

KAISER ENGINEERS, INC.
Agent for
Armco Steel Corporation

SUB-CONTRACT

Sub-Contract No. 7148-1040
May 14, 1965

This Sub-Contract is made pursuant to a Contract between Armco Steel Corporation (hereinafter called "Owner"), and Kaiser Engineers, Inc., (hereinafter called "Contractor"), Agent for Armco Steel Corporation, whereby Contractor agreed with Owner to furnish engineering, construction, and other services related to the expansion and modernization program at Owner's Middletown Works, Middletown, Ohio.

Contractor and Salem-Brosius, Inc., (hereinafter called "Sub-Contractor"), hereby agree that the following work shall be performed by Sub-Contractor for the compensation and upon the terms and conditions hereinafter set forth on Face Sheets "A" and "B" of the Sub-Contract, and including Articles 1 through 37 of the General Terms and Conditions attached to and made a part of this Sub-Contract.

WORK TO BE PERFORMED: Furnish all labor, tools, supervision, shops, materials, supplies, transportation and equipment, and do all things necessary to design, detail, furnish, fabricate, deliver, unload, store, erect, wire and supervise the start-up of three (3) 5-zone, Natural Gas or Mixed Gas and No. 6 Fuel Oil Fired Continuous Pusher Type Slab Reheating Furnaces complete, for Owner's new Hot Strip Mill, all as required by and in strict accordance with Exhibit "A", all such work being hereinafter sometimes called "The Work".

PLANS, DRAWINGS AND/OR SPECIFICATIONS: Attached hereto as Exhibit "A", and by this reference made a part hereof, as amended herein.

ITEMS TO BE SUPPLIED BY CONTRACTOR: As per list attached hereto marked Exhibit "B", and by this reference made a part hereof.

LOCATION OF WORK: At Owner's Middletown Works, South Area, Middletown, Ohio.

WORK TO COMMENCE: As of the date of this Sub-Contract; with field work to commence on date specified in Contractor's Notice to Proceed, to be issued to Sub-Contractor.

WORK TO BE COMPLETED: Time is of the essence of this Sub-Contract; all engineering, design, and detailing work shall be completed by Sub-Contractor as soon as possible and certain engineering work shall be completed by June 14, 1965, and July 14, 1965, respectively, as set forth in Exhibit "C" hereof. All work other than start-up supervision, shall be completed no later than September 1, 1967, or such extended completion date as may be applicable in accordance with and pursuant to the provisions of Article 15, hereof.

FACE SHEET "A"

KEN 007737

July 6, 1965

Salem-Brosius, Inc.
P. O. Box 2222
Pittsburgh, Pennsylvania 15230

Attention: Mr. William Bosworth
Vice President

Subject: Sub-Contract No. 7148-1040
Slab Reheat Furnaces
Armco Steel Corporation - Middletown Works

Dear Mr. Bosworth:

Attached are five (5) copies of subject Sub-Contract, signed by Kaiser Engineers, Inc., Vice President J. E. Hughes. Please sign and return four (4) fully executed copies, retaining the fifth copy for your files.

One of the purposes of Exhibit "E", SPECIAL PROVISIONS, is to incorporate into specifications, scope of work, and/or compensation provisions by reference, those items which, by their inclusion, will make the Sub-Contract more nearly all-inclusive of the requirements which we had previously stated and to which you had previously agreed to conform. A few of these agreements were arrived at on a strictly verbal basis in the late stages of our negotiations, rather than by an interchange of correspondence. Item No. 1 - (e), concerning skid pipe support castings, and No. 1 - (o), concerning the change from an unspecified period of supervision and start-up to a stated minimum period were both verbally negotiated; the latter in Mr. C. F. Bailey's office, with the writer present.

The other purpose of Exhibit "E", is to incorporate certain special agreements concerning the General Terms and Conditions which represent our acceptance of changes suggested on your part. These changes are Item Nos. 6 (a) through 6 (d) and Item No. 8. The latter item was verbally approved by your Executive Vice President, Mr. Frank Myers on the 21st of June, while you were in Japan on other business.

Very truly yours,

KAISER ENGINEERS, INC.



D. K. Carlson
Project Purchasing Agent

DKC/cf

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SPECIAL PROVISIONS

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A - Material

For the purpose of this adjustment, the proportion of the Sub-Contract price representing materials is accepted as 55 percent. The amount accepted as representing material costs shall be increased or decreased by a percentage thereof equal to the percentage by which the monthly index of Metal Working Machinery & Equipment, Code 113, as published by the Bureau of Labor Statistics of the U. S. Department of Labor "Wholesale Prices and Price Indexes" (computed on the same basis and by the same methods as are used on the date hereof) for the period commencing with the month during which the Sub-Contractor first ships material to the Contractor and ending with the month within which Sub-Contractor completes all shipments, shall exceed or be less than the index number published for the month of May, 1965. This adjustment shall be computed monthly on the basis of the value of the monthly invoices covering material shipments.

Adjustment in Sub-Contract price computed to the nearest 1/10 of 1% shall be made in accordance with the foregoing formula following the second printing by the Bureau of Labor Statistics of the comprehensive monthly index for each of the months included in the time period specified.

B - Labor

For the purpose of this adjustment, the proportion of the Sub-Contract price representing labor is accepted as 30 percent. The amount accepted as representing labor costs shall be increased or decreased by a percentage thereof equal to the percentage by which the Union Building Trades Scales - Average Hourly Rates - All Trades, as published quarterly by the Bureau of Labor Statistics of the U. S. Department of Labor for the period commencing within the quarter during which Sub-Contractor begins field installation work and ending within the quarter during which Sub-Contractor completes field installation work, shall exceed or be less than the Union Building Trades Scales - Average Hourly Rates - All Trades, as published for the second quarter of 1965.

Adjustment in Sub-Contract price shall be made with the foregoing formula for each of the quarters included within the time period specified.

8. The last sentence of Article 15 of the Sub-Contract General Terms and Conditions is revised as follows: "The Sub-Contractor shall not be entitled to, and does hereby waive any and all damages which it may suffer by reason of delays which Sub-Contractor may encounter in the progress of the work due to causes beyond the reasonable control of either Contractor or Owner".

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