

Contract No. DE-AC05-96OR22464

APPENDIX B

SPECIAL FINANCIAL INSTITUTION ACCOUNT AGREEMENT

LMER will utilize the Special Financial Institution Account Agreement contained in the LMES Contract No. DE-AC05-84OR21400, Appendix B, for payment processing.

**LOCKHEED MARTIN ENERGY SYSTEMS, INC., AND
THIRD NATIONAL BANK OF EAST TENNESSEE
SPECIAL ACCOUNT AGREEMENT FOR USE WITH THE
CHECKS-PAID METHOD OF LETTER-OF-CREDIT FINANCING**

Agreement entered into this 1st day of October, 1995, between the UNITED STATES OF AMERICA, represented by the Department of Energy (hereinafter referred to as "DOE"), and Lockheed Martin Energy Systems, Inc., a corporation/legal entity existing under the laws of the State of Delaware (hereinafter referred to as the Contractor) and Third National Bank of East Tennessee, located at 700 East Hill Avenue, Knoxville, Tennessee 37915, a national banking association chartered pursuant to laws of the United States (hereinafter referred to as the Institution).

Recitals

(a) On the effective date of October 1, 1993, DOE and the Contractor entered into Agreement(s) No. DE-AC05-84OR21400; Mod No. 152, or Supplemental Agreement(s) thereto, providing for an advance of funds by a letter of credit. Copy of such advance provisions has been furnished to the Institution.

(b) DOE requires that amounts advanced to the Contractor thereunder be deposited in a special demand deposit account at a financial institution covered by Department of the Treasury-approved Government deposit insurance organizations that are identified in I TFM 6-9000 (see Fig. IX-10).

These special demand deposits must be kept separate from the Contractor's general or other funds and the parties are agreeable to do depositing said amounts with the Institution.

(c) The special demand deposit account shall be designated Lockheed Martin Energy Systems, Inc., Government Fund Account #1 (General Account). All ancillary accounts will be titled the same but having a different number and title to designate its specific use as in GFA#2 (Payroll).

(d) The Contractor as the Primary Recipient Organization (PRO), may from time to time, have need to provide funding to a Secondary Recipient Organization (SRO) through the SRO's financial institution to support the Contractor's contractual obligations to the DOE. The Contractor must submit a written request to DOE for prior approval to enter into an agreement with an SRO to allow for advancement of funds. As required by 1 TFM-6-2000, Contractor shall develop procedures whereby SRO's can obtain funds from the PRO as needed for disbursement. The request for approval shall contain these procedures and a copy of the agreement with the SRO. Once approved, the PRO shall notify its Depository Financial Institution (DFI) of the agreement and the procedures for advancing funds to the SRO through the DFI of the SRO. Contractor/PRO acknowledges that advances to any SROs shall conform substantially to the same standards of timing and amount as apply to advances by DOE to Contractor/PRO.

Covenants

In consideration of the foregoing, and for other good and valuable considerations, it is agreed that:

(1) The Government shall have a title to the credit balance in said account to secure the repayment of all advance payments made to the Contractor, and said title shall be superior to any lien, title or claim of the Institutions with respect to such accounts.

(2) The Institution shall be bound by the provisions of said Agreement(s) between DOE and the Contractor relating to the deposit and withdrawal of funds in the above special demand deposit account, which are hereby incorporated into this Agreement by reference, but the Institution shall not be responsible for the application of funds withdrawn from said account. After receipt by the Institution of directions from the Contractor, on behalf of DOE, the Institution shall act thereon and shall be under no liability to any party hereto for any action taken in accordance with the said written directions. Any written directions received by the Institution from the Contractor acting on behalf of DOE and purporting to be signed by,

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or signed at the written direction of, the contractor may, insofar as the rights, duties, and liabilities of the Institution are concerned, be considered as having been properly issued and filed with the Institution by the contractor.

(3) DOE, or its authorized representatives, shall have access to the books and records maintained by the Institution with respect to such special demand deposit accounts at all reasonable times and for all reasonable purposes, including, but without limitation to, the inspection or copying of such books and records and any or all memoranda, checks, correspondence, or documents pertaining thereto. Such books and records shall be preserved by the Institution for a period of 6 years after the final payment under the Agreement.

(4) In the event of the service of any writ of attachment, levy of execution, or commencement of garnishment proceedings with respect to the special demand deposit account, the Institution shall promptly notify DOE at:

Oak Ridge Operation Office
P. O. Box 2001
Oak Ridge, Tennessee 37831-8772
Fax No. (423) 574-5374

(5) DOE shall issue a letter of credit that is irrevocable to the extent that obligations have been incurred in good faith thereunder by the Contractor to the Institution for the benefit of the special demand deposit account. The Institution agrees to honor upon presentation for payment all checks issued by the Contractor and to restrict all Letter of Credit withdrawals to an amount sufficient to maintain the account balance as close to zero as administratively possible each day.

If documentation furnished by the Institution demonstrates that this withdrawal procedure would be inequitable to DOE or to the Institution, Covenant 5 may be modified upon agreement of all parties concerned. The Institution shall comply with the provisions contained in I TFM 6-2000, which states that payment vouchers (TFS form 5805) ordinarily should not be drawn more frequently than daily or for amounts less than \$5,000, and in no case should they be drawn for more than \$50,000,000 unless so stated in the Letter of Credit. In the event that the balance remaining in the letter of credit limitation is not sufficient to cover the checks presented, the Department of the Treasury will, at the specific authorization of DOE, instruct the Federal Reserve Bank to immediately wire a transfer of funds from the Department of the Treasury account to the Institution's account, for the benefit of the Contractor's Special Demand Deposit Account, in an amount sufficient to cover the check presented in excess of the available Letter of Credit balance. The Institution agrees to service the account in this manner based on the requirements and specifications contained in the Lockheed Martin Energy Systems solicitation dated September 1, 1993. The Institution will invoice the Contractor monthly for services rendered the previous month based on the "Per Item Costs," detailed in the form "Schedule of Bank Processing Charges," contained in the Institution's proposal dated September 30, 1993. The Institution agrees that the per item costs detailed in Exhibit 2, shall remain constant during the term of this agreement.

(6) The Institution shall post collateral, acceptable under Department of the Treasury Circular 176, with the Federal Reserve Bank in an amount equal of the Federal funds deposited in all of the accounts included in this Agreement, less the Department of the Treasury-approved deposit insurance.

(7) This Agreement, with all its provisions and covenants, shall be in effect for a term of two and one-half (3 1/4) years, beginning on the 1st day of October 1995, and ending on the 31st day of December, 1998.

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(8) DOE, the Contractor, or the Institution may terminate this Agreement at any time within the agreement period upon submitting written notification to the other parties 90 days prior to the desired termination date. The specific provisions for operating the account during this 90-day period are contained in Covenant 11.

(9) DOE or the Contractor may terminate this Agreement at any time upon 30 days' notice to the Institution if DOE or the Contractor, or both parties, find that the Institution has failed to substantially perform its obligations under this Agreement or that the Institution is performing its obligations in a manner that precludes administering the program in an effective and efficient manner.

(10) Notwithstanding the provisions of Covenants 8 and 9, in the event that the Agreement, referenced in Recital a, between DOE and the Contractor is not renewed or is terminated, this Agreement between DOE, the Contractor, and the Institution shall be terminated automatically upon the delivery of written notice to the Institution.

(11) In the event of termination, the Institution agrees to retain the Contractor's special demand deposit account for an additional 90-day period to allow for clearance of outstanding checks. During this 90-day period, DOE shall place on deposit in that account sufficient funds to cover all outstanding checks presented for payment.

During the 90-day period, it is further understood that:

- (a) The Institution shall maintain collateral in an amount sufficient to collateralize the highest balance in the account, less Federal Deposit Insurance Corporation coverage on the accounts, and that no cost of such collateralization shall accrue to the contractor or the DOE.
- (b) All service charges shall be consistent with the amounts reflected in this Agreement.
- (c) No charge will be made for any FDIC or other depository insurance assessed.
- (d) All terms and conditions of the aforesaid bid submitted by the Institution that are not inconsistent with this 90-day additional term shall remain in effect.
- (e) This Agreement shall continue in effect, with exception of the following:
 - 1. Letter of Credit (Covenant 5)
 - 2. The term of this Agreement (Covenant 7)
 - 3. Termination of Agreement (Covenant 8 and 9)

The Institution has submitted the forms entitled "Technical Representations and Certifications." "Schedule of Bank Processing Charges using the monthly Explicit Fee method of compensation" (Exhibit 2). These forms have been accepted by the Contractor and the Government and are incorporated herein with the document entitled "Financial Institution's Information on the Checks-Paid Letter of Credit," as an integral part of this Agreement.

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IN WITNESS WHEREOF the parties hereto have caused this Agreement, which consists of 5 pages, including the signature pages, to be executed as of the day and year first above written.

THE UNITED STATES OF AMERICA

BY Steven W. Morrell
STEVEN W. MORRELL, CONTRACTING OFFICER

9/28/95
DATE

LOCKHEED MARTIN ENERGY SYSTEMS, INC.

BY Francisco A. Figueroa
FRANCISCO A. FIGUEROA, VICE PRESIDENT
BUSINESS MANAGEMENT AND ADMINISTRATION

9/26/95
DATE

THIRD NATIONAL BANK OF EAST TENNESSEE

BY Patti M. Fogarty
PATTI M. FOGARTY, VICE PRESIDENT

9/27/95
DATE

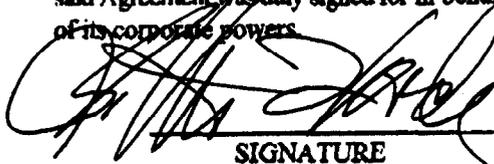
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NOTE-The contractor if a corporation, shall cause the following Certificate to be executed under its corporate seal, provided that the same officer shall not execute both the Agreement and the Certificate.

CERTIFICATE

I, G. Wilson Horde, certify that I am the Assistant Secretary of the Corporation named as Contractor herein; that Francisco A. Figueroa, who signed this Agreement on behalf of the Contractor, was then Vice President of said corporation; and that said Agreement was duly signed for in behalf of said corporation by authority of its governing body and is within the scope of its corporate powers.

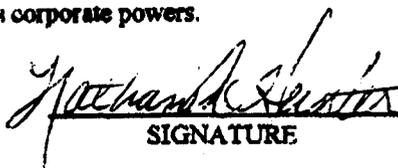


SIGNATURE (Corporate Seal)

NOTE-Financial Institution, if a corporation, should cause the following Certification to be executed under its corporate seal, provided that the same officer shall not execute both the Agreement and Certificate.

CERTIFICATE

I, Nathan A. Hunter, certify that I am the Senior Vice President of the corporation named as Institution herein; that Patti M. Fogarty, who signed this Agreement on behalf of the Institution, was then Vice President of said corporation; and that said Agreement was duly signed for and in behalf of said corporation by authority of its governing body and its within the scope of its corporate powers.



SIGNATURE (Corporate Seal)