

**INTERIM MONITOR AGREEMENT**  
(Public Version)

This Interim Monitor Agreement (“Monitor Agreement”) entered into this 13th day of December, 2006, by and among Stephen W. Preston and General Dynamics Corporation, (“General Dynamics” or “Respondent”), provides as follows:

WHEREAS, the United States Federal Trade Commission (the “Commission”), in *In the Matter of General Dynamics Corporation*, has accepted or will shortly accept for public comment an Agreement Containing Consent Order, incorporating a Decision and Order and an Order to Hold Separate (the “Order”), which, among other things, requires Respondent to divest or transfer certain defined assets and, to ensure that Respondent complies with its obligations under the Order, provides for the appointment of an Interim Monitor;

WHEREAS, the Commission may appoint Stephen W. Preston as such monitor (the “Interim Monitor”) pursuant to the Order to monitor Respondent’s compliance with the terms of the Order and with the Remedial Agreement referenced in the Order, and Stephen W. Preston has consented to such appointment;

WHEREAS, the Order further provides or will provide that Respondent shall execute a Monitor Agreement, subject to the prior approval of the Commission, conferring all the rights, powers and authority necessary to permit the Interim Monitor to carry out such duties and responsibilities pursuant to the Order;

WHEREAS, this Monitor Agreement, although executed by the Interim Monitor and General Dynamics, is not effective for any purpose, including but not limited to imposing rights and responsibilities on Respondent or the Interim Monitor under the Order, until it has been approved by the Commission; and

WHEREAS, the parties to this Monitor Agreement intend to be legally bound;

NOW, THEREFORE, the parties agree as follows:

1. Capitalized terms used herein and not specifically defined herein shall have the respective definitions given to them in the Order. The term “Monitored Assets” means General Dynamics’ entire interest in American Ordnance.
2. The Interim Monitor shall have all of the powers and responsibilities conferred upon the Interim Monitor by the Order. The Order is hereby attached as Exhibit A to this Monitor Agreement, the terms of which are incorporated herein by reference.
3. Respondent hereby agrees that it will fully and promptly comply with all terms of the Order requiring it to confer all its rights, powers, authority and privileges upon the Interim Monitor, or to impose upon itself any duties or obligations with respect to the Interim Monitor, to enable the Interim Monitor to perform the duties and responsibilities of the Interim Monitor thereunder.
4. Respondent further agrees that:

- a. it designates David A. Savner as a primary Contact for the Interim Monitor and will provide a written list of the principal individuals to be involved in the compliance with the Order, together with their locations, telephone numbers, electronic mail address (if available), and responsibilities, and will provide the Interim Monitor with written notice of any changes in such personnel occurring thereafter;
  - b. it will use its reasonable efforts to provide the Interim Monitor with prompt notification (but not later than such notification is available to other meeting participants) of significant meetings, including date, time and venue scheduled after the execution of this Monitor Agreement, relating to compliance with the Order, and such meetings may be attended by the Interim Monitor or his representative, at the Interim Monitor's option or at the request of the Commission or staff of the Commission;
  - c. it will provide the Interim Monitor with the minutes, if any, of the above-referenced meetings as soon as practicable and, in any event, not later than those minutes are available to any employee of the Respondent;
  - d. it will provide the Interim Monitor with electronic or hard copies, as may be appropriate, of all reports submitted to the Commission pursuant to the Order, simultaneous with the submission of such reports to the Commission;
  - e. it will provide the Interim Monitor with any reports requested by the Interim Monitor pursuant to this Agreement;
  - f. it will provide the Interim Monitor with full and complete access to its, and American Ordnance LLC's ("AO's"), personnel, books, documents, records kept in the normal course of business, facilities and technical information, and such other relevant information as the Interim Monitor may reasonably request, related to its compliance with its obligations under the Order;
  - g. it will comply with the Interim Monitor's reasonable requests for follow-up discussions or supplementary information concerning any reports requested by the Interim Monitor pursuant to this Agreement, including, as applicable: meetings and discussions with the principal staff involved in any activities relating to compliance with the Order, and will provide the Interim Monitor with access to and hard copies of all other data, records or other information that the Monitor reasonably believes are necessary to the proper discharge of his responsibilities under the Order; and
  - h. it will provide the Interim Monitor with such other information, documents and the like requested by the Interim Monitor in order to carry out its responsibilities under this Monitor Agreement.
5. Respondent shall promptly notify the Interim Monitor of any significant written or oral communication that occurs after the date of this Monitor Agreement between the Commission and Respondent related to the Order or this Monitor Agreement, together

with electronic or hard copies (or, in the case of oral communications, summaries), as may be requested by the Interim Monitor, of such communications.

6. Respondent agrees that to the extent authorized by the Order, the Interim Monitor shall have the authority to employ, at the expense of the Respondent, and with the consent of Respondent, which will not unreasonably be withheld, such consultants, accountants, attorneys and other representatives and assistants as are reasonably necessary to carry out the Interim Monitor's duties and responsibilities. Respondent hereby consents to the use of attorneys and staff at Wilmer Cutler Pickering Hale and Dorr LLP ("WilmerHale") to assist the Interim Monitor.
7. The Interim Monitor shall maintain the confidentiality of all information designated as confidential provided to the Interim Monitor by Respondent. Such information shall be used by the Interim Monitor only in connection with the performance of the Interim Monitor's duties pursuant to this Agreement. Such information shall not be disclosed by the Interim Monitor to any third party other than:
  - a. persons employed by, or working with, the Interim Monitor under this Agreement;  
or
  - b. persons employed at the Commission and working on this matter.
8. The Interim Monitor shall maintain a record and inform the Commission of all persons (other than representatives of the Commission) to whom confidential information related to this Agreement has been disclosed.
9. Following termination of the Interim Monitor's duties under this Monitor Agreement, upon the request of Respondent, the Interim Monitor shall promptly return to Respondent, at Respondent's expense, or destroy all material provided to the Interim Monitor by Respondent that is confidential to Respondent and that it is entitled to have returned to it under the Order, and shall destroy any material prepared by the Interim Monitor that contains or reflects any confidential information of Respondent; *provided, however*, that the Interim Monitor may retain a set of his work product and work papers, including any reports to the Commission. Nothing herein shall abrogate the Interim Monitor's duty of confidentiality, including the obligation to keep such material and information confidential for a period of ten (10) years after the termination of this Monitor Agreement;
10. The Interim Monitor shall keep confidential for a period of ten (10) years all other aspects of the performance of his duties under this Monitor Agreement and shall not disclose any confidential or proprietary information relating thereto. To the extent that the Interim Monitor wishes to retain any employee, agent, consultant or any other third party to assist the Interim Monitor in accordance with the Order, the Interim Monitor shall ensure that, prior to being retained, such persons execute a confidentiality agreement in a form agreed upon by the Interim Monitor and Respondent. Before any attorney or member of the staff at WilmerHale is permitted access to confidential information, he or she must review this Monitor Agreement and agree to be bound by the

confidentiality provisions thereof, in lieu of executing a confidentiality agreement pursuant to the immediately preceding sentence.

For the purposes of this Section, information shall not be considered confidential or proprietary to the extent that it is or becomes part of the public domain (other than as a result of any action by the Interim Monitor or by any employee, agent, affiliate or consultant of the Interim Monitor), or to the extent that the recipient of such information can demonstrate that such information was already known to the recipient at the time of receipt from a source other than the Interim Monitor, Respondent, or any director, officer, employee, agent, consultant or affiliate of the Interim Monitor or Respondent, when such source is entitled to make such disclosure to such recipient.

11. Nothing in this Monitor Agreement shall require Respondent to disclose any material or information that is subject to a legally recognized privilege or that Respondent is prohibited from disclosing by reason of law or an agreement with a third party.
12. The Interim Monitor shall not have a fiduciary responsibility to the Respondent, but shall have fiduciary duties to the Commission.
13. Each party shall be reasonably available to the other to discuss any questions or issues that either party may have concerning compliance with the Order as it relates to Respondent.
14. Respondent will pay the Interim Monitor [ \*\*\*\*\*REDACTED\*\*\*\*\*  
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\*\*\*\*\*], for all reasonable time spent in the performance of the Interim Monitor's duties and responsibilities, including all monitoring activities, all work in connection with the negotiation and preparation of this Monitor Agreement, all work in the nature of final reporting and file closure, and all reasonable and necessary travel time. [\*\*\*\*\*REDACTED]\*\*\*\*\*  
\*\*\*\*\*].
  - a. In addition, Respondent will pay (i) all out-of-pocket expenses reasonably incurred by the Interim Monitor in the performance of the Interim Monitor's duties and responsibilities, including any auto, train or air travel in the performance of the Interim Monitor's duties, international telephone calls, and (ii) all fees and disbursements reasonably incurred by such consultants, accountants, attorneys and other representatives and assistants as are reasonably necessary to carry out the Interim Monitor's duties and responsibilities.
  - b. The Interim Monitor shall have full and direct responsibility for compliance with all applicable laws, regulations and requirements pertaining to work permits, income and social security taxes, unemployment insurance, worker's compensation, disability insurance, and the like.
15. Respondent hereby confirms its obligation to indemnify the Interim Monitor and hold the Interim Monitor harmless in accordance with and to the extent required by the Order. Respondent shall indemnify the Interim Monitor and any subcontractor and their

respective agents, partners, principals, officers and employees (the “Indemnified Parties”) and hold the Indemnified Parties harmless (regardless of form of action, whether in contract, statutory law, tort or otherwise) against any losses, claims, damages, liabilities or expenses arising out of or in connection with, the performance of the Interim Monitor’s duties and obligations, including all reasonable fees of counsel and other reasonable expenses incurred in connection with the preparation for, or defense of, any claim, whether or not resulting in any liability, except to the extent that such losses, claims, damages, liabilities, or expenses result from gross negligence, willful or wanton acts, or bad faith by the Interim Monitor. This Section shall survive the termination or expiration of this Monitor Agreement.

16. The Interim Monitor’s maximum liability to the Respondent relating to services rendered pursuant to this Agreement (regardless of the form of the action, whether in contract, statutory law, tort, or otherwise) shall be limited to the total sum of the fees paid to the Interim Monitor by Respondent, except to the extent resulting from the gross negligence, willful or wanton acts, or bad faith by the Interim Monitor or any of his subcontractors, agents, partners, principals, officers or employees, in which case the liability is not so limited.
17. In the event of a disagreement or dispute between Respondent and the Interim Monitor concerning Respondent’s obligations under the Order and, in the event that such disagreement or dispute cannot be resolved by the parties, any party may seek the assistance of the responsible individual in the Commission’s Compliance Division to resolve the issue. In the case of any disagreement or dispute between Respondent and the Interim Monitor not relating to Respondent’s obligations under the Order, and in the event that such disagreement or dispute cannot be resolved by the parties, the parties shall submit the matter to binding arbitration before the American Arbitration Association under its Commercial Arbitration Rules. Binding arbitration shall not be available, however, to resolve any disagreement or dispute concerning Respondent’s obligations pursuant to the Order.
18. This agreement shall be subject to the substantive law of the State of Delaware (regardless of any other jurisdiction’s choice of law principles).
19. This Monitor Agreement shall terminate at the earlier of: three (3) business days after the Commission withdraws its acceptance of the Consent Agreement pursuant to the provisions of Commission Rule 2.34, 16 C.F.R. § 2.34; or, the day after the Closing Date, as defined in the Order; *provided, however*, that the Commission may extend this Monitor Agreement as may be necessary or appropriate to accomplish the purposes of the Order; *provided, further*, that the Interim Monitor may terminate this Monitor Agreement by providing notice to Respondent and the Commission of his resignation. In such a case, the Interim Monitor shall cooperate and assist in a transition to any new Interim Monitor. The confidentiality obligations of this Monitor Agreement shall survive its termination.
20. In the event that, during the term of this Monitor Agreement, the Interim Monitor becomes aware that he has or may have a conflict of interest that may affect or could have the appearance of affecting the performance by the Interim Monitor, or persons

employed by, or working with, the Interim Monitor, of any duty under this Monitor Agreement, the Interim Monitor shall promptly inform both Respondent and the Commission of such conflict or potential conflict. [\*\*\*\*\*  
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\*\*\*\*\*REDACTED\*\*\*\*\*  
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- 21. In the performance of his functions and duties under this Monitor Agreement, the Interim Monitor shall exercise the standard of care and diligence that would be expected of a reasonable person in the conduct of his own business affairs.
- 22. It is understood that the Interim Monitor will be serving under this Interim Monitor Agreement as an independent contractor and that the relationship of employer and employee shall not exist between Interim Monitor and General Dynamics.
- 23. This Agreement is for the sole benefit of the Parties hereto and their permitted assigns and the Commission, and nothing herein express or implied shall give or be construed to give any other person any legal or equitable rights hereunder.
- 24. This Agreement contains the entire agreement between the parties hereto with respect to the matters described herein and replaces any and all prior agreements or understandings, whether written or oral.
- 25. Any notices or other communication required to be given hereunder shall be deemed to have been properly given if sent by electronic mail and by mail or fax (with acknowledgment of receipt of such fax having been received), to the applicable party at its address below (or to such other address as to which such party shall hereafter notify the other party):

If to the Interim Monitor:

Stephen W. Preston  
WilmerHale  
1875 Pennsylvania Avenue NW  
Washington, DC 20006  
Telephone: (202) 663-6900  
Facsimile: (202) 663-6363  
Email: [stephen.preston@wilmerhale.com](mailto:stephen.preston@wilmerhale.com)

If to General Dynamics:

Janet L. McDavid, Esq.  
Hogan & Hartson LLP  
555 13th St. NW  
Washington, DC 20004

Telephone: (202) 637-8780  
Facsimile: (202) 637-5910  
Email: jlmcdavid@hhlaw.com

If to the Commission:

Federal Trade Commission  
601 New Jersey Avenue  
Washington, DC 20001  
Attn.: Kenneth A. Libby, Esq.  
Telephone: (202) 326-2694  
Facsimile: (202) 326-3396  
Email: klibby@ftc.gov

26. This Monitor Agreement shall not become binding until it has been approved by the Commission and the Order has been accepted for public comment.
27. This Monitor Agreement may be signed in counterparts.

IN WITNESS WHEREOF, the parties hereto have executed this Monitor Agreement as of the date first above written.

Stephen W. Preston

General Dynamics Corporation

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David A. Savner  
Senior Vice President and General Counsel