

VIGOR SHIPYARDS, INC.

TS-560 GENERAL SAFETY RULES FOR SUBCONTRACTORS AND/OR CONTRACTORS

(Also applies to owner's representatives, inspectors, government personnel, and all other working visitors)

Rev 6/25/12

INTRODUCTION

These rules have been written for the guidance of contractors and/or subcontractors (hereafter referred to as contractors), who are performing work under contract with Vigor Shipyards, Inc. and/or ship owners. These rules are published to assist the contractor in conducting a safe operation. These Safety Rules are minimum requirements and contractors will be expected to establish for their work any additional rules as may be necessary for compliance with any State or Federal regulations. In the event that the contractor engages a subcontractor for any portion of this contract, it is the contractor responsibility to impose these work rules on all of his lower tier subcontractors.

VIGOR SHIPYARDS MAY STOP OR SUSPEND WORK AT ANY TIME IF THE CONTRACTOR FAILS TO COMPLY WITH VIGOR SHIPYARDS, INC. RULES OR REGULATIONS.

Each contractor is responsible for the observance of all Federal, State, County and Municipal laws, codes and ordinances, including:

29 CFR Part 1910, Occupational Safety and Health Standards,

29 CFR Part 1915, Safety and Health Regulations for Ship Repairing,

29 CFR Part 1916, Safety and Health Regulations for Shipbuilding,

29 CFR Part 1917, Safety and Health Regulations for Shipbreaking,

29 CFR Part 1918, Safety and Health Regulations for Longshoring,

Safety Standards for Ship Repairing, Shipbuilding and Shipbreaking, Chapter 295-304 WAC and

General Safety and Health Standards, Chapter 296-24 WAC

General Safety and Health Standards, Chapter 296-62 WAC

CONTRACTORS' ACCIDENTS

All employee injuries in connection with the job must be promptly reported to the Vigor Shipyards First Aid Station. Accidents occurring on the job when the First Aid Station is closed must be reported to the person in charge at the Safety Department.

HOUSEKEEPING

The contractor shall be responsible for the cleanliness of the job site.

VEHICULAR TRAFFIC

All yard traffic is restricted to commercial vehicles only and limited to those required for job performance. All parking is restricted to on-street parking outside the yard.

PERSONAL PROTECTIVE EQUIPMENT

Employees must have the proper protective equipment for the work being performed. Protective equipment includes not only that worn by the employees, but also all other equipment required to protect them from injury.

SAFETY HARD HATS OF NONCONDUCTIVE MATERIAL, SAFETY SHOES, AND SAFETY GLASSES OR GOGGLES ARE REQUIRED TO BE WORN BY EACH EMPLOYEE OF THE

CONTRACTOR. Each Helmet must clearly state the name of the employee and the company the employee represents.

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GENERAL RULES

1. A designated area will be provided for the storage of the contractor's materials, equipment and tools, located so as to assure a minimum of contact with plant employees.
2. Tools, materials or equipment shall be returned to this area at the end of each day or otherwise barricaded or secured to prevent falling or creation of tripping hazards.
3. Contractors shall erect barricades and shall post warning signs that will call attention to the inherent hazards. Illumination shall be used if necessary. Any radiography should be done while plant personnel are predetermined to be a safe distance from the source.
4. Ladders and scaffolds shall be in a safe condition and in proper placement. Scaffolds 5 feet or more above a solid surface shall be provided with handrails, the top rail to be between 42 and 45 inches above the surface of the platform.

When necessary, to prevent tools and/or materials from falling on men below, toeboards of not less than 1" x 4" lumber or other solid material shall be installed. No scaffold shall rest on piping, wiring or machinery. Ladders shall be secured at the top.

5. Contractors shall secure permission and instructions from proper plant authorities before working on any electrical circuit, piping, plant equipment, or in power or transformer rooms or restricted areas. If it is necessary to close electrical circuits, unauthorized persons should establish controls to prevent opening of circuits.
6. Contractors shall exercise special care in the use of ropes, falls, or other hoisting equipment used to raise materials overhead.
7. Contractors shall provide drop cloths or tarpaulins to protect plant property.
8. All cylinders of compressed gases shall be secured against upset. Protective caps must be on all cylinders not in use.
9. Only approved vapor-proof extensions and explosion-proof (non-sparking) tools shall be used where flammable liquids or vapors may be encountered.

10. FIRE PROTECTION

- (A) Contractors shall provide the necessary fire extinguishers.
- (B) Flammable and/or red label materials shall not be used unless approved for use by one of the following: namely, Plant Fire Department, Safety Manager or Marine Chemist.
- (C) All flammable liquids shall be stored or transported in approved safety containers. Paints and thinners shall be covered when not in use. "NO SMOKING" signs shall be posted and the rule enforced in areas where a fire exposure exists.
- (D) Contractors shall contact the plant Fire Department, Safety Manager, or Marine Chemist in order to familiarize themselves with the location of the various fire alarms in areas of their work.

(E) The contractor shall determine that an area is safe, that the necessary chemist certificates are in force, and a fire watch is provided where necessary before performing any hot work.

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11. Contractors shall arrange for first aid or medical care for their employees, and they shall report the facts of all serious accidents to the Dispensary.
12. Persons responsible for plant safety have the right to specify corrections of any unsafe acts or conditions.
13. Contractors engaged in painting, cleaning, or other operations on the outside of buildings should consider wind conditions and protect property that might be damaged.
14. Contractors are encouraged to seek the assistance of the Plant Safety and Facilities Departments on any matter involving the safety of men or protection of company property.
15. All work performed in this yard or on ship is subject to the Federal Occupational Safety and Health Regulations of the U.S. Department of Labor, Rules of the National Fire Protective Association, State Division of Industrial Safety, and the local Fire Department. You are required to comply with their regulations. Copies of the Federal and State regulations are available at the Safety Office. Copies of the Rules of the National Fire Protective Association and regulations of the City Fire Department are available at the plant Safety Department.

ASBESTOS

Standards for the control, handling, and disposal of materials containing or potentially containing asbestos, are subject to strict and specific Federal and State Regulations, as well as Vigor Shipyards procedures. To ensure compliance with all standards, work with asbestos containing materials MUST be coordinated with the Environmental Department prior to commencement.

INSURANCE REQUIREMENTS

(A) Except as expressly stated otherwise in this Contract and before any part of the work on the Buyer's premises is commenced, the Seller shall, at the Seller's sole cost, cause to be issued and maintained during the entire progress of the work, insurance policies with limits not less than those set forth below with insurers and under policy forms satisfactory to the Buyer. Such insurance shall not act as a limitation of Seller's liability hereunder.

POLICY

1. Worker's Compensation

2. Employer's Liability

3. Comprehensive General Liability including broad form contractual completed operations, and XCU hazards

4. Comprehensive Auto Liability (owned and non-owned)

MINIMUM LIMITS

As required by law

As covered in A-1 above

One Million Dollars combined single limit each occurrence for bodily injury, property damage

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(B) Should any of the work:

1. Be upon or contiguous to navigable bodies of water. Seller shall insure for benefits prescribed by the Federal Longshoremen's and Harbor Worker's Act, Jones Act, and other PPOTC30

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applicable federal law. The limit in A-2 above shall be not less than One Million Dollars per accident.

2. Involve Seller-owned or operated watercraft or aircraft. Seller shall maintain protection and indemnity or aircraft liability insurance respective with a combined single limits of not less than Two Million Dollars each occurrence on each policy.
3. All of the above insurance shall include a waiver of subrogation in favor of the Buyer, its parent and its parent's subsidiaries and affiliates, and except for insurance in A-1, A-2 and B-1, above, shall name the Buyer, its parent and its parent's subsidiaries and affiliates, and owner as additional insured.

(C) Insurance Certificates

Before starting the work, the Seller shall give the Buyer certificates of insurance for the above policies. They shall provide that not less than thirty (30) days advance notice will be given in writing to the Buyer prior to cancellation, termination, or material alteration. The original and two duplicate certificates shall be delivered to the Buyer's Purchasing Manager or other authorized agent who will also receive any notices required by cancellation or otherwise. Seller shall submit copies of the policies should the Buyer request them.

(D) The Seller shall not, unless otherwise directed or approved in writing by the Buyer, carry or incur the expense of any insurance against any form of loss or damage to the vessel(s) or to the materials or equipment therefore to which the Government has title or which have been furnished by the Government for installation by the Seller.

(E) No allowance shall be made by the Seller in the price of the workscope for the inclusion of any premium expense or charge for any reserve made on account of self insurance for coverage against any risk assumed by the Government.

(F) Notwithstanding the foregoing, the Seller shall bear the first \$5,000.00 of loss or damage from each occurrence or incident the risk of which the Government otherwise would have assumed under the provisions of this Clause.

DRUG SAFE WORK PLACE

Contractor and SubContractors shall be bound and assume expense to comply with Article 16.14 of the current Collective Bargaining Agreement between Vigor Shipyards, Inc. and Metal Trades Department of the AFL-CIO. Contractor and SubContractors shall supply proof of compliance upon request of the Vigor Shipyards, Inc. Any questions regarding compliance shall be directed to Vigor Shipyards' Manager of Labor Relations. Compliance for Contractor and SubContractors with conflicting language in collective bargaining agreement(s) shall be required within sixty (60) days from this notification. Compliance shall be required prior to performing any work for those without labor agreements or for those that have non-conflicting language in existing collective bargaining agreements.

Article 16.14 follows: The Company and the Union agree on the objective of maintaining a safe working environment, including maintaining a work place that is alcohol and drug free. It is agreed that the

use, sale, distribution, or possession of illegal drugs or alcohol on Company premises shall be the grounds for immediate discharge. It is understood, however, that there shall be no random testing on employees covered under this Agreement. It is further understood that the Company will provide, at PPOTC30

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no cost to the employees, an Employee Assistance Program, which includes assistance through counseling for alcohol and drug dependency, as well as other related personal and family problems that adversely effect an employee's job performance, and that any disciplinary action taken would be subject to Article 23, Grievance Procedure. All drug tests discussed below shall be accomplished through urinalysis and alcohol tests through either urinalysis or breathalyzer.

In order to clarify the language contained in 16.14 above, the following is agreed to by the parties signatory hereto:

1. It is understood that drug testing may be part of the pre-hire program. Any applicant that has failed a pre-hire test, who demonstrates that he/she has been evaluated by a certified treatment facility and has satisfactorily completed the treatment that was recommended by the treatment facility, shall become eligible for hire upon the successful completion of another pre-hire drug test. The second test shall be at the employee's expense.
2. Testing employees for drugs and/or alcohol may be accomplished when the employer has reasonable suspicion to believe that an employee may be under the influence of drugs and/or alcohol. Reasonable suspicion must be based on specific personal observations that an employer representative can describe concerning the appearance, behavior, speech, or breath odor of the employee. Reasonable suspicion must be based on direct, first hand observations by an employer representative who shall have received training in substance abuse detection. These observations shall be documented in writing at or near the time of observation but not more than twenty-four hours from observation. The employer shall contact the appropriate shop steward or Business Representative prior to the testing of any employee. Documentation resulting in an employee being tested will be provided on demand in a timely manner to the appropriate Union representative.
3. Post-accident drug and alcohol testing may be performed on all employees involved if said accident resulted in a fatality or bodily injury to a person which required medical treatment away from the site. Approval for employee drug testing must be for good reason and be directed by the Director of Human Resources or his designated representative from the Human Resources Department. All positive results must be reviewed by a Medical Review Officer.
4. Any employee with a positive drug test will be given an opportunity, based on the circumstances, to enter the Employer's E.A.P. Any employee who tests positive and who the Employer is going to discharge will first receive a suspension pending an investigation by management and the appropriate Union representative.
5. Any employer drug/alcohol testing policy must conform to the Drug Free Workplace Act, Subtitle D of Title V of Public Law 100-690, and the Federal Acquisition Regulation Interim Rule (DOD FAR Supp 252.223-7500) implemented by the Department of Defense.
6. Testing for drugs on employees or pre-hire drug testing in accordance with this Article will not be implemented until the Joint Labor/Management Committee agree on the testing procedures.
7. Any and all costs of testing will be paid by the Employer.
8. Any drug testing program must apply to subcontractors as well as employees. To this extent the requirements of the Drug Free Workplace Act and the Federal Acquisition Regulation Interim

Rule (DOD FAR Supp 252.223-7500) implemented by the Department of Defense shall be part of all subcontracts issued at Vigor Shipyards.

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9. Individual participation in this program shall be held in the utmost confidence.
The employer will give the Joint Labor/ Management Committee 45 days notice of an intent to change the collection site and laboratory used in the Drug Testing Program.

Title V Requirements

1. This is a Title V compliant shipyard. All paint and solvent materials used at Vigor Shipyards will be VOC compliant. All paint and solvent materials used at Vigor Shipyards are subject to Title V regulations. Those regulations require that MSDS sheets and VOC Data Sheets are to be supplied with each batch of each coating. All paint and solvent materials will be routed through the Vigor Shipyards Receiving Department for count and collection of documentation. All paint and solvent materials and Data Sheets will be forwarded to the designated paint lay down area at the Vigor Shipyards' Flame Shed for Paint Department verification (of compliance) and labeling per Title V. After labeling, all paint and solvent materials will be sent back to the contractor. For practical purposes, plan for up to 3 additional days for processing of material.
2. In addition, each paint crew that is working will be required to understand the information / instructions included on the Title V labeling so that they can be executed. Each paint crew will be required to fill out and hand in a Paint Crew Daily Usage Form (format supplied by the Vigor Shipyards Paint Department) to the Vigor Shipyards Paint Department.
3. Title V of the Clean Air Act requires that all paint and solvent containers are kept closed except, when Mixing or pouring from, to prevent evaporation of solvents. Title V requires periodic checks of all containers, transfer equipment, and application equipment for leaking, spilling, etc. If and when these conditions are found, full cooperation from each contractor to repair or contain the problem is required.
4. Separation and labeling of waste components generated by the coatings operation is required. Separation is defined as collecting the waste solvents separately as an independent waste stream as compared to paint liquids and solids. Labeling is defined as tagging each load designated to the Hazardous Waste Station with the job name, item, and name of contractor.
5. Our common goal is to demonstrate compliance to Puget Sound Clean Air Agency and ultimately the EPA. There is no latitude to not comply as the fine is \$25,000 per day. The Vigor Shipyards Paint Department is available to help as needed.