

**ADDENDUM TO SECTION A
GENERAL PROVISIONS**

1 July 1974

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ADDITIONS:

ARTICLE 4

7-104.49 GOVERNMENT SURPLUS (1965 JAN)

(a) In the event the bid or proposal is based on furnishing items or components which are former Government surplus property or residual inventory resulting from terminated Government contracts, a complete description of the items or components, quantity to be used, name of Government agency from which acquired, and date of acquisition shall be set forth on a separate sheet to be attached to bid or proposal. Notwithstanding any information provided in accordance with this provision, items furnished by the Contractor must comply in all respects with the specifications contained herein.

(b) Except as disclosed by the Contractor in (a) above, no property of the type described herein shall be furnished under this contract unless approved in writing by the Contracting Officer.

ARTICLE 15

7-104.8(b) REFUND OF ROYALTIES (1968 FEB)

(a) The contract price includes certain amounts for royalties payable by the Contractor or subcontractors or both, which amounts have been reported to the Contracting Officer.

(b) The term "royalties" as used in this clause refers to any costs or charges in the nature of royalties, license fees, patent or license amortization costs, or the like, for the use or for rights in patents and patent applications in connection with the performance of this contract or any subcontract hereunder.

(c) The Contractor shall furnish to the Contracting Officer, before final payment under this contract, a statement of royalties paid or required to be paid in connection with the performance of this contract and subcontracts hereunder together with the reasons therefor.

(d) The Contractor will be compensated for royalties reported under (c) above only to the extent that such royalties were included in the contract price and are determined by the Contracting Officer to be properly chargeable to the Government and allocable to the contract. Therefore, to the extent that any royalties which are included in the contract price are not in fact paid by the Contractor or are determined by the Contracting Officer not to be properly chargeable to the Government and allocable to the contract, the contract price shall be reduced. Repayment or credit to the Government shall be made as the Contracting Officer directs.

(e) If, at any time within three (3) years subsequent to final payment under this contract, the Contractor for any reason is relieved in whole or in part from the payment of the royalties included in the final contract price as adjusted pursuant to paragraph (d) above, the Contractor shall promptly notify the Contracting Officer of that fact and shall reimburse the Government in a corresponding amount.

(f) The substance of this clause, including this paragraph (f), shall be included in any subcontract in which the amount of royalties reported during negotiation of the subcontract exceeds two hundred and fifty dollars (\$250).

ARTICLE 18

7-103.16(a) CONTRACT WORK HOURS AND SAFETY STANDARDS ACT—OVERTIME COMPENSATION (1971 NOV)

This contract, to the extent that it is of a character specified in the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333), is subject to the following provisions and to all other applicable provisions and exceptions of such Act and the regulations of the Secretary of Labor thereunder.

(a) *Overtime requirements.* No Contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any laborer or mechanic in any workweek in which he is employed on such work to work in excess of eight hours in any calendar day or in excess of forty hours in such workweek on work subject to the provisions of the Contract Work Hours and Safety Standards Act unless such laborer or mechanic receives compensation at a rate not less than one and one-half times his basic rate of pay for all such hours worked in excess of eight hours in any calendar day or in excess of forty hours in such workweek, whichever is the greater number of overtime hours.

(b) *Violation; liability for unpaid wages; liquidated damages.* In the event of any violation of the provisions of paragraph (a), the Contractor and any subcontractor responsible therefor shall be liable to any affected employee for his unpaid wages. In addition, such Contractor and subcontractor shall be liable to the United States for liquidated damages. Such liquidated damage shall be computed with respect to each individual laborer or mechanic employed in violation of the provisions of paragraph (a) in the sum of \$10 for each calendar day on which such employee was required or permitted to be employed on such work in excess of eight hours or in excess of his standard workweek of forty hours without payment of the overtime wages required by paragraph (a).

(c) *Withholding for unpaid wages and liquidated damages.* The Contracting Officer may withhold from the Government Prime Contractor, from any moneys payable on account of work performed by the Contractor or subcontractor, such sums as may administratively be determined to be necessary to satisfy any

liabilities of such Contractor or subcontractor for unpaid wages and liquidated damages as provided in the provisions of paragraph (b).

(d) *Subcontracts.* The Contractor shall insert paragraphs (a) through (d) of this clause in all subcontracts, and shall require their inclusion in all subcontracts of any tier.

(e) *Records.* The Contractor shall maintain payroll records containing the information specified in 29 CFR 516.2(a). Such records shall be preserved for three years from the completion of the contract.

ARTICLE 29

7-104.76 F.O.B. DESTINATION—EVIDENCE OF SHIPMENT (1968 JUN)

If this contract is awarded on an f.o.b. destination basis and if transportation is accomplished by:

(i) common carrier, the Contractor agrees to furnish in support of his invoice, a copy of the signed commercial bill of lading indicating the carrier's receipt of the supplies covered by the invoice for transportation to the destination specified in the contract;

(ii) parcel post, the Contractor agrees to furnish a certificate of mailing with his invoice; and

(iii) other than common carrier or parcel post, the Contractor agrees to attach to his invoice a receipted copy of the appropriate delivery document showing receipt at the destination specified in the contract.

ARTICLE 40

7-103.27 LISTING OF EMPLOYMENT OPENINGS (1973 SEP)

(This clause is applicable pursuant to 41 CFR 50-250 if this contract is for \$2,500 or more.)

(a) The Contractor, to provide special emphasis to the employment of qualified disabled veterans and veterans of the Vietnam era, agrees that all suitable employment openings of the Contractor which exist at the time of the execution of this contract and those which occur during the performance of this contract, including those not generated by this contract and including those occurring at an establishment of the Contractor other than the one wherein the contract is being performed but excluding those of independently operated corporate affiliates, shall be offered for listing at the appropriate office of the State employment service system wherein the opening occurs and to provide reports to such office regarding employment openings and hires as may be required.

(b) Listing of employment openings with the employment service system pursuant to this clause shall be made at least concurrently with the use of any other recruitment service or effort and shall involve the normal obligations which attach to the placing of a bona fide job order, including the acceptance of referrals of veterans and non-veterans. Listing of employment openings does not require the hiring of any particular job applicant or from any particular group of job applicants referred by the employment service system. Nothing contained herein is intended to relieve the Contractor from any requirements in any Executive Order or regulation regarding nondiscrimination in employment.

(c)(1) Reports required shall include, but not be limited to, periodic reports which shall be filed at least quarterly with the appropriate local State employment service office or, where the Contractor has more than one establishment in a State, with the central office of that State employment service. Such reports shall indicate for each establishment (i) the number of individuals who were hired during the reporting period, (ii) the number of those hired who were disabled veterans, and (iii) the number of those hired who were non-disabled veterans of the Vietnam

era. The Contractor shall maintain copies of the reports submitted until the expiration of one year after final payment under the contract, during which time they shall be made available, upon request, for examination by any authorized representatives of the Contracting Officer or the Secretary of Labor.

(2) Whenever the Contractor becomes contractually bound to the listing provisions of this clause, he shall advise the employment service system in each state wherein he has establishments, of the name and location of each such establishment in the State. As long as the Contractor is contractually bound to these provisions and has so advised the State employment service system, there is no need to advise the State system of subsequent contracts. The Contractor may advise the State system when he is no longer bound by this contract clause.

(3) If the contract is for less than \$10,000 or if it is with a State or local government, the procedures set forth in subparagraphs (1) and (2) of this paragraph (c) are not required.

(d) This clause does not apply to the listing of employment openings which occur and are filled outside the 50 States, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands.

(e) This clause does not apply to openings which the Contractor proposes to fill from within his own organization or to fill pursuant to a customary and traditional employer-union hiring arrangement. This exclusion does not apply to a particular opening once an employer decides to consider applicants outside of his own organization or employer-union arrangements for that opening.

(f) As used in this clause:

(1) "All suitable employment openings" includes, but is not limited to, openings which occur in the following job categories: production and nonproduction; plant and office; laborers and mechanics; supervisory and nonsupervisory; technical; and executive, administrative, and professional openings which are compensated on a basis of less than \$18,000 per year. This term includes full-time employment, temporary employment of more than three (3) days' duration, and part-time employment.

(2) "Appropriate office of the State employment service system" means the local office of the Federal-State national system of public employment offices with assigned responsibility for serving the area of the establishment where the employment opening is to be filled, including the District of Columbia, Guam, Puerto Rico, and the Virgin Islands.

(3) "Openings which the Contractor proposes to fill from within his own organization" means employment openings for which no consideration will be given to persons outside the Contractor's organization (including any affiliates, subsidiaries, and the parent companies), and includes any openings which the Contractor proposes to fill from regularly established "recall" and "rehire" lists.

(4) "Openings which the Contractor proposes to fill from within his own organization or to fill pursuant to a customary and traditional employer-union hiring arrangement" means employment openings for which no consideration will be given to persons outside of a special hiring arrangement, including openings which the Contractor proposes to fill from union hiring halls, which is part of the customary and traditional employment relationship existing between the Contractor and representatives of his employees.

(5) "Disabled veteran" means a person entitled to disability compensation under laws administered by the Veterans Administration for disability rated at thirty percent (30%) or more, or a person whose discharge or release from active duty was for disability incurred or aggravated in the line of duty.

(6) "Veteran of the Vietnam era" means a person who was discharged or released within the 48 months preceding his application for employment covered under this part and who

(i) served on active duty for a period of more than 180 days, any part of which occurred after August 5, 1964, and was discharged or released therefrom with other than a dishonorable discharge, or (ii) was discharged or released from active duty for service-connected disability if any part of such duty was performed after August 5, 1964.

(g) The Contractor agrees to place this clause (excluding this paragraph (g)) in any subcontract directly under this contract provided, such subcontract is for \$2,500 or more. (Subcontracts for personal services are exempted from this requirement.)

(h) Failure of the Contractor to comply with the requirements of this clause may result in termination for default of the contract concerned.

ARTICLE 41

7-104.83 COST ACCOUNTING STANDARDS (1974 JAN)

(a) Unless the Cost Accounting Standards Board has prescribed rules or regulations exempting the Contractor or this contract from standards, rules, and regulations promulgated pursuant to 50 U.S.C. App. 2168 (Public Law 91-379, August 15, 1970), the Contractor, in connection with this contract shall:

(1) By submission of a Disclosure Statement, disclose in writing his cost accounting practices as required by regulations of the Cost Accounting Standards Board. The required disclosures must be made prior to contract award unless the Contracting Officer provides a written notice to the Contractor authorizing post-award submission in accordance with regulations of the Cost Accounting Standards Board. The practices disclosed for this contract shall be the same as the practices currently disclosed and applied on all other contracts and subcontracts being performed by the Contractor and which contain this Cost Accounting Standards clause. If the Contractor has marked the Disclosure Statement to indicate that it contains trade secrets and commercial or financial information which is privileged and confidential, the Disclosure Statement will be protected and will not be released outside the Government.

(2) Follow consistently the cost accounting practices disclosed pursuant to (1) above in accumulating and reporting contract performance cost data concerning this contract. If any change in disclosed practices is made for purposes of any contract or subcontract subject to Cost Accounting Standards Board requirements, the change must be applied prospectively to this contract, and the Disclosure Statement must be amended accordingly. If the contract price or cost allowance of this contract is affected by such changes, adjustment shall be made in accordance with subparagraph (a)(4) or (a)(5) below, as appropriate.

(3) Comply with all Cost Accounting Standards in effect on the date of awards of this contract or if the Contractor has submitted cost or pricing data, on the date of final agreement on price as shown on the Contractor's signed certificate of current cost or pricing data. The Contractor shall also comply with any Cost Accounting Standard which hereafter becomes applicable to a contract or subcontract of the Contractor. Such compliance shall be required prospectively from the date of applicability to such contract or subcontract.

(4)(A) Agree to an equitable adjustment as provided in the changes clause of this contract if the contract cost is affected by a change which, pursuant to (3) above, the Contractor is required to make his established cost accounting practices whether such practices are covered by a Disclosure Statement or not.

(B) Negotiate with the Contracting Officer to determine the terms and conditions under which any Disclosure Statement change other than changes under (4)(A) above may be made. A change to a Disclosure Statement may be proposed by either the Government or the Contractor, provided, how-

ever, that no agreement may be made under this provision, that will increase costs paid by the United States.

(5) Agree to an adjustment of the contract price or cost allowance, as appropriate, if he or a subcontractor fails to comply with an applicable Cost Accounting Standards or to follow any practice disclosed pursuant to subparagraphs (a)(1) and (a)(2) above and such failure results in any increased costs paid by the United States. Such adjustment shall provide for recovery of the increased costs to the United States together with interest thereon computed at the rate determined by the Secretary of the Treasury pursuant to Public Law 92-41, 85 STAT. 97, or seven percent (7%) per annum, whichever is less, from the time the payment by the United States was made to the time the adjustment is effected.

(b) If the parties fail to agree whether the Contractor or a subcontractor has complied with an applicable Cost Accounting Standard, rule, or regulation of the Cost Accounting Standards Board and as to any cost adjustment demanded by the United States, such failure to agree shall be a dispute concerning a question of fact within the meaning of the disputes clause of this contract.

(c) The Contractor shall permit any authorized representatives of the head of the agency, of the Cost Accounting Standards Board, or of the Comptroller General of the United States to examine and make copies of any documents, papers, or records relating to compliance with the requirements of this clause.

(d) The Contractor shall include in all negotiated subcontracts which he enters into the substance of this clause except paragraph (b), and shall require such inclusion in all other subcontracts of any tier, except that this requirement shall apply only to negotiated subcontracts in excess of \$100,000 where the price negotiated is not based on:

(i) Established catalog or market prices of commercial items sold in substantial quantities to the general public, or

(ii) prices set by law or regulation.

NOTE: (1) Subcontractors shall be required to submit their Disclosure Statements to the Contractor. However, if a subcontractor has previously submitted his Disclosure Statement to a Government Administrative Contracting Officer (ACO) he may satisfy that requirement by certifying to the Contractor the date of such Statement and the address of the ACO.

(2) In any case where a subcontractor determines that the Disclosure Statement information is privileged and confidential and declines to provide it to his Contractor or higher tier subcontractor, the Contractor may authorize direct submission of that subcontractor's Disclosure Statement to the same Government offices to which the Contractor was required to make submission of his Disclosure Statement. Such authorization shall in no way relieve the Contractor of liability as provided in paragraph (a)(5) of this clause. In view of the foregoing and since the contract may be subject to adjustment under this clause by reason of any failure to comply with rules, regulations, and Standards of the Cost Accounting Standards Board in connection with covered subcontracts, it is expected that the Contractor may wish to include a clause in each such subcontract requiring the subcontractor to appropriately indemnify the Contractor. However, the inclusion of such a clause and the terms thereof are matters for negotiation and agreement between the Contractor and the subcontractor, provided that they do not conflict with the duties of the Contractor under its contract with the Government. It is also expected that any subcontractor subject to such indemnification will generally require substantially similar indemnification to be submitted by his subcontractors.

(e) The terms defined in Section 331.2 of Part 331 of Title 4, Code of Federal Regulations (4CFR 331.2) shall have the same meanings herein. As there defined, "negotiated subcontract" means "any subcontract except a firm fixed-price subcontract made by a Contractor or subcontractor after receiving offers from at

least two firms not associated with each other or such Contractor or subcontractor, providing (1) the solicitation to all competing firms is identical, (2) price is the only consideration in selecting the subcontractor from among the competing firms solicited, and (3) the lowest offer received in compliance with the solicitation from among those solicited is accepted."

ARTICLE 43

7-103.15 COMMUNIST AREAS (1974 APR)

(a) Unless he first obtains the written approval of the Contracting Officer, the Contractor shall not acquire for use in the performance of this contract:

(i) any supplies or services originating from sources within the following communist areas:

- Albania.
- Bulgaria.
- China, excluding Taiwan (Formosa), but including Manchuria, Inner Mongolia, the provinces of Tsinghai and Sikang, Sinkiang, Tibet, the former Kwantung Leased Territory, the present Port Arthur Naval Base Area, and Lianoning Province.
- Communist-controlled area of Viet Nam and Communist-controlled area of Laos.
- Cuba.
- Czechoslovakia.
- East Germany (Soviet Zone of Germany and the Soviet Sector of Berlin).
- Estonia.
- Hungary.
- Latvia.
- Lithuania.
- North Korea.
- Outer Mongolia.
- Poland and Danzig.
- Union of Soviet Socialist Republics.

(ii) any supplies, however processed, which are or were located in or transported from or through China (as described in (i) above), North Korea, North Vietnam, or Cuba;

(iii) any of the following supplies, if of foreign origin and however processed, unless acquired directly from the countries indicated for particular supplies:

- Aniseed star None.
- Aniseed oil None.
- Antiques, Chinese type (except Chinese porcelain, which qualified under items 766.20-25 of Title I—Tariff Schedules of the United States, Tariff Act of 1930, as amended, and which is decorated with the armorial bearing, crests, monograms, cyphers, or badges of European or American families or societies or bearing motifs based thereon, or with European or American political, memorial, or Masonic scenes or devices, or with European or American figures, ships, or other scenes, or with motifs or inscriptions in English, Latin, or any other European language) None.
- Bamboo, split None.
- Braids, straw Italy, Japan.
- Bristles, hog (except nondyed European hog bristles) None.
- Brushes, paint and hair pencil, and parts thereof, containing hog bristles more than 1½ inches in total length or more than 1¼ inches in length out of the ferrule None.
- Carpet wool, Tibetan and Nepalese types None.
- Cashmere Iran.
- Cassia Indonesia.
- Cassia oil None.

- Chinese type:
- Art objects None.
- Beverages None.
- Drugs None.
- Foodstuffs None.
- Garments None.
- Herbs None.
- Ivory articles None.
- Jade articles None.
- Medicines, prepared None.
- Rugs None.
- Tea Formosa.
- Cinnamic aldehyde None.
- Cinnamon oil Ceylon, Seychelles.
- Corrmint oil Argentina, Brazil.
- Eggs, poultry:
- Whole in the shell, preserved None.
- Dried (whole, albumen or yolks) None.
- Embroideries and embroidered articles of types chiefly imported from China prior to Dec. 17, 1950 None.
- Feathers and down, Asiatic, except peacock feathers Burma, India, Formosa, Thailand, and those areas of Viet-Nam which are not under Communist control.
- Firecrackers None.
- Floor coverings, grass, straw and seagrass Japan.
- Fur skins: Goat and kid Argentina, Ethiopia, Iran, Iraq.
- Kolinsky Republic of Korea.
- Weasel Canada.
- Gallnuts, except Aleppo gallnuts None.
- Ginger root, candied or otherwise prepared or preserved None.
- Hair, human, Asiatic None.
- Hats, unfinished:
- Manila hemp (abaca) None.
- Palm leaf Mexico, Philippines.
- Straw Brazil, Dominican Republic, Italy, Japan, Philippines.
- Jade stones, cut but not set, suitable for use in jewelry None.
- Menthol, natural and synthetic (except racemic) .. Brazil.
- Musk None.
- Rutin None.
- Seagrass mats and squares Japan.
- Silk, tussah, muga, eri None.
- Silk piece goods, tussah, muga, eri None.
- Sophora Japonica None.
- Tannic acid, from gallnuts other than Aleppo gallnuts None.
- Tung oil Argentina, Brazil, Paraguay.
- Walnuts, except black or pickled walnuts . . France, Iran, Italy, Turkey.
- Yak hair None.

(iv) any of the following supplies, however processed, which are or were located in or transported from or through Hong Kong, Macao, or any communist area listed in (i) above:

- Agar-agar.
- Bamboo:
- Bags, baskets and other manufactures, except furniture.
- Poles and sticks.
- Brocades and brocade articles.
- Camphor, natural and synthetic.
- Camphor oil, natural and synthetic.
- Cane webbing.
- Carpet wool.
- Carpets.
- Castor beans.
- Castor oil.
- Chinaware.
- Citronella oil.

Cotton manufactures.
 Cotton waste.
 Earthenware.
 Embroideries and embroidered articles.
 Feather manufactures.
 Glass, sheet (window).
 Graphite.
 Hair, animal.
 Hair nets of any material.
 Handkerchiefs.
 Hardwood manufactures, except bentwood furniture.
 Hats, paper.
 Hides, buffalo.
 Honey.
 Ivory manufactures.
 Lace and lace articles.
 Linen manufactures, except wearing apparel not
 containing any lace, embroidery or brocade.
 Marine products, edible.
 Ores and metals:
 Antimony.
 Bismuth.
 Mercury.
 Molybdenum.
 Tin.
 Tungsten.
 Peanut oil.
 Peanuts.
 Pigeons, frozen or otherwise prepared or preserved.
 Poultry, frozen or otherwise prepared or preserved.
 Ramie.
 Rugs.
 Seagrass manufactures.
 Sesame oil.
 Sesame seed.
 Shoes, leather soled with non-leather uppers, except
 ladies' high-heel shoes.
 Silk:
 Manufactures except Western style suits and
 Indian saris.
 Raw.
 Waste.
 Skins, deer and goat.
 Stones, semiprecious.
 Stones, semiprecious, manufactures.
 Straw manufactures.
 Tapestries.
 Tapioca.
 Tapioca flour.

(b) The Contractor agrees to insert the provisions of this clause, including this paragraph (b), in all subcontracts hereunder.

ARTICLE 44

7-104.41 AUDIT (1974 APR) (AMENDED)

(a) *General.* The Contracting Officer or his representatives shall have the audit and inspection rights described in the applicable paragraphs (b), (c) and (d) below.

(b) *Examination of Cost.* If this is a cost reimbursement type, incentive, time and materials, labor hour, or price redeterminable contract, or any combination thereof, the Contractor shall maintain, and the Contracting Officer or his representatives shall have the right to examine books, records, documents, and other evidence and accounting procedures and practices, sufficient to reflect properly all direct and indirect costs of whatever nature claimed to have been incurred and anticipated to be incurred for the performance of this contract. Such right of examination shall include inspection at all reasonable times of the Contractor's plants, or such parts thereof, as may be engaged in the performance of this contract.

(c) *Cost or Pricing Data.* If the Contractor submitted cost or pricing data in connection with the pricing of this contract or any change or modification thereto, unless such pricing was based on adequate price competition, established catalog or market prices of commercial items sold in substantial quantities to the general public, or prices set by law or regulation, the Contracting Officer or his representatives who are employees of the United States Government shall have the right to examine all books, records, documents and other data of the Contractor related to the negotiation, pricing or performance of such contract, change or modification, for the purpose of evaluating the accuracy, completeness and currency of the cost or pricing data submitted. Additionally, in the case of pricing any change or modification exceeding \$100,000 to formally advertised contracts, the audit representative designated by the Contracting Officer or his representatives who are employees of the United States Government shall have such rights. The right of examination shall extend to all documents necessary to permit adequate evaluation of the cost or pricing data submitted, along with the computations and projections used therein.

(d) *Reports.* If the Contractor is required to furnish Cost information Reports (CIR) or Contract Fund Status Reports (CFSR), the Contracting Officer or his representatives shall have the right to examine books, records, documents, and supporting materials, for the purpose of evaluating (i) the effectiveness of the Contractor's policies and procedures to produce data compatible with the objectives of these reports, and (ii) the data reported.

(e) *Availability.* The materials described in (b), (c) and (d) above shall be made available at the office of the Contractor, at all reasonable times, for inspection, audit, or reproduction, until the expiration of three years from the date of final payment under this contract or such lesser time specified in Appendix M of the Armed Services Procurement Regulation, and for such longer period, if any, as is required by applicable statute, or by other clauses of this contract, or by (1) and (2) below:

(1) If this contract is completely or partially terminated, the records relating to the work terminated shall be made available for a period of three years from the date of any resulting final settlement.

(2) Records which relate to appeals under the "Disputes" clause of this contract, or litigation or the settlement of claims arising out of the performance of this contract, shall be made available until such appeals, litigation, or claims have been disposed of.

(f) The Contractor shall insert a clause containing all the provisions of this clause, including this paragraph (f), in all subcontracts exceeding \$2,500 hereunder, except altered as necessary for proper identification of the contracting parties and the Contracting Officer under the Government prime contract.

ARTICLE 45

TELEPHONE SECURITY

(Applicable only if the Schedule of the contract specifies a Security Classification.)

The Contractor is urged to bring to the attention of all of its employees who are granted access to classified information pertinent to this contract the fact that telephones are not a secure means of transmitting classified information. Hostile governments are known to have a capability of monitoring telephone conversations, especially those transmitted via microwave (assume all). Your employees and/or consultants accordingly may not discuss classified information by telephone either with the Sponsor or others. This clause should be included in any classified subcontracts issued under this basic contract.