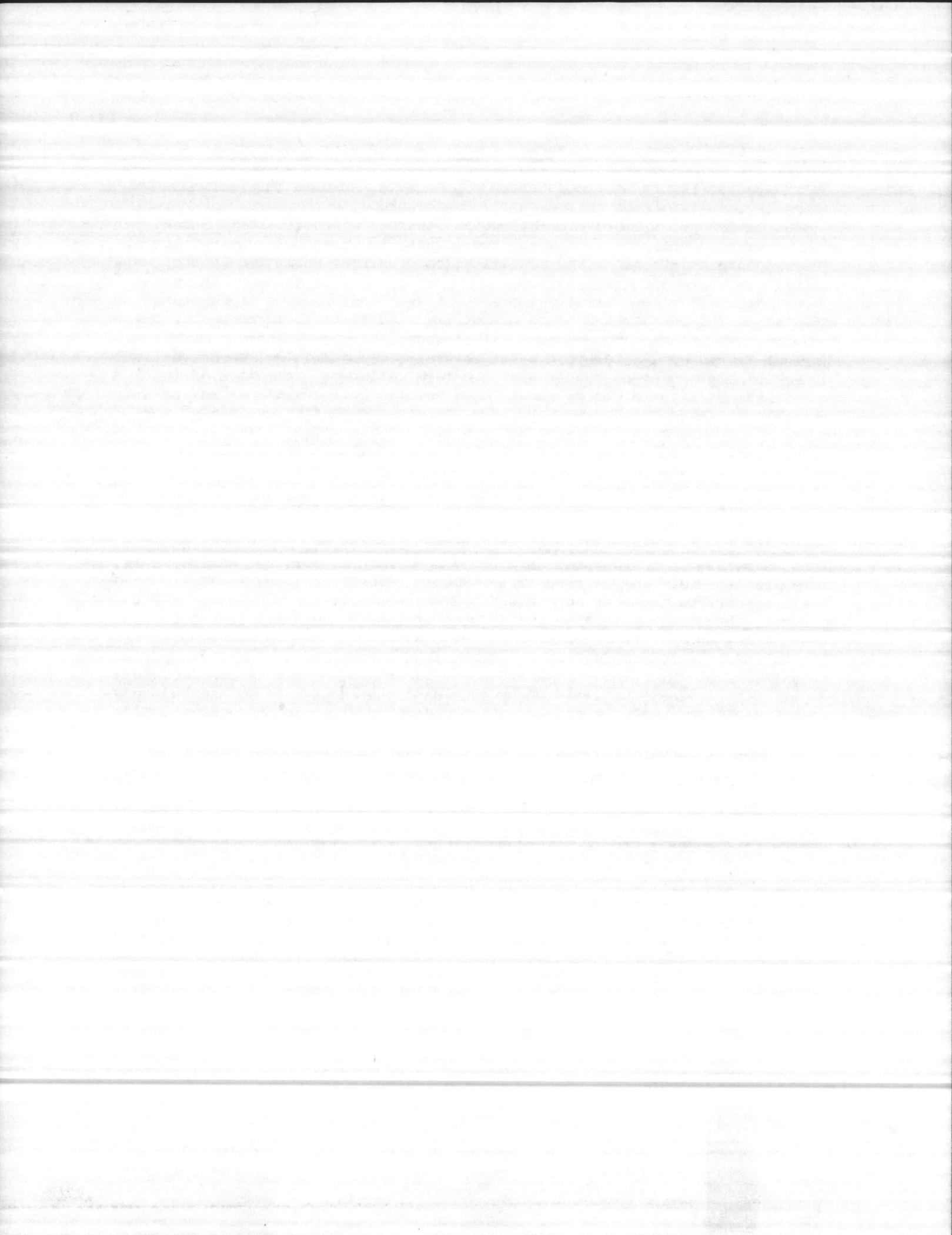
Attention is also invited to the Standards of Maintenance for Naval Industrial Reserve Plants contained in NAVDOCKS TP-Pw-31.



(10) Alterations and Additions. Requests for approval of structural alterations or additions to the premises which are to be accomplished by the lessee at its sole cost and expense, together with the recommendations of the Officer in Charge, shall be forwarded to the Bureau of Yards and Docks for prior approval. Subsequent to this approval, the District Public Works Officer will be appointed Officer in Charge of Construction of the project and all plans and specifications shall be submitted to the Officer in Charge of Construction for approval prior to authorizing construction. After authorization to proceed with construction is furnished the lessee the Officer in Charge of Construction shall be in charge of the construction in the same manner as if it were Government-financed Civil Works. Should such alteration cause removals, replacements, reconstruction or rehabilitation to be required at the termination or expiration of the lease, the Officer in Charge should consider the advisability of making a suitable increase in the amount of the performance bond a requirement for consent. Should alterations or betterments cause a material increase in the insurable value of the property, the insurance coverage should also be increased.

(11) Services Performed by the Government for the Lessee. Whenever the Department of the Navy continues to operate power plants or other units and furnishes services to the lessees, the lessees may be charged for these services on a pro rata basis or by metering the service, whichever is more practicable. Whenever multiple tenancy requires the mutual use of road systems, service lines or common use property, the Officer in Charge may pro-rate the costs of maintenance of such systems or services or service lines among the tenants according to their use. The same formula should also be applied where other Government agencies have use or occupancy of a portion or portions of the plant. Payment to the Government by the lessee for guard or utility services furnished under the lease should be made by separate payment and the deposit of such payment should be credited to the appropriation which financed the service. Civil Service personnel shall not be used to perform maintenance work which is an obligation of the lessee.

(12) Submission of Special Projects. In the event work is to be accomplished at a facility and the maintenance fund available is not sufficient to finance the work, or in the event work is to be accomplished that may be considered as an addition, betterment or capital improvement, a request for the approval of a special project should be submitted by the Officer in Charge direct to the Sponsor Bureau through its field representative (BAR, INSORD, or other representative of the cognizant management bureau). The request should include a description of the project, a justification of the work to be accomplished, estimated cost, and a request that appropriated funds be made available. Information copies of such requests should be sent to the Bureau of Yards and Docks. Where the Officer in Charge is other than the District Public Works Officer, information copies shall also be sent to



the District Public Works Officer. When it is necessary to accomplish work at a Facility with appropriated funds, it shall be done by the District Public Works Officer in accordance with Contract Administration, NAVDOCKS TP-Ad-4 Revised March 1957. Officers in Charge other than District Public Works Officers are not authorized to award contracts without specific authority.

(13) Default

(a) Whenever the lessee has violated the terms of the lease or circumstances indicate that default is imminent, the Officer in Charge shall take all steps necessary to protect the Government's interest. It is recognized that various types of situations will develop in the administration of NOY(R) leases and that the action to be taken must be suitable to each particular circumstance. The following actions are suggested if the circumstances warrant:

1. Assign a special representative to the plant to prevent removal of Government property and to insure security of the facility.

2. Notify the Bureau of Yards and Docks of the default or the circumstances which indicate that default is imminent.

3. Request an audit of the books of the lessee by the Navy Area Audit Office to determine the amount of money due the Government.

4. Make demand in writing for payment of all monies due the Government.

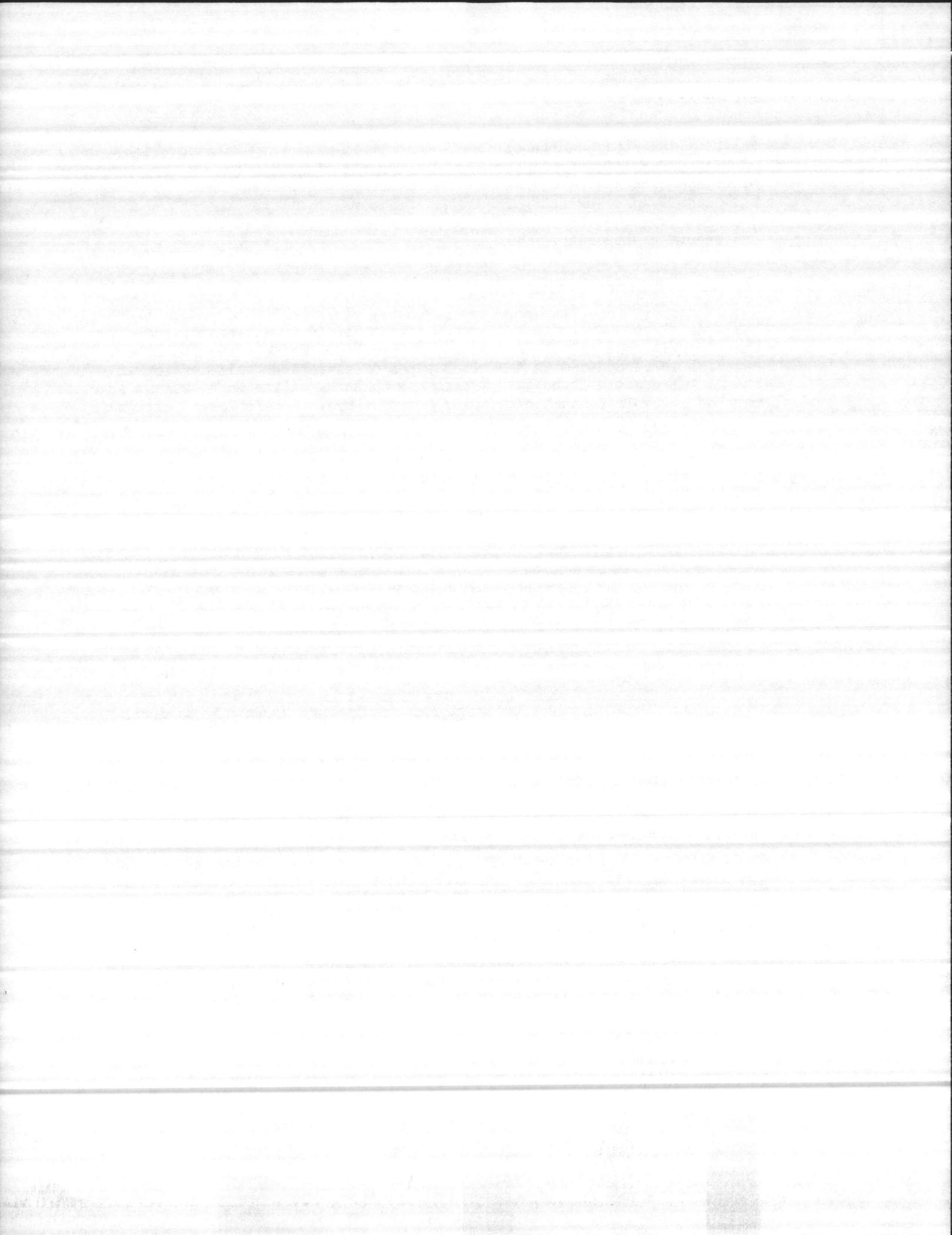
5. Review the terms of the lease carefully to determine whether the lessee has performed all other obligations.

6. Notify lessee in writing of his failure to perform and request performance.

7. Notify bonding company in writing of lessee's default and make demand for performance.

(b) It is emphasized that circumstances may require the Officer in Charge to take immediate action without further direction from the Bureau. The Bureau shall be kept advised of all steps taken by the Officer in Charge.

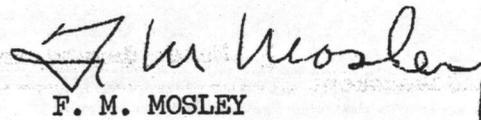
(14) Report on Property Damage and Casualties. Whenever a fire or other casualty of any consequence occurs at a leased facility, the Officer in Charge should forward message information to the Bureau with a subsequent complete letter report.



(15) Disputes. Whenever a dispute occurs between the Officer in Charge and the lessee concerning the administration of a lease and the lessee has been notified in writing of the decision of the Officer in Charge, the lessee may obtain a review of the case and final decision of the Contracting Officer upon addressing a written request to the Chief, Bureau of Yards and Docks via the Officer in Charge of the lease. Copies of all correspondence shall be forwarded with the lessee's request together with a complete report and recommendation of the Officer in Charge.

5. Availability of Forms. NavDocks Form 1805, "Monthly Financial Report on Leased N.I.R. Plants"; NavDocks 2390 (9-56); "General Terms and Conditions of Lease (Part II of Standard Form for Industrial Plant Leases)"; and Standard Form 25, "Performance Bond" and the technical publications listed in paragraph 4c(9)(e), above, may be obtained from Forms and Publications Supply Distribution Points in accordance with procedures outlined in BUSAIDA Manual, Volume 2.

6. Reports Required. The reports required by this Instruction have been approved for submission as indicated by the assignment of Report Symbol BUDOCKS 4862-1 which applies to the "Monthly Financial Report on Leased N.I.R. Plants," NavDocks Form 1805, and Report Symbol OPNAV 3040-1 which applies to the report on property damage and casualties. (Also see BUDOCKSINST 11320.2B of 30 December 1955 for procedures for submission of fire reports).



F. M. MOSLEY
Assistant Chief for
Real Estate

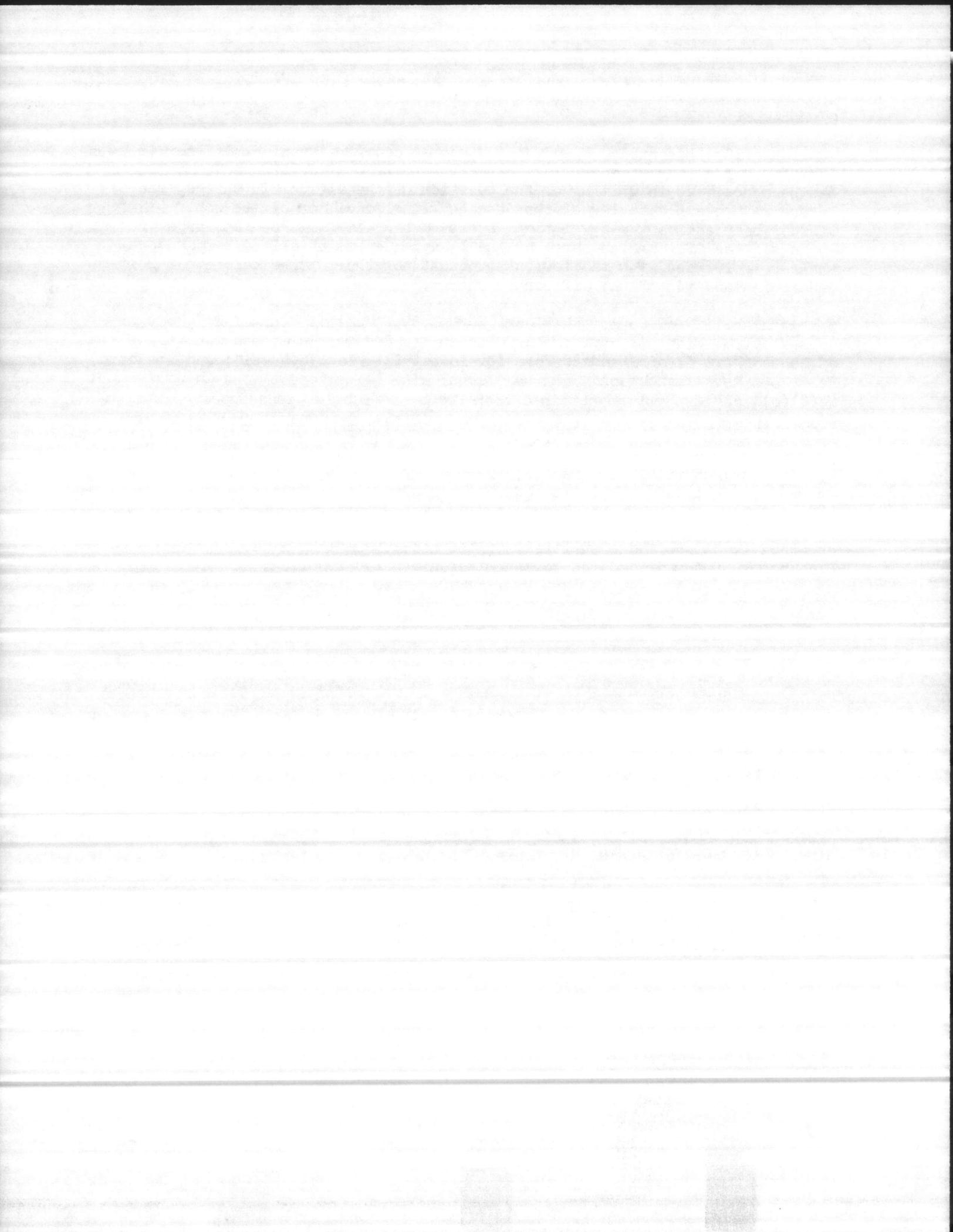
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OINC, NOy(R)-60418, NIRGP, Essington, Pennsylvania
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BuDocks Internal List IV



23 December 1957

Sample Brochure Soliciting Private Industry Proposals
for Leasing of Industrial Facilities

FACILITIES

AT

NAVAL INDUSTRIAL RESERVE _____

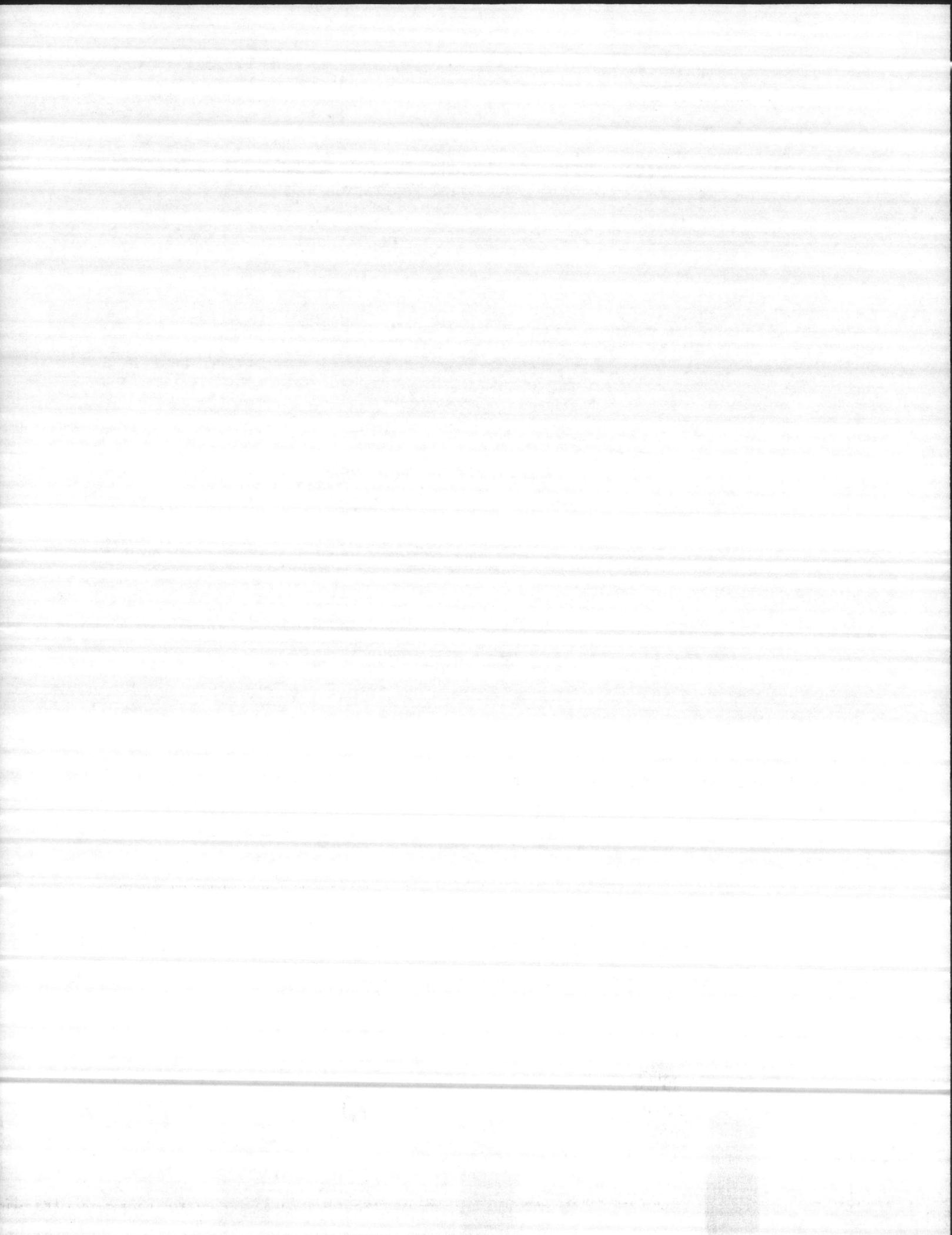
(Location)

AVAILABLE TO PRIVATE INDUSTRY

UNDER GOVERNMENT LEASE

NOTE: Sample only. Not to be construed as superseding
any regulations or requirements heretofore issued.

Enclosure (1)



DISTRICT PUBLIC WORKS OFFICE

NAVAL DISTRICT

(Address)

(Date)

INFORMATION CONCERNING THE NAVAL INDUSTRIAL

RESERVE

(Location)

Proposals are solicited for the leasing of

(Description)

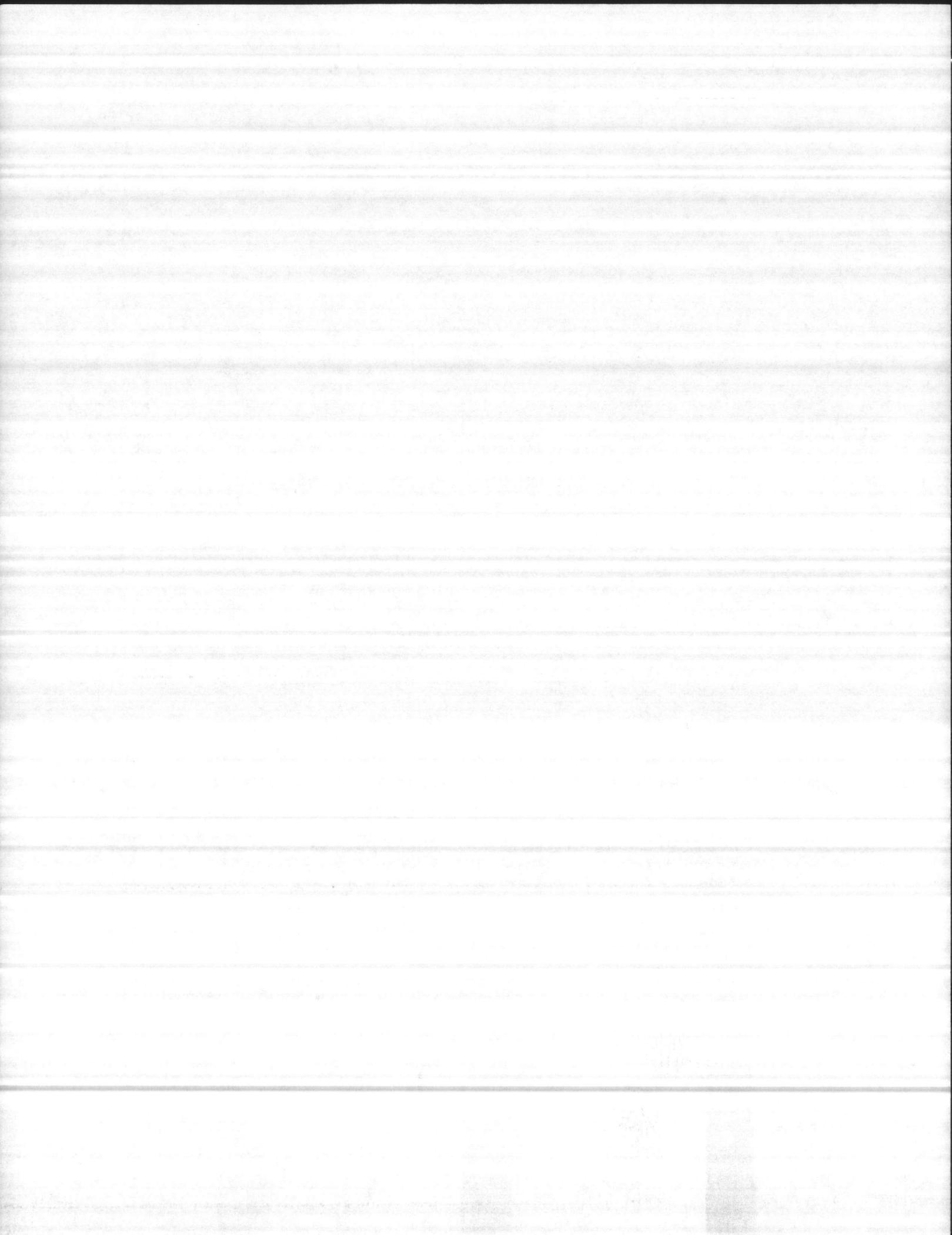
1. General Information (Sample)

a. The _____ is owned by the United States of America and is under the cognizance of the Department of the Navy. It consists of approximately one hundred twenty-one (121) acres, of which sixty-four (64) acres are within fence lines and fifty-seven (57) acres (unimproved) are outside the fence. There are numerous buildings and other improvements generally utilized in connection with the construction of small type ships. The plant is located _____.

b. The _____ is serviced by the _____ Railroad Companies with ample trackage to all parts of the yard. Vehicular access is available through the _____.

(City or Town)

Enclosure (1)



2. Major Features. In addition to the principal buildings and equipment which are described herein, there are guard houses, temporary buildings, toilets, sub-stations, water pumping stations, ice storage building, paint storage house, three (3) miles of railroad tracks, yard lighting, oil storage tanks, water cooling tank - 150,000 gallons, elevated tank for fire protection - 150,000 gallons, potable water tank - 25,000 gallons, paved black-top roads, and acetylene gas system with cascades.

3. Buildings and Improvements

a. Mold Loft, N-3, 18,285 sq.ft. Railroad siding adjacent to building.

b. Structural Assembly and Machine Shop, N-4, 129,201 sq. ft. The building has offices, toilets, lockers and drafting rooms. Clearance 15' to 60'. There are two railroad sidings in the building. Twenty-three (23) cranes - 3, 6, 15, and 30 ton.

c. Warehouse, N-5, 41,800 sq.ft. One story, wood walls, asbestos siding, built-up roof on concrete slab, concrete floor, and sprinkler system. Thirteen (13) cranes - 3, 4, and 10 ton.

d. South Locker and Cafeteria, N-8, 20,928 sq.ft. Two story frame building, asbestos siding, asphalt shingle roof, reinforced concrete floor on ground floor, wood floor on second floor, sprinkler system, office, and toilet facilities.

e. North Service Shop, N-10, 82,275 sq.ft. Brick, wood frame and asbestos siding, built-up roof on concrete slab, one story. Nine (9) cranes - 2, 3, and 10 ton.

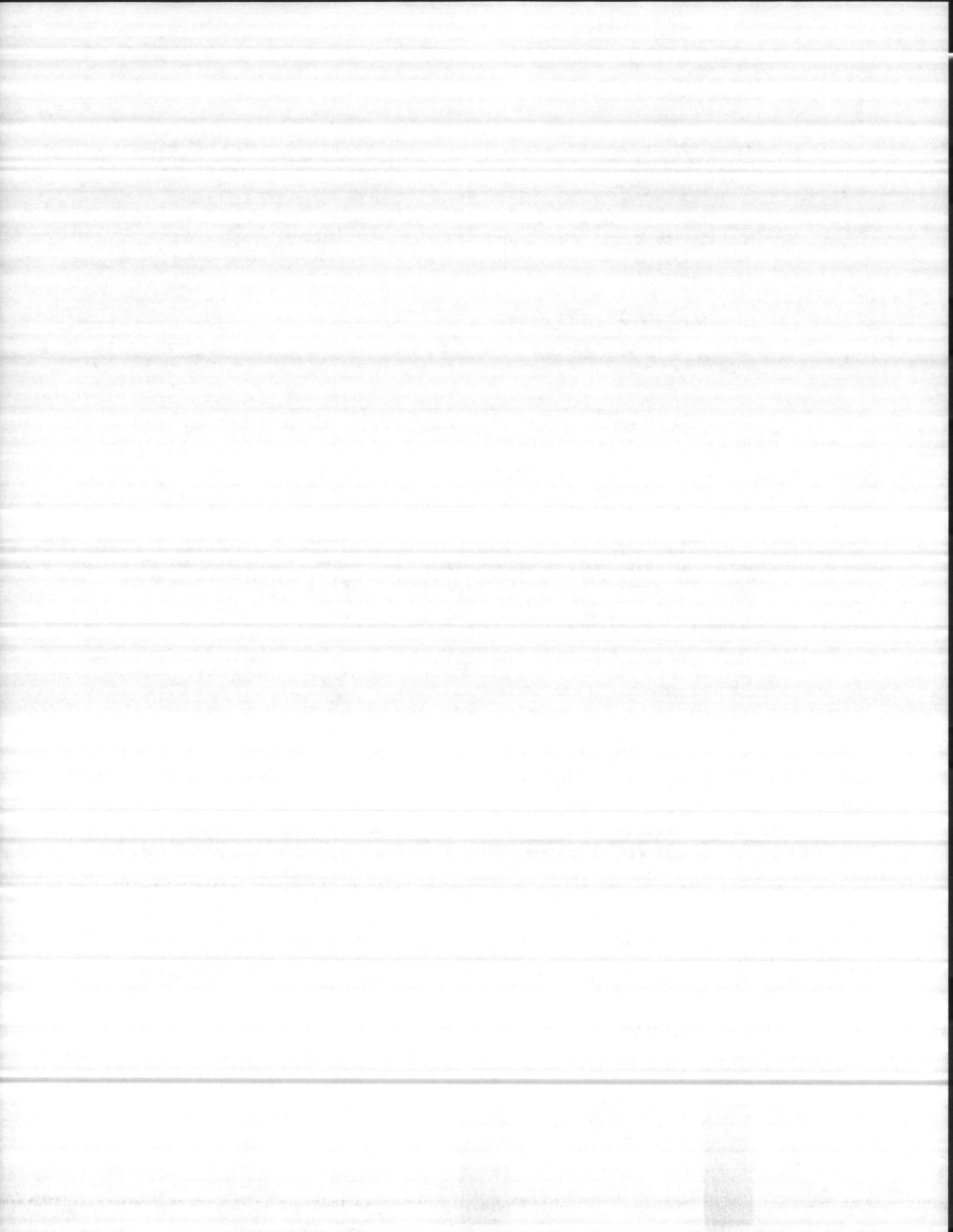
f. North Warehouse, N-11, 79,769 sq.ft. Wood frame, asbestos siding, built-up roofing on concrete slab, one story, concrete floor. Seven (7) cranes - 7, and 10 ton. The northernmost bay of this building is reserved by the Government for the storage of machine tools.

g. Sail Loft and Carpenter Shop, N-12, 11,477 sq.ft. Wood frame, asbestos siding, built-up roofing on concrete slab, concrete floors, outside platforms, one story. Six (6) cranes - 1, and 2 ton.

h. Cafeteria and Food Center, N-16, 9,870 sq.ft. Wood frame, asbestos siding, composition shingle on wood roof, one story.

i. Hospital and Employment Office, N-17, 13,679 sq.ft. Wood frame, asbestos siding, composition shingle and wood roof, one story, wood floors, Gamewell fire recording apparatus located in this building.

Enclosure (1)



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j. Outfitting Office, N-22, 9,462 sq.ft. Two story frame building, asbestos covered, asphalt shingle roof, wooden floor.

k. Guard House, N-23, 2,684 sq.ft. Wood frame, asbestos siding, built-up roofing on wood.

l. South Service Shop, N-24, 26,794 sq.ft. One story, brick and wood, asbestos siding, reinforced concrete floor. Nine (9) cranes - 1, 2, and 3 ton.

m. Outfitting Pier, N-79, 945' long and 29' wide. Wood deck on concrete sub-structure and wood piles. Three (3) gantry cranes, each with a capacity of 30/10 ton.

n. Outside Steel Storage Areas, N-82. Overhead travelling crane-15 ton.

N-29. Two (2) 20 ton travelling cranes.

o. South Yard. Three (3) gantry cranes, each 30/5 ton. Three (3) platens - 12,062, 4,816, 7,230 sq.ft.

4. Utility Services. Utility services are available throughout the Shipyard, including steam heat, a storm and sanitary sewer system, a fire protection system, the use of City water augmented by direct lines from the river, potable water lines, electric power, telephone service and compressed air.

a. Central Heating Plant, N-26, 8,971 sq.ft. Concrete walls, built-up roofing on concrete slab, compressed air plant, three (3) stoker-fired boilers with capacity of 909 HP.

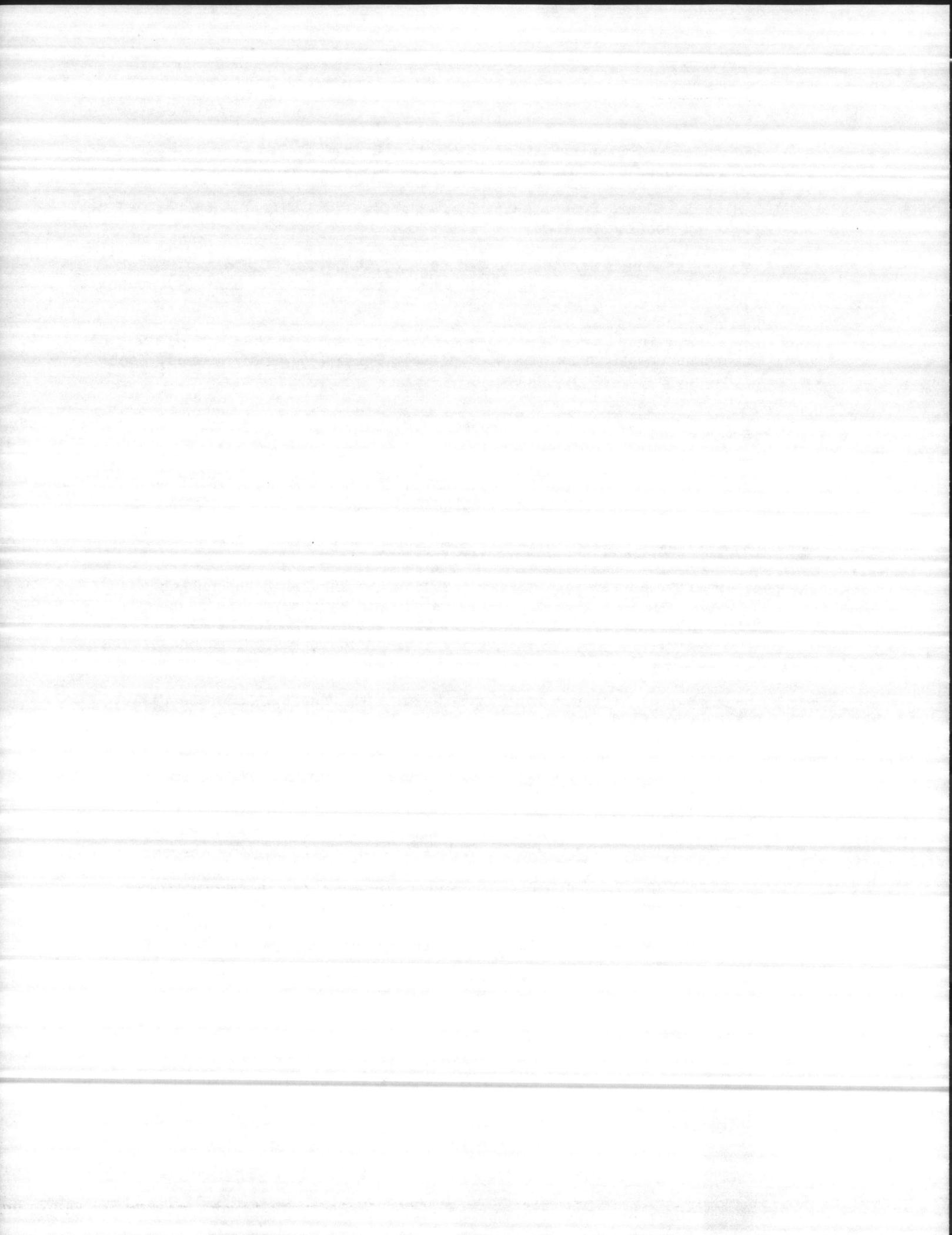
b. Electric Service. AC 3 phase 110/208 and 220/440 volts - Provided by the public utility company with connections to all of the main buildings and yard.

c. Water Service. Furnished by the public utility company.

d. Compressed Air. Compressors located in the central heating plant with connections to all the main buildings and yard.

e. Utility Tunnel. 3100' long, containing the main supply lines for steam, electricity, water, and air.

Enclosure (1)



5. Use. The facilities may be used for warehousing, light industrial purposes, business offices and a Marine Terminal, ship breaking and ship repairs. Sub-leasing to tenants will be permitted under terms and conditions satisfactory to the Navy Department.

6. Adaptation. The lessee may make such alterations and repairs, with the consent of the Department, as are necessary to adapt the plant to its use as limited above or that of its sub-tenants; however, such costs will be at the sole expense of the lessee.

7. Term. The initial term of the lease to be for a period of five (5) years, with an option to renew. The facilities will be leased subject to the provisions of Section 2667 of Title 10 of the United States Code, as revised by the Act of August 10, 1956, (70 A. Stat. 147; 10 U.S.C. 2667).

8. Termination. The Department of the Navy reserves the right to terminate the lease:

a. In the event of a National Emergency.

b. Upon one hundred and twenty days notice in the interest of National Defense determined by the Secretary of Navy.

9. Exclusions.

a. Main Office Building, N-15, occupied by the Veterans Administration.

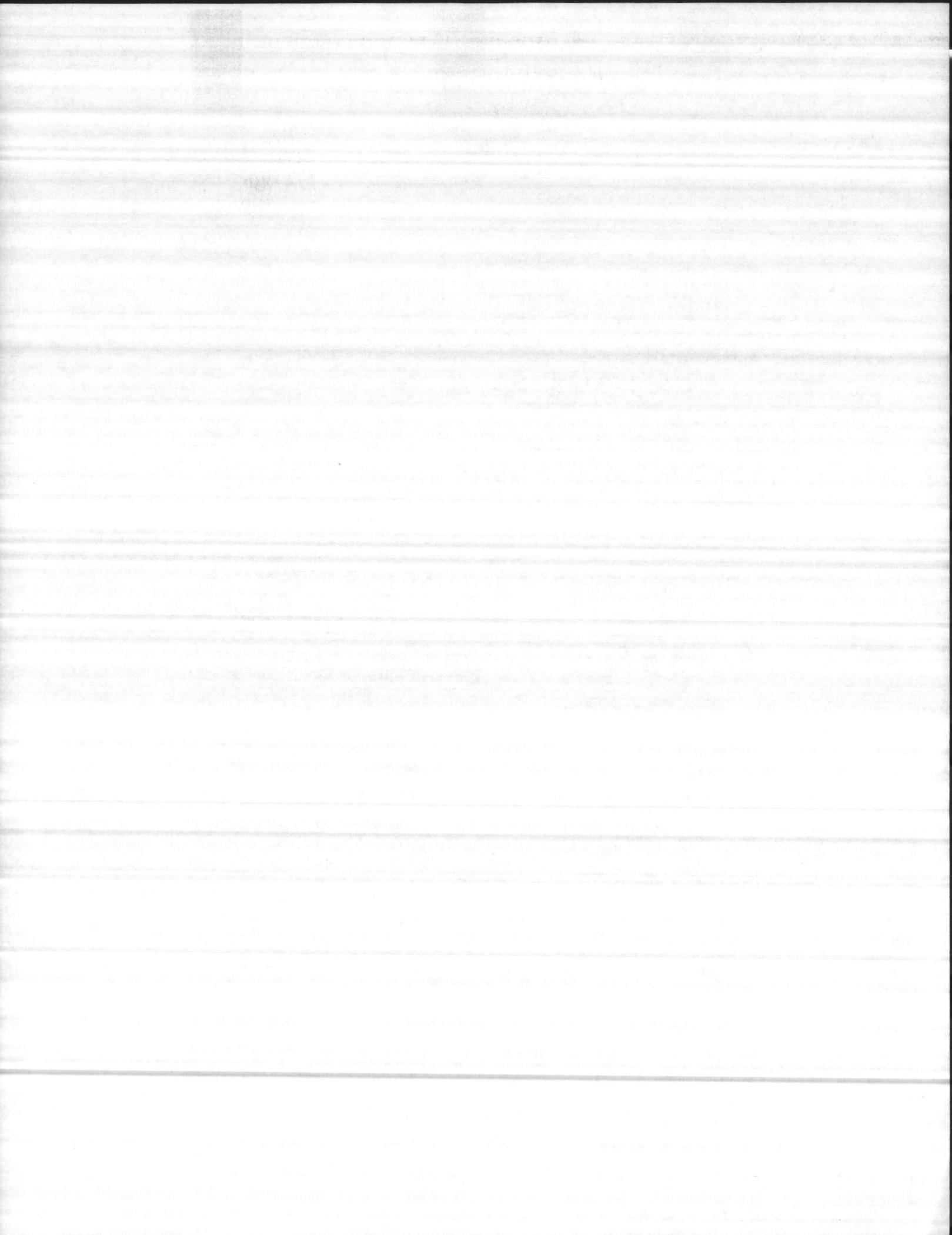
b. Naval and Marine Corps Reserve Training Center, entirely enclosed by fencing.

c. Twenty thousand square feet of space in Building N-4, and seventy thousand four hundred square feet of outside area in the south yard for a limited period.

d. Building N-11 - The north bay.

e. Government-owned Machine Tools and Metal Working Equipment. (Use may be negotiated.)

Enclosure (1)



COMMENTS AND PROCEDURE
FOR SUBMISSION OF PROPOSALS

It has been determined by the Secretary of the Navy that the Naval Industrial Reserve _____, _____, is not presently
(Location)
required for public use by the Department of the Navy, and that it would be advantageous to the Government to lease this plant under Section 2667 of Title 10 of the United States Code.

Inspection of the Facility without prior arrangement is invited on weekdays, except Saturdays, from _____ A.M. to _____ P.M. There will be an escort to show the facilities to interested parties upon application.

Proposals for leasing this Facility will be accepted only on the form provided by:

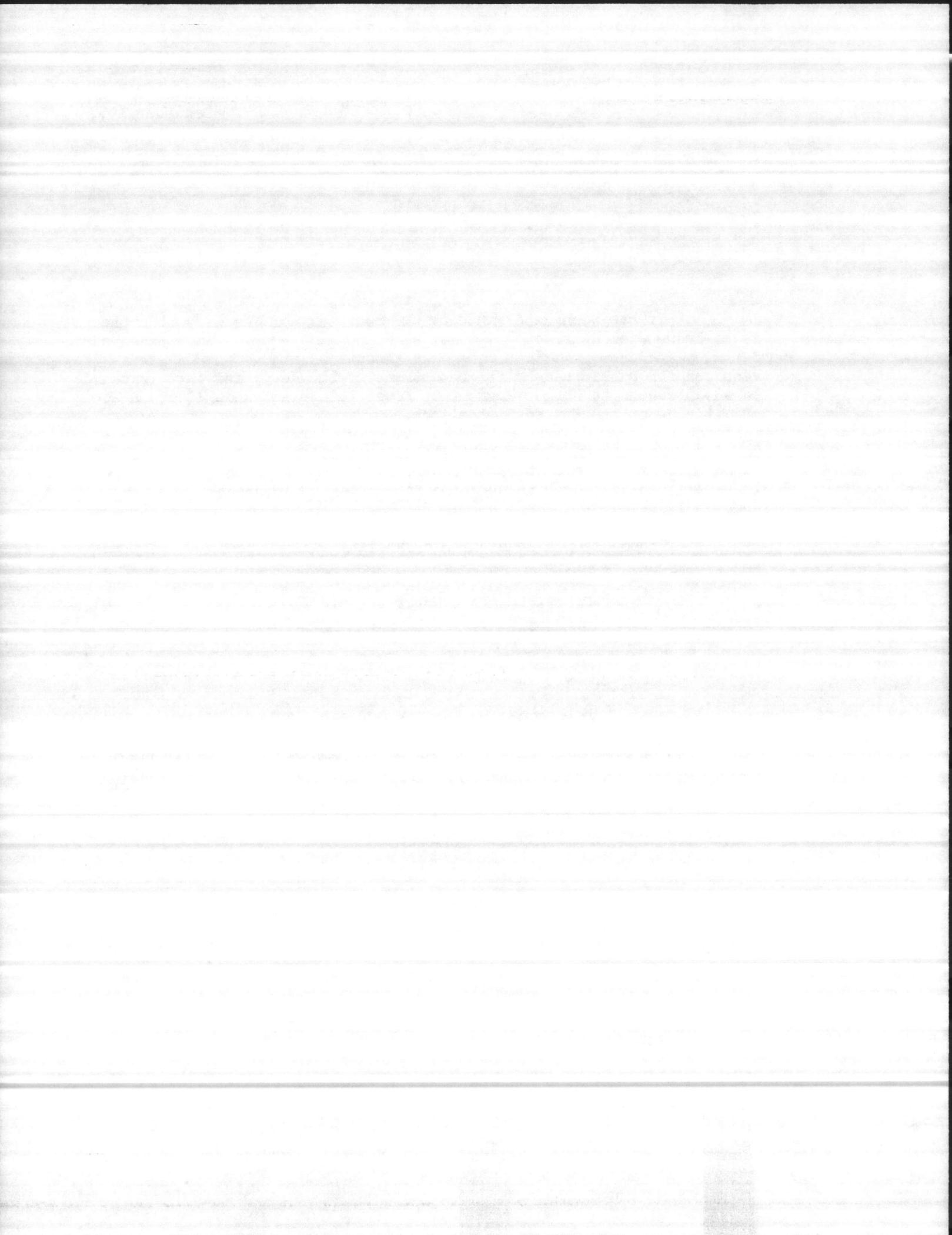
District Public Works Officer

(Address)

Telephone _____

All proposals must be submitted to the District Public Works Officer on or before _____.

Enclosure (1)



BUDOCKSINST 4862.1A
23 December 1957

BUREAU OF YARDS AND DOCKS

PROPOSAL

District Public Works Officer

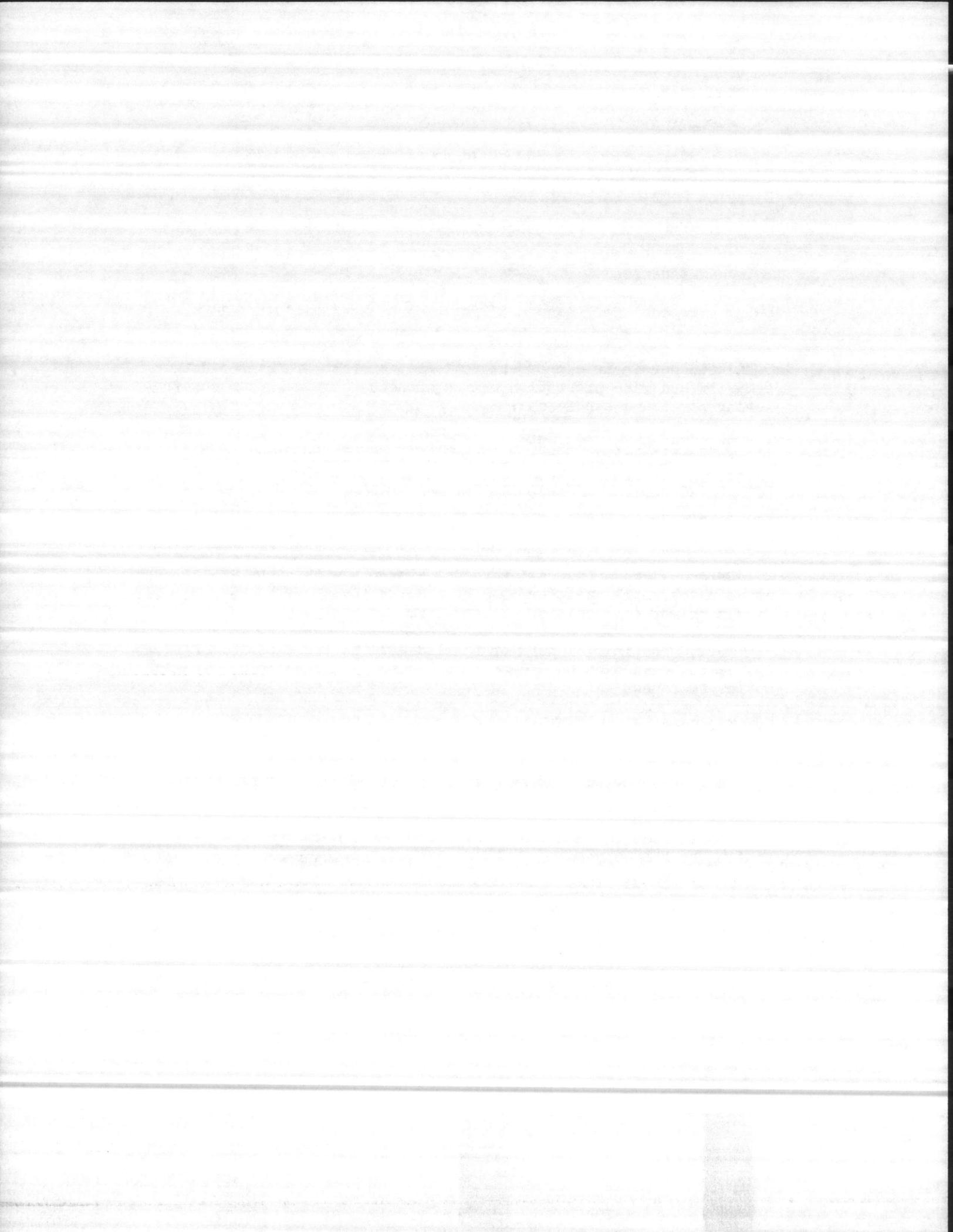
(Address)

Subj: Proposal for Lease and Operation of Naval Industrial Reserve

Submitted herein is a proposal to lease, operate, furnish plant security and fire protection of the subject _____ under the following terms and conditions:

1. Real Property. The Naval Industrial Reserve _____, _____, _____, including all buildings, improvements, structures, additions, betterments, fixtures, and appurtenances as described in the brochure issued by the DPWO, _____, entitled "Facilities at Naval Industrial Reserve _____, _____ --Available to Private Industry under Government Lease" dated _____.
2. Personal Property. All Personal Property within the Real Property areas which shall be determined by a joint inventory to be completed within thirty (30) days after possession by the Lessee.
3. Term. The initial term of the lease to be for a period of five (5) years commencing on a date to be mutually agreed upon, with an option to renew.
4. Termination. The Department of the Navy shall have the right to terminate the Lease:
 - a. Forthwith, during a national emergency declared by the President or Congress;
 - b. Upon One Hundred Twenty (120) days notice following a finding by the Secretary of the Navy that the interest of National Defense so require;
 - c. Upon One Hundred Twenty (120) days notice in the event that the Shipyard is declared excess to the needs of the Department;
 - d. Upon default by the Lessee in the discharge of any of its obligations or the bankruptcy or receivership of the Lessee.

Enclosure (1)



23 December 1957

Upon termination under a., the Lessee will be allowed a reasonable time, not to exceed One Hundred Twenty (120) days, in which to surrender the facility. During such surrender period, the Lessee will be bound by all terms and provisions of the Lease.

5. Use

a. The Facility may be used for warehousing, light industrial purposes, business offices, a marine terminal, ship breaking and ship repairs, but for no other purpose, unless and until the consent of the Department to any such additional purpose or purposes is obtained in writing. Counterparts of third party agreements will be furnished the Officer in Charge of Contracts or his representative, in duplicate. Third party use shall not result in a substantial portion of the Facility not being used by the Lessee for the purposes set forth in its charter. All third party agreements are to be subject to termination at the Department's direction in the event it is determined that the third party or its activities are inimical to the status of the Facility as a Naval Industrial Reserve Plant. Sublease terms to third parties are subject to the prior approval of the Officer in Charge of Contracts.

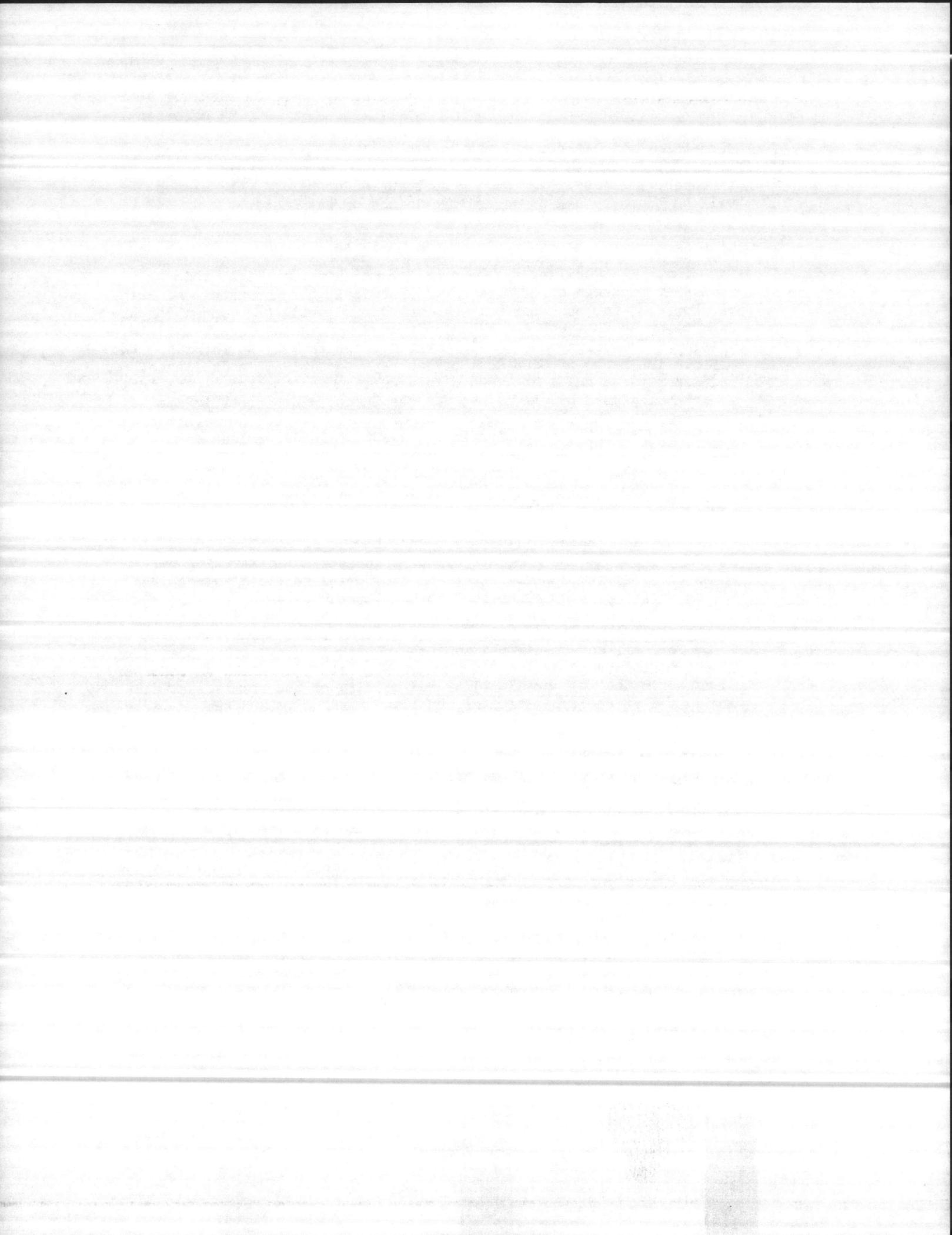
b. The Lessee will reserve for the use of the Department of the Navy suitable and adequate office space for administration purposes and will furnish utilities and janitorial services as required for this office space at no cost to the Department.

6. Maintenance. Lessee will be required, at its own cost and expense to perform all day-to-day maintenance and repair work, other than long time maintenance as defined in paragraph 6 below, as shall be necessary to maintain the full availability and utility of the premises at all times, and at the expiration of the lease term to return the premises to the Government in as good condition as received, reasonable wear and tear excepted.

7. Rent. As partial consideration for the use of the premises, Lessee shall assume an obligation to the Government in a fixed dollar amount per annum, which may be discharged by Lessee's payment of cash or performance of long-term maintenance, as hereinafter defined, as the Government may direct. Such long term or special maintenance shall consist of specific items of repair or restoration resulting from the age of the leased premises or its years of use which are not attributable to the Lessee's use or neglect.

8. Services. When required by the Department the Lessee shall furnish during the term of this Lease to the Government or any agency or instrumentality thereof, located within the Shipyard area, electric energy, heat, steam, water, compressed air and/or other available utility services. The charge made for any such service so furnished shall be at the following rate. . . .

Enclosure (1)



9. Exclusions. As may be required.

10. Renegotiation. The annual obligations as set forth above shall be subject to renegotiation by either party at any time after one (1) year from date of the lease; with the understanding however, that the Lessee shall continue to perform and discharge all of the obligations existing under the Lease at the time of the request, regardless of whether increase or decrease of obligations is proposed.

11. Alterations

a. The Lessee at its sole cost may make structural additions, alterations, improvements, or betterments to the Facility only upon prior approval by the Department.

b. Further, regardless of the terms or conditions of the consent, all structural additions, alterations, improvements, or betterments, when made, shall be considered part of the Facility and subject to all terms and conditions of the Lease, and upon termination or expiration of the Lease, and within the time fixed for surrender, the Lessee will, if the Department of the Navy so directs, effect removal of all such non-structural additions, alterations, improvements, or temporary signs.

12. Insurance

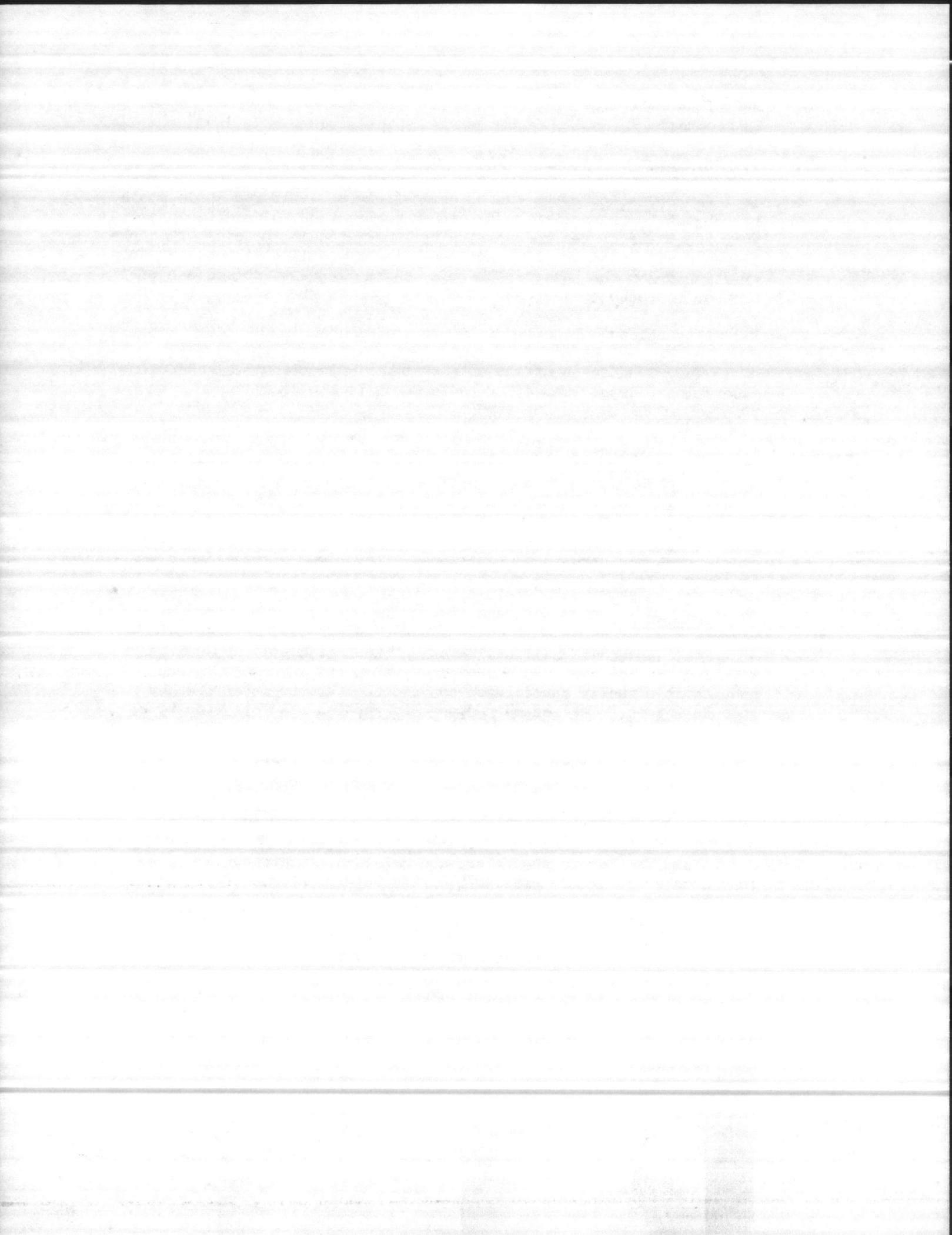
a. As additional consideration the Lessee will procure and maintain, at its own cost and expense, property insurance in such amounts as mutually agreed upon between the Department of the Navy and the Lessee. The Lessee proposes to furnish the following types and amounts of insurance coverage:

Fire and Extended Coverage	\$2,882,100.
Steam Boiler Explosion	200,000.
Personal Property	390,000.
Cranes (Multiple Risk)	207,500.

b. The Lessee to procure and maintain, at its own expense, insurance to cover the risk both of the Government and of the Lessee for liability to third parties in such amounts as may, from time to time, be agreed upon.

c. Upon surrender of any properties within the excluded areas to the Lessee, Fire and Extended Coverage and other types of insurance

Enclosure (1)



23 December 1957

will be provided as outlined in amounts that may be more but not less than those outlined below:

	<u>Fire & Ex- tended Coverage</u>	<u>Personal Property</u>	<u>Cranes (multiple risk)</u>
Building N-10 (north half)	\$232,000	\$19,500	
Building N-12	43,000		
Building N-22	50,300		
Building N-15	362,000		
Building N-14 incl. Gun Shed & Boiler House	200,000		
Building N-19	35,000		
Outfitting Dock	195,600		
Three Gantry Cranes			\$207,500

13. Bond. (See paragraph 4.c(6) of Instruction)

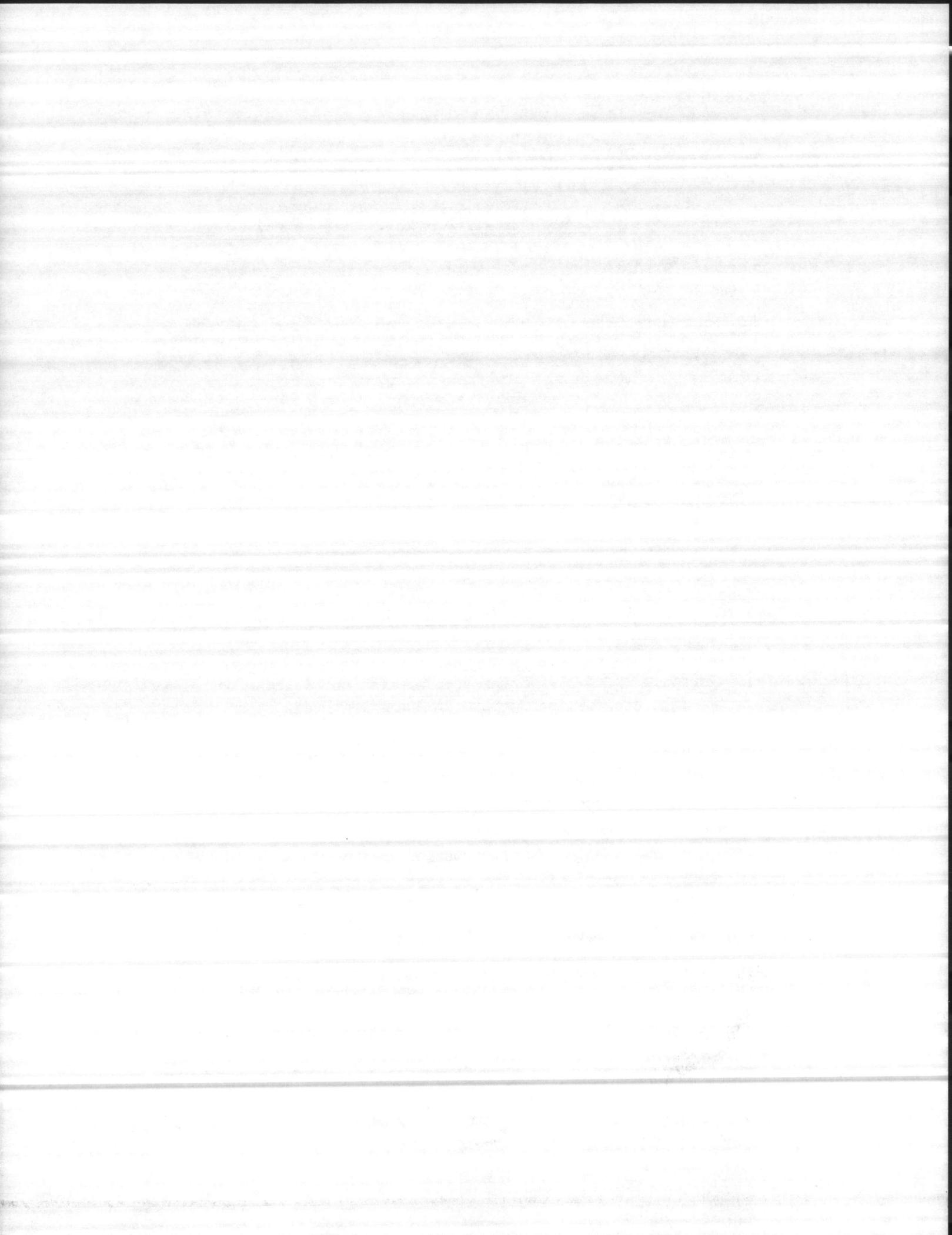
14. Termination by Lessee. Lessee shall have the right to terminate the Lease at any time prior to the expiration of the term thereof upon thirty (30) days written notice to the Department in the event of a damage to or destruction of all or a substantial part of the Facilities so as to render all of the Facilities incapable of use for the purposes for which they are leased; provided:

a. such damage or destruction is not required to be insured against and liability therefor has not been assumed by the Lessee,

b. such damage or destruction is covered by the required amounts of insurance and the proceeds thereof are insufficient to effect repair, rebuilding or replacement, and the Department has not directed the repair, rebuilding or replacement within ninety (90) days after it has received notice from the Lessee of such damage or destruction.

15. Execution of Lease. _____ agrees to execute an Agreement, or Lease, upon presentation, which agreement or lease, it is understood will also contain further provisions

Enclosure (1)



BUDOCKSINST 4862 JA
23 December 1957

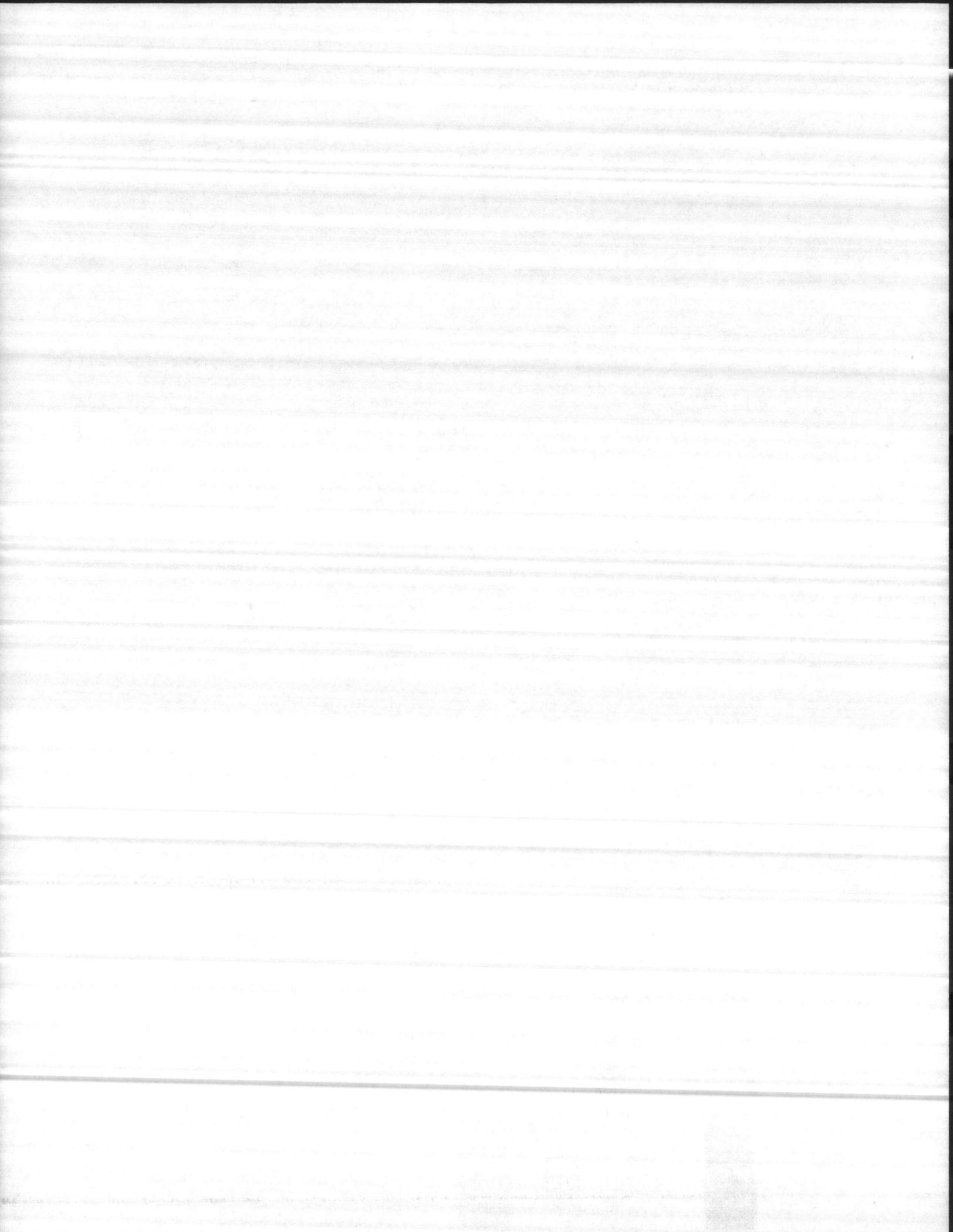
BUREAU OF YARDS AND DOCKS

provided by applicable Federal Laws, Executive Orders, and Department of the Navy Regulations.

SUBMITTED this _____ day of _____, _____.
(Month) (Year)

BY: _____

Enclosure (1)



23 December 1957

Guide for Preparation of Part I - Single Tenancy Lease of Industrial Property

All correspondence in connection with this lease should contain a reference to its number: NOy(R) _____

AGREEMENT OF LEASE

Part I

THIS NEGOTIATED AGREEMENT (consisting of this Part I and Part II, NAVDOCKS 2390 (9-56), "General Terms and Conditions of Lease", attached hereto and made part hereof) made and entered into as of the date hereinafter set forth, between the UNITED STATES OF AMERICA (herein called the "Government"), acting by and through the Department of the Navy (herein called the "Department"), and

[1]

(herein called "Lessee"),

WITNESSETH:

WHEREAS, the Government owns [2] and the Department has the custody, control and jurisdiction of that certain property known and identified as

(hereinafter called the "[3] [4]").

WHEREAS, the Secretary of the Navy (hereinafter called the "Secretary") has determined that the [4] is not surplus *unless* ~~to the needs of the Department~~ within the meaning of Section 472 of Title 40 *property* of the United States Code, but is not for the time being required for public use.

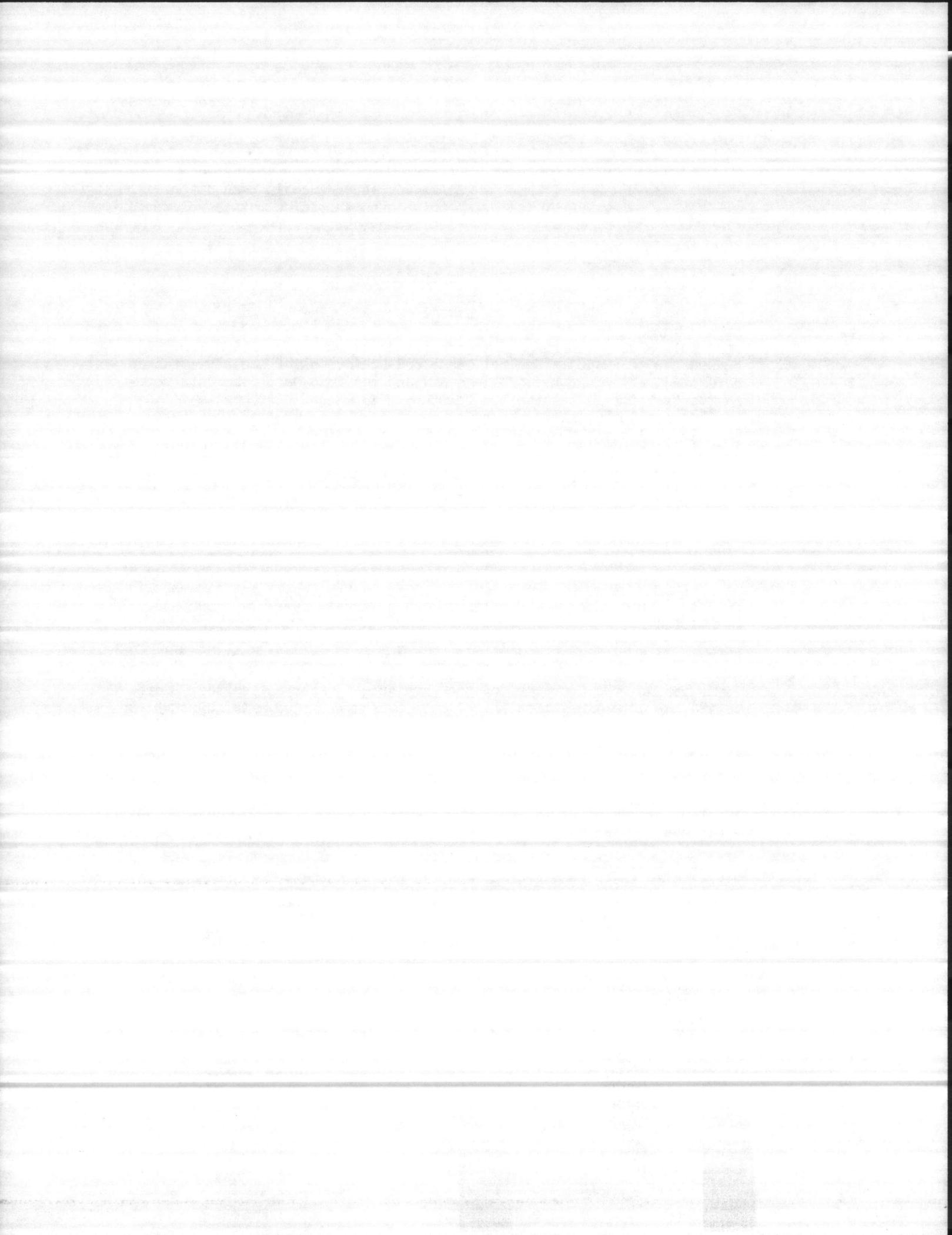
WHEREAS, the Secretary has determined that it will be in the public interest to lease the Facilities hereinafter described to Lessee on the terms and conditions hereinafter set forth.

WHEREAS, this Lease is made under the authority of Section 2667 of Title 10 of the United States Code, as revised by the Act of August 10, 1956, (70A Stat. 150; 10 U.S.C. 2667), [5]

[6]

NOW, THEREFORE, in consideration of the premises and of the terms, covenants and conditions hereinafter set forth, the Government and Lessee hereby agree as follows:

Enclosure (2)



23 December 1957

ARTICLE 1. LEASED PROPERTY

The Government hereby leases, [7] rents and demises to Lessee, and Lessee hereby hires and rents from the Government, the following described property (hereinafter called the "Facilities"):

[8]

as delineated on the map of the [4], marked "Exhibit A", attached hereto and made part hereof.

Together with all improvements thereon and appurtenances thereunto belonging.

[9]

The Government and Lessee have made a joint inspection of the Facilities and have prepared an Inventory and Condition Report, marked "Exhibit ___", setting forth the condition of each item of the Facilities, which has been signed by representatives of the Government and Lessee and is incorporated herein by reference and made part hereof as though physically attached hereto. [10]

ARTICLE 2. TERM

The term of this lease shall be a period of [11], beginning at 12:01 A.M. on the effective date hereof, unless sooner terminated as hereinafter provided.

[12] [13] [14]

ARTICLE 3. USE

Lessee shall have the right to use the Facilities solely for

[15]

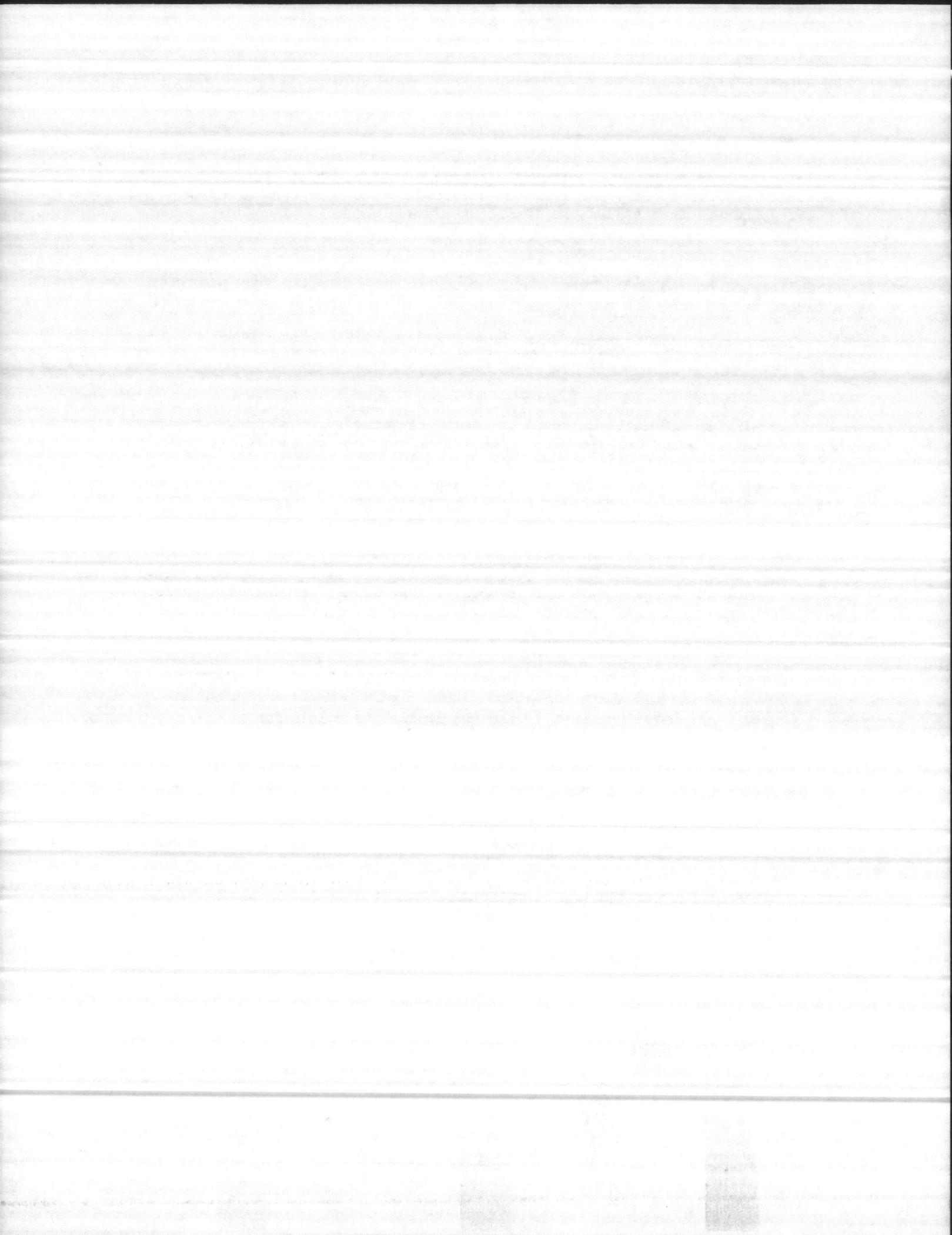
and for purposes incidental thereto, and shall not use any of the Facilities for any other purpose or at any other location without the prior written approval of the Government.

[16]

Lessee shall reserve for the use of and without cost to the Department such office space as the parties may mutually agree shall be suitable and adequate for the purpose of administration of this Lease

[17]

Enclosure (2)



ARTICLE 4. RENT [18]

Lessee shall pay to the Government as rent for the use of the Facilities the sum of _____ (\$ _____) Dollars per annum. Payment therefor shall be made in equal [19] installments of _____ (\$ _____) Dollars, in advance, in the manner prescribed by Article F of Part II of this Lease.

ARTICLE 5. MAINTENANCE [20]

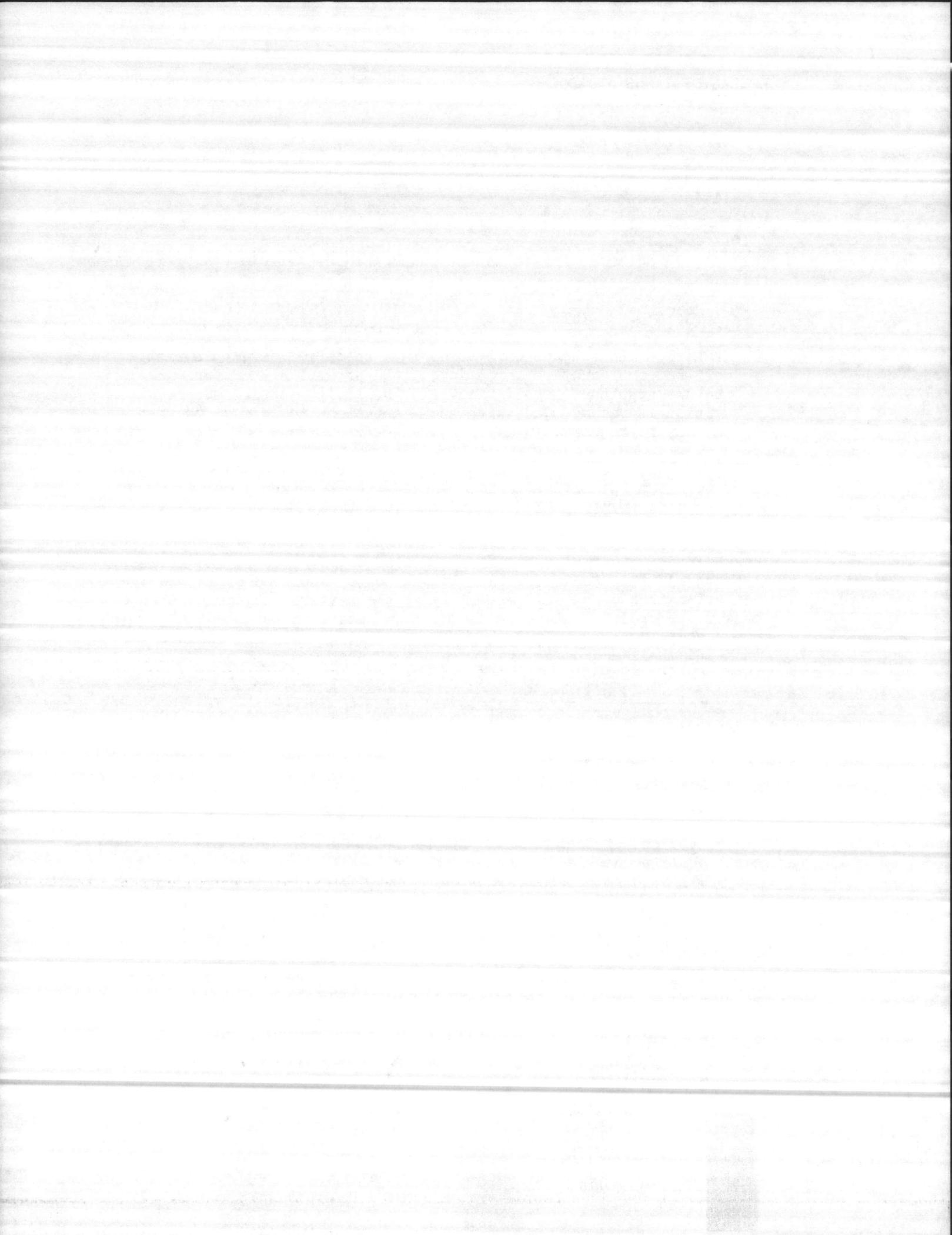
(Where a maintenance obligation in a specified amount is part of the consideration for a lease, the provision therefor will be the result of negotiation. The following pattern of provision is recommended, with such variations to be made therein as may be required in any particular situation.)

(a) Lessee shall, at its own expense, protect, preserve, maintain and repair the Facilities in accordance with the principles of sound property management [21] and as the Department may from time to time require and direct; Provided, however, that insofar as this obligation shall apply to items of "Long Term Maintenance" (as hereinafter defined), the undertaking of which has been approved or directed by the Officer in Charge of this Contract, the "Actual Costs" incurred by Lessee in the performance of such items shall, at the satisfactory completion thereof, be credited against the "Maximum Amount to be Expended", which amount shall be [22] (\$ _____) Dollars per annum and shall accrue on the first day of each month of the term of this Lease, or any extension thereof, at the rate of [22] (\$ _____) Dollars per month; Provided, Further, Lessee shall at no time be obligated to expend for Long Term Maintenance under this Article an amount in excess of the difference between: (i) the Maximum Amount to be Expended as accrued to such time, and (ii) the total credits allowed against the Maximum Amount to be Expended up to that time, (which difference is hereinafter called the "Current Obligated Maintenance Amount").

At the end of each year of the term the Current Obligated Maintenance Amount shall be carried forward to the succeeding year, or, if the Department shall so direct, shall be paid to the Government as cash rent. *in the manner prescribed by ARTICLE F of Part II hereof*

"Long Term Maintenance", as used herein, shall mean any item of protection, preservation, maintenance, and repair of the Facilities, or any part thereof, including overhaul, rehabilitation, or replacement with items of equivalent scope or capacity, the recurrence of which is not anticipated within the twelve (12) month period following its completion, but in no event shall include guard service or day to day maintenance, such as, but not limited to, janitorial service, garbage and trash collection and disposal and clean-up work.

Enclosure (2)



"Actual Cost", as used herein, shall mean the sum of (i) direct labor cost, plus 10% thereof for general supervision, administrative and overhead, and (ii) direct material costs incurred by the Lessee pursuant to direction of the Officer in Charge of this contract. Where the Lessee contracts with third parties for the performance of its Long Term Maintenance Obligation, "Actual Cost" as used herein shall mean the amount of such contract or contracts as may have been approved by the Government.

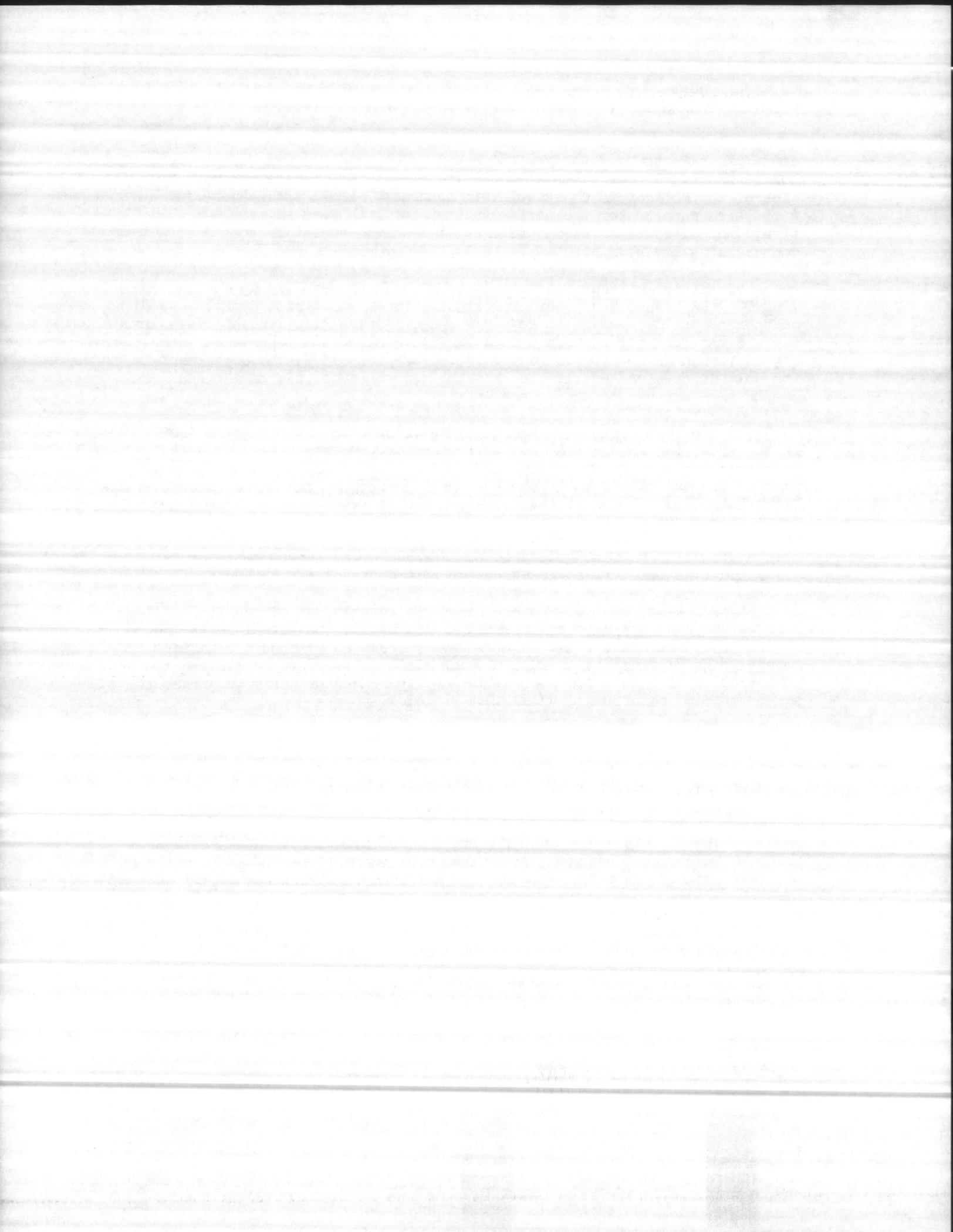
(b) If the estimated actual costs of such undertaking do not exceed \$250.00, the Lessee shall have the right, without the prior approval or direction of the Department to repair, replace, overhaul or rehabilitate any part of the facilities subject to later approval of the Department, provided, however, such later approval may be given or withheld by the Department in its sole discretion, and if withheld the cost of such undertaking shall be at the sole expense of the Lessee.

(c) In the event of an emergency in or upon or affecting the Facilities, involving imminent danger to persons or property, the Lessee shall immediately undertake and perform such work of protection, preservation, maintenance and repair as may be reasonably necessary under the circumstances. Where time does not permit the Lessee to obtain prior direction or approval for the performance of such work from the Officer in Charge of this contract, the costs incurred by Lessee as a result of such undertaking shall be credited against the Maximum Amount to be Expended or be reimbursable by the Government, as the Officer in Charge of this Contract may determine.

(d) Pending final determination of the actual cost of any item of Long Term Maintenance approved or directed as aforesaid, the actual costs incurred in the performance shall be tentatively credited against the Maximum Amount to be Expended at the end of each month in order to facilitate the administration of this lease and enable the Department properly to direct the performance of maintenance under this Article.

(e) In the event the Lessee shall undertake the performance of any item of Long Term Maintenance at any time when the Current Obligated Maintenance Amount is insufficient to admit of credit of the estimated actual costs of the performance of said item, the actual cost thereof shall constitute a credit against the Maximum Amount to be Expended as that amount may thereafter accrue pursuant to the provisions of paragraph (a) above; provided, however, that in the event of the expiration or termination of this lease prior to such credit being given, in whole or in part, the Lessee shall make no claim against the Government for any difference between the actual cost of such item and the credit received therefor, and such difference shall be at the sole cost and expense of the Lessee.

(f) Upon the expiration or earlier termination of this Lease, the Lessee shall, within thirty (30) days, pay to the Government in the manner prescribed by Article (F) of Part II hereof, such portion of the Current Obligated Maintenance Amount as remains unexpended.



ARTICLE 6. UTILITIES AND SERVICES [23]

No utilities or services shall be supplied by the Government to Lessee hereunder but Lessee shall make its own arrangements for procurement of same.

ARTICLE 7. AMOUNT AND TYPE OF INSURANCE

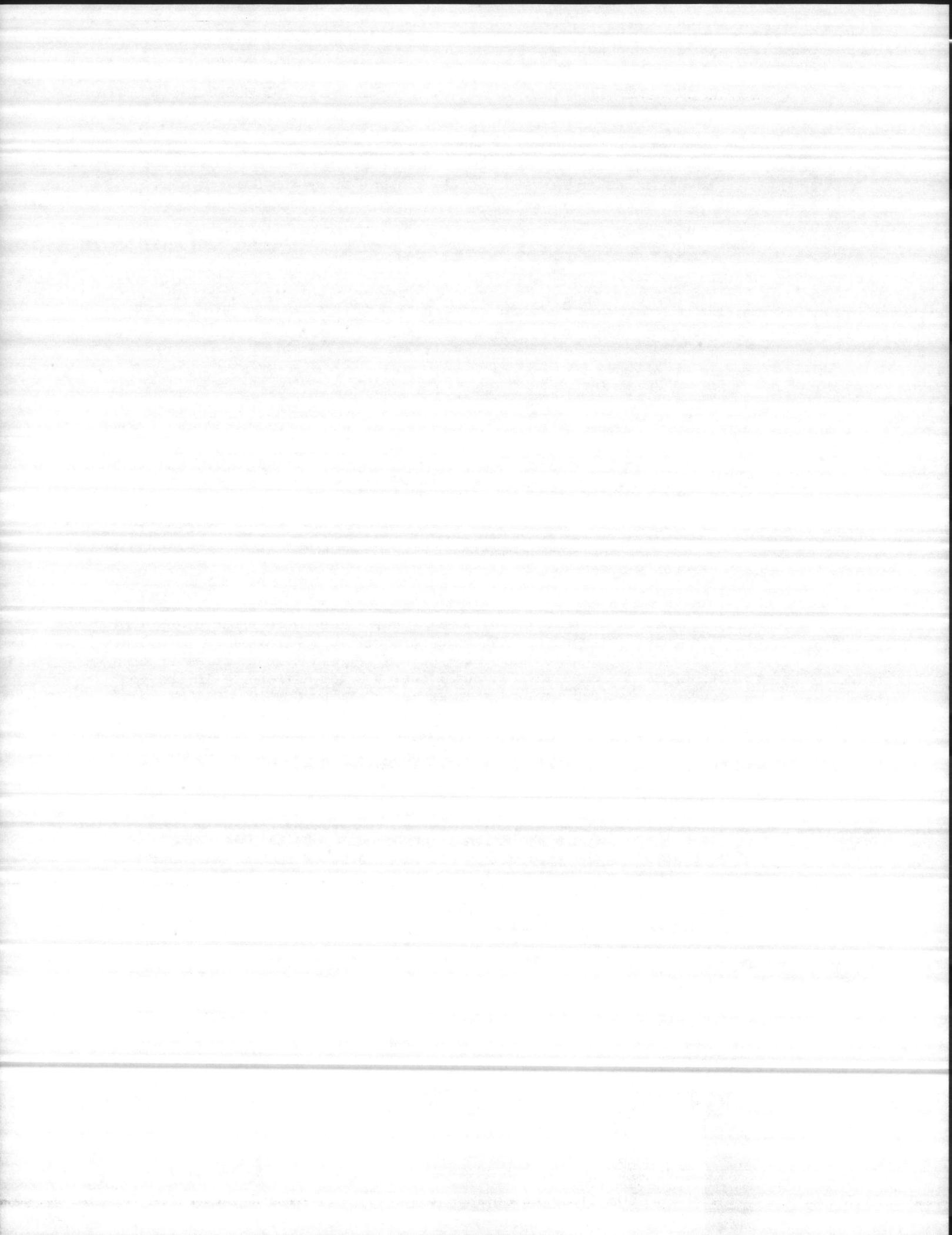
The minimum amounts and types of insurance to be procured and maintained by Lessee pursuant to Article A (2) of Part II of this Lease shall be as follows:

TYPE	AMOUNT
Liability	
Bodily Injury	\$ _____ per person
	\$ _____ per accident
Property Damage	\$ _____ per accident

It is expressly agreed that if the Government, pursuant to Article A (2) of Part II of this Lease, shall require Lessee to procure any additional amounts or types of insurance or shall authorize Lessee to reduce any of the above required insurance coverages, and such procurement or reduction, as the case may be, shall effect a net difference in the cost of insurance required hereunder in excess of Fifty (\$50.00) Dollars per annum, the Maximum Amount to be Expended [25] specified in Article _____ of this Part I shall be (a) reduced by the actual amount of the resultant net increase in annual cost, or (b) increased by the actual amount of the resultant net savings in annual cost, as the case may be.

ARTICLE 8. PERFORMANCE BOND OR SECURITY

In order to secure the faithful performance of its obligations hereunder, Lessee, at the time of the delivery to it of the fully executed copy of this Lease, shall either (a) deposit with the Government collateral security in the amount of (\$ _____) Dollars in the form of cash or negotiable Government bonds, or (b) furnish to the Government a performance bond issued by a corporate surety in the principal amount of (\$ _____) Dollars, said performance bond to be satisfactory to the Government in all respects. The Government reserves the right to require at any time such increase in the security required hereunder as it may deem necessary to make same commensurate with Lessee's obligations under this Lease and Lessee agrees to provide same promptly when so required. [26]



ARTICLE 9. ADMINISTRATION

The Administration of this Lease will be under the general direction of the Chief of the Bureau of Yards and Docks, herein called the "Contracting Officer". The (Title of Designee) is hereby designated local representative of the Department and the "Officer in Charge of this Contract". Under the direction of the Contracting Officer he shall have complete charge of the administration of this Lease and shall exercise full supervision in general direction thereof insofar as it affects the interests of the Department.

ARTICLE 10. PRORATION

In the event of the termination of this Lease pursuant to the provisions of Article B(1), B(2), B(3) or Article C of Part II hereof, Lessee's obligations for [27] hereunder shall be prorated to the date of the surrender of the Facilities following such termination, or to such prior date from which further accruals thereof shall have been suspended by the Department in accordance with the provisions of Article D of said Part II.

[28] [29] [30]

ARTICLE . GENERAL TERMS AND CONDITIONS

Attached hereto and made part hereof is Part II of this Lease Form NAVDOCKS 2390 (9-56), entitled "General Terms and Conditions of Lease", comprising ~~Article A through F, both inclusive~~ Part II. The provisions of such ~~articles~~ shall apply to and be controlling on the parties hereto except to such extent as they may be modified by specific provisions in this Part I. In the event of any conflict the provisions of this Part I shall be controlling.

IN WITNESS WHEREOF, the parties hereto have duly executed this Lease effective as of the _____ day of _____, 19____.

UNITED STATES OF AMERICA

DATE: _____

By _____
By direction of the Chief of the Bureau of Yards and Docks, acting under the direction of the Secretary of the Navy

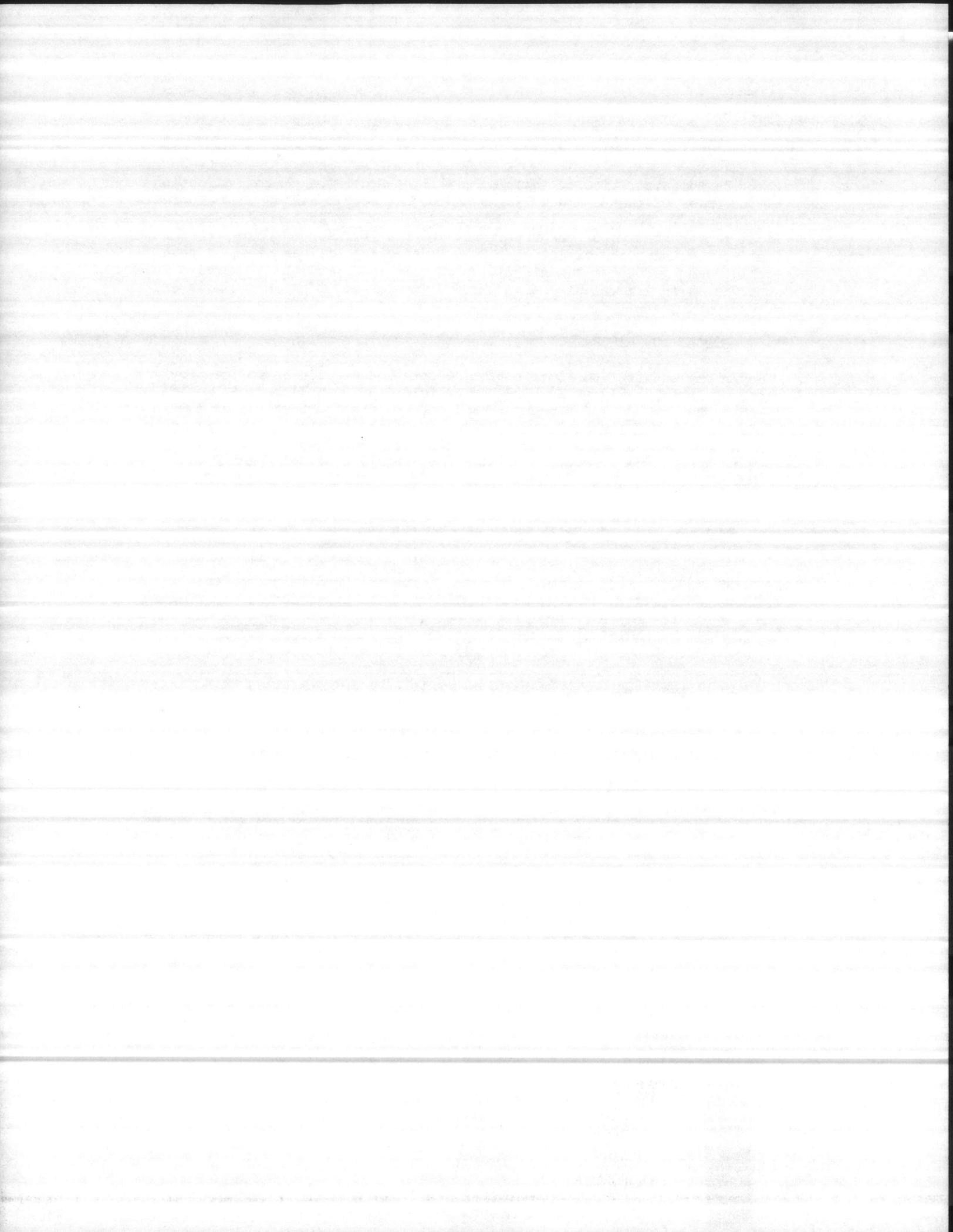
DATE: _____

(Lessee)

By _____

Title: _____

Enclosure (2)



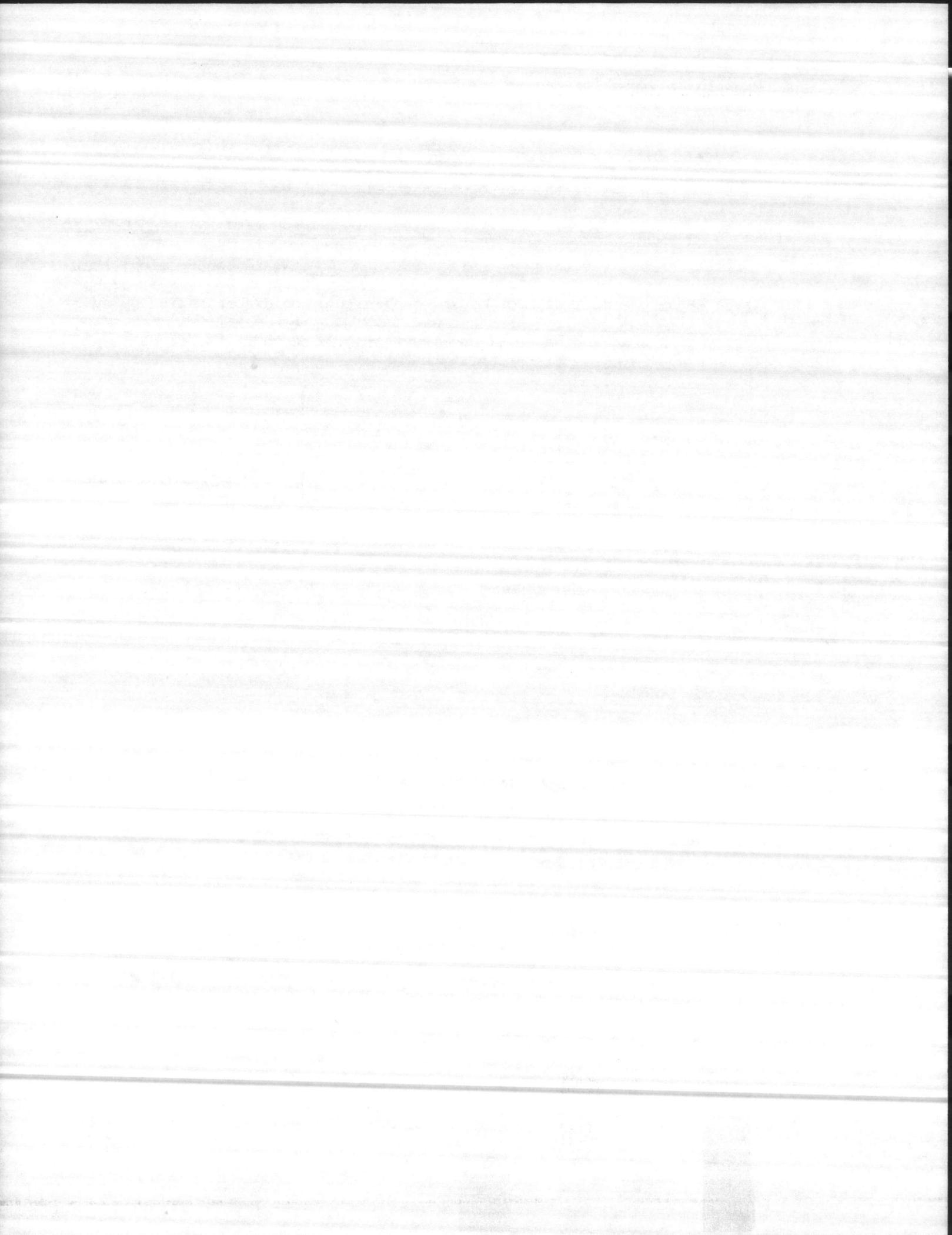
23 December 1957

I, _____ certify that I am the
_____ of the corporation named as Lessee in the attached Lease;
that _____, who signed said Lease on behalf
of the Lessee, was then _____ of said corporation; that
said Lease was duly signed for and in behalf of said corporation by auth-
ority of its governing body, and is within the scope of its corporate
powers.

(CORPORATE SEAL)

Title: _____

Enclosure (2)



23 December 1957

INSTRUCTIONS

For Preparation of
Single Tenancy Leases of Industrial Property

(Agreement of Lease, Part I)

The Guide for preparation of Part I of Single Tenancy Leases of Industrial Property is to be followed, insofar as may be practicable, in the preparation of the first part of such leases for use in connection with NAVDOCKS Form 2390 "General Terms and Conditions of Lease", so as to reflect the agreement of the parties as to those variable elements of the lease instrument which are determined in any given instance by the particular transaction involved and the negotiations relative thereto.

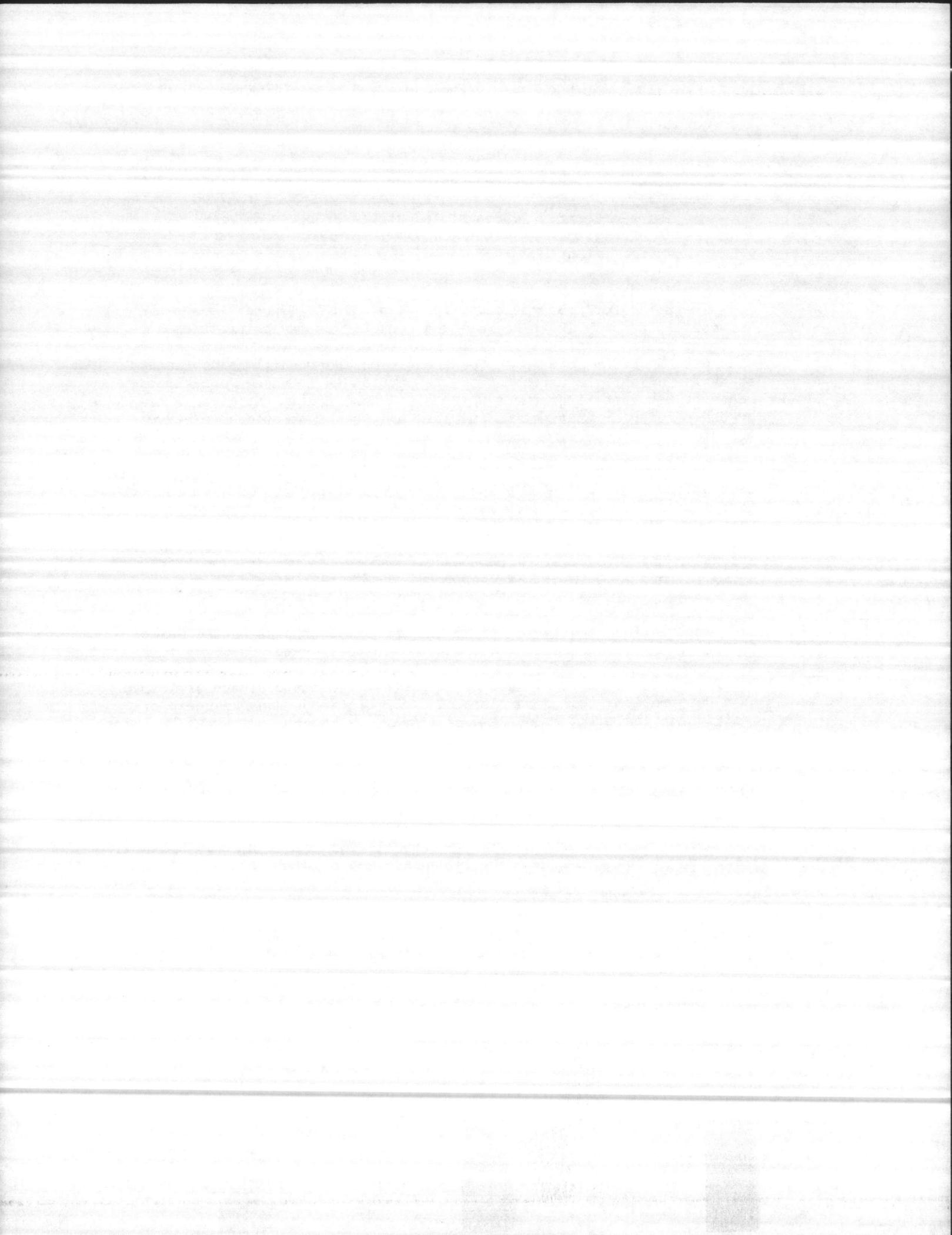
The provisions in the Guide, for the most part, provide such treatment of the basic items of a lease agreement as has proved satisfactory in the past. Part I of each lease should be specially prepared in each instance. Such preparation should be along the pattern of the Guide, with such insertions therein and deviations therefrom as may be appropriate under the particular circumstances. After its preparation, Part II, NAVDOCKS Form 2390 (9-56), and appropriate Exhibits should be attached thereto.

Instructions and advice as to the several footnotes on the Guide follow. References are to the bracketed numbers on the Guide.

1. Insert the full legal name of Lessee(s). Indicate status of Lessee as a corporation (including state of incorporation), a partnership or individual (including trade name of either). Indicate principal business address of Lessee.
2. Where the Government does not own the installation or any part thereof but leases all or any part, so indicate by appropriate changes in recital.
3. Insert the official name of the installation leased and its location; i.e., "Naval Industrial Reserve Ordnance Plant at Canton, Ohio".
4. Insert category of installation; i.e., "Shipyard", "Plant", etc.
5. Unless the total obligations assumed by Lessee under the lease for rent, long-term maintenance, security and insurance on Government property, exceeds \$25,000 per annum, add the phrase:

"and ~~this lease~~ is not affected by Section 2662 of Title 10 of the United States Code, as revised by the Act of August 10, 1956, (70A Stat. 147; 10 U.S.C. 2662)."

Enclosure (3)



Where such obligations do exceed \$25,000 per annum, add the phrase:

"and with the concurrence of the Armed Services Committees as required by Section 2662 of Title 10 of the United States Code, as revised by the Act of August 10, 1956, (70A Stat. 147; 10 U.S.C. 2662)."

6. Insert such other recitals as may be appropriate under the circumstances surrounding the transaction.
7. Where appropriate insert "subleases".
8. Insert an adequate description of the real property leased.
9. If personal property is leased, there should be inserted a clause reading substantially:

"Together with those items of personal property identified on the list marked "Exhibit B", attached hereto and made part hereof."

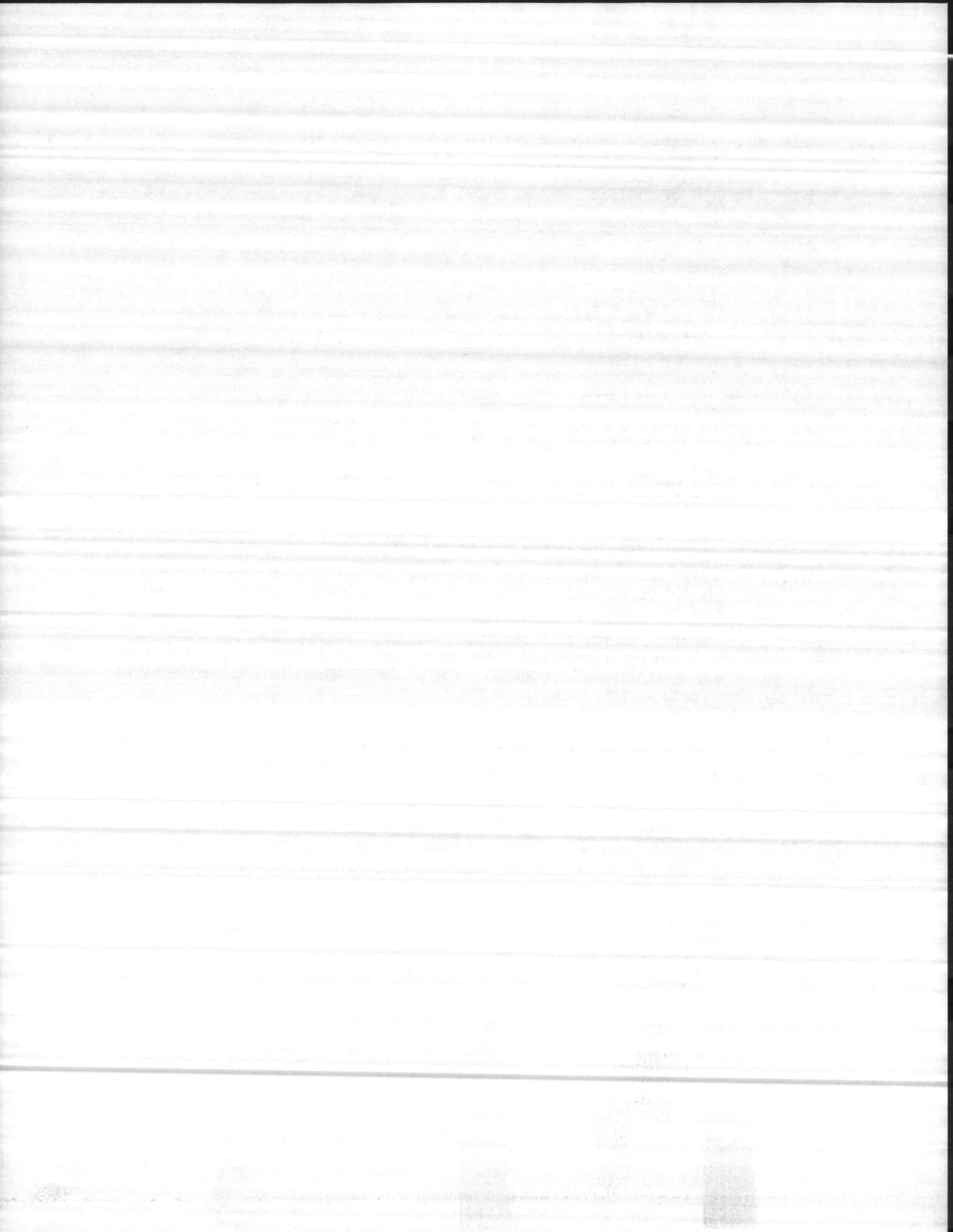
If the leased property is of different categories subject to different controls and other treatment in separate lease provisions, it may be well to prepare separate lists and make separate reference thereto.

The appropriate lists, duly marked, should be prepared and attached to the lease. However, if they are very extensive and bulky, it is permissible to identify them clearly and incorporate them into the lease by reference rather than have them attached.

Attention is invited to the fact that the leasing of Defense-owned production equipment for non-defense work and the rental charges for such equipment are subject to the provisions of BUDOCKSINST 4870.1 of 17 March 1954 and BUDOCKSINST 4870.3A of 29 August 1956.

10. The Inventory and Condition Report should be dated and signed by representatives of both parties. It should so reflect the condition of the items as to provide a sound basis for measuring lessee's obligations relative to surrender and restoration under Articles D and E of Part II, NAVDOCKS 2390(9-56), "General Terms and Conditions of Lease".
11. Insert the period of the initial term of the lease.
12. Attention is invited to the fact that any lease for an initial term and extension options aggregating a total in excess of five (5) years requires a specific determination by the Secretary that such longer period will either promote the national defense or be in the public interest. (Justification for such determination should be submitted to the Bureau at the time the proposal is submitted for consideration.)

Enclosure (3)



23 December 1957

13. Unless the Secretary shall have made a specific determination that the omission from a lease of a provision making the same revocable by him is either in the interest of national defense or in the public interest, the following provision should be inserted immediately following the opening sentence:

"Notwithstanding the provisions of Article B of Part II hereof (~~NAVDOKS 2390 (9-56)~~) this lease may be terminated by the Secretary at any time."

(Adequate justification for such determination should be submitted to the Bureau at the time the proposal is submitted for consideration.)

Any other modification of the standard termination provisions of Articles B and C of Part II NAVDOCKS 2390 (9-56) approved by the Secretary should be set forth in this Article in similar fashion.

14. Any rights in Lessee to extend the lease beyond its initial term and all the conditions thereof should be clearly set forth in this Article. Except in unusual circumstances this will be limited to the reservation of a right in Lessee to negotiate for an extension, so as to avoid any necessity for recircularization of the property at the end of the initial term. This can be accomplished by including the following provision which makes the terms and conditions of any extension subject to negotiation.

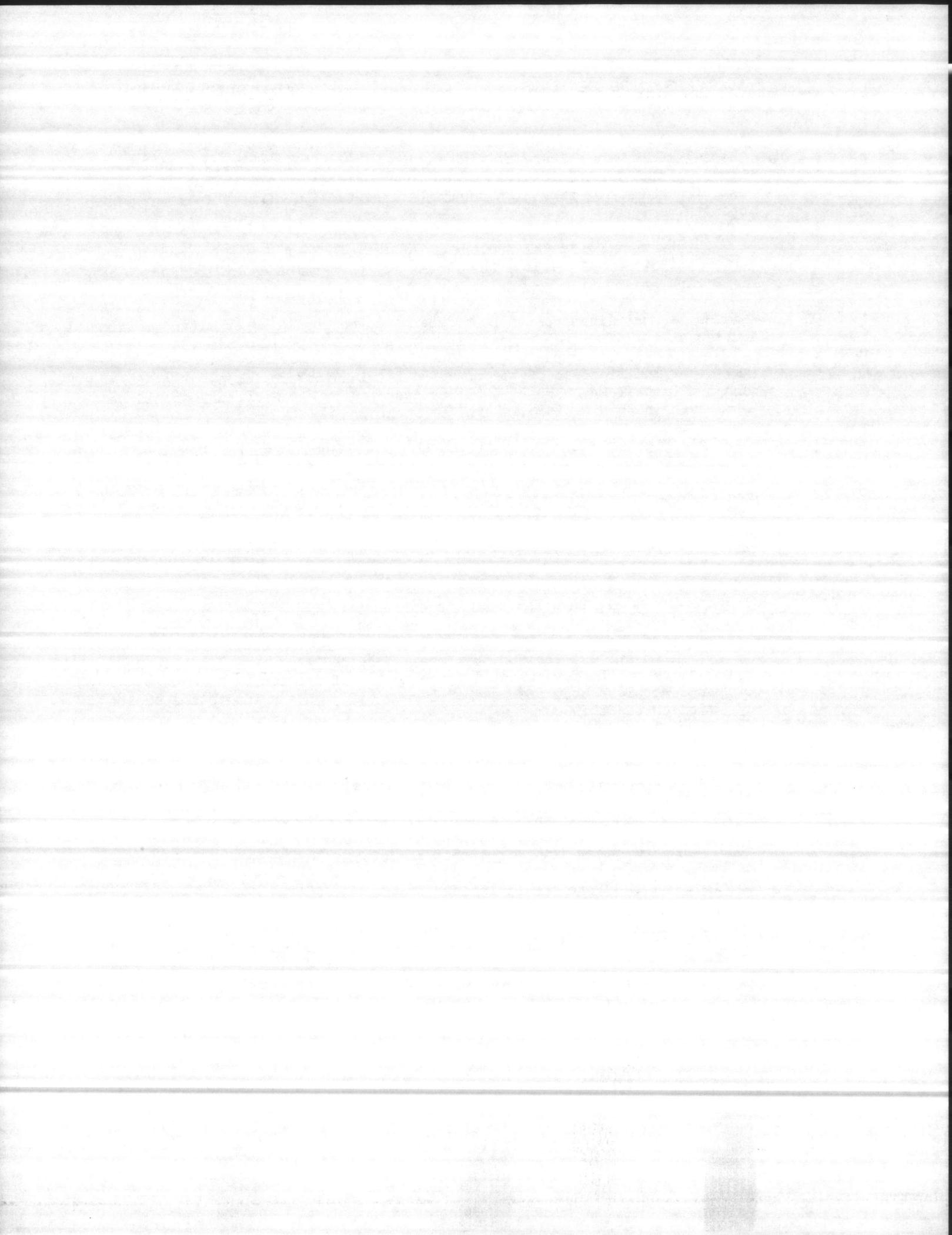
"Lessee shall have the right to extend this Lease for _____ additional period(s) of _____ year(s) each, upon such terms and conditions as may be agreed upon prior to the expiration of the then current term of the Lease; Provided, Lessee shall have delivered to the Government written notice of its desire to extend same not less than one hundred twenty (120) days prior to the expiration of the then current term."

15. Insert the uses to be made of the Facilities by Lessee.

16. To achieve the effect of excluding Lessee's right of use as to certain items of the Facilities or retaining some portion, of the Facilities in Government use in a manner which will permit the expenditure of maintenance funds on such items or portion, a limitation on use in Article 3, rather than exception to the property description in Article 1, should be employed. This may be done by attaching to the first paragraph of Article 3 a proviso similar to the following:

"Provided, however, that Lessee shall have no right of use in that portion of the Facilities (insert description, reference to map, etc.), use of which shall be reserved to the Government, together with necessary rights of ingress and egress."

Enclosure (3)



17. Where subletting by Lessee is contemplated the two paragraphs of this Article should be given the subheads "(A) BY LESSEE" and "(C) BY DEPARTMENT", respectively, and there should be inserted between them an additional sub-paragraph, "(B)", reading substantially as follows:

"(B) BY THIRD PARTIES

(i) Lessee shall have the right to enter into agreements with third parties, such as subleases, permits or licenses for portions of the Facilities for such uses by them as are permitted to Lessee under sub-paragraph (A), above; Provided, however, all such third party agreements shall be subject to approval of the Department; Provided, further, Lessee shall at all times retain a portion of the Facilities for its own use.

(ii) Every third party agreement entered into by Lessee pursuant to the provisions of this sub-paragraph shall provide for its termination at any time upon the happening of either of the following eventualities:

(a) Termination of this Lease by the Department pursuant to the provisions of Article B of Part II hereof (~~NAVDOCKS 2390~~ (9-56)) as the same may be modified in this Part I.

(b) Determination by the Department that the continued use and occupancy of the third party thereunder is incompatible with the status of the Facilities as a Naval Industrial Reserve Plant.

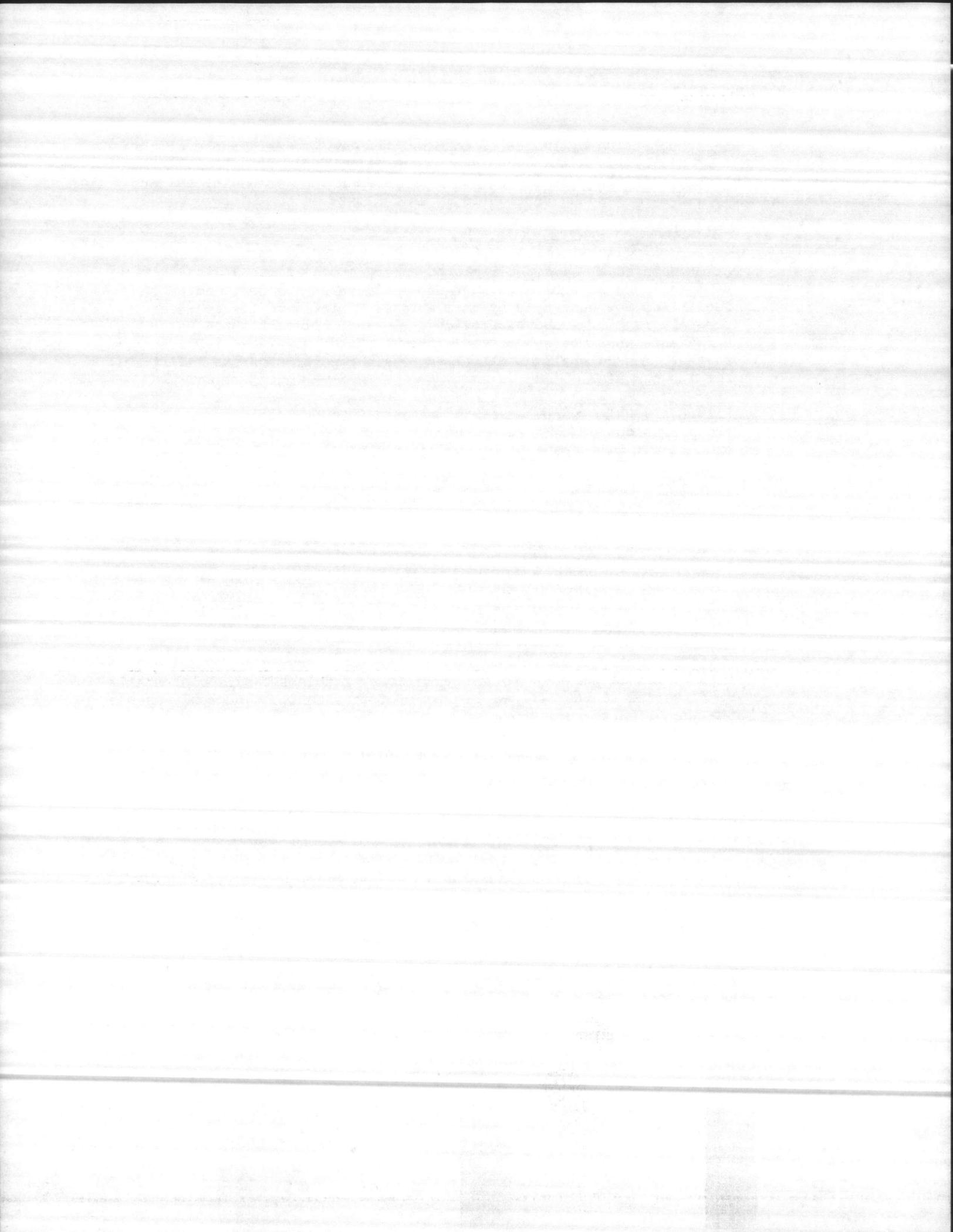
(iii) Two fully conformed copies of every third party agreement entered into by Lessee pursuant to the provisions of this sub-paragraph shall be forwarded to the Officer in Charge of this Contract promptly upon the execution thereof."

18. The rental provision should be used only when cash rent is to be paid as part of the consideration for the lease. It should be deleted when the sole consideration is to be maintenance.

19. Insert the period of installment rental payment; i.e., Semi-annual quarterly or monthly. If payments are annual, delete second sentence and add to first the phrase "in advance, in the manner prescribed by Article F of Part II of this Lease (~~NAVDOCKS 2390 (9-56)~~)".

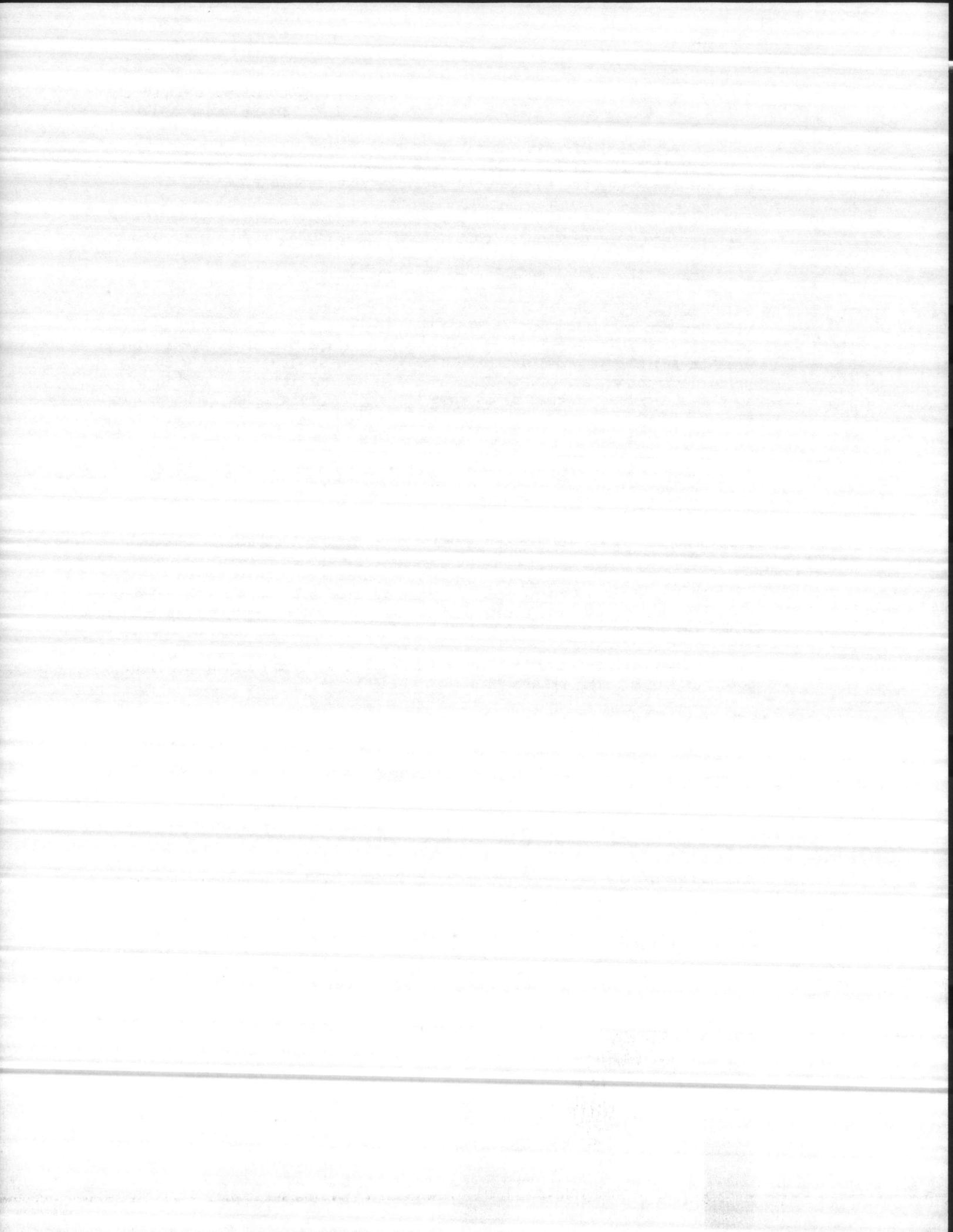
20. Even where the sole consideration for a lease may be cash rent, the Lessee should covenant for ordinary maintenance, as follows:

"During the term of this Lease, and any extension thereof, Lessee, at its own expense, shall protect, preserve, maintain and repair the Facilities so that the same will be kept in as good condition as set forth in the Inventory and Condition Report made part hereof



by Article 1 of this Lease, or in such improved condition as may result from any improvements made therein by the Government or by Lessee, subject, however, to ordinary wear and tear."

21. To such extent as possible particularize the principles referred to by reference to a particular business or industry, as may be appropriate.
22. Insert the amount established by negotiation.
23. Ordinarily, a single tenancy lease will require the Lessee to provide its own utilities and services and a recital to this effect should be made. If the Government reserves to itself the use of any exclusive area in Article 3, provision should be made for Lessee, as the probable prime contractor thereof, to furnish specified utilities and services to the Government at cost or at some other fixed rate as may be appropriate.
24. Indicate the various types of insurance coverage required on the Facilities and the amount of each. This may be done on either an itemized or overall basis.
25. In instances where the sole consideration for the lease is cash rent, the reference to Maximum Amount to be Expended should be changed to "rent."
26. If the security furnished is in the form of a deposit of collateral security, an appropriate pledge agreement meeting the requirements of local law should be prepared and executed at the time of said deposit.
27. Insert either "rent" or "performance of Long Term Maintenance", or both, as may be appropriate in a particular lease.
28. Insert immediately prior to the final paragraph of Part I, incorporating Part II (NAVDOCKS 2390 (9-56)), any specific provisions peculiar to the transaction at hand, including special provisions for modification of any provisions of Part II (NAVDOCKS 2390 (9-56)), provisions for renegotiation, provision for stand-by maintenance, or any other provision necessary to reflect the agreement arrived at between the parties. Some specimen special provisions are attached hereto for purposes of guidance only.
29. Safeguarding of rights under prior Lease. When a new lease being prepared either succeeds or supersedes a lease with the same tenant, either party may have rights at the time of the expiration or termination of the old lease which it may not be expedient to exercise at the time in view of the continuation of tenancy under the new lease. This is particularly true of the tenant's rights of removal of certain additions and improvements and of the landlord's rights to require removals and restoration of the premises. Adequate precautions should be taken to assure that the new instrument expressly safeguards these rights independently of any prior instrument.



Such precaution may usually be effected by appropriate action in the preparation of the Inventory and Condition Report and insertion of an explanatory provision in the text of the new lease. The following is a specimen provision for such purpose.

"ARTICLE ____ . PRESERVATION OF RIGHTS OF PARTIES CREATED BY
LEASE NO. _____

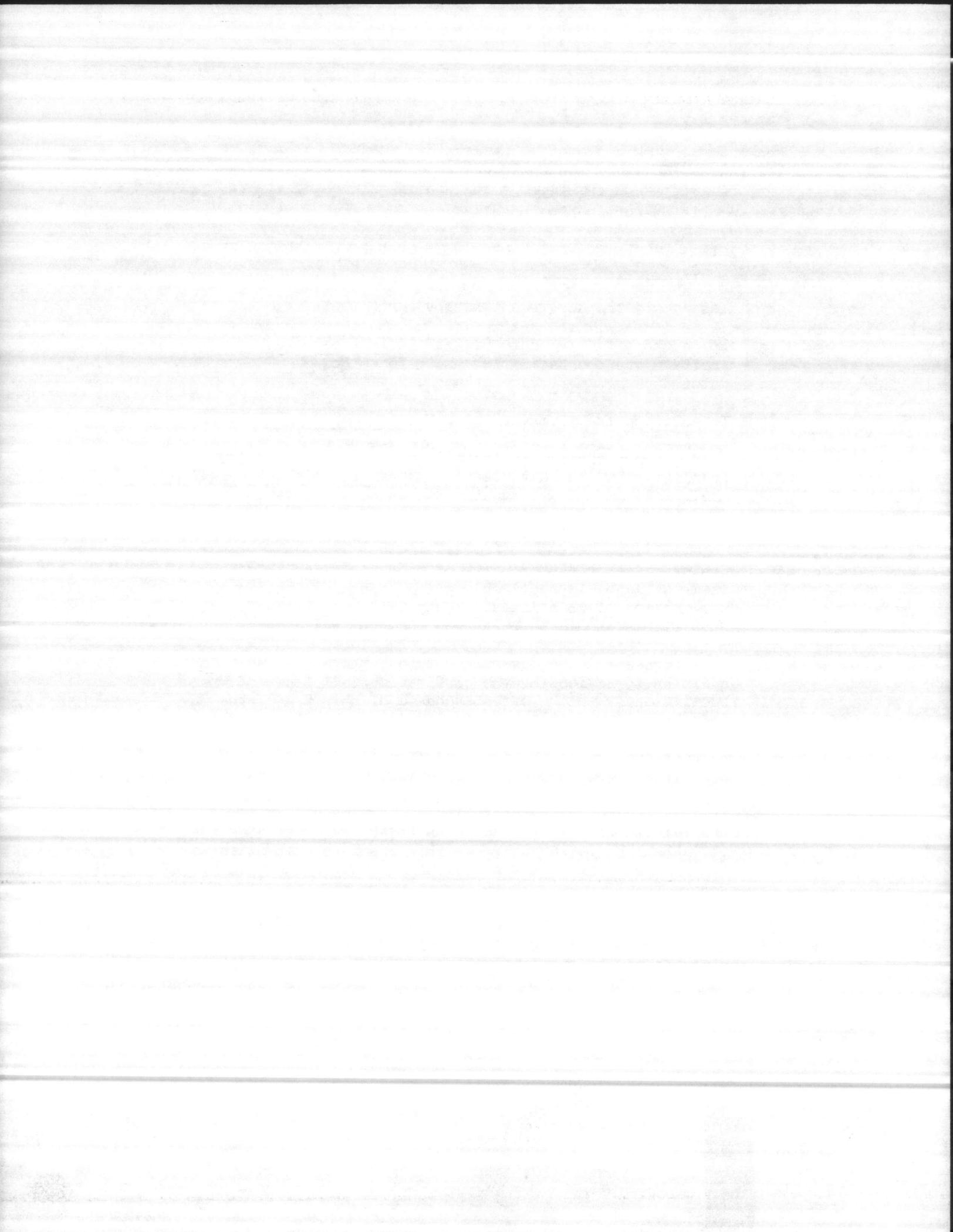
Lessee and the Government hereby agree that:

- (a) Up to the effective date of this lease Lessee has held (certain of) the Facilities under Lease No. _____, dated _____, 19__;
- (b) Pursuant to the terms of Lease No. _____, Lessee retained a right of removal in certain alterations, additions, improvements and installations which it made on the Facilities and the Government retained the right to require their removal and attendant restoration of the Facilities, including reinstallation of items moved from their original location, all at Lessee's cost and expense; and
- (c) The exercise by either party of such rights as to certain items would be impracticable prior to the expiration or termination of this lease, or any extension thereof, and such rights should be preserved under this lease.

Lessee and the Government agree, therefore, that in addition to reflecting the condition of all items of the Facilities as to the effective date of this lease, the Inventory and Condition Report prepared pursuant to Article 1 of this lease reflects all those items as to which the parties are agreed the immediate exercise of the above-described rights would be impracticable, as well as the character and scope of such rights; that as to such items the rights and obligations of both parties are canceled under Lease No. _____ with the understanding that they shall be preserved under this lease to such extent as they are set forth in the aforesaid Inventory and Condition Report."

30. In any case in which the use of the premises is subject to special outside controls, such as the provisions of inleases and special local regulations applicable to the property, the existence of this condition should be clearly expressed and an appropriate reference to such controls should be made.

Enclosure (3)



23 December 1957

Guide for Preparation of Part I, Multiple Tenancy Lease of Industrial Property

All correspondence in connection with this lease should contain a reference to its number: NOy(R) _____

AGREEMENT OF LEASE

Part I

THIS NEGOTIATED AGREEMENT (consisting of this Part I and Part II, NAVDOCKS 2390(9-56), "General Terms and Conditions of Lease", attached hereto and made part hereof) made and entered into as of the date hereinafter set forth, between the UNITED STATES OF AMERICA (herein called the "Government"), acting by and through the Department of the Navy (herein called the "Department"), and

[1]

(herein called "Lessee"),

WITNESSETH:

WHEREAS, the Government owns [2] and the Department has the custody, control and jurisdiction of that certain property known and identified as

[3]

(hereinafter called the " [4] ").

[5]

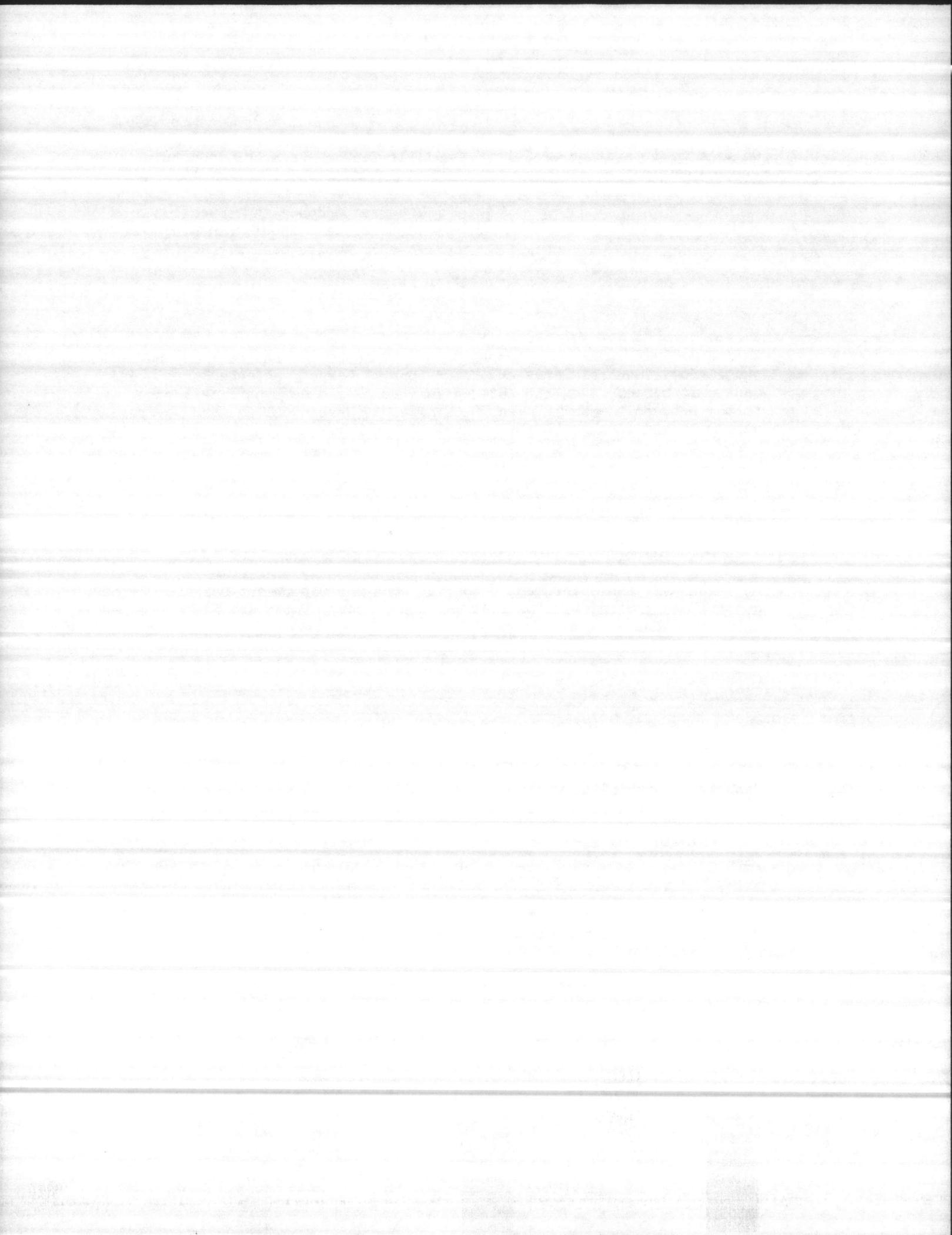
WHEREAS, the Secretary of the Navy (hereinafter called the "Secretary") has determined that the [4] is not surplus to the needs of the Department within the meaning of Section 472 of Title 40 of the United States Code, but is not for the time being required for public use.

WHEREAS, the Secretary has determined that it will be in the public interest to lease the Facilities hereinafter described to Lessee on the terms and conditions hereinafter set forth.

WHEREAS, this Lease is made under the authority of Section 2667 of Title 10 of the United States Code as revised by the Act of August 10, 1956, (70A Stat. 150; 10 U.S.C. 2667), [6]

[7]

Enclosure (4)



NOW, THEREFORE, in consideration of the premises and of the terms, covenants and conditions hereinafter set forth, the Government and Lessee hereby agree as follows:

ARTICLE 1. LEASED PROPERTY

The Government hereby leases, [8] rents and demises to Lessee, and Lessee hereby hires and rents from the Government, the following described property (hereinafter called the "Facilities"):

[9]

as delineated on the map of the [4], marked "Exhibit A", attached hereto and made part hereof.

Together with rights of ingress and egress and the right, in common with others, to the use of all supporting facilities, roadways and/or railroad tracks servicing the above described real property to the extent necessary to enable Lessee to use said real property for the purposes let, as hereinafter set forth.

[10]

The Government and Lessee have made a joint inspection of the facilities and have prepared an Inventory and Condition Report, marked "Exhibit [11]", setting forth the condition of each item of the Facilities, which has been signed by representatives of the Government and Lessee and is incorporated herein by reference and made part hereof as though physically attached hereto. [11]

ARTICLE 2. TERM

The term of this lease shall be a period of [12], beginning at 12:01 A.M. on the effective date hereof, unless sooner terminated as hereinafter provided.

[13]

[14]

[15]

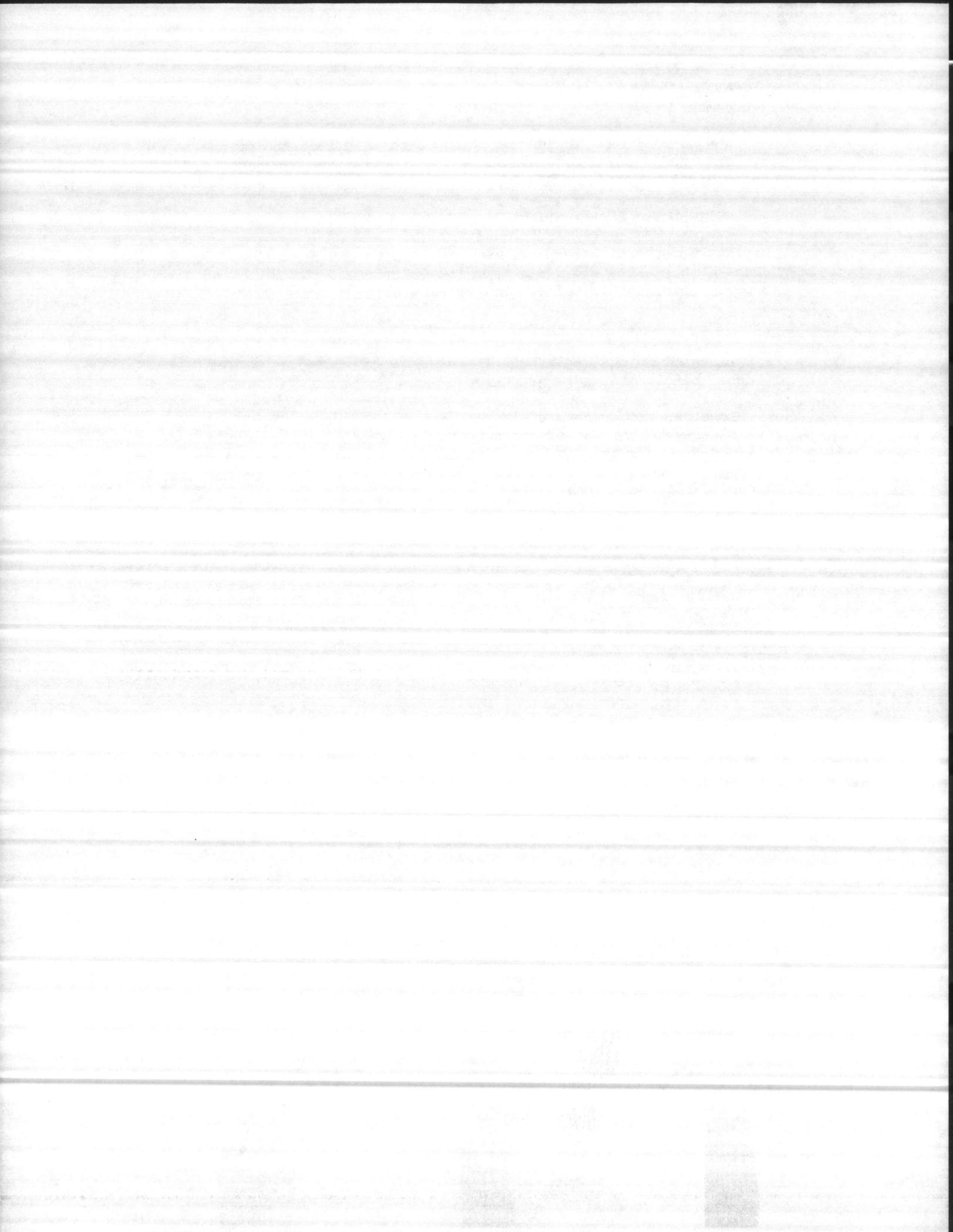
ARTICLE 3. USE

Lessee shall have the right to use the Facilities solely for

[16]

and for purposes incidental thereto, and shall not use any of the Facilities for any other purpose or at any other location without the prior written approval of the Government.

[17]



23 December 1957

Lessee shall reserve for the use of and without cost to the Department such office space as the parties may mutually agree shall be suitable and adequate for the purpose of administration of this Lease.

ARTICLE 4. RENT [18]

Lessee shall pay to the Government as rent for the use of the Facilities the sum of _____ (\$ _____) Dollars per annum. Payment therefor shall be made in equal [19] installments of _____ (\$ _____) Dollars, in advance, in the manner prescribed by Article F of Part II of this Lease.

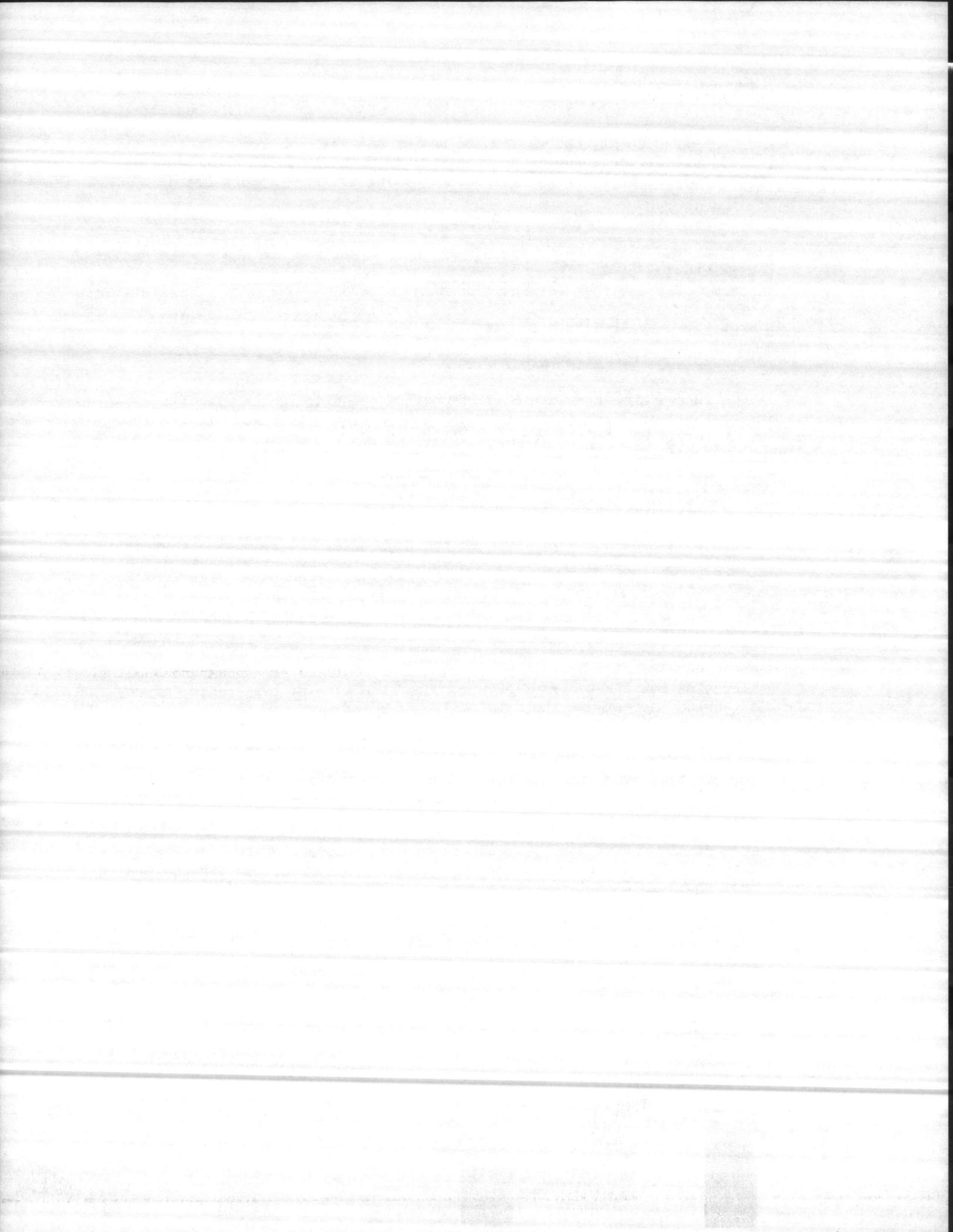
ARTICLE 5. MAINTENANCE [20]

(Where a maintenance obligation in a specified amount is part of the consideration for a lease, the provision therefor will be the result of negotiation. The following pattern of provision is recommended, with such variations to be made therein as may be required in any particular situation.)

(a) Lessee shall, at its own expense, protect, preserve, maintain and repair the Facilities in accordance with the principles of sound property management [21] and as the Department may from time to time require and direct; Provided, however, that insofar as this obligation shall apply to items of "Long Term Maintenance" (as hereinafter defined), the undertaking of which has been approved or directed by the Officer in Charge of this Contract, the "Actual Costs" incurred by Lessee in the performance of such items shall, at the satisfactory completion thereof, be credited against the "Maximum Amount to be Expended", which amount shall be [22] (\$ _____) Dollars per annum and shall accrue on the first day of each month of the term of this lease, or any extension thereof, at the rate of [22] (\$ _____) Dollars per month; Provided, Further, Lessee shall at no time be obligated to expend for Long Term Maintenance under this Article an amount in excess of the difference between: (i) the Maximum Amount to be Expended as accrued to such time, and (ii) the total credits allowed against the Maximum Amount to be Expended up to that time, (which difference is hereinafter called the "Current Obligated Maintenance Amount").

At the end of each year of the term the Current Obligated Maintenance Amount shall be carried forward to the succeeding year, or, if the Department shall so direct, shall be paid to the Government as cash rent.

"Long Term Maintenance", as used herein, shall mean any item of protection, preservation, maintenance, and repair of the Facilities, or any part thereof, including overhaul, rehabilitation, or replacement with items



of equivalent scope or capacity, the recurrence of which is not anticipated within the twelve (12) month period following its completion, but in no event shall include guard service or day to day maintenance, such as, but not limited to, janitorial service, garbage and trash collection and disposal and clean-up work.

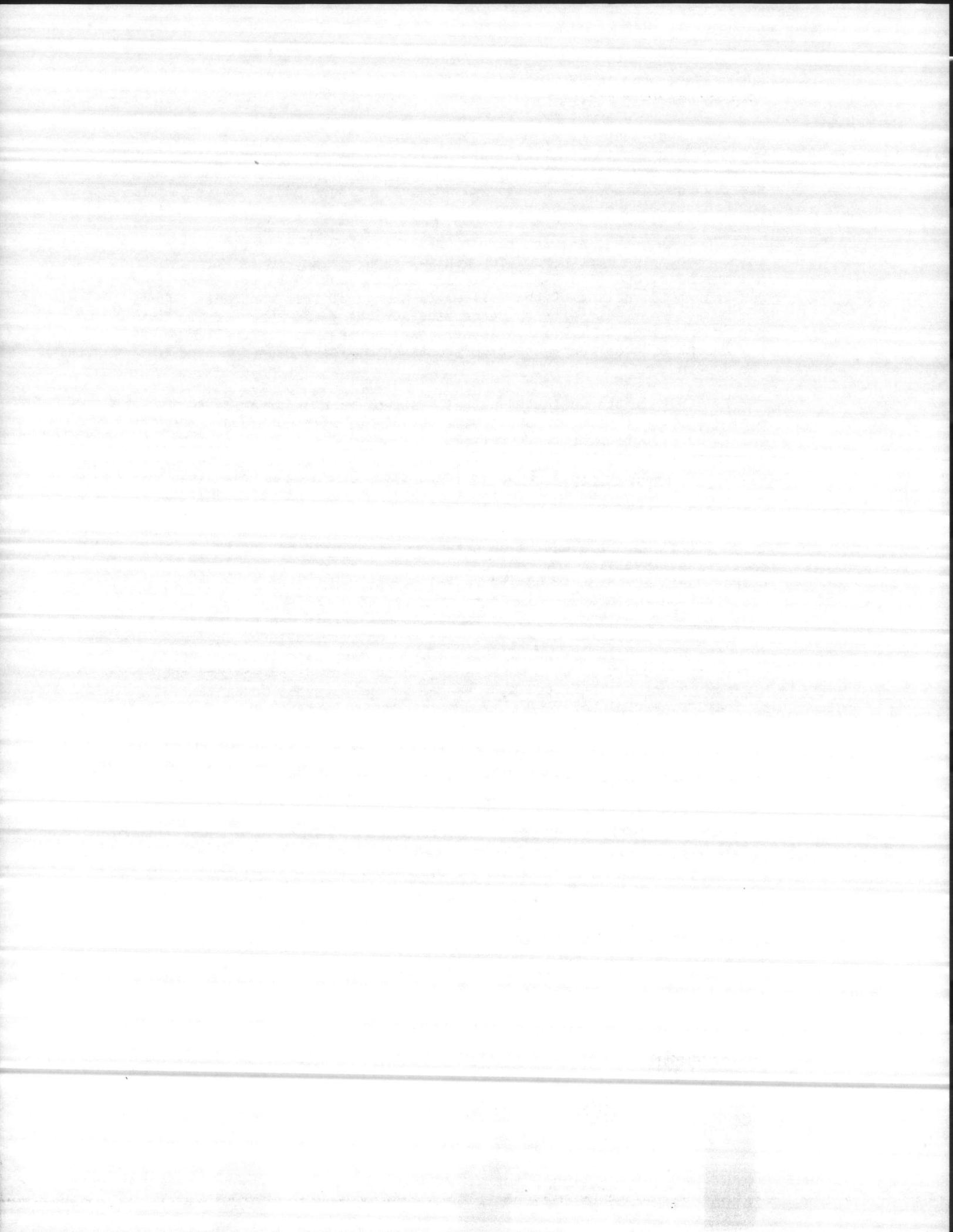
"Actual Cost", as used herein, shall mean the sum of (i) direct labor cost, plus 10% thereof for general supervision, administrative and overhead, and (ii) direct material costs incurred by the Lessee pursuant to direction of the Officer in Charge of this contract. Where the Lessee contracts with third parties for the performance of its Long Term Maintenance Obligation, "Actual Cost" as used herein shall mean the amount of such contract or contracts as may have been approved by the Government.

(b) If the estimated actual costs of such undertaking do not exceed \$250.00 the Lessee shall have the right, without the prior approval or direction of the Department to repair, replace, overhaul or rehabilitate any part of the facilities subject to later approval of the Department, provided, however, such later approval may be given or withheld by the Department in its sole discretion, and if withheld the cost of such undertaking shall be at the sole expense of the Lessee.

(c) In the event of an emergency in or upon or affecting the Facilities, involving imminent danger to persons or property, the Lessee shall immediately undertake and perform such work of protection, preservation, maintenance and repair as may be reasonably necessary under the circumstances. Where time does not permit the Lessee to obtain prior direction or approval for the performance of such work from the Officer in Charge of this contract, the costs incurred by Lessee as a result of such undertaking shall be credited against the Maximum Amount to be Expended or be reimbursable by the Government, as the Officer in Charge of this contract may determine.

(d) Pending final determination of the actual cost of any item of Long Term Maintenance approved or directed as aforesaid, the actual costs incurred in the performance shall be tentatively credited against the Maximum Amount to be expended at the end of each month in order to facilitate the administration of this lease and enable the Department properly to direct the performance of maintenance under this Article.

(e) In the event the Lessee shall undertake the performance of any item of Long Term Maintenance at any time when the Current Obligated Maintenance Amount is insufficient to admit of credit of the estimated actual costs of the performance of said item, the actual cost thereof shall constitute a credit against the Maximum Amount to be Expended as that amount may thereafter accrue pursuant to the provisions of paragraph (a) above; provided, however, that in the event of the expiration



23 December 1957

or termination of this lease prior to such credit being given, in whole or in part, the Lessee shall make no claim against the Government for any difference between the actual cost of such item and the credit received therefor, and such difference shall be at the sole cost and expense of the Lessee.

(f) Upon the expiration or earlier termination of this Lease, the Lessee shall, within thirty (30) days, pay to the Government in the manner prescribed by Article F of Part II hereof NAVDOCKS 2390 (9-56), such portion of the Current Obligated Maintenance Amount as remains unexpended.

ARTICLE ____ . UTILITIES AND SERVICES [23]

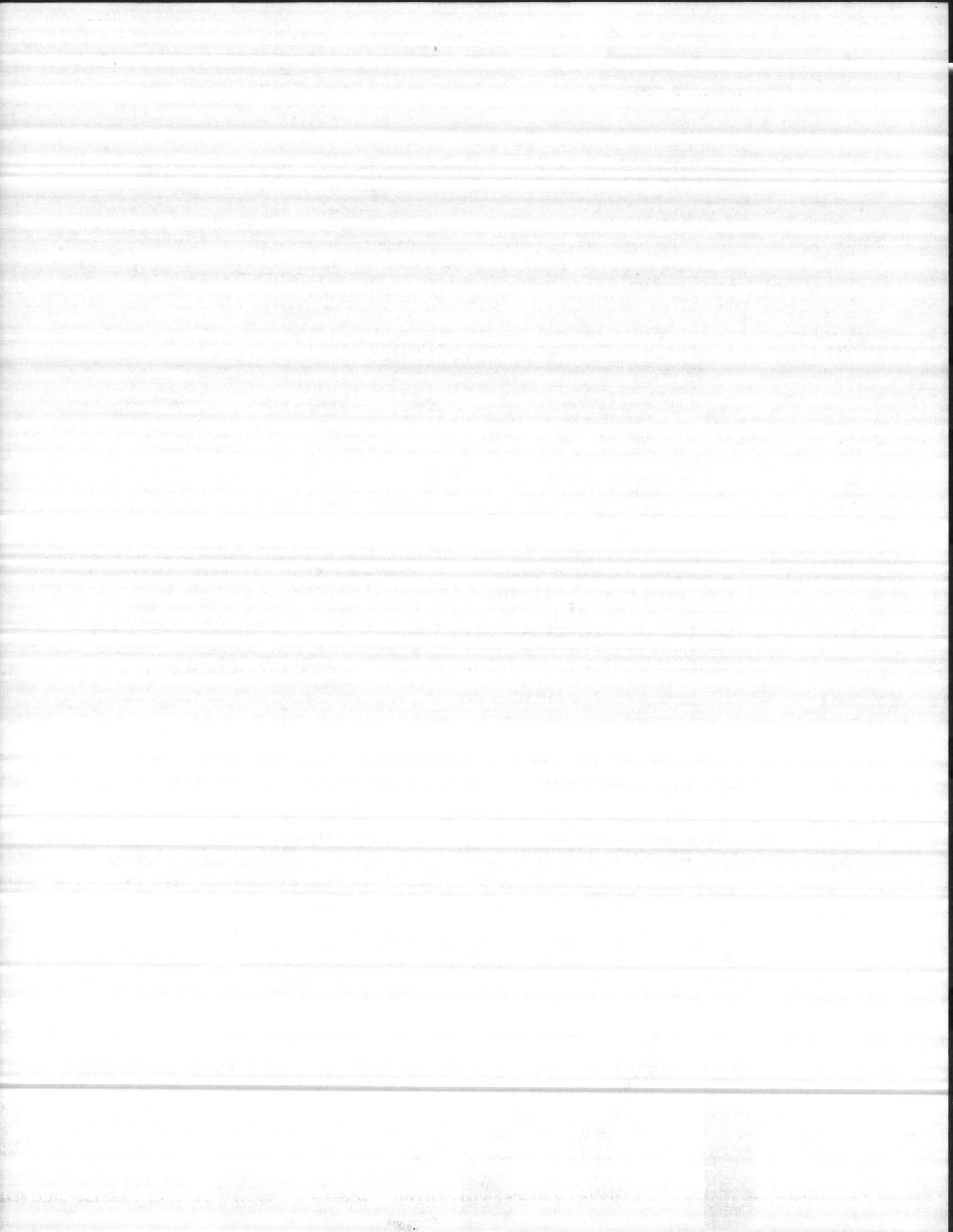
During the term of this lease, or any extension thereof, the Government shall furnish Lessee with [24] to the extent such services shall be maintained by the Government and shall be available, the cost of such services shall be borne by Lessee and shall be in addition to Lessee's obligations for rent and maintenance hereunder. The charges for such service and method of payment therefor shall be determined by the Officer in Charge of this contract, in accordance with the regulations of the Department, on the basis of submetering, estimated demand, connected loads, test metering, or such other basis as the Government may establish.

It is expressly agreed and understood that the Government in no way warrants the continued maintenance or adequacy of such services. However, if the Government should, at any time during the term of this lease, or any extension thereof, discontinue the maintenance of such services entirely or in adequate supply, Lessee shall have the right, in common with others, to use the utility lines servicing the [4] for the purpose of obtaining such service from sources other than the Government.

ARTICLE ____ . SECURITY COSTS [25]

As part of the consideration for this lease, and in addition to the performance of its other obligations hereunder, Lessee shall contribute as its pro rata share of the cost of the overall security program maintained by the Government for the entire [4] the amount of (\$ _____ Dollars per annum so long as the Government shall maintain said overall security program. Thereafter such amount shall be added to the Maximum Amount to be Expended as set forth in Article ____ (a) [25] or shall be paid as cash rent, as the Officer in Charge of this contract shall direct. Payment therefor shall be made quarter-annually, in advance, in the manner prescribed in Article F of Part II of this Agreement NAVDOCKS 2390 (9-56).

It is expressly agreed and understood that the overall security program maintained by the Government is for the primary benefit of the Government and is not to be considered a warranty of protection to any individual lessee, and that the Lessee hereunder shall hold and save the Government harmless from any liability for loss or damage arising out of the failure or termination of such services.



ARTICLE ____ . AMOUNT AND TYPE OF INSURANCE

The minimum amounts and types of insurance to be procured and maintained by Lessee pursuant to Article A (2) of Part II of this Lease ~~NAVDOCKS 2390 (9-56)~~ shall be as follows:

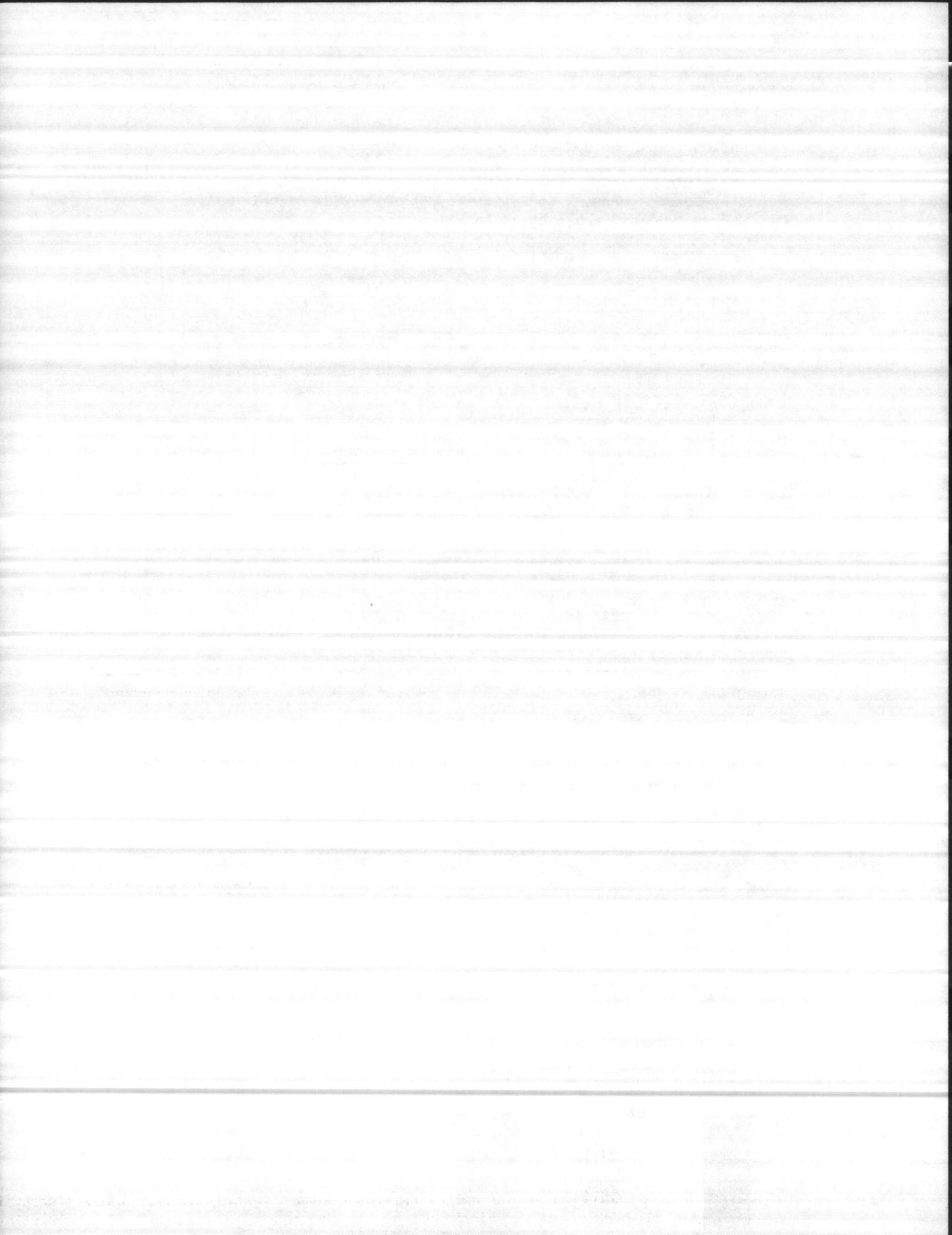
<u>TYPE</u>	<u>AMOUNT</u>
	[27]
	\$ _____
	\$ _____
Liability	
Bodily Injury	\$ _____ per person
	\$ _____ per accident
Property Damage	\$ _____ per accident

It is expressly agreed that if the Government, pursuant to Article A (2) of Part II of this Lease ~~NAVDOCKS 2390 (9-56)~~, shall require Lessee to procure any additional amounts or types of insurance or shall authorize Lessee to reduce any of the above required insurance coverages, and such procurement or reduction, as the case may be, shall effect a net difference in the cost of insurance required hereunder in excess of Fifty (\$50.00) Dollars per annum, the Maximum Amount to be Expended [28] specified in Article ____ of this Part I shall be (a) reduced by the actual amount of the resultant net increase in annual cost, or (b) increased by the actual amount of the resultant net savings in annual cost, as the case may be.

ARTICLE ____ . PERFORMANCE BOND OR SECURITY

In order to secure the faithful performance of its obligations hereunder, Lessee, at the time of the delivery to it of the fully executed copy of this Lease, shall either (a) deposit with the Government collateral security in the amount of _____ (\$ _____) Dollars in the form of cash or negotiable Government bonds, or (b) furnish to the Government a performance bond issued by a corporate surety in the principal amount of _____ (\$ _____) Dollars, said performance bond to be satisfactory to the Government in all respects. The Government reserves the right to require at any time such increase in the security required hereunder as it may deem necessary to make same commensurate with Lessee's obligations under this Lease and Lessee agrees to provide same promptly when so required.

[29]



BUREAU OF YARDS AND DOCKS

General Manual
BUDOCKSINST 4862.1A
23 December 1957

Commanding
Corps Base,

ARTICLE ____ . ADMINISTRATION

The Administration of this Lease will be under the general direction of the Chief of the Bureau of Yards and Docks, herein called the "Contracting Officer". The (title of designee) is hereby designated local representative of the Department and the "Officer in Charge of this Contract". Under the direction of the Contracting Officer he shall have complete charge of the administration of this Lease and shall exercise full supervision ~~in~~ ^{and} general direction thereof insofar as it affects the interests of the Department.

ARTICLE ____ . PRORATION

In the event of the termination of this Lease pursuant to the provisions of Article B (1), B (2), B (3) or Article C of Part II hereof NAVDOCKS 2390 (9-56), Lessee's obligations for 30 hereunder shall be prorated to the date of the surrender of the Facilities following such termination, or to such prior date from which further accruals thereof shall have been suspended by the Department in accordance with the provisions of Article D of said Part II NAVDOCKS 2390 (9-56).

31 32 33

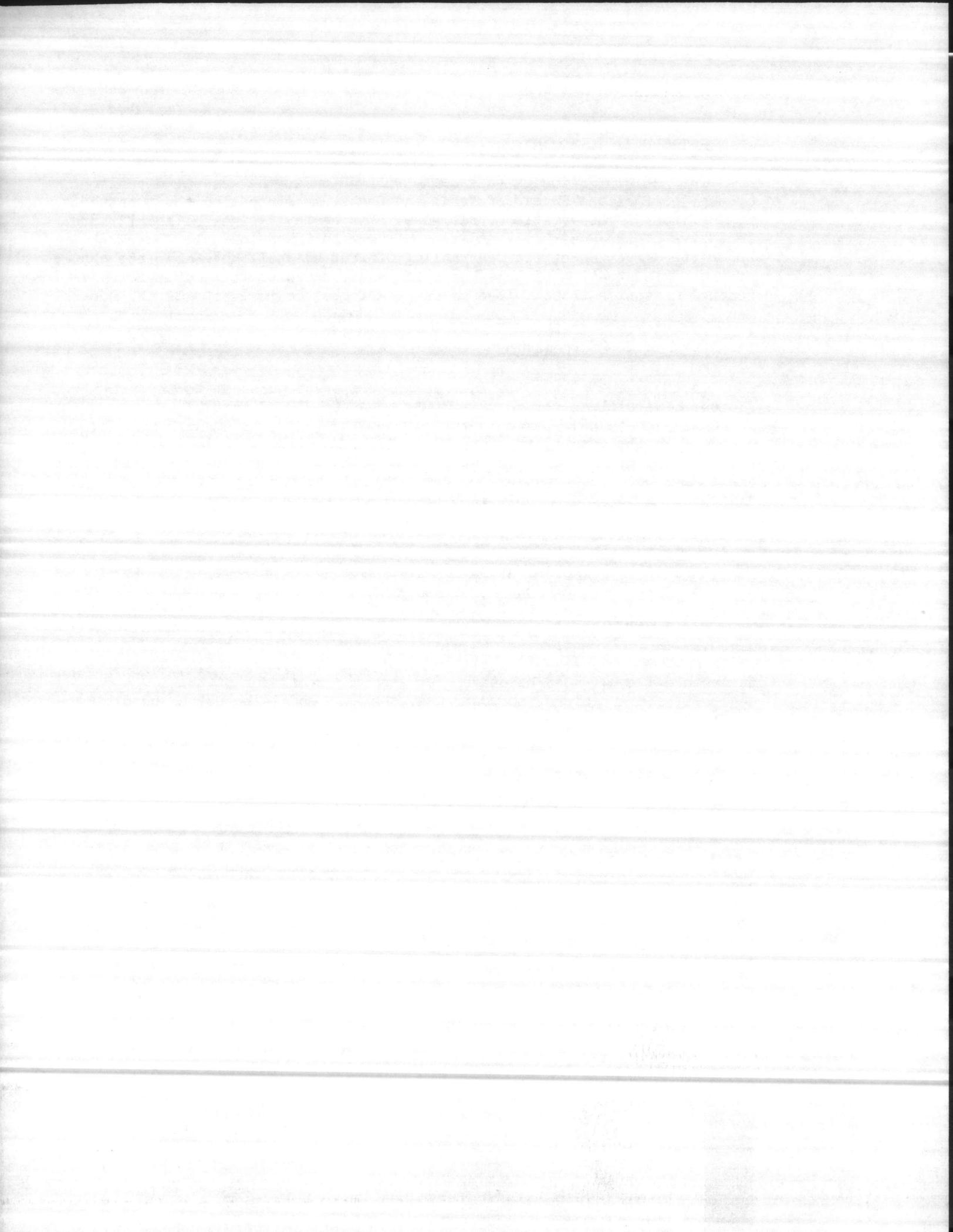
ARTICLE ____ . MODIFICATION OF ARTICLES I AND J OF PART II NAVDOCKS 2309 (9-56)

The parties hereto expressly agree that for the purposes of this Agreement the phrase "Facilities" as used in Articles I and J of Part II of this Lease ~~NAVDOCKS 2390 (9-56)~~ shall mean not only the "Facilities" described in Article I and leased hereunder but also the remainder of the 47, and that said Article J, so construed, shall be and is hereby amended by the addition thereto of the following phrase:

"or the acts or negligence of any other occupants of the 47."

ARTICLE ____ . ASSIGNMENT BY THE GOVERNMENT

The Government reserves the right to sell or lease all or any portion of the 47, subject to the terms and conditions of this lease, and to assign this lease to said purchaser or Lessee. Lessee hereunder expressly agrees that in the event of such assignment all obligations of the Lessee to the Government hereunder shall be settled as of the effective date of such assignment and thereafter, if the assignee shall so require, all consideration required of the Lessee hereunder in the form of Long Term Maintenance and or pro rata share of Security Costs shall be paid to said Assignee in the form of cash rent.



ARTICLE ____ . GENERAL TERMS AND CONDITIONS

PART II

Attached hereto and made part hereof is Part II of this Lease NAVDOCKS 2390 (9-56), "General Terms and Conditions of Lease", comprising Article A through T, both inclusive. The provisions of such ~~articles~~ shall apply to and be controlling on the parties hereto except to such extent as they may be modified by specific provisions in this Part I. In the event of any conflict the provisions of this Part I shall be controlling.

IN WITNESS WHEREOF, the parties hereto have duly executed this Lease effective as of the _____ day of _____ 19__.

UNITED STATES OF AMERICA

DATE _____

By _____
By direction of the Chief
of the Bureau of Yards and Docks
acting under the direction of the
Secretary of the Navy

DATE _____

(Lessee) _____

By _____

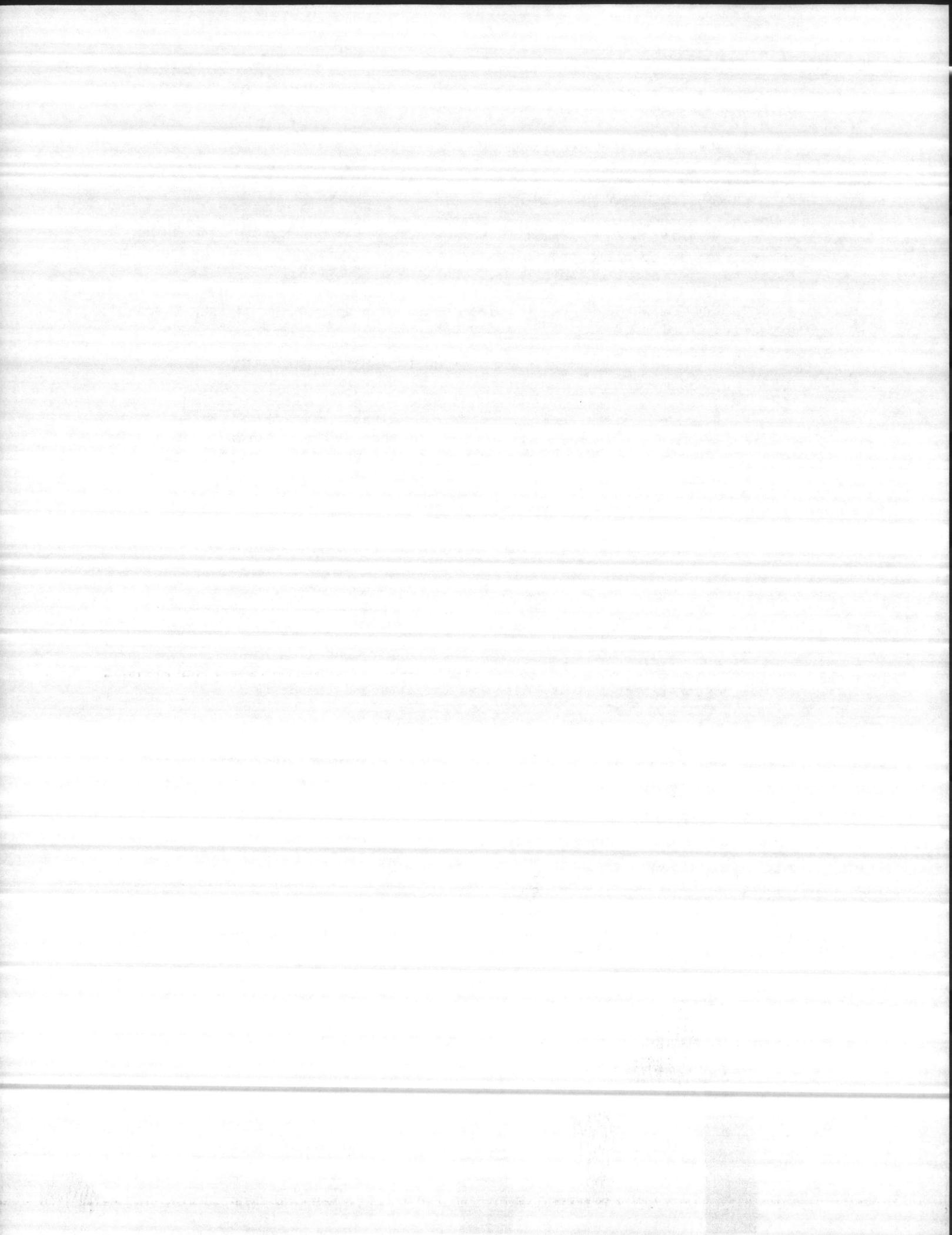
Title _____

I, _____ certify that I am the _____
of the corporation named as Lessee in the attached lease; that _____
_____, who signed said lease on behalf of the
Lessee, was then _____ of said corporation; that said lease was
duly signed for and in behalf of said corporation by authority of its gov-
erning body, and is within the scope of its corporate powers.

(Corporate Seal)

Title _____

Enclosure (4)



23 December 1957

Part 1 of

INSTRUCTIONS
For Preparation of Multiple Tenancy Leases
of Industrial Property

(Agreement of Lease, Part I)

The Guide for Part I of Multiple Tenancy Leases of Industrial Property is to be followed, insofar as may be practicable, in the preparation of the first part of such leases for use in connection with the Standard Form of Part II of Industrial Property Leases NAVDOCKS 2390(9-56), so as to reflect the agreement of the parties as to those variable elements of the lease instrument which are determined in any given instance by the particular transaction involved and the negotiations relative thereto.

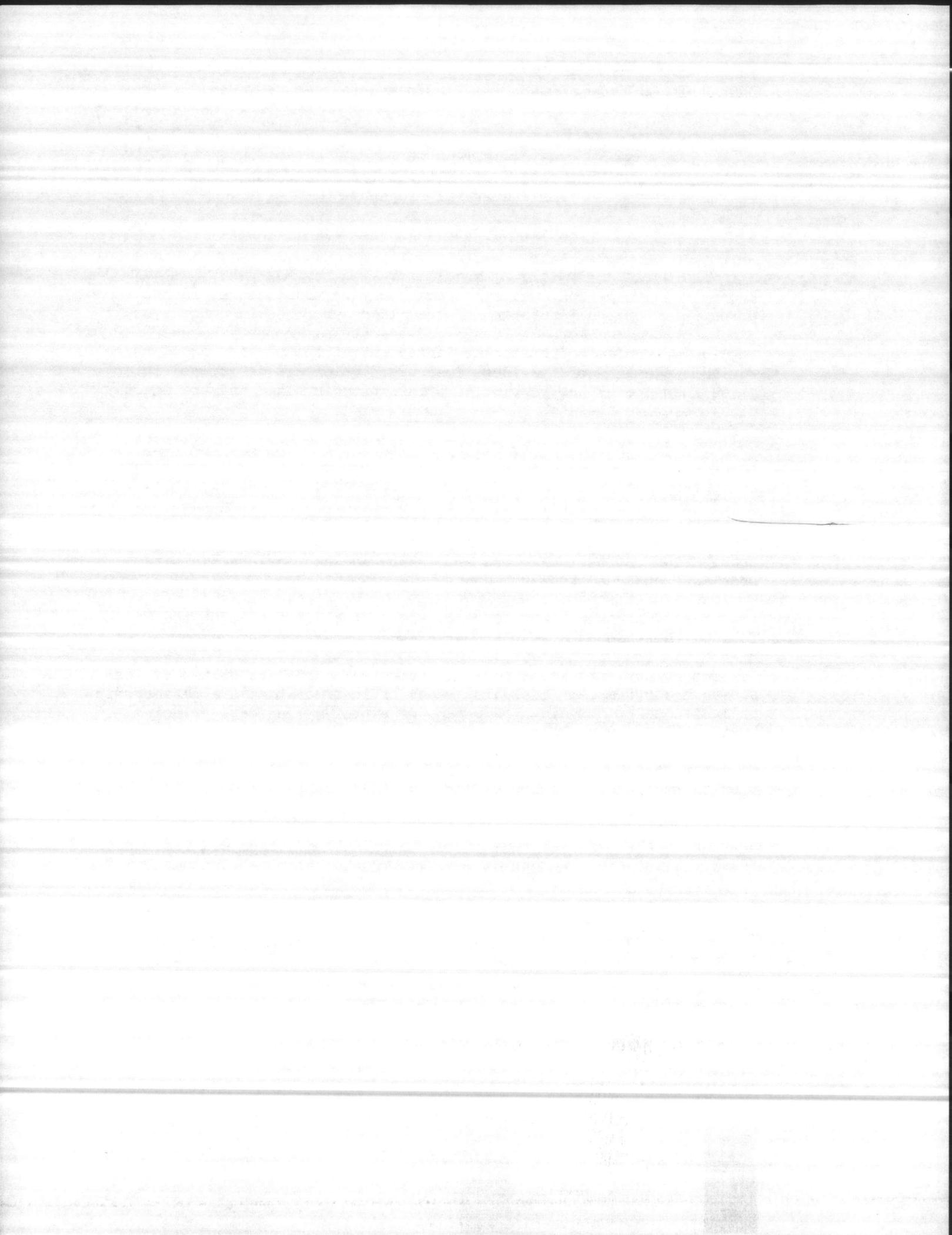
The provisions in the Guide, for the most part, provide such treatment of the basic items of a lease agreement as has proved satisfactory in the past. Part I of each lease should be specially prepared in each instance. Such preparation should be along the pattern of the Guide, with such insertions therein and deviations therefrom as may be appropriate under the particular circumstances. After its preparation, Part II NAVDOCKS 2390(9-56) and appropriate Exhibits should be attached thereto.

Instructions and advice as to the several footnotes on the Guide follow. References are to the bracketed numbers on the Guide.

1. Insert the full legal name of Lessee(s). Indicate status of Lessee as a corporation (including state of incorporation), a partnership or individual (including trade name of either). Indicate principal business address of Lessee.
2. Where the Government does not own the installation or any part thereof but leases all or any part, so indicate by appropriate changes in recital.
3. Insert the official name of the installation leased and its location; i.e., "Naval Industrial Reserve Ordnance Plant at Canton, Ohio".
4. Insert category of installation; i.e., "Shipyard", "Plant", etc.
5. Where authorization for outleasing does not extend to the entire installation on the Multiple Tenancy basis but is limited in scope to only a portion thereof, insert the following recital:

"WHEREAS, Lessee desires to use and occupy that portion of the
[4] hereinafter more particularly described."

Enclosure (5)



and change the _____ in the second recital (now the third) to read:

"said portion of the 147."

6. Unless the total obligations assumed by Lessee under the lease for rent, long-term maintenance, security and insurance on Government property, exceeds \$25,000 per annum, add the phrase:

"and this Lease is not affected by Section 2662 of Title 10 of the United States Code, as revised by the Act of August 10, 1956, (70A Stat. 147; 10 U.S.C. 2662)."

Where such obligations do exceed \$25,000 per annum, add the phrase:

"and with the concurrence of the Armed Services Committees as required by Section 2662 of Title 10 of the United States Code, as revised by the Act of August 10, 1956, 70A Stat. 147; 10 U.S.C. 2662)."

7. Insert such other recitals as may be appropriate under the circumstances surrounding the transaction.

8. Where appropriate insert "subleases".

9. Insert an adequate description of the real property leased, including any exclusive right of way or use of trackage, etc., reserved to the lessee.

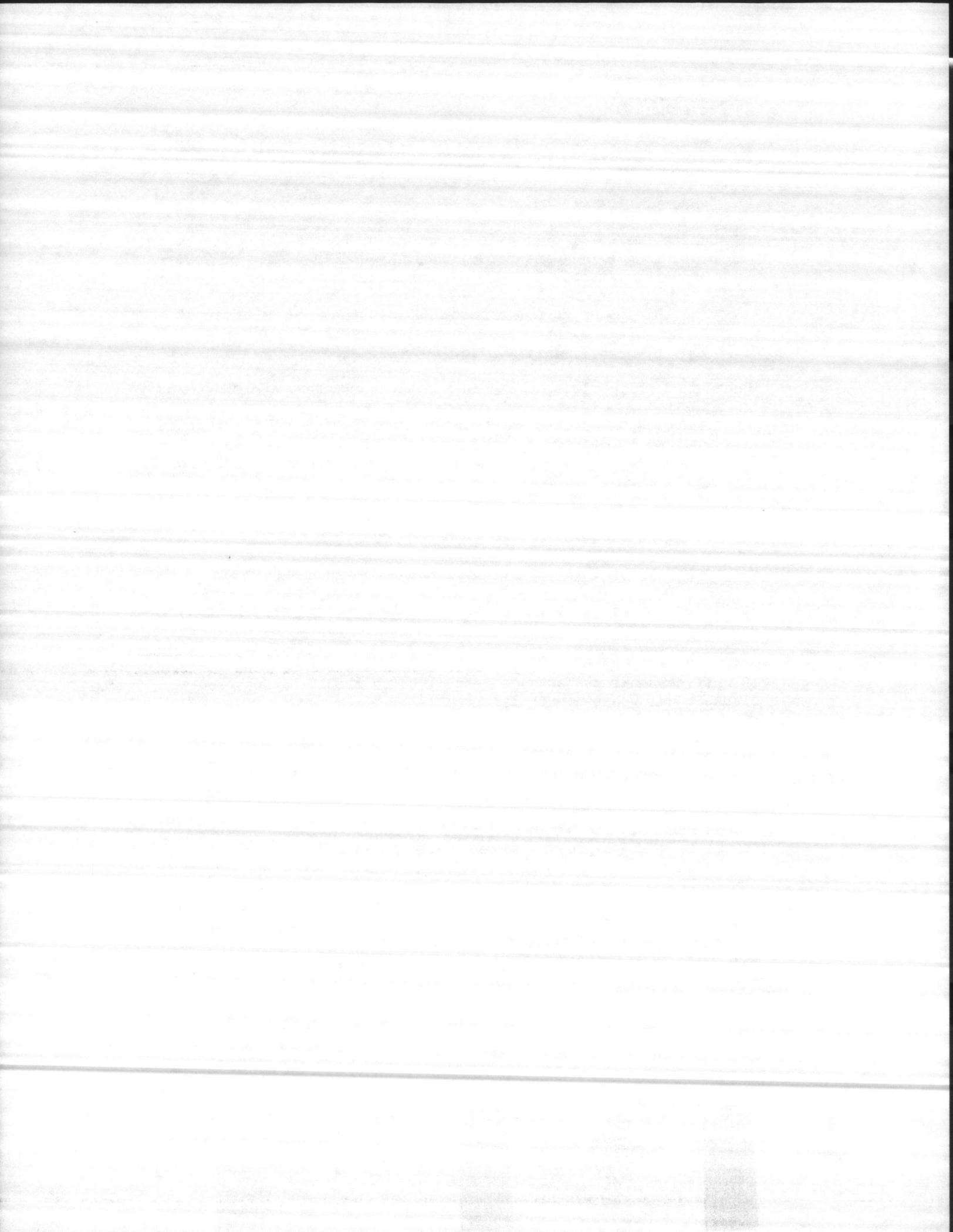
10. If personal property is leased, there should be inserted a clause reading substantially:

"Together with those items of personal property identified on the list marked "Exhibit B", attached hereto and made part hereof."

If the leased property is of different categories subject to different controls and other treatment in separate lease provisions, it may be well to prepare separate lists and make separate reference thereto.

The appropriate lists, duly marked, should be prepared and attached to the lease. However, if they are very extensive and bulky, it is permissible to identify them clearly and incorporate them into the lease by reference rather than have them attached.

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Attention is invited to the fact that the leasing of Defense-owned production equipment for non-defense work and the rental charges for such equipment are subject to the provisions of BUDOCKSINST 4870.1 of 17 March 1954 and BUDOCKSINST 4870.3A of 29 August 1956.

11. The Inventory and Condition Report should be dated and signed by representatives of both parties. It should so reflect the condition of the items as to provide a sound basis for measuring Lessee's obligations relative to surrender and restoration under Articles D and E of Part II, NAVDOCKS 2390(9-56) "General Terms and Conditions of Lease".

12. Insert the period of the initial term of the lease.

13. Attention is invited to the fact that any lease for an initial term and extension options aggregating a total in excess of five (5) years requires a specific determination by the Secretary that such longer period will either promote the national defense or be in the public interest. (Justification for such determination should be submitted to the Bureau at the time the proposal is submitted for consideration.)

14. Unless the Secretary shall have made a specific determination that the omission from a lease of a provision making the same revocable by him is either in the interest of national defense or in the public interest, the following provision should be inserted immediately following the opening sentence:

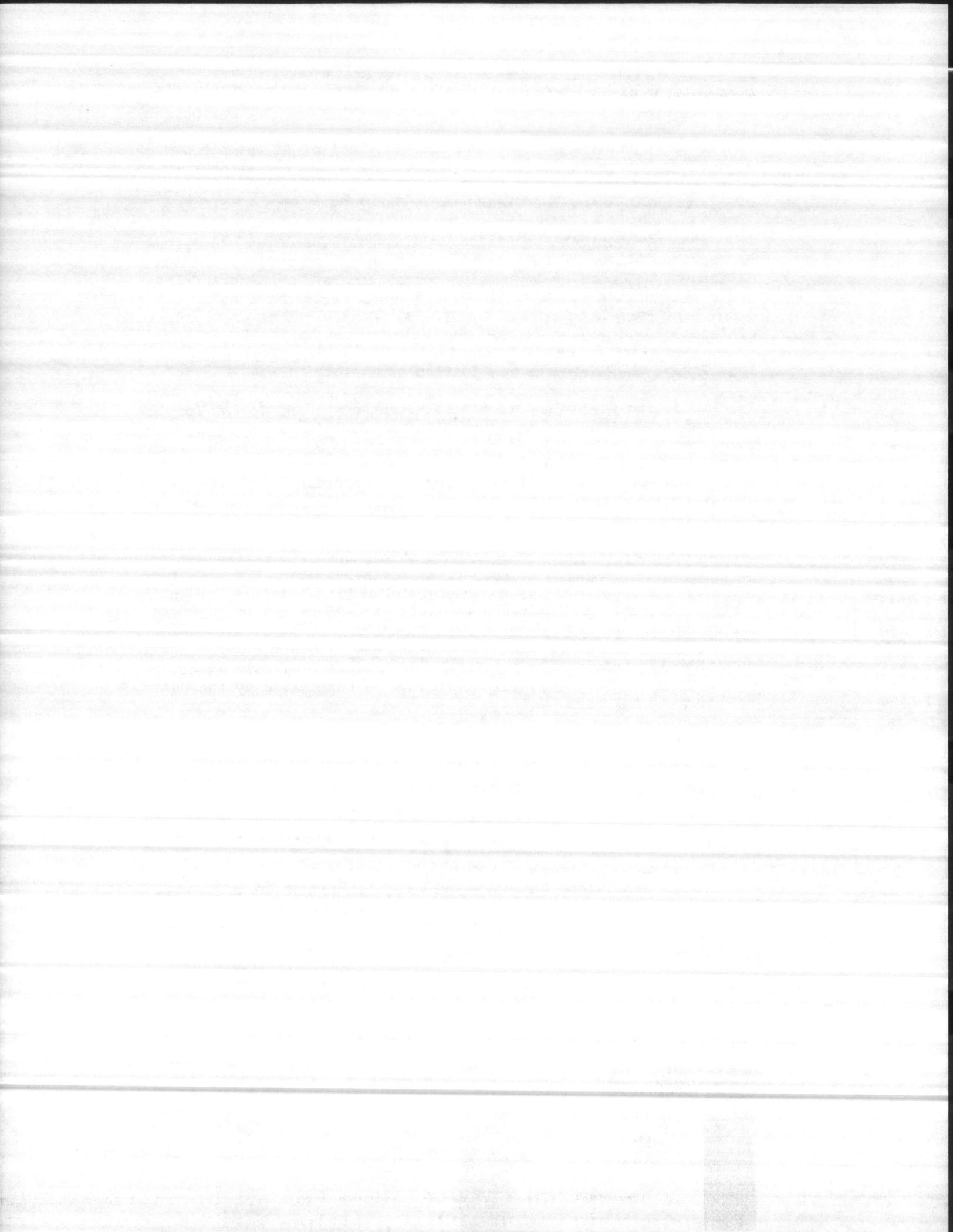
"Notwithstanding the provisions of Article B of Part II hereof, NAVDOCKS 2390(9-56), this lease may be terminated by the Secretary at any time."

(Adequate justification for such determination should be submitted to the Bureau at the time the proposal is submitted for consideration.)

Any other modification of the standard termination provisions of Articles B and C of Part II NAVDOCKS 2390(9-56) approved by the Secretary should be set forth in this Article in similar fashion.

15. Any rights in Lessee to extend the lease beyond its initial term and all the conditions thereof should be clearly set forth in this Article. Except in unusual circumstances this will be limited to the reservation of a right in Lessee to negotiate for an extension, so as to avoid any necessity for recircularization of the property at the end of the initial term. This can be accomplished by including the

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following provision which makes the terms and conditions of any extension subject to negotiation.

"Lessee shall have the right to extend this Lease for _____ additional period(s) of _____ years(s) each, upon such terms and conditions as may be agreed upon prior to the expiration of the then current term of the Lease; Provided, Lessee shall have delivered to the Government written notice of its desire to extend same not less than one hundred twenty (120) days prior to expiration of the then current term."

16. Insert the uses to be made of the Facilities by Lessee.

17. To achieve the effect of limiting Lessee's right of use as to certain items in a manner which will permit the expenditure of maintenance funds thereon a limitation on use in Article 3, rather than an exception to the property description in Article 1, should be employed. This may be done by attaching to Article 3 a proviso similar to the following:

"Provided, however, that Lessee shall have no right of use in that portion of the Facilities (insert description, reference to map, etc.)

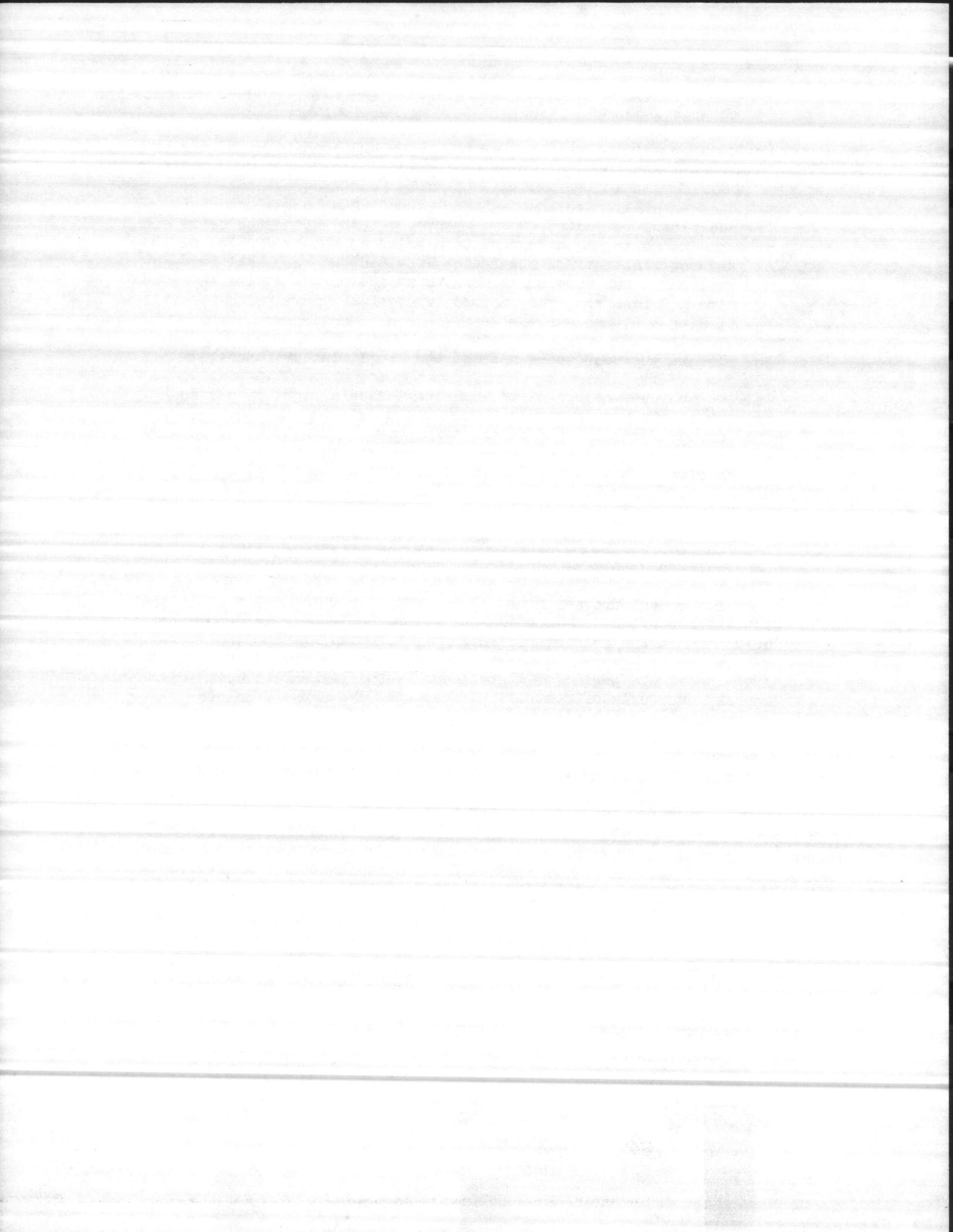
18. The rental provision should be used only when cash rent is to be paid as part of the consideration for the lease. It should be deleted when the sole consideration is to be maintenance.

19. Insert the period of installment rental payment; i.e., Semi-annual, quarterly or monthly. If payments are annual, delete second sentence and add to first the phrase "in advance, in the manner prescribed by Article F of Part II of this Lease" ~~NAVDOCKS-2399 (9-56)~~.

20. Even where the sole consideration for a lease may be cash rent, the Lessee should covenant for ordinary maintenance, as follows:

"During the term of this Lease, and any extension thereof, Lessee, at its own expense, shall protect, preserve, maintain and repair the Facilities so that the same will be kept in as good condition as set forth in the Inventory and condition Report made part hereof by Article 1 of this Lease, or in such improved condition as may result from any improvements made therein by the Government or by Lessee, subject, however, to ordinary wear and tear."

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21. To such extent as possible particularize the principles referred to by reference to a particular business or industry, as may be appropriate.

22. Insert the amount established by negotiation.

23. In those instances where the Government will furnish utilities and services to the Lessee (which will be the situation in connection with most multiple-tenancy leases) the provision in the Guide will be satisfactory. However, attention is invited to the fact that this provision should reflect the actual circumstances involved in a particular case, including the following types of treatment: (a) no furnishing of utilities or services by the Government with the procurement thereof to be the Lessee's individual responsibility; the Lessee to be the prime contractor for utilities and services with an obligation to furnish the same to other tenants and, in some circumstances, the Government, on a reimbursable basis set forth in the lease; and (c) no furnishing by the Government but provision for their furnishing by the prime user.

24. Recite the utilities and services to be furnished by the Government.

25. In any instance where no part of the consideration is to be in the form of a maintenance obligation this sentence should be changed to read:

"Hereafter such amount shall be paid as additional cash rent in accordance with the provision of Article ____."

26. This provision should be used in each instance where the Government is currently maintaining an overall security program at the Facility of which the leased premises form a part, and under no other circumstances.

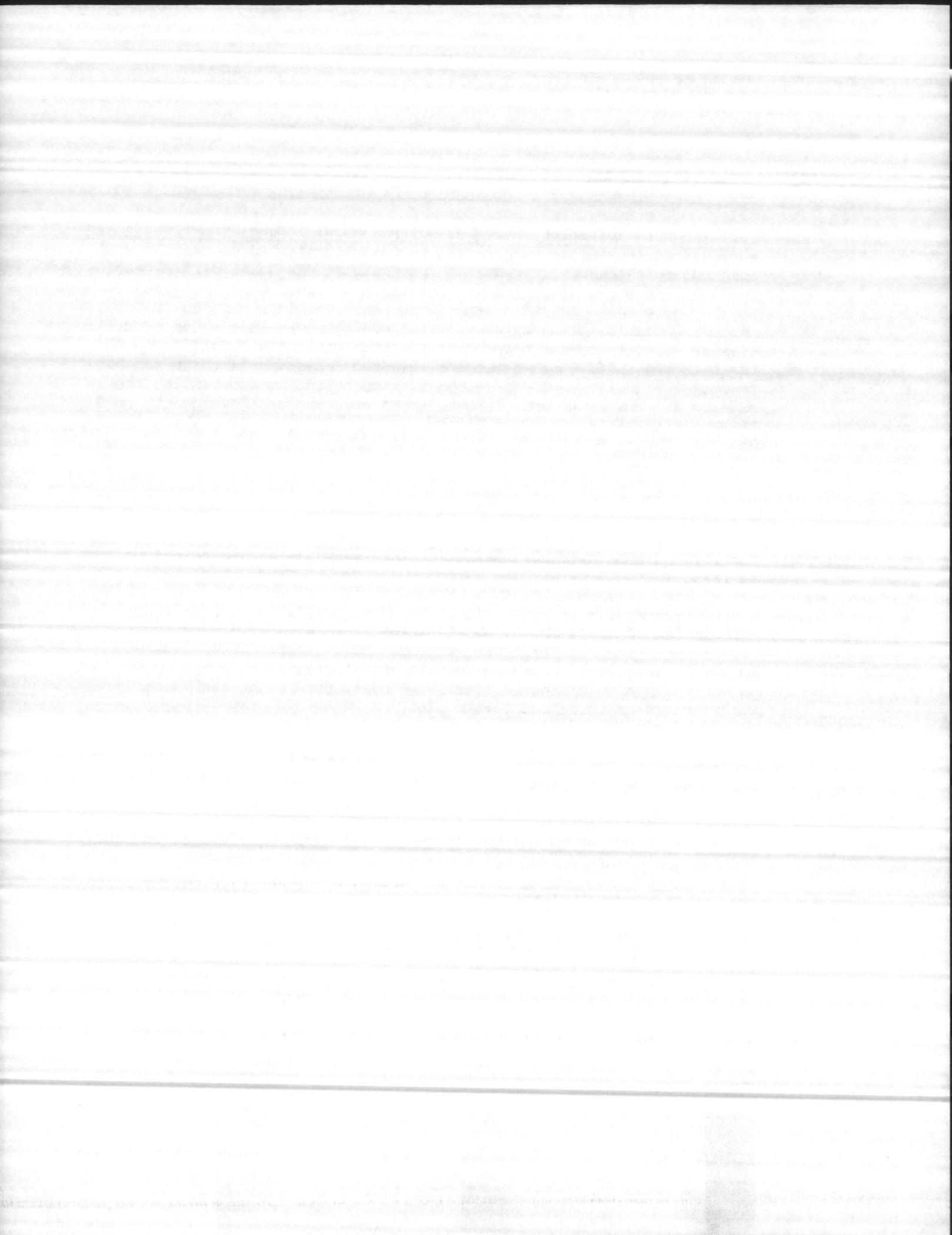
27. Indicate the various types of insurance coverage required on the Facilities and the amount of each. This may be done on either an itemized or overall basis.

28. In instances where the sole consideration for the lease is cash rent, the reference to Maximum Amount to be Expended should be changed to "rent."

29. If the security furnished is in the form of a deposit of collateral security, an appropriate pledge agreement meeting the requirements of local law should be prepared and executed at the time of said deposit.

30. Insert either "rent" or "performance of Long Term Maintenance", or both, as may be appropriate in a particular lease.

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BUREAU OF YARDS AND DOCKS

31. Insert immediately prior to the final paragraph of Part I, incorporating Part II NAVDOCKS 2390(9-56), any specific provisions peculiar to the transaction at hand, including special provisions for modification of any provisions of Part II NAVDOCKS 2390(9-56), provisions for renegotiation, provision for stand-by maintenance, or any other provision necessary to reflect the agreement arrived at between the parties. Some specimen special provisions are attached hereto for purposes of guidance only.

32. Safeguarding of rights under prior Lease. When a new lease being prepared either succeeds or supersedes a lease with the same tenant, either party may have rights at the time of the expiration or termination of the old lease which it may not be expedient to exercise at the time in view of the continuation of tenancy under the new lease. This is particularly true of the tenant's rights of removal of certain additions and improvements and of the landlord's rights to require removals and restoration of the premises. Adequate precautions should be taken to assure that the new instrument expressly safeguards these rights independently of any prior instrument.

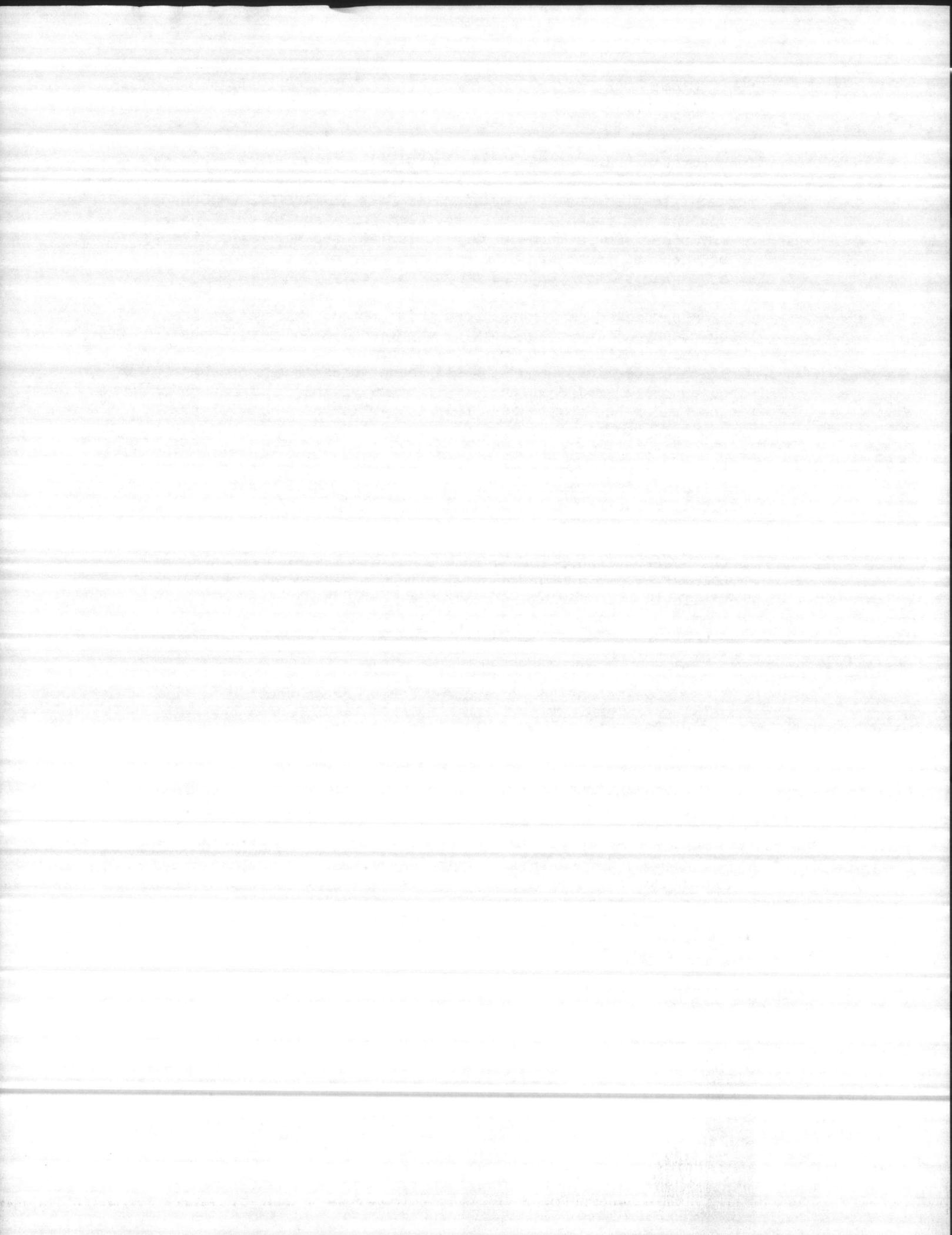
Such precaution may usually be effected by appropriate action in the preparation of the Inventory and Condition Report and insertion of an explanatory provision in the text of the new lease. The following is a specimen provision for such purpose.

"ARTICLE ____ . PRESERVATION OF RIGHTS OF PARTIES CREATED
BY LEASE NO. _____

Lessee and the Government hereby agree that:

(a) Up to the effective date of this lease Lessee has held (certain of) the Facilities under Lease No. _____, dated _____, 19____; (b) Pursuant to the terms of Lease No. _____, Lessee retained a right of removal in certain alterations, additions, improvements and installations which it made on the Facilities and the Government retained the right to require their removal and attendant restoration of the Facilities, including reinstallation of items moved from their original location; all at Lessee's cost and expense; and (c) The exercise by either party of such rights as to certain items would be impracticable prior to the expiration or termination of this lease, or any extension thereof, and such rights should be preserved under this lease.

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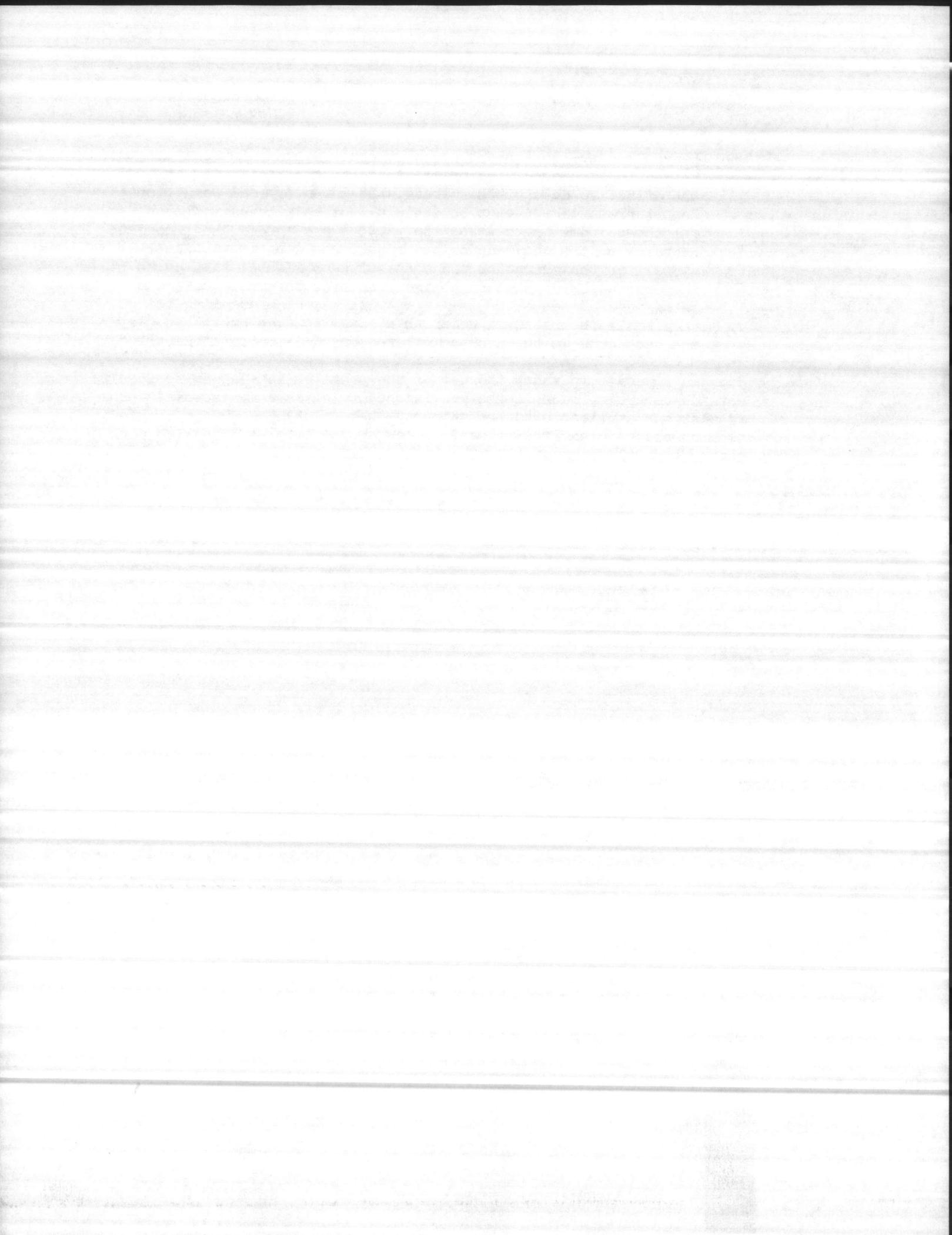


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Lessee and the Government agree, therefore, that in addition to reflecting the condition of all items of the Facilities as to the effective date of this lease, the Inventory and Condition Report prepared pursuant to Article 1 of this lease reflects all those items as to which the parties are agreed the immediate exercise of the above-described rights would be impracticable, as well as the character and scope of such rights; that as to such items the rights and obligations of both parties are canceled under Lease No. _____ with the understanding that they shall be preserved under this lease to such extent as they are set forth in the aforesaid Inventory and Condition Report."

33. In any case in which the use of the premises is subject to special outside controls, such as the provisions of inleases and special local regulations applicable to the property, the existence of this condition should be clearly expressed and an appropriate reference to such controls should be made.

Enclosure (5)



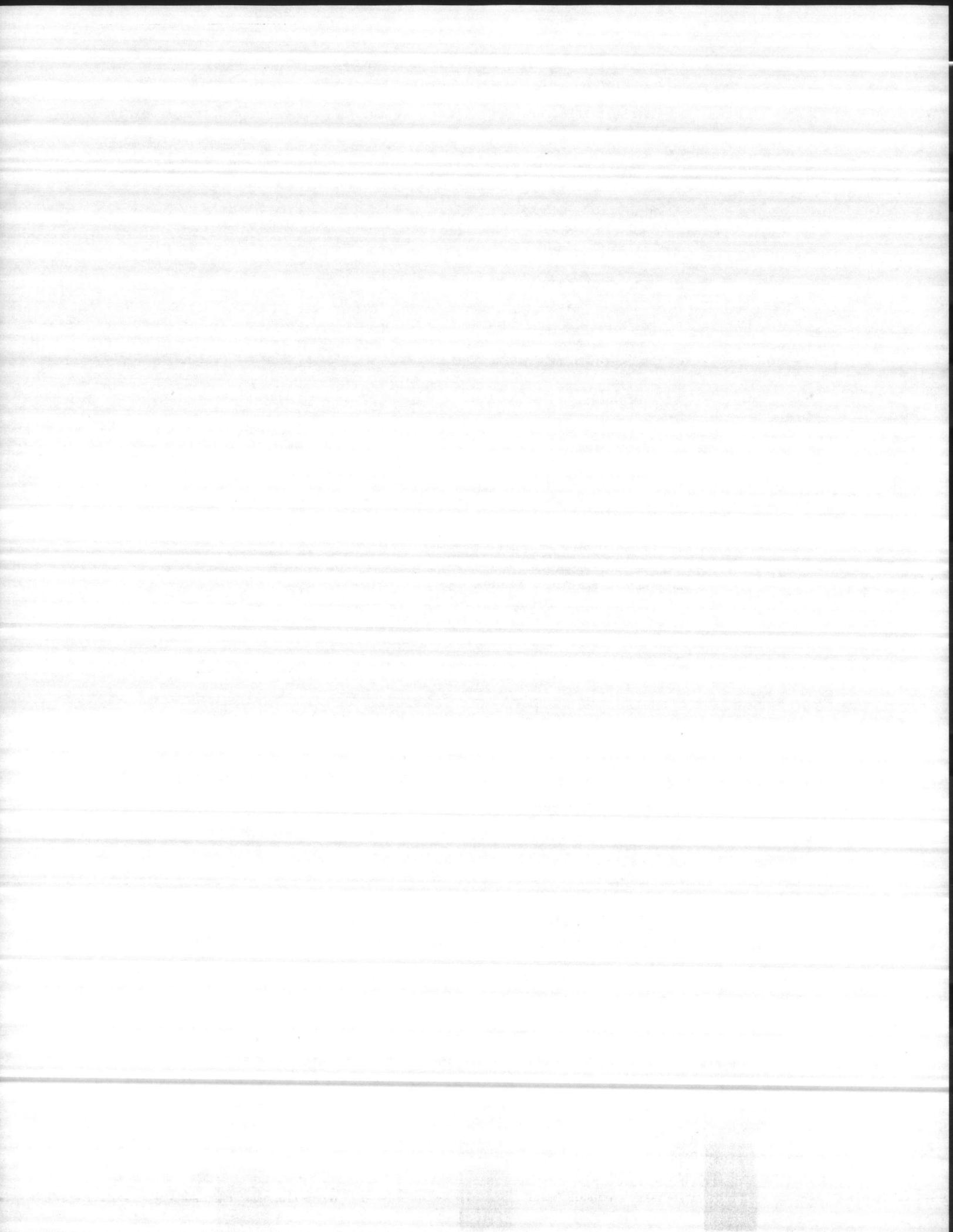
PART II

GENERAL TERMS AND CONDITIONS OF LEASE

Part II of Single and Multiple Tenancy Leases of Industrial Property

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PART II

GENERAL TERMS AND CONDITIONS OF LEASE

A. RISK OF LOSS--INSURANCE

(1) All risk of loss of or damage to the Facilities during the term of this Lease, whether or not caused by the failure of Lessee to exercise due diligence in compliance with the provisions hereof, shall be borne by Lessee; *Provided, however,* that Lessee's liability for loss of or damage to the Facilities resulting from risks expressly required to be insured hereunder shall not exceed the amount of insurance so required or the amount of insurance actually procured and maintained, whichever shall be the greater; *Provided, further,* that Lessee shall not be liable for loss of or damage to the Facilities arising from causes beyond the control of Lessee and occasioned by a risk not in fact covered by insurance and not customarily covered by insurance in the locality in which the Facilities are situated. Nothing contained herein, however, shall relieve Lessee of liability with respect to any loss of or damage to the Facilities which results from willful misconduct, lack of good faith or failure to exercise due diligence on the part of any of Lessee's officers, directors or representatives having supervision or direction of all, or substantially all, of the operation of the Facilities by the Lessee.

(2) Lessee shall procure and maintain at its own expense insurance on the Facilities leased hereunder in amounts and types which may exceed, but shall not be less than, the minimum amounts and types specified in Part I of this Agreement.

If at any time during the term of this Lease the Government shall determine that additional amounts or types of insurance are necessary or desirable to protect the interests of the Government, Lessee promptly upon being notified by the Government, shall procure and maintain such additional insurance at Lessee's own expense. If the Government shall determine at any time that the amounts or types of insurance which Lessee is required to procure and maintain under the Lease are in excess of the amounts and types which are reasonably required to protect the interests of the Government, the Government shall authorize Lessee to cancel such insurance as, in the opinion of the Government, is not so required.

(3) Lessee shall procure and maintain at its own expense with respect to its use or maintenance of the Facilities, workmen's compensation and employer liability insurance.

(4) Except as otherwise specifically provided herein, all insurance which this Lease requires Lessee to carry on

the Facilities shall be in such form, for such amounts, for such periods of time and with such insurers as the Government may from time to time reasonably require or approve (which approval may permit Lessee to be a self-insurer in appropriate circumstances) and shall contain provision for thirty (30) days prior notice to the Office of Naval Material, Insurance Branch, Washington 25, D. C. In the event of material change in or cancellation of the policy on the part of the insurer. A certificate of insurance or a certified copy of each policy of insurance taken out hereunder shall be delivered promptly to the Officer in Charge of this Contract. Lessee agrees that not less than thirty (30) days prior to the expiration of any insurance required by this Lease to be carried by Lessee on the Facilities it will deliver to the Officer in Charge of this Contract a certificate of insurance or a certified copy of each renewal policy to cover the same risks. All insurance required or carried by Lessee on any of the Facilities shall be for the protection of the Government and Lessee against their respective risks and liabilities in connection with the Facilities. Each such policy of insurance against loss of or damage to the Facilities shall name Lessee and the United States of America (Department of the Navy) as the insured and shall contain a loss payable clause reading as follows:

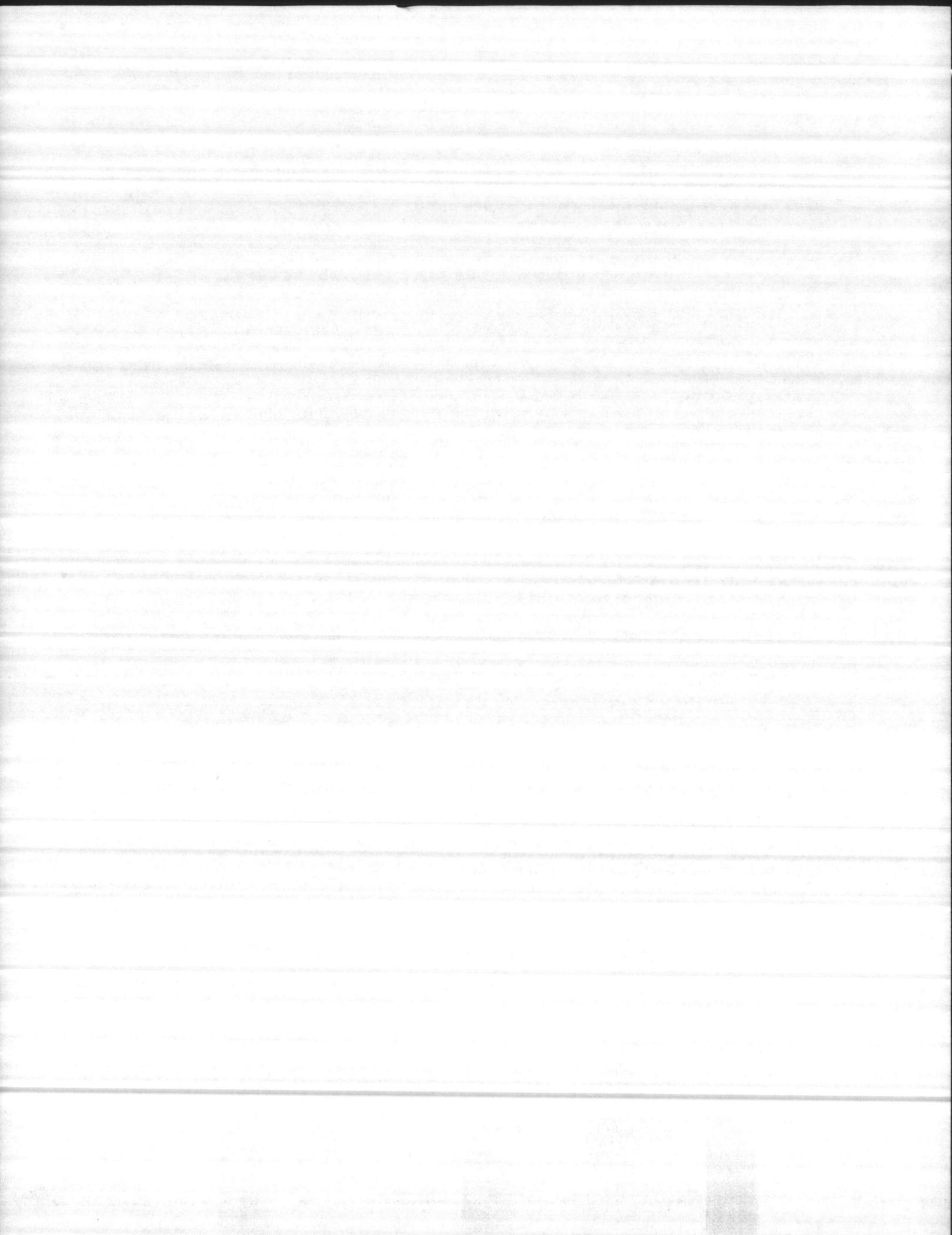
"Loss, if any, under this policy shall be adjusted with *(Name of Lessee)* and the proceeds, at the direction of the Government, shall be payable to *(Name of Lessee)*, and proceeds not paid to *(Name of Lessee)*, shall be payable to the Treasurer of the United States of America.

Each such policy of insurance covering property damage and bodily injury liability shall name the United States of America (Department of the Navy) as an additional insured.

Each such policy of insurance covering workmen's compensation or employer liability, shall contain an endorsement reading substantially as follows:

"The insurer waives any right of subrogation against the United States of America which might arise by reason of any payment under this policy."

(5) In the event that any item or part of the Facilities shall require repair, rebuilding or replacement resulting from loss or damage, the risk of which is assumed by Lessee under paragraph (1) of this Article, Lessee shall promptly give notice thereof to the Officer in Charge of this Contract and, to the extent of its liability as provided in paragraph (1) hereof, shall, upon demand, either compensate the Government for such loss or damage, or



rebuild, replace or repair the item or items of the Facilities so lost or damaged, as the Government may elect. If the cost of such repair, rebuilding, or replacement exceeds the amount of Lessee's liability for such loss or damage, Lessee shall effect such repair, rebuilding, or replacement if required so to do by the Government, and such excess of cost shall be reimbursed to Lessee by the Government. In the event that Lessee shall have effected any repair, rebuilding or replacement which Lessee is required to effect pursuant to this paragraph, the Government shall direct the payment to Lessee of so much of the proceeds of any insurance carried by Lessee and made available to the Government on account of loss of or damage to any item or part of the Facilities as may be necessary to enable Lessee to effect such repair, rebuilding or replacement. In the event the Government shall elect not to require Lessee to repair, rebuild or replace any item or part of the Facilities lost or damaged, Lessee shall promptly pay to the Government out of any insurance proceeds collected by Lessee such portion thereof as may be allocable to loss of or damage to the Facilities.

B. TERMINATION BY GOVERNMENT

This Lease may be terminated by the Government at any time prior to the expiration of the term hereof:

(1) During any national emergency declared by the President or Congress;

(2) Upon 90 days written notice to Lessee whenever the Secretary shall determine that the interests of national defense so require;

(3) Upon 90 days written notice to Lessee whenever the Secretary shall determine that the Facilities are surplus to the further needs and responsibilities of the Department;

(4) Upon ten (10) days written notice to Lessee if Lessee shall have defaulted in the performance of any of its obligations hereunder and shall have failed to cure such default within ten (10) days after receipt of notice from the Government specifying such default or within such longer time as may have been specified in said notice of default; *Provided, however,* in lieu of terminating this Lease, the Government may elect to perform, or cause to be performed, said defaulted obligation for the account of and at the expense of Lessee;

(5) Immediately upon the institution by Lessee or others of proceedings in any Federal or State court for adjudication of Lessee as a bankrupt, for corporate reorganization of Lessee, for an arrangement within the meaning of the Bankruptcy Act and any amendments thereto, for other similar debtor or creditor relief available under

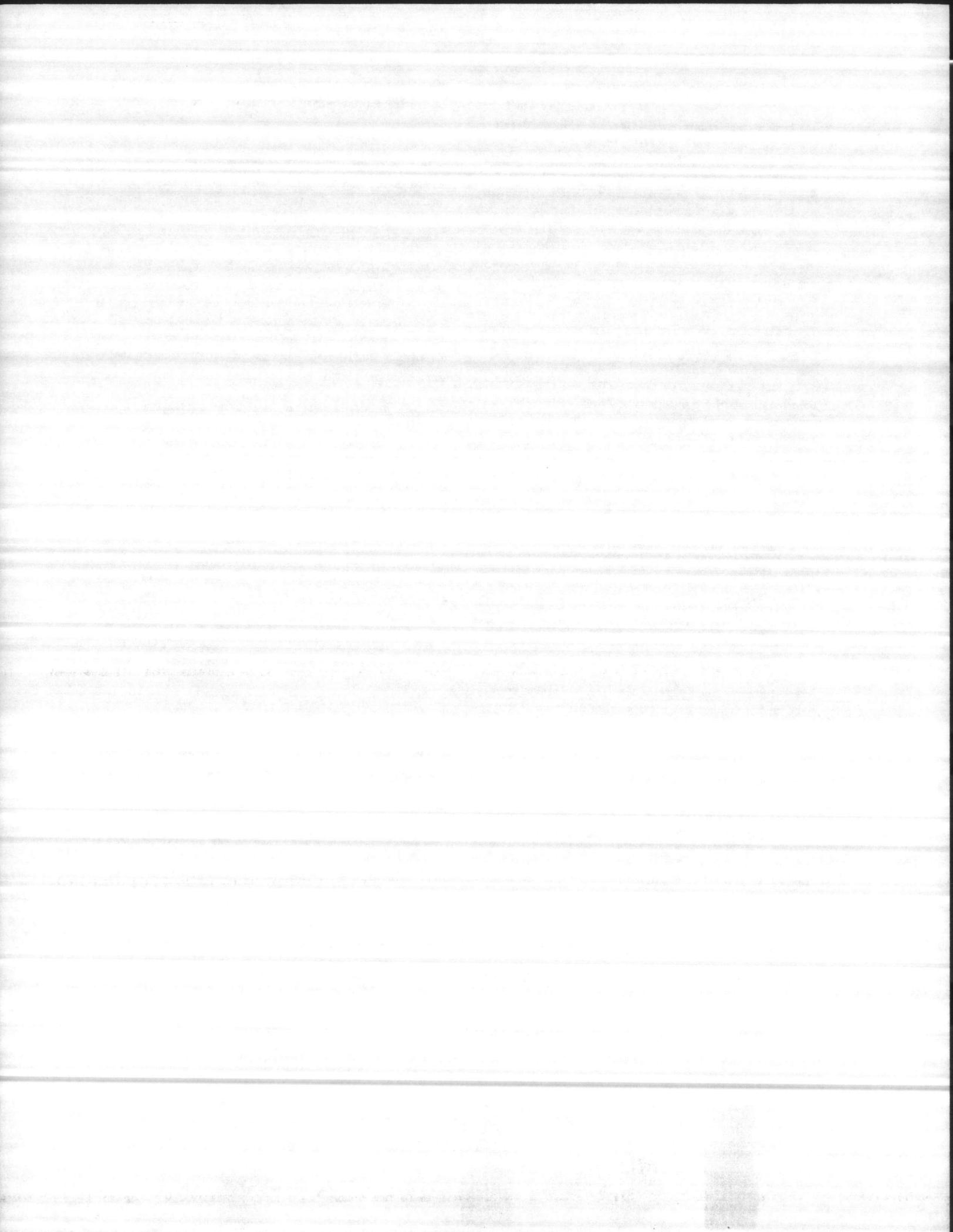
State or local law, or upon the appointment of a Receiver or Trustee for the property of Lessee;

(6) If the Government shall terminate this Lease under either paragraph (4) or (5) of this Article, it shall have an immediate right to re-enter and resume possession of the Facilities and such re-entry shall not be deemed an acceptance of surrender of this Lease. In such event the Government may, at its election, relet the Facilities, or any portion thereof, for any period, equal to, greater than or less than the remainder of the term of this Lease, or any extension thereof, for any sum and upon any terms deemed by the Government to be reasonable and satisfactory. It is expressly agreed and understood, however, that whether or not it shall have relet the Facilities as aforesaid, the Government shall be entitled to recover and Lessee shall pay to the Government:

- (a) The costs incurred in resuming possession of the Facilities;
- (b) The costs incurred in performing Lessee's obligation of maintenance under Part I hereof;
- (c) The costs incurred in performing any other covenant on the part of Lessee to be performed hereunder;
- (d) An amount equal to the aggregate of all rents and charges reserved hereunder and not theretofore paid, less the net rentals, if any, collected by the Government on the reletting of the Facilities, which amounts shall be due and payable by Lessee at the time when the rent reserved under this Lease would become due and payable.

C. TERMINATION BY LESSEE

This Lease may be terminated by Lessee at any time prior to the expiration of the term hereof upon thirty (30) days written notice to the Department in the event of damage to or destruction of all or a substantial part of the Facilities so as to render all the Facilities incapable of use for the purposes for which they are leased hereunder; *Provided,* (1) that such damage or destruction is occasioned by a risk not in fact covered and not customarily covered by insurance in the locality in which the Facilities are located or by a risk which is covered by insurance and the Department either has not authorized or directed the repair, rebuilding or replacement of the Facilities or does not make provision for payment for such repair, rebuilding or replacement by the application of insurance proceeds or otherwise, and (2) that such damage or destruction is not occasioned by the fault or negligence of Lessee or by any failure or refusal on its part fully to comply with its obligations hereunder.



D. SURRENDER

At the expiration of this Lease, or any extension thereof, or upon its prior termination pursuant to the provisions hereof, Lessee shall surrender the Facilities, and each item thereof, in the same condition as when received (as set forth in the Inventory and Condition Report incorporated herein by reference) or in such improved condition as may result from any improvements made by the Government or by Lessee, ordinary wear and tear and loss or damage for which Lessee is relieved of liability under Article A of this Part II excepted. In the event of termination of this Lease by the Government under Article B (1) of this Part II, Lessee shall be allowed a reasonable period of time, to be determined by the Officer in Charge of this Contract but in no event to exceed one hundred twenty (120) days, in which to perform its restoration obligations, remove all of its property and liquidate its operations at the Facilities. During such period of surrender all obligations assumed by Lessee under this Lease shall remain in full force and effect; *provided, however*, that if the Department shall, in its sole discretion, determine that such action is equitable under the circumstances, it may suspend, in whole or in part, any further accruals of Rent or Maximum Amount to be Expended.

E. INSTALLATIONS, ALTERATIONS AND REMOVALS

During the term of this Lease, or any extension thereof, Lessee shall have the right, at its own expense, to install such of its own machinery and equipment, to make such minor improvements and additions and to attach such removable fixtures in or upon the Facilities as may be necessary for its use of the Facilities pursuant to this Lease, and to remove same at any time prior to the expiration or termination of this Lease or any extension thereof; *Provided*, that in the event of termination by the Government upon less than thirty (30) days notice Lessee may remove such items within thirty (30) days from the receipt of notice of termination. All property not so removed shall be deemed abandoned by Lessee and may be used or disposed of by the Government in any manner whatsoever without any liability to account to Lessee therefor.

It is expressly agreed and understood that Lessee will make no substantial alterations, additions or betterments to or installations upon the Facilities without the prior written approval of the Government and then only subject to the terms and conditions of such approval which may include an obligation of removal and restoration upon the expiration or termination of this Lease. Except insofar as said terms and conditions may expressly provide otherwise, all alterations, additions, betterments and installations made by Lessee shall become the property of the Government when annexed to the Facilities or any part thereof. Nothing contained herein shall be construed to reduce Lessee's

obligations to surrender the Facilities in the condition required by Article D of this Part II.

F. PAYMENTS

All payments to the Government required under this Lease shall be made by certified check payable to the Treasurer of the United States, delivered to the Officer in Charge of this Contract.

G. ACCESS

The Government shall have access to the Facilities at all reasonable times for any purposes not inconsistent with the quiet use and enjoyment thereof by Lessee, including, but not limited to, the purpose of inspection.

H. STATE AND LOCAL TAXES

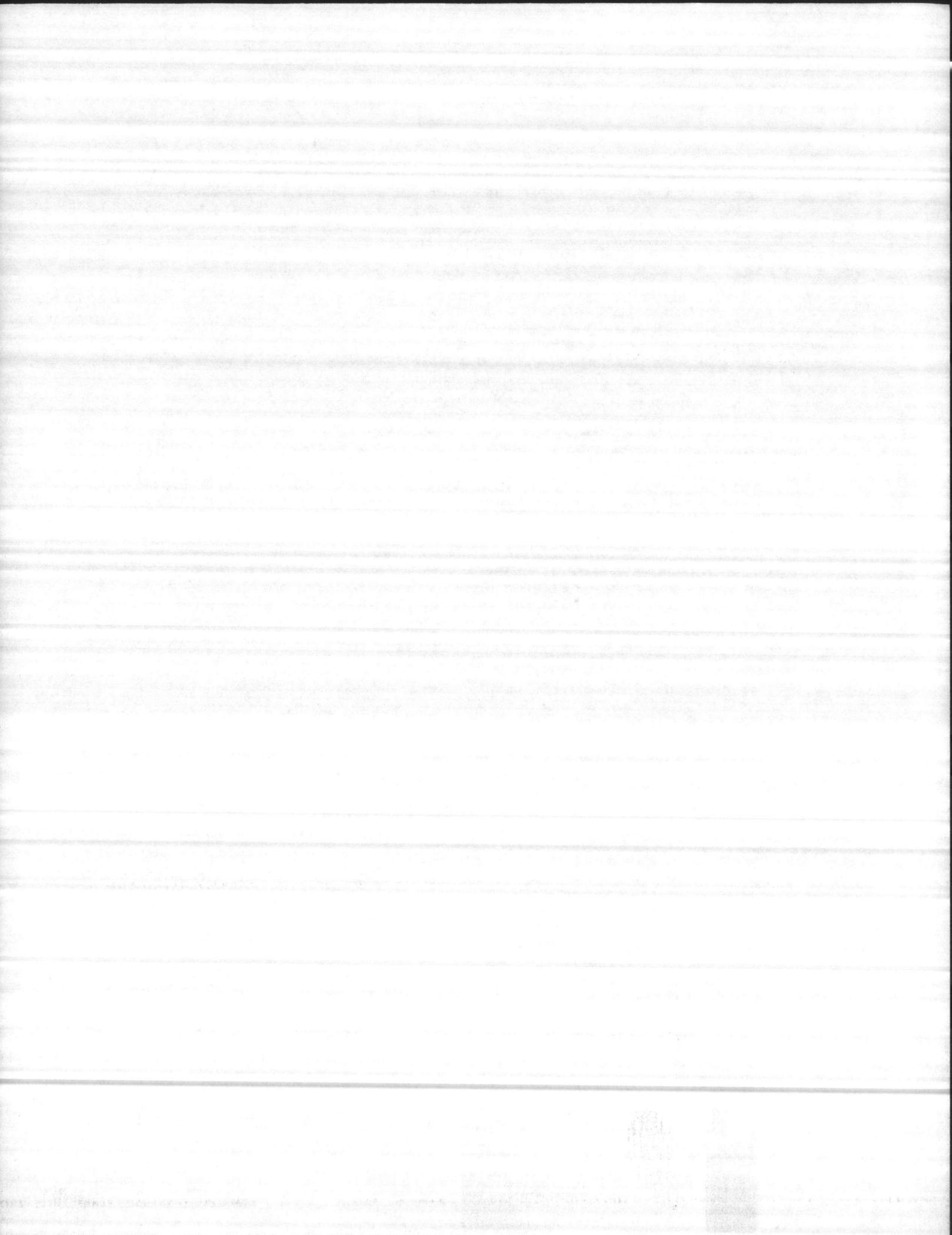
In the event that as a result of any future Act of Congress subjecting Government-owned property to taxation, taxes, assessments, or similar charges are imposed by state or local authorities upon the property leased hereunder (other than upon Lessee's possessory interest herein), Lessee shall pay the same when due and payable and this Lease shall be renegotiated so as to accomplish an equitable reduction in the rental provided for herein, which reduction shall not be greater than the amount of such taxes, assessments, or similar charges; *Provided*, that in the event that the parties hereto are unable to agree, within ninety (90) days from the date of the imposition of such taxes, assessments, or similar charges, on a rental which, in the opinion of the Officer in Charge of this Contract constitutes a reasonable return to the Government on the leased property, then, in such event, the Department shall have the right to determine the amount of the rental, which determination shall be binding on Lessee, subject to appeal in accordance with the provisions of the Article of this agreement entitled "Disputes".

I. REPRESENTATIONS

Lessee has examined, knows and accepts the condition and state of repair of the Facilities and acknowledges that the Government has made no representations concerning the condition or state of repair of the Facilities, nor any agreement or promise to alter, improve, adapt, repair, keep in repair, or replace such Facilities, or any item thereof, during the term of this Lease, or any extension thereof, which has not been fully set forth in this Lease which contains all the agreements made and entered into between Lessee and the Government.

J. INDEMNIFICATION BY LESSEE—GOVERNMENT NON-LIABILITY

Lessee covenants that it will indemnify and save and hold harmless the Government, its officers, agents and



employees for and from any and all liability or claims for loss of or damage to any property owned by or in the custody of Lessee, its officers, agents, servants, employees, subtenants, licensees, or invitees, or for the death or injury to any of same which may arise out of or be attributable to the condition, state of repair or Lessee's use and occupancy of the Facilities, or any item thereof, whether or not the same shall be occasioned by the negligence or lack of diligence of Lessee, its agents, officers, servants or employees.

K. RIGHT TO SUBLEASE OR ASSIGN

Lessee shall not transfer or assign this Lease or any interest therein nor sublet or otherwise make available to any third party or parties any item of the Facilities or part thereof without the prior written consent of the Government.

L. COVENANT AGAINST CONTINGENT FEES

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

M. GRATUITIES

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

(2) In the event this Lease is terminated as provided in paragraph (1) hereof, the Government shall be entitled (a) to pursue the same remedies against Lessee as it could pursue in the event of a breach of the Lease by Lessee, and (b) 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 Secretary or his duly authorized representative) which shall be not less than three nor more than ten times the costs incurred by Lessee in providing any such gratuities to any such officer or employee.

(3) 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 Lease.

N. LIENS

Lessee shall promptly discharge or cause to be discharged any valid lien, right in rem, claim or demand of any kind, except one in favor of the Department, which at any time may arise or exist with respect to the Facilities or materials or equipment furnished therefor, or any part thereof, and if the same shall not be promptly discharged by Lessee, the Government may discharge, or cause to be discharged, the same at the expense of Lessee.

O. FAILURE OF GOVERNMENT TO INSIST ON COMPLIANCE

The failure of the Government to insist, in any one or more instances, upon performance of any of the terms, covenants or conditions of this Lease shall not be construed as a waiver or relinquishment of the Government's right to the future performance of any such terms, covenants or conditions and Lessee's obligations in respect to such future performance shall continue in full force and effect.

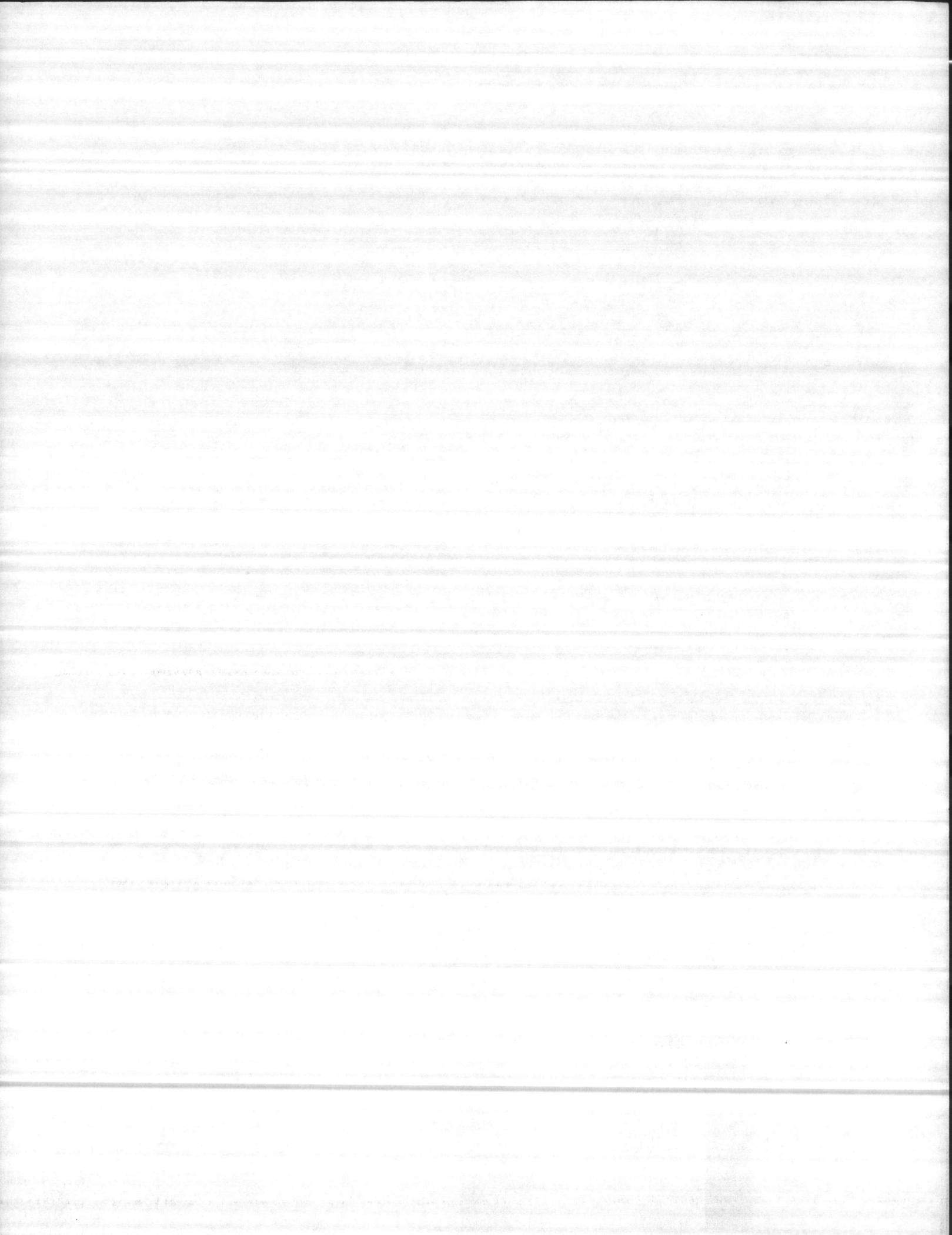
P. RECORDS

Lessee shall keep adequate records and books of account showing the actual cost to it of all items of labor, material, equipment, supplies, services and other expenditures of whatever nature which may be made in connection with the performance of its maintenance obligation hereunder or which shall be reimbursable in accordance with the provisions of this agreement.

The Government shall have access to such records and books of account at all reasonable times and shall be afforded proper facilities for inspecting same. All information obtained from said records and books of account shall be deemed confidential.

Q. OFFICIALS NOT TO BENEFIT

No Member of or Delegate to Congress, or Resident Commissioner, shall be admitted to any share or part of this Lease or to any benefit that may arise therefrom, but this provision shall not be construed to extend to this Lease if made with a corporation for its general benefit.



R. NOTICES

No notice, order, direction, determination, requirement, consent or approval under this Lease shall be of any effect unless in writing.

S. DISPUTES

Except as otherwise provided in this Lease, any disputes concerning a question of fact which is not disposed of by agreement shall be decided by the Chief of the Bureau of Yards and Docks, who shall reduce his decision to writing and mail or furnish a copy thereof to Lessee. Within 30 days from the receipt of such copy, Lessee may appeal by mailing or otherwise furnishing to the Chief of the Bureau of Yards and Docks via the Officer in Charge a written appeal addressed to the Secretary, and the decision of the Secretary or his duly authorized representative for the hearing of such appeals shall, unless determined by a court of competent jurisdiction to have been fraudulent or capricious or arbitrary or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence, be final and conclusive; *Provided*, that, if no such appeal is taken the decision of the Chief of the Bureau of Yards and Docks shall be final and conclusive. In connection with any appeal proceeding under this clause, Lessee shall be afforded an opportunity to be heard and to offer evidence in support of its appeal. Pending final decision of a dispute hereunder, Lessee shall proceed diligently with the performance of its obligations under this Lease and in accordance with the Chief of the Bureau of Yards and Docks decision. The term "Chief of the Bureau of Yards and Docks" as used herein shall include his duly appointed successor or his representative specifically designated for this purpose.

T. LABOR PROVISIONS

(1) Nondiscrimination in Labor

(a) In connection with the performance of work required by this Lease, Lessee 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; lay-off or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Lessee 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 non-discrimination clause.

(b) Lessee further agrees to insert the foregoing provision in all contracts entered into by it in performance of work required by this Lease, except contracts for standard commercial supplies or raw materials.

(2) Convict Labor

In connection with the performance of work required by this Lease, Lessee agrees not to employ any person undergoing a sentence of imprisonment at hard labor.

(3) Eight-Hour Law

This Lease, to the extent that it is a contract 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 required to be performed under this Lease, in the employ of Lessee or any contractor contracting for any part of 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 paragraph. The wages of every such laborer or mechanic employed by Lessee or any contractor engaged in the performance of work required under this Lease shall be computed on a basic day rate at a 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 \$5.00 shall be imposed upon the Lessee 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 paragraph; and all penalties thus imposed shall be withheld for the use and benefit of the Government.

