

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT		1. CONTRACT ID CODE	PAGE OF PAGES 1 32
2. AMENDMENT/MODIFICATION NO. 029	3. EFFECTIVE DATE See Block 16C	4. REQUISITION/PURCHASE REQ. NO.	5. PROJECT NO. (If applicable)
6. ISSUED BY NNSA/Kansas City Site Office U.S. Department of Energy NNSA/Kansas City Site Office P.O. Box 410202 Kansas City MO 64141-0202	CODE 05004	7. ADMINISTERED BY (If other than Item 6) NNSA/Kansas City Site Office U.S. Department of Energy NNSA/Kansas City Site Office P.O. Box 410202 Kansas City MO 64141-0202	CODE 05004

8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State and ZIP Code) HONEYWELL Attn: JOHN MURRAY P. O. BOX 419159 KANSAS CITY MO 641416159		(x) 9A. AMENDMENT OF SOLICITATION NO.
CODE 007119050 FACILITY CODE		9B. DATED (SEE ITEM 11)
		x 10A. MODIFICATION OF CONTRACT/ORDER NO. DE-NA0000622
		10B. DATED (SEE ITEM 13) 09/30/2010

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers is extended. is not extended. Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)
See Schedule

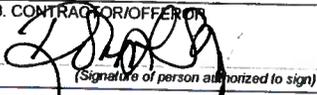
13. THIS ITEM ONLY APPLIES TO MODIFICATION OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

CHECK ONE	A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).
	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:
X	D. OTHER (Specify type of modification and authority) Other Administrative Action; Authority P.L. 95-91

E. IMPORTANT: Contractor is not. is required to sign this document and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)
The purpose of this modification is to incorporate changes agreed to between the parties since Modification 020. For specifics see page 2.

Period of Performance: 10/01/2010 to 09/30/2013

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.	
15A. NAME AND TITLE OF SIGNER (Type or print) Robin Stubenhofer, Vice President	16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print) Ralph B. Tennant II
15B. CONTRACTOR/OFFEROR  (Signature of person authorized to sign)	15C. DATE SIGNED 9/27/12
16B. UNITED STATES OF AMERICA  (Signature of Contracting Officer)	16C. DATE SIGNED 09/27/2012

1. This modification makes the following correction to Modification 020. Section G-8 Responsible Corporate Official is Mike Madsen.
2. Section B-5 is updated to show the current Obligation of Funds \$1,597,327,224.87.
3. Part II – Contract Clauses. Section I Contract Clauses is updated as follows:

I-1 FAR 52.202-1 DEFINITIONS (JAN 2012) (AS MODIFIED BY DEAR 952.202-1)

- (a) When a solicitation provision or contract clause uses a word or term that is defined in the Federal Acquisition Regulation (FAR), the word or term has the same meaning as the definition in FAR 2.101 in effect at the time the solicitation was issued, unless--

The solicitation, or amended solicitation, provides a different definition;

The contracting parties agree to a different definition;

The part, subpart, or section of the FAR where the provision or clause is prescribed provides a different meaning; or

The word or term is defined in FAR Part 31, for use it the cost principles and procedures.

- (b) The FAR Index is a guide to words and terms the FAR defines and shows where each definition is located. The FAR Index is available via the Internet at <http://www.acquisition.gov/far> at the end of the FAR, after the FAR Appendix.

I-12 FAR 52.204-7 CENTRAL CONTRACTOR REGISTRATION (AUG 2012)

- (a) Definitions. As used in this clause—

“Central Contractor Registration (CCR) database” means the primary Government repository for Contractor information required for the conduct of business with the Government.

“Data Universal Numbering System (DUNS) number” means the 9-digit number assigned by Dun and Bradstreet, Inc. (D&B) to identify unique business entities.

“Data Universal Numbering System+4 (DUNS+4) number” means the DUNS number means the number assigned by D&B plus a 4-character suffix that may be assigned by a business concern. (D&B has no affiliation with this 4-character suffix.) This 4-character suffix may be assigned at the discretion of the business concern to establish additional CCR records for identifying alternative Electronic Funds Transfer (EFT) accounts (see the FAR at Subpart 32.11) for the same concern.

“Registered in the CCR database” means that—

- (1) The Contractor has entered all mandatory information, including the DUNS number or the DUNS+4 number, as well as data required by the Federal Funding Accountability and Transparency Act of 2006 (see subpart 4.14), into the CCR database; and
 - (2) The Government has validated all mandatory data fields, to include validation of the Taxpayer Identification Number (TIN) with the Internal Revenue Service (IRS), and has marked the record “Active”. The Contractor will be required to provide consent for TIN validation to the Government as a part of the CCR registration process.
- (b) (1) By submission of an offer, the offeror acknowledges the requirement that a prospective awardee shall be registered in the CCR database prior to award, during performance, and through final payment of any contract, basic agreement, basic ordering agreement, or blanket purchasing agreement resulting from this solicitation.
- (2) The offeror shall enter, in the block with its name and address on the cover page of its offer, the annotation “DUNS” or “DUNS+4” followed by the DUNS or DUNS+4 number that identifies the offeror’s name and address exactly as stated in the offer. The DUNS number will be used by the Contracting Officer to verify that the offeror is registered in the CCR database.
- (c) If the offeror does not have a DUNS number, it should contact Dun and Bradstreet directly to obtain one.
- (1) An offeror may obtain a DUNS number—
 - (i) Via the internet at <http://fedgov.dnb.com/webform> or if the offeror does not have internet access, it may call Dun and Bradstreet at 1-866-705-5711 if located within the United States; or
 - (ii) If located outside the United States, by contacting the local Dun and Bradstreet office. The offeror should indicate that it is an offeror for a U.S. Government contract when contacting the local Dun and Bradstreet office.
 - (2) The offeror should be prepared to provide the following information:
 - (i) Company legal business name.
 - (ii) Tradestyle, doing business, or other name by which your entity is commonly recognized.
 - (iii) Company physical street address, city, state and zip Code.

- (iv) Company mailing address, city, state and Zip Code (if separate from physical).
 - (v) Company telephone number.
 - (vi) Date the company was started.
 - (vii) Number of employees at your location.
 - (viii) Chief executive officer/key manager.
 - (ix) Line of business (industry).
 - (x) Company Headquarters name and address (reporting relationship within your entity).
- (d) If the Offeror does not become registered in the CCR database in the time prescribed by the Contracting Officer, the Contracting Officer will proceed to award to the next otherwise successful registered Offeror.
- (e) Processing time, which normally takes 48 hours, should be taken into consideration when registering. Offerors who are not registered should consider applying for registration immediately upon receipt of this solicitation.
- (f) The Contractor is responsible for the accuracy and completeness of the data within the CCR database, and for any liability resulting from the Government's reliance on inaccurate or incomplete data. To remain registered in the CCR database after the initial registration, the Contractor is required to review and update on an annual basis from the date of initial registration or subsequent updates its information in the CCR database to ensure it is current, accurate and complete. Updating information in the CCR does not alter the terms and conditions of this contract and is not a substitute for a properly executed contractual document.
- (g) (1) (i) If a Contractor has legally changed its business name, "doing business as" name, or division name (whichever is shown on the contract), or has transferred the assets used in performing the contract, but has not completed the necessary requirements regarding novation and change-of-name agreements in Subpart 42.12, the Contractor shall provide the responsible Contracting Officer a minimum of one business day's written notification of its intention to:
- (A) Change the name in the CCR database;
 - (B) Comply with the requirements of Subpart 42.12 of the FAR;

- (C) Agree in writing to the timeline and procedures specified by the responsible Contracting Officer. The Contractor must provide with the notification sufficient documentation to support the legally changed name.
- (ii) If the Contractor fails to comply with the requirements of paragraph (g)(1)(i) of this clause, or fails to perform the agreement at paragraph (g)(1)(i)(C) of this clause, and, in the absence of a properly executed novation or change-of-name agreement, the CCR information that shows the Contractor to be other than the Contractor indicated in the contract will be considered to be incorrect information within the meaning of the “Suspension of Payment” paragraph of the electronic funds transfer (EFT) clause of this contract.
- (2) The Contractor shall not change the name or address for EFT payments or manual payments, as appropriate, in the CCR record to reflect an assignee for the purpose of assignment of claims (see FAR Subpart 32.8, Assignment of Claims). Assignees shall be separately registered in the CCR database. Information provided to the Contractor’s CCR record that indicates payments, including those made by EFT, to an ultimate recipient other than that Contractor will be considered to be incorrect information within the meaning of the “Suspension of payment” paragraph of the EFT clause of this contract.
- (h) Offerors and Contractors may obtain information on registration and annual confirmation requirements via the CCR accessed through <https://www.acquisition.gov> or by calling 1-888-227-2423, or 269-961-5757.

I-13 FAR 52.204-10 REPORTING EXECUTIVE COMPENSATION AND FIRST-TIER SUBCONTRACT AWARDS (AUG 2012)

- (a) *Definitions.* As used in this clause:

“Executive” means officers, managing partners, or any other employees in management positions.

“First-tier subcontract” means a subcontract awarded directly by the Contractor for the purpose of acquiring supplies or services (including construction) for performance of a prime contract. It does not include the Contractor’s supplier agreements with vendors, such as long-term arrangements for materials or supplies that would benefit multiple contracts and/or the costs of which are normally applied to a Contractor’s general and administrative expenses or indirect cost.

“Month of award” means the month in which a contract is signed by the Contracting Officer or the month in which a first-tier subcontract is signed by the Contractor.

“Total compensation” means the cash and noncash dollar value earned by the executive during the Contractor’s preceding fiscal year and includes the following (for more information see 17 CFR 229.402(c)(2)):

- (1) Salary and bonus.
 - (2) Awards of stock, stock options, and stock appreciation rights. Use the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with the Financial Accounting Standards Board’s Accounting Standards Codification (FASB ASC) 718, Compensation-Stock Compensation.
 - (3) Earnings for services under non-equity incentive plans. This does not include group life, health, hospitalization or medical reimbursement plans that do not discriminate in favor of executives, and are available generally to all salaried employees.
 - (4) Change in pension value. This is the change in present value of defined benefit and actuarial pension plans.
 - (5) Above-market earnings on deferred compensation which is not tax-qualified.
 - (6) Other compensation, if the aggregate value of all such other compensation (*e.g.*, severance, termination payments, value of life insurance paid on behalf of the employee, perquisites or property) for the executive exceeds \$10,000.
- (b) Section 2(d)(2) of the Federal Funding Accountability and Transparency Act of 2006 (Pub. L. No. 109-282), as amended by section 6202 of the Government Funding Transparency Act of 2008 (Pub. L. 110-252), requires the Contractor to report information on subcontract awards. The law requires all reported information be made public, therefore, the Contractor is responsible for notifying its subcontractors that the required information will be made public.
- (c) Nothing in this clause required the disclosure of classified information.
- (d) (1) Executive compensation of the prime contractor. As a part of its annual registration requirement in the Central Contractor Registration (CCR) database (FAR clause 52.204-7), the Contractor shall report the names and total compensation of each of the five most highly compensated executives for its preceding completed fiscal year, if—
- (i) In the Contractor’s preceding fiscal year, the Contractor received—

- (A) 80 percent or more of its annual gross revenues from Federal contracts (and subcontracts), loans, grants (and subgrants), cooperative agreements, and other forms of Federal financial assistance; and
 - (B) \$25,000,000 or more in annual gross revenues from Federal contracts (and subcontracts), loans, grants (and subgrants), cooperative agreements, and other forms of Federal financial assistance; and
- (ii) The public does not have access to information about the compensation of the executives through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986. (To determine if the public has access to the compensation information, see the U.S. Security and Exchange Commission total compensation filings at <http://www.sec.gov/answers/execomp.htm> .)
- (2) First-tier subcontract information. Unless otherwise directed by the contracting officer, or as provided in paragraph (g) of this clause, by the end of the month following the month of award of a first-tier subcontract with a value of \$25,000 or more, the Contractor shall report the following information at <http://www.fsrs.gov> for that first tier subcontract. (The Contractor shall follow the instruction at <http://www.fsrs.gov> to report the data.)
- (i) Unique identifier (DUNS Number) for the subcontractor receiving the award and for the subcontractor's parent company, if the subcontractor has a parent company.
 - (ii) Name of the subcontractor.
 - (iii) Amount of the subcontract award.
 - (iv) Date of the subcontract award.
 - (v) A description of the products or services (including construction) being provided under the subcontract, including the overall purpose and expected outcomes or results of the subcontract.
 - (vi) Subcontract number (the subcontract number assigned by the Contractor).
 - (vii) Subcontractor's physical address including street address, city, state, and country. Also include the nine-digit zip code and congressional district.

- (viii) Subcontractor's primary performance location including street address, city, state, and country. Also include the nine-digit zip code and congressional district.
 - (ix) The prime contract number, and order number if applicable.
 - (x) Awarding agency name and code.
 - (xi) Funding agency name and code.
 - (xii) Government contracting office code.
 - (xiii) Treasury account symbol (TAS) as reported in FPDS.
 - (xiv) The applicable North American Industry Classification System code (NAICS).
- (3) Executive compensation of the first-tier subcontractor. Unless otherwise directed by the Contracting Officer, by the end of the month following the month of award of a first-tier subcontract with a value of \$25,000 or more, and annually thereafter (calculated from the prime contract award date), the Contractor shall report the names and total compensation of each of the five most highly compensated executives for that first-tier subcontractor for the first-tier subcontractor's preceding completed fiscal year at <https://www.fsr.gov> , if—
- (i) In the subcontractor's preceding fiscal year, the subcontractor received—
 - (A) 80 percent or more of its annual gross revenues from Federal contracts (and subcontracts), loans, grants (and subgrants), cooperative agreements, and other forms of Federal financial assistance; and
 - (B) \$25,000,000 or more in annual gross revenues from Federal contracts (and subcontracts), loans, grants (and subgrants), cooperative agreements and other forms of Federal financial assistance; and
 - (ii) The public does not have access to information about the compensation of the executives through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986. (To determine if the public has access to the compensation information, see the U.S. Security and Exchange Commission total compensation filings at <http://www.sec.gov/answers/excomp.htm> .)

- (e) The Contractor shall not split or break down first-tier subcontract awards to a value less than \$25,000 to avoid the reporting requirements in paragraph (d).
- (f) The Contractor is required to report information on a first-tier subcontract covered by paragraph (d) when the subcontract is awarded. Continued reporting on the same subcontract is not required unless one of the reported data elements changes during the performance of the subcontract. The Contractor is not required to make further reports after the first-tier subcontract expires.
- (g) (1) If the Contractor in the previous tax year had gross income, from all sources, under \$300,000, the Contractor is exempt from the requirement to report subcontractor awards.

(2) If a subcontractor in the previous tax year had gross income from all sources under \$300,000, the Contractor does not need to report awards for that subcontractor
- (h) The FSRS database at <http://www.fsrs.gov> will be prepopulated with some information from CCR and FPDS databases. If FPDS information is incorrect, the contractor should notify the contracting officer. If the CCR database information is incorrect, the contractor is responsible for correcting this information.

I-15 FAR 52.209-9 UPDATES OF PUBLICALLY AVAILABLE INFORMATION REGARDING RESPONSIBILITY MATTERS (FEB 2012) - ALTERNATE I (FEB 2012)

- (a) The Contractor shall update the information in the Federal Awardee Performance and Integrity Information System (FAPIS) on a semi-annual basis, throughout the life of the contract, by posting the required information in the Central Contractor Registration database via <https://www.acquisition.gov>.
- (b) As required by section 3010 of the Supplemental Appropriations Act, 2010 (Pub. L. 111-212), all information posted in FAPIS on or after April 15, 2011, except past performance reviews, will be publicly available. FAPIS consist of two segments—
 - (1) The non-public segment, into which Government officials and the Contractor post information, which can only be viewed by—
 - (i) Government personnel and authorized users performing business on behalf of the Government; or
 - (ii) The Contractor, when viewing data on itself; and
 - (2) The publicly-available segment, to which all data in the non-public segment of FAPIS is automatically transferred after a waiting period of 14 calendar days, except for--

- (i) Past performance reviews required by subpart 42.15;
 - (ii) Information that was entered prior to April 15, 2011; or
 - (iii) Information that is withdrawn during the 14-calendar-day waiting period by the Government official who posted it in accordance with paragraph (c)(1) of this clause.
- (c) The Contractor will receive notification when the Government posts new information to the Contractor's record.
- (1) If the Contractor asserts in writing within 7 calendar days, to the Government official who posted the information, that some of the information posted to the non-public segment of FAPIIS is covered by a disclosure exemption under the Freedom of Information Act, the Government official who posted the information must within 7 calendar days remove the posting from FAPIIS and resolve the issue in accordance with agency Freedom of Information procedures, prior to reposting the releasable information. The contractor must cite 52.209-9 and request removal within 7 calendar days of the posting to FAPIIS.
 - (2) The Contractor will also have an opportunity to post comments regarding information that has been posted by the Government. The comments will be retained as long as the associated information is retained, i.e., for a total period of 6 years. Contractor comments will remain a part of the record unless the Contractor revises them.
 - (3) As required by section 3010 of Pub. L. 111-212, all information posted in FAPIIS on or after April 15, 2011, except past performance reviews, will be publicly available.
- (d) Public requests for system information posted prior to April 15, 2011, will be handled under Freedom of Information Act procedures, including, where appropriate, procedures promulgated under E.O. 12600.

I-40 FAR 52.222-54 EMPLOYMENT ELIGIBILITY VERIFICATION (JUL 2012)

(a) *Definitions.* As used in this clause—

“Commercially available off-the-shelf (COTS) item”—

- (1) Means any item of supply that is—
 - (i) A commercial item (as defined in paragraph (1) of the definition at 2.101);
 - (ii) Sold in substantial quantities in the commercial marketplace; and

- (iii) Offered to the Government, without modification, in the same form in which it is sold in the commercial marketplace; and
- (2) Does not include bulk cargo, as defined in section 3 of the Shipping Act of 1984 (46 U.S.C. App. 1702), such as agricultural products and petroleum products. Per 46 CFR 525.1(c)(2), “bulk cargo” means cargo that is loaded and carried in bulk onboard ship without mark or count, in a loose unpackaged form, having homogenous characteristics. Bulk cargo loaded into intermodal equipment, except LASH or Seabee barges, is subject to mark and count and, therefore, ceases to be bulk cargo.

“Employee assigned to the contract” means an employee who was hired after November 6, 1986 (after November 27, 2009, in the Commonwealth of the Northern Mariana Islands), who is directly performing work, in the United States, under a contract that is required to include the clause prescribed at 22.1803. An employee is not considered to be directly performing work under a contract if the employee—

- (1) Normally performs support work, such as indirect or overhead functions; and
- (2) Does not perform any substantial duties applicable to the contract.

“Subcontract” means any contract, as defined in 2.101, entered into by a subcontractor to furnish supplies or services for performance of a prime contract or a subcontract. It includes but is not limited to purchase orders, and changes and modifications to purchase orders.

“Subcontractor” means any supplier, distributor, vendor, or firm that furnishes supplies or services to or for a prime Contractor or another subcontractor.

“United States,” as defined in 8 U.S.C. 1101(a)(38), means the 50 States, the District of Columbia, Puerto Rico, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands.

(b) Enrollment and verification requirements.

- (1) If the Contractor is not enrolled as a Federal Contractor in E-Verify at time of contract award, the Contractor shall—
 - (i) *Enroll.* Enroll as a Federal Contractor in the E-Verify program within 30 calendar days of contract award;
 - (ii) *Verify all new employees.* Within 90 calendar days of enrollment in the E-Verify program, begin to use E-Verify to initiate verification of employment eligibility of all new hires of the Contractor, who are working in the United States, whether or not assigned to the contract, within 3

business days after the date of hire (but see paragraph (b)(3) of this section); and

- (iii) *Verify employees assigned to the contract.* For each employee assigned to the contract, initiate verification within 90 calendar days after date of enrollment or within 30 calendar days of the employee's assignment to the contract, whichever date is later (but see paragraph (b)(4) of this section).
- (2) If the Contractor is enrolled as a Federal Contractor in E-Verify at time of contract award, the Contractor shall use E-Verify to initiate verification of employment eligibility of—
- (i) *All new employees.*
 - (A) *Enrolled 90 calendar days or more.* The Contractor shall initiate verification of all new hires of the Contractor, who are working in the United States, whether or not assigned to the contract within 3 business days after the date of hire (but see paragraph (b)(3) of this section); or
 - (B) *Enrolled less than 90 calendar days.* Within 90 calendar days after enrollment as a Federal Contractor in E-Verify, the Contractor shall initiate verification of all new hires of the Contractor, who are working in the United States, whether or not assigned to the contract, within 3 business days after the date of hire (but see paragraph (b)(3) of this section); or
 - (ii) *Employees assigned to the contract.* For each employee assigned to the contract, the Contractor shall initiate verification within 90 calendar days after date of contract award or within 30 days after assignment to the contract, whichever date is later (but see paragraph (b)(4) of this section).
- (3) If the Contractor is an institution of higher education (as defined at 20 U.S.C. 1001(a)); a State or local government or the government of a Federally recognized Indian tribe; or a surety performing under a takeover agreement entered into with a Federal agency pursuant to a performance bond, the Contractor may choose to verify only employees assigned to the contract, whether existing employees or new hires. The Contractor shall follow the applicable verification requirements at (b)(1) or (b)(2), respectively, except that any requirement for verification of new employees applies only to new employees assigned to the contract.
- (4) *Option to verify employment eligibility of all employees.* The Contractor may elect to verify all existing employees hired after November 6, 1986 (after November 27, 2009, in the Commonwealth of the Northern Mariana Islands), rather than just those employees assigned to the contract. The Contractor shall

initiate verification for each existing employee working in the United States who was hired after November 6, 1986 (after November 27, 2009, in the Commonwealth of the Northern Mariana Islands), within 180 calendar days of—

- (i) Enrollment in the E-Verify program; or
 - (ii) Notification to E-Verify Operations of the Contractor's decision to exercise this option, using the contact information provided in the E-Verify program Memorandum of Understanding (MOU).
- (5) The Contractor shall comply, for the period of performance of this contract, with the requirement of the E-Verify program MOU.
- (i) The Department of Homeland Security (DHS) or the Social Security Administration (SSA) may terminate the Contractor's MOU and deny access to the E-Verify system in accordance with the terms of the MOU. In such case, the Contractor will be referred to a suspension or debarment official.
 - (ii) During the period between termination of the MOU and a decision by the suspension or debarment official whether to suspend or debar, the Contractor is excused from its obligations under paragraph (b) of this clause. If the suspension or debarment official determines not to suspend or debar the Contractor, then the Contractor must reenroll in E-Verify.
- (c) *Web site.* Information on registration for and use of the E-Verify program can be obtained via the Internet at the Department of Homeland Security Web site: <http://www.dhs.gov/E-Verify> .
- (d) *Individuals previously verified.* The Contractor is not required by this clause to perform additional employment verification using E-Verify for any employee—
- (1) Whose employment eligibility was previously verified by the Contractor through the E-Verify program;
 - (2) Who has been granted and holds an active U.S. Government security clearance for access to confidential, secret, or top secret information in accordance with the National Industrial Security Program Operating Manual; or
 - (3) Who has undergone a completed background investigation and been issued credentials pursuant to Homeland Security Presidential Directive (HSPD) -12, Policy for a Common Identification Standard for Federal Employees and Contractors.

(e) *Subcontracts.* The contractor shall include the requirements of this clause, including this paragraph (e) (appropriately modified for identification of the parties), in each subcontract that—

(1) *Is for—*

(i) Commercial or noncommercial services (except for commercial services that are part of the purchase of a COTS item (or an item that would be a COTS item, but for minor modifications), performed by the COTS provider, and are normally provided for that COTS item); or

(ii) Construction;

(2) Has a value of more than \$3,000; and

(3) Includes work performed in the United States.

I-58 FAR 52.230-2 COST ACCOUNTING STANDARDS (MAY 2012)

(a) Unless the contract is exempt under 48 CFR 9903.201-1 and 9903.201-2, the provisions of 48 CFR Part 9903 are incorporated herein by reference and the Contractor, in connection with this contract, shall –

(1) (*CAS-covered Contracts Only*) By submission of a Disclosure Statement, disclose in writing the Contractor's cost accounting practices as required by 48 CFR 9903.202-1 through 9903.202-5, including methods of distinguishing direct costs from indirect costs and the basis used for allocating indirect costs. 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 a Cost Accounting Standards (CAS) clause. If the Contractor has notified the Contracting Officer that the Disclosure Statement contains trade secrets and commercial or financial information which is privileged and confidential, the Disclosure Statement shall be protected and shall not be released outside of the Government.

(2) Follow consistently the Contractor's cost accounting practices in accumulating and reporting contract performance cost data concerning this contract. If any change in cost accounting practices is made for the purposes of any contract or subcontract subject to CAS 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) of this clause, as appropriate.

(3) Comply with all CAS, including any modifications and interpretations indicated thereto contained in 48 CFR Part 9904, in effect on the date of award of this

contract or, if the Contractor has submitted certified 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 CAS (or modifications to CAS) which hereafter become 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) (i) 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 subparagraph (a)(3) of this clause, the Contractor is required to make to the Contractor's established cost accounting practices.
 - (ii) Negotiate with the Contracting Officer to determine the terms and conditions under which a change may be made to a cost accounting practice, other than a change made under other provisions of subparagraph (a)(4) of this clause; provided that no agreement may be made under this provision that will increase costs paid by the United States.
 - (iii) When the parties agree to a change to a cost accounting practice, other than a change under subdivision (a)(4)(i) of this clause, negotiate an equitable adjustment as provided in the Changes clause of this contract.
- (5) Agree to an adjustment of the contract price or cost allowance, as appropriate, if the Contractor or a subcontractor fails to comply with an applicable Cost Accounting Standard, or to follow any cost accounting practice consistently 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 annual rate established under section 6621(a)(2) of the Internal Revenue Code of 1986 (26 U.S.C.6621(a)(2)) for such period, from the time the payment by the United States was made to the time the adjustment is effected. In no case shall the Government recover costs greater than the increased cost to the Government, in the aggregate, on the relevant contracts subject to the price adjustment, unless the Contractor made a change in its cost accounting practices of which it was aware or should have been aware at the time of price negotiations and which it failed to disclose to the Government.
- (b) If the parties fail to agree whether the Contractor or a subcontractor has complied with an applicable CAS in 48 CFR 9904 or a CAS rule or regulation in 48 CFR 9903 and as to any cost adjustment demanded by the United States, such failure to agree will constitute a dispute under the Contract Disputes Act (41 U.S.C.601).
 - (c) The Contractor shall permit any authorized representatives of the Government 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 the Contractor enters into, the substance of this clause, except paragraph (b), and shall require such inclusion in all other subcontracts, of any tier, including the obligation to comply with all CAS in effect on the subcontractor's award date or if the subcontractor has submitted certified cost or pricing data, on the date of final agreement on price as shown on the subcontractor's signed Certificate of Current Cost or Pricing Data. If the subcontract is awarded to a business unit which pursuant to 48 CFR 9903.201-2 is subject to other types of CAS coverage, the substance of the applicable clause set forth in subsection 30.201-4 of the Federal Acquisition Regulation shall be inserted. This requirement shall apply only to negotiated subcontracts in excess of \$700,000, except that the requirement shall not apply to negotiated subcontracts otherwise exempt from the requirement to include a CAS clause as specified in 48 CFR 9903.201-1.

I-71 FAR 52.245-1 GOVERNMENT PROPERTY (APR 2012)

- (a) *Definitions.* As used in this clause—

“Cannibalize” means to remove parts from Government property for use or for installation on other Government property.

“Contractor-acquired property” means property acquired, fabricated, or otherwise provided by the Contractor for performing a contract, and to which the Government has title.

“Contractor inventory” means—

- (1) Any property acquired by and in the possession of a Contractor or subcontractor under a contract for which title is vested in the Government and which exceeds the amounts needed to complete full performance under the entire contract;
- (2) Any property that the Government is obligated or has the option to take over under any type of contract, e.g., as a result either of any changes in the specifications or plans thereunder or of the termination of the contract (or subcontract thereunder), before completion of the work, for the convenience or at the option of the Government; and
- (3) Government-furnished property that exceeds the amounts needed to complete full performance under the entire contract.

“Contractor's managerial personnel” means the Contractor's directors, officers, managers, superintendents, or equivalent representatives who have supervision or direction of—

- (1) All or substantially all of the Contractor's business;

- (2) All or substantially all of the Contractor's operation at any one plant or separate location; or
- (3) A separate and complete major industrial operation.

“Demilitarization” means rendering a product unusable for, and not restorable to, the purpose for which it was designed or is customarily used.

“Discrepancies incident to shipment” means any differences (*e.g.*, count or condition) between the items documented to have been shipped and items actually received.

“Equipment” means a tangible item that is functionally complete for its intended purpose, durable, nonexpendable, and needed for the performance of a contract. Equipment is not intended for sale, and does not ordinarily lose its identity or become a component part of another article when put into use. Equipment does not include material, real property, special test equipment or special tooling.

“Government-furnished property” means property in the possession of, or directly acquired by, the Government and subsequently furnished to the Contractor for performance of a contract. Government-furnished property includes, but is not limited to, spares and property furnished for repair, maintenance, overhaul, or modification. Government-furnished property also includes contractor-acquired property if the contractor-acquired property is a deliverable under a cost contract when accepted by the Government for continued use under the contract.

“Government property” means all property owned or leased by the Government. Government property includes both Government-furnished and Contractor-acquired property. Government property includes material, equipment, special tooling, special test equipment, and real property. Government property does not include intellectual property and software.

“Loss of Government Property” means unintended, unforeseen or accidental loss, damage or destruction to Government property that reduces the Government’s expected economic benefits of the property. Loss of Government property does not include purposeful destructive testing, obsolescence, normal wear and tear or manufacturing defects. Loss of Government property includes, but is not limited to—

- (1) Items that cannot be found after a reasonable search:
- (2) Theft:
- (3) Damage resulting in unexpected harm to property requiring repair to restore the item to usable condition; or
- (4) Destruction resulting from incidents that render the item useless for its intended purpose or beyond economical repair.

“Material” means property that may be consumed or expended during the performance of a contract, component parts of a higher assembly, or items that lose their individual identity through incorporation into an end item. Material does not include equipment, special tooling, special test equipment or real property.

“Nonseverable” means property that cannot be removed after construction or installation without substantial loss of value or damage to the installed property or to the premises where installed.

“Precious metals” means silver, gold, platinum, palladium, iridium, osmium, rhodium, and ruthenium.

“Production scrap” means unusable material resulting from production, engineering, operations and maintenance, repair, and research and development contract activities. Production scrap may have value when re-melted or reprocessed, e.g., textile and metal clippings, borings, and faulty castings and forgings.

“Property” means all tangible property, both real and personal.

“Property Administrator” means an authorized representative of the Contracting Officer appointed in accordance with agency procedures, responsible for administering the contract requirements and obligations relating to Government property in the possession of a Contractor.

“Property records” means the records created and maintained by the contractor in support of its stewardship responsibilities for the management of Government property.

“Provide” means to furnish, as in Government-furnished property, or to acquire, as in contractor-acquired property.

“Real property.” See Federal Management Regulation 102-71.20 (41 CFR 102-71.20).

“Sensitive property” means property potentially dangerous to the public safety or security if stolen, lost, or misplaced, or that shall be subject to exceptional physical security, protection, control, and accountability. Examples include weapons, ammunition, explosives, controlled substances, radioactive materials, hazardous materials or wastes, or precious metals.

“Unit acquisition cost” means—

- (1) For Government-furnished property, the dollar value assigned by the Government and identified in the contract; and

- (2) For contractor-acquired property, the cost derived from the Contractor's records that reflect consistently applied generally accepted accounting principles.

(b) *Property management.*

- (1) The Contractor shall have a system to manage (control, use, preserve, protect, repair and maintain) Government property in its possession. The system shall be adequate to satisfy the requirements of this clause. In doing so, the Contractor shall initiate and maintain the processes, systems, procedures, records, and methodologies necessary for effective and efficient control of Government property. The Contractor shall disclose any significant changes to its property management system to the Property Administrator prior to implementation of the changes. The Contractor may employ customary commercial practices, voluntary consensus standards, or industry-leading practices and standards that provide effective and efficient Government property management that are necessary and appropriate for the performance of this contract (except where inconsistent with law or regulation).
- (2) The Contractor's responsibility extends from the initial acquisition and receipt of property, through stewardship, custody, and use until formally relieved of responsibility by authorized means, including delivery, consumption, expending, sale (as surplus property), or other disposition, or via a completed investigation, evaluation, and final determination for lost property. This requirement applies to all Government property under the Contractor's accountability, stewardship, possession or control, including its vendors or subcontractors (see paragraph (f)(1)(v) of this clause).
- (3) The Contractor shall include the requirements of this clause in all subcontracts under which Government property is acquired or furnished for subcontract performance.
- (4) The Contractor shall establish and maintain procedures necessary to assess its property management system effectiveness and shall perform periodic internal reviews, surveillances, self assessments, or audits. Significant findings or results of such reviews and audits pertaining to Government property shall be made available to the Property Administrator.

(c) *Use of Government property.*

- (1) The Contractor shall use Government property, either furnished or acquired under this contract, only for performing this contract, unless otherwise provided for in this contract or approved by the Contracting Officer.
- (2) Modifications or alterations of Government property are prohibited, unless they are—

- (i) Reasonable and necessary due to the scope of work under this contract or its terms and conditions;
- (ii) Required for normal maintenance; or
- (iii) Otherwise authorized by the Contracting Officer.

(3) The Contractor shall not cannibalize Government property unless otherwise provided for in this contract or approved by the Contracting Officer.

(d) *Government-furnished property.*

- (1) The Government shall deliver to the Contractor the Government-furnished property described in this contract. The Government shall furnish related data and information needed for the intended use of the property. The warranties of suitability of use and timely delivery of Government-furnished property do not apply to property acquired or fabricated by the Contractor as contractor-acquired property and subsequently transferred to another contract with this Contractor.
- (2) The delivery and/or performance dates specified in this contract are based upon the expectation that the Government-furnished property will be suitable for contract performance and will be delivered to the Contractor by the dates stated in the contract.
 - (i) If the property is not delivered to the Contractor by the dates stated in the contract, the Contracting Officer shall, upon the Contractor's timely written request, consider an equitable adjustment to the contract.
 - (ii) In the event property is received by the Contractor, or for Government-furnished property after receipt and installation, in a condition not suitable for its intended use, the Contracting Officer shall, upon the Contractor's timely written request, advise the Contractor on a course of action to remedy the problem. Such action may include repairing, replacing, modifying, returning, or otherwise disposing of the property at the Government's expense. Upon completion of the required action(s), the Contracting Officer shall consider an equitable adjustment to the contract (see also paragraph (f)(1)(ii)(A) of this clause).
 - (iii) The Government may, at its option, furnish property in an "as-is" condition. The Contractor will be given the opportunity to inspect such property prior to the property being provided. In such cases, the Government makes no warranty with respect to the serviceability and/or suitability of the property for contract performance. Any repairs, replacement, and/or refurbishment shall be at the Contractor's expense.
- (3) (i) The Contracting Officer may by written notice, at any time—

- (A) Increase or decrease the amount of Government-furnished property under this contract;
 - (B) Substitute other Government-furnished property for the property previously furnished, to be furnished, or to be acquired by the Contractor for the Government under this contract; or
 - (C) Withdraw authority to use property.
- (ii) Upon completion of any action(s) under paragraph (d)(3)(i) of this clause, and the Contractor's timely written request, the Contracting Officer shall consider an equitable adjustment to the contract.
- (e) *Title to Government property.*
- (1) All Government-furnished property and all property acquired by the Contractor, title to which vests in the Government under this paragraph (collectively referred to as "Government property"), is subject to the provisions of this clause. The Government shall retain title to all Government-furnished property. Title to Government property shall not be affected by its incorporation into or attachment to any property not owned by the Government, nor shall Government property become a fixture or lose its identity as personal property by being attached to any real property.
 - (2) Title vests in the Government for all property acquired or fabricated by the Contractor in accordance with the financing provisions or other specific requirements for passage of title in the contract. Under fixed price type contracts, in the absence of financing provisions or other specific requirements for passage of title in the contract, the Contractor retains title to all property acquired by the Contractor for use on the contract, except for property identified as a deliverable end item. If a deliverable item is to be retained by the Contractor for use after inspection and acceptance by the Government, it shall be made accountable to the contract through a contract modification listing the item as Government-furnished property.
 - (3) *Title under Cost-Reimbursement or Time-and-Material Contracts or Cost-Reimbursable contract line items under Fixed-Price contracts.*
 - (i) Title to all property purchased by the Contractor for which the Contractor is entitled to be reimbursed as a direct item of cost under this contract shall pass to and vest in the Government upon the vendor's delivery of such property.
 - (ii) Title to all other property, the cost of which is reimbursable to the Contractor, shall pass to and vest in the Government upon—

- (A) Issuance of the property for use in contract performance;
- (B) Commencement of processing of the property for use in contract performance; or
- (C) Reimbursement of the cost of the property by the Government, whichever occurs first.

(iii) All Government-furnished property and all property acquired by the Contractor, title to which vests in the Government under this paragraph (e)(3)(iii) (collectively referred to as "Government property"), are subject to the provisions of this clause.

(f) *Contractor plans and systems.*

(1) Contractors shall establish and implement property management plans, systems, and procedures at the contract, program, site or entity level to enable the following outcomes:

(i) *Acquisition of Property.* The Contractor shall document that all property was acquired consistent with its engineering, production planning, and property control operations.

(ii) *Receipt of Government Property.* The Contractor shall receive Government property and document the receipt, record the information necessary to meet the record requirements of paragraph (f)(1)(iii)(A)(1) through (5) of this clause, identify as Government owned in a manner appropriate to the type of property (*e.g.*, stamp, tag, mark, or other identification), and manage any discrepancies incident to shipment.

(A) *Government-furnished property.* The Contractor shall furnish a written statement to the Property Administrator containing all relevant facts, such as cause or condition and a recommended course(s) of action, if overages, shortages, or damages and/or other discrepancies are discovered upon receipt of Government-furnished property.

(B) *Contractor-acquired property.* The Contractor shall take all actions necessary to adjust for overages, shortages, damage and/or other discrepancies discovered upon receipt, in shipment of Contractor-acquired property from a vendor or supplier, so as to ensure the proper allocability and allowability of associated costs.

(iii) *Records of Government property.* The Contractor shall create and maintain records of all Government property accountable to the contract, including Government-furnished and Contractor-acquired property.

(A) Property records shall enable a complete, current, auditable record of all transactions and shall, unless otherwise approved by the Property Administrator, contain the following:

(1) The name, part number and description, National Stock Number (if needed for additional item identification tracking and/or disposition) and other data elements as necessary and required in accordance with the terms and conditions of the contract.

(2) Quantity received (or fabricated), issued, and balance-on-hand.

(3) Unit acquisition cost.

(4) Unique-item identifier or equivalent (if available and necessary for individual item tracking).

(5) Unit of measure.

(6) Accountable contract number or equivalent code designation.

(7) Location.

(8) Disposition.

(9) Posting reference and date of transaction.

(10) Date placed in service (if required in accordance with the terms and conditions of the contract).

(B) *Use of a Receipt and Issue System for Government Material.* When approved by the Property Administrator, the Contractor may maintain, in lieu of formal property records, a file of appropriately cross-referenced documents evidencing receipt, issue, and use of material that is issued for immediate consumption.

(iv) *Physical inventory.* The Contractor shall periodically perform, record, and disclose physical inventory results. A final physical inventory shall be performed upon contract completion or termination. The Property Administrator may waive this final inventory requirement, depending on the circumstances (*e.g.*, overall reliability of the Contractor's system or the property is to be transferred to a follow-on contract).

(v) *Subcontractor control.*

(A) The Contractor shall award subcontracts that clearly identify items to be provided and the extent of any restrictions or limitations on their use. The

Contractor shall ensure appropriate flow down of contract terms and conditions (*e.g.*, extent of liability for loss of Government property).

(B) The Contractor shall assure its subcontracts are properly administered and reviews are periodically performed to determine the adequacy of the subcontractor's property management system.

(vi) *Reports.* The Contractor shall have a process to create and provide reports of discrepancies, loss of Government property, physical inventory results, audits and self-assessments, corrective actions, and other property related reports as directed by the Contracting Officer.

(vii) *Relief of stewardship responsibility and liability.* The Contractor shall have a process to enable the prompt recognition, investigation, disclosure and reporting of loss of Government property, including losses that occur at subcontractor or alternate site locations.

(A) This process shall include the corrective actions necessary to prevent recurrence.

(B) Unless otherwise directed by the Property Administrator, the Contractor shall investigate and report to the Government all incidents of property loss as soon as the facts become known. Such reports shall, at a minimum, contain the following information:

(1) Date of incident (if known).

(2) The data elements required under paragraph (f)(1)(iii)(A) of this clause.

(3) Quantity.

(4) Accountable contract number.

(5) A statement indicating current or future need.

(6) Unit acquisition cost, or if applicable, estimated sales proceeds, estimated repair or replacement costs.

(7) All known interests in commingled material of which includes Government material.

(8) Cause and corrective action taken or to be taken to prevent recurrence.

(9) A statement that the Government will receive compensation covering the loss of Government property, in the event the Contractor was or will be reimbursed or compensated.

(10) Copies of all supporting documentation.

(11) Last known location.

(12) A statement that the property did or did not contain sensitive, export controlled, hazardous, or toxic material, and that the appropriate agencies and authorities were notified.

(C) Unless the contract provides otherwise, the Contractor shall be relieved of stewardship responsibility and liability for property when—

(1) Such property is consumed or expended, reasonably and properly, or otherwise accounted for, in the performance of the contract, including reasonable inventory adjustments of material as determined by the Property Administrator;

(2) Property Administrator grants relief of responsibility and liability for loss of Government property;

(3) Property is delivered or shipped from the Contractor's plant, under Government instructions, except when shipment is to a subcontractor or other location of the Contractor; or

(4) Property is disposed of in accordance with paragraphs (j) and (k) of this clause.

(viii) *Utilizing Government property.*

(A) The Contractor shall utilize, consume, move, and store Government Property only as authorized under this contract. The Contractor shall promptly disclose and report Government property in its possession that is excess to contract performance.

(B) Unless otherwise authorized in this contract or by the Property Administrator the Contractor shall not commingle Government material with material not owned by the Government.

(ix) *Maintenance.* The Contractor shall properly maintain Government property. The Contractor's maintenance program shall enable the identification, disclosure, and performance of normal and routine preventative maintenance and repair. The Contractor shall disclose and report to the Property Administrator the need for replacement and/or capital rehabilitation.

(x) *Property closeout.* The Contractor shall promptly perform and report to the Property Administrator contract property closeout, to include reporting, investigating and securing closure of all loss of Government property cases; physically inventorying all property upon termination or completion of this contract; and disposing of items at the time they are determined to be excess to contractual needs.

(2) The Contractor shall establish and maintain Government accounting source data, as may be required by this contract, particularly in the areas of recognition of acquisitions, loss of Government property, and disposition of material and equipment.

(g) *Systems analysis.*

(1) The Government shall have access to the contractor's premises and all Government property, at reasonable times, for the purposes of reviewing, inspecting and evaluating the Contractor's property management plan(s), systems, procedures, records, and supporting documentation that pertains to Government property. This access includes all site locations and, with the Contractor's consent, all subcontractor premises.

(2) Records of Government property shall be readily available to authorized Government personnel and shall be appropriately safeguarded.

(3) Should it be determined by the Government that the Contractor's (or subcontractor's) property management practices are inadequate or not acceptable for the effective management and control of Government property under this contract, or present an undue risk to the Government, the Contractor shall prepare a corrective action plan when requested by the Property Administrator and take all necessary corrective actions as specified by the schedule within the corrective action plan.

(4) The Contractor shall ensure Government access to subcontractor premises, and all Government property located at subcontractor premises, for the purposes of reviewing, inspecting and evaluating the subcontractor's property management plan, systems, procedures, records, and supporting documentation that pertains to Government property.

(h) *Contractor Liability for Government Property.*

(1) Unless otherwise provided for in the contract, the Contractor shall not be liable for loss of Government property furnished or acquired under this contract, except when any one of the following applies—

- (i) The risk is covered by insurance or the Contractor is otherwise reimbursed (to the extent of such insurance or reimbursement). The allowability of insurance costs shall be determined in accordance with 31.205-19.
 - (ii) Loss of Government property that is the result of willful misconduct or lack of good faith on the part of the Contractor's managerial personnel.
 - (iii) The Contracting Officer has, in writing, revoked the Government's assumption of risk for loss of Government property due to a determination under paragraph (g) of this clause that the Contractor's property management practices are inadequate, and/or present an undue risk to the Government, and the Contractor failed to take timely corrective action. If the Contractor can establish by clear and convincing evidence that the loss of Government property occurred while the Contractor had adequate property management practices or the loss did not result from the Contractor's failure to maintain adequate property management practices, the Contractor shall not be held liable.
- (2) The Contractor shall take all reasonable actions necessary to protect the property from further loss. The Contractor shall separate the damaged and undamaged property, place all the affected property in the best possible order, and take such other action as the Property Administrator directs.
 - (3) The Contractor shall do nothing to prejudice the Government's rights to recover against third parties for any loss of Government property.
 - (4) The Contractor shall reimburse the Government for loss of Government property, to the extent that the Contractor is financially liable for such loss, as directed by the Contracting Officer.
 - (5) Upon the request of the Contracting Officer, the Contractor shall, at the Government's expense, furnish to the Government all reasonable assistance and cooperation, including the prosecution of suit and the execution of instruments of assignment in favor of the Government in obtaining recovery.
- (i) *Equitable adjustment.* Equitable adjustments under this clause shall be made in accordance with the procedures of the Changes clause. However, the Government shall not be liable for breach of contract for the following:
- (1) Any delay in delivery of Government-furnished property.
 - (2) Delivery of Government-furnished property in a condition not suitable for its intended use.
 - (3) An increase, decrease, or substitution of Government-furnished property.

- (4) Failure to repair or replace Government property for which the Government is responsible.
- (j) *Contractor inventory disposal.* Except as otherwise provided for in this contract, the Contractor shall not dispose of Contractor inventory until authorized to do so by the Plant Clearance Officer or authorizing official.
- (1) *Predisposal requirements.*
- (i) If the Contractor determines that the property has the potential to fulfill requirements under other contracts, the Contractor, in consultation with the Property Administrator, shall request that the Contracting Officer transfer the property to the contract in question, or provide authorization for use, as appropriate. In lieu of transferring the property, the Contracting Officer may authorize the Contractor to credit the costs of Contractor-acquired property (material only) to the losing contract with the corresponding cost, when such material is needed for use on another contract. Property no longer needed shall be considered contractor inventory.
- (ii) For any remaining Contractor-acquired property, the Contractor may purchase the property at the unit acquisition cost if desired or make reasonable efforts to return unused property to the appropriate supplier at fair market value (less, if applicable, a reasonable restocking fee that is consistent with the supplier's customary practices.)
- (2) *Inventory disposal schedules.*
- (i) Absent separate contract terms and conditions for property disposition, and provided the property was not reutilized, transferred, or otherwise disposed of, the Contractor, as directed by the Plant Clearance Officer or authorizing official, shall use Standard Form 1428, Inventory Disposal Schedule or electronic equivalent, to identify and report—
- (A) Government-furnished property that is no longer required for performance of this contract;
- (B) Contractor-acquired property, to which the Government has obtained title under paragraph (e) of this clause, which is no longer required for performance of that contract; and
- (C) Termination inventory.
- (ii) The Contractor may annotate inventory disposal schedules to identify property the Contractor wishes to purchase from the Government, in the event that the property is offered for sale.

- (iii) Separate inventory disposal schedules are required for aircraft in any condition, flight safety critical aircraft parts, and other items as directed by the Plant Clearance Officer
 - (iv) The Contractor shall provide the information required by FAR 52.245-1(f)(1)(iii) along with the following:
 - (A) Any additional; information that may facilitate understanding of the property's intended use.
 - (B) For work-in-progress, the estimated percentage of completion.
 - (C) For precious metals in raw or bulk form, the type of metal and estimated weight.
 - (D) For hazardous material or property contaminated with hazardous material, the type of hazardous material.
 - (E) For metals in mill product form, the form, shape, treatment, hardness, temper, specification (commercial or Government) and dimensions (thickness, width and length).
 - (v) Property with the same description, condition code, and reporting location may be grouped in a single line item.
 - (vi) Scrap should be reported by "lot" along with metal content, estimated weight and estimated value.
- (3) *Submission requirements.*
- (i) The Contractor shall submit inventory disposal schedules to the Plant Clearance Officer no later than—
 - (A) 30 days following the Contractor's determination that a property item is no longer required for performance of this contract;
 - (B) 60 days, or such longer period as may be approved by the Plant Clearance Officer, following completion of contract deliveries or performance; or
 - (C) 120 days, or such longer period as may be approved by the Termination Contracting Officer, following contract termination in whole or in part.
 - (ii) Unless the Plant Clearance Officer determines otherwise, the Contractor need not identify or report production scrap on inventory disposal schedules, and may process and dispose of production scrap in accordance with its own internal scrap procedures. The processing and disposal of other types of

Government-owned scrap will be conducted in accordance with the terms and conditions of the contract or Plant Clearance Officer direction, as appropriate.

(4) *Corrections.* The Plant Clearance Officer may—

(i) Reject a schedule for cause (*e.g.*, contains errors, determined to be inaccurate); and

(ii) Require the Contractor to correct an inventory disposal schedule.

(5) *Postsubmission adjustments.* The Contractor shall notify the Plant Clearance Officer at least 10 working days in advance of its intent to remove an item from an approved inventory disposal schedule. Upon approval of the Plant Clearance Officer, or upon expiration of the notice period, the Contractor may make the necessary adjustments to the inventory schedule.

(6) *Storage.*

(i) The Contractor shall store the property identified on an inventory disposal schedule pending receipt of disposal instructions. The Government's failure to furnish disposal instructions within 120 days following acceptance of an inventory disposal schedule may entitle the Contractor to an equitable adjustment for costs incurred to store such property on or after the 121st day.

(ii) The Contractor shall obtain the Plant Clearance Officer's approval to remove Government property from the premises where the property is currently located prior to receipt of final disposition instructions. If approval is granted, any costs incurred by the Contractor to transport or store the property shall not increase the price or fee of any Government contract. The storage area shall be appropriate for assuring the property's physical safety and suitability for use. Approval does not relieve the Contractor of any liability for such property under this contract.

(7) *Disposition instructions.*

(i) The Contractor shall prepare for shipment, deliver f.o.b. origin, or dispose of Contractor inventory as directed by the Plant Clearance Officer. Unless otherwise directed by the Contracting Officer or by the Plant Clearance Officer, the Contractor shall remove and destroy any markings identifying the property as U.S. Government-owned property prior to its disposal.

(ii) The Contracting Officer may require the Contractor to demilitarize the property prior to shipment or disposal. In such cases, the Contractor may be entitled to an equitable adjustment under paragraph (i) of this clause.

- (8) *Disposal proceeds.* As directed by the Contracting Officer, the Contractor shall credit the net proceeds from the disposal of Contractor inventory to the contract, or to the Treasury of the United States as miscellaneous receipts.
- (9) *Subcontractor inventory disposal schedules.* The Contractor shall require its Subcontractors to submit inventory disposal schedules to the Contractor in accordance with the requirements of paragraph (j)(3) of this clause.
- (k) *Abandonment of Government property.*
- (1) The Government shall not abandon sensitive property or termination inventory without the Contractor's written consent.
 - (2) The Government, upon notice to the Contractor, may abandon any nonsensitive property in place, at which time all obligations of the Government regarding such property shall cease.
 - (3) Absent contract terms and conditions to the contrary, the Government may abandon parts removed and replaced from property as a result of normal maintenance actions, or removed from property as a result of the repair, maintenance, overhaul, or modification process.
 - (4) The Government has no obligation to restore or rehabilitate the Contractor's premises under any circumstances; however, if Government-furnished property is withdrawn or is unsuitable for the intended use, or if other Government property is substituted, then the equitable adjustment under paragraph (i) of this clause may properly include restoration or rehabilitation costs.
- (l) *Communication.* All communications under this clause shall be in writing.
- (m) *Contracts outside the United States.* If this contract is to be performed outside of the United States and its outlying areas, the words "Government" and "Government-furnished" (wherever they appear in this clause) shall be construed as "United States Government" and "United States Government-furnished," respectively.

I-78 FAR 52.251-1 GOVERNMENT SUPPLY SOURCES (APR 2012)

The Contracting Officer may issue the Contractor an authorization to use Government supply sources in the performance of this contract. Title to all property acquired by the Contractor under such an authorization shall vest in the Government unless otherwise specified in the contract. The provisions of the clause at FAR 52.245-1, Government Property, apply to all property acquired under such authorization.

I-107 RESERVED

4. Part III – List of Documents, Exhibits, and Other Attachments. Section J Appendices are updated as follows:
 - a) Appendix A Statement of Work is revised and replaced in its entirety. Substantial changes are incorporated in Chapter III Human Resources in concert with the NNSA Mission First initiative. This modification updates the note on the Appendix and incorporates the Statement of Work. The Statement of Work (dated 9/19/12) is incorporated and attached to this modification as a separate document.
 - b) Appendix B Performance Evaluation Plan is revised and replaced in its entirety. This modification updates the note on the Appendix and incorporates the Performance Evaluation Plan. The Performance Evaluation Plan (FY2013, dated 8/31/12) is attached to this modification as a separate document.
 - c) Appendix J Key Personnel is revised and replaced in its entirety. Appendix J is updated as negotiated with the Contractor. This modification updates the note on the Appendix and incorporates the Key Personnel List. Appendix J (dated 09/13/12) is attached to this modification as a separate document.
 - d) Appendix N List of Applicable Directives is revised and replaced in its entirety. The List is updated to reflect changes to the Applicable Directives made since March 2012. This modification updates the note on the Appendix and incorporates the List of Directives. Appendix N (dated 09/17/12) is attached to this modification as a separate document.
5. All other terms and conditions remain unchanged.

SECTION J

APPENDIX A

STATEMENT OF WORK

09/19/12

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CHAPTER I. Objectives, Scope, and Requirements

1.0 OBJECTIVE

The objective of this Contract is to obtain non-nuclear production services to support National Nuclear Security Administration (NNSA) and broader national security requirements. The Contractor shall be fully responsible for functions to support NNSA Stockpile Stewardship and Management Program activities directed by the Office of Defense Programs (DP). Furthermore, the Contractor shall directly support the NNSA Offices of Safeguards Transportation and Nuclear Non-Proliferation in addition to other Department of Energy (DOE) offices. Beyond DOE/NNSA, the Contractor shall provide unique services to ongoing missions for other Government agencies or privately owned organizations in accordance with policies identified in the operating requirements.

In addition to achieving Presidential goals outlined in the April 2010 Nuclear Posture Review, this Contract will strengthen NNSA's vision for a fully integrated and interdependent Nuclear Security Enterprise (NSE), consisting of all eight NNSA sites, by achieving the following three specific objectives:

- (i) Improving performance in the completion of national security missions for non-nuclear production operations;
- (ii) Reducing the cost of performing work; and
- (iii) Requiring actions that support operation as an integrated DOE/NNSA enterprise.

2.0 BACKGROUND

2.1 The NNSA Mission

The NNSA, established by Congress per the NNSA Act (Title XXXII of the National Defense Authorization Act for Fiscal Year 2000, Public Law 106-65) as a semiautonomous element within DOE, is responsible for the management and security of the nation's nuclear weapons, non-proliferation, and naval propulsion programs. It also responds to nuclear and radiological emergencies in the United States and abroad, and NNSA federal agents provide safe and secure transportation of nuclear weapons, components and special nuclear materials.

2.2 The NNSA Organization

NNSA relies on Management and Operating (M&O) Contractors to manage day-to-day site operations and to adhere to its policies when operating its laboratories, production plants, and other facilities in the NSE. Together, the M&O Contractors implement NNSA's all-encompassing Stockpile Stewardship Program managed by Defense Programs that includes operations associated with surveillance, assessment, maintenance, refurbishment, manufacture and dismantlement of the nuclear weapons stockpile as well as research, development and certification efforts.

2.3 Becoming an Enterprise

Overall, the NNSA needs to carry out its mission within research, development, and manufacturing organizations that are integrated, efficient, and cost effective. Work must be aligned with requirements received from key customers in a manner that strives to retain the intellectual excellence and key infrastructure capabilities demanded by national interests.

Throughout the 1990s, the DOE/NNSA took steps to consolidate to its current configuration of three national laboratories, four production plants, and a nuclear test site. In an evaluation of the NSE completed in October 2008, NNSA published a Supplemental Programmatic Environmental Impact Statement (SPEIS) that analyzed alternatives for transforming the complex into a smaller more efficient enterprise that responds to changing national security challenges and ensures the long-term safety, security, and reliability of the nuclear weapons stockpile. Two Records of Decision (RODs) informed by this SPEIS were published in December 2008.

While the RODs look at transforming the physical infrastructure, other initiatives have been undertaken to improve management and business practices. Two councils have been formed: one among the Contractor senior management and another among the federal site managers. The main function of these councils is to improve the integration and communication within the enterprise. Also, governance reform is an NNSA management initiative that focuses on developing a partnering relationship between the federal team and the supporting M&O Contractors.

2.4 Location of Performance

The term "Kansas City Plant" as used herein includes several Government-owned or leased facilities, along with a variety of satellite operations. The primary facility is located in Kansas City, Missouri, and consists of a Government-owned nuclear weapon component production plant that manufactures electrical, electronic, mechanical, electro-mechanical, plastic, and metal components. During the term of this contract, a new facility will be built approximately seven miles south of the existing facility, still to be located in Kansas City, Missouri. For some period of time, operations will be ongoing at both the old and new facilities. Both Kansas City facilities are therefore included in the term "Kansas City Plant." Satellite operations include Government-owned or leased facilities located in Albuquerque, New Mexico, that provide support to other DOE organizations associated with nuclear weapons activities; support operations in Los Alamos, New Mexico; support operations at Fort Chaffee, Arkansas; and support operations at several training and communications sites.

The existing Kansas City, Missouri, plant is situated on approximately 140 acres of the 300 acre Bannister Federal Complex. It is within the city limits in a highly developed area approximately 12 miles south of downtown Kansas City. The 3.1 million square foot plant shares the Bannister Federal Complex with numerous other federal agencies, and operates the site in conjunction with the U.S. General Services Administration. The plant is dominated by a large manufacturing building of 2.2 million gross square feet, and thirty-six other buildings with a total of approximately 0.9 million gross square feet. As of May 28, 2010 the Kansas City, Missouri, employment is approximately 2,400 people.

The new Kansas City, Missouri, plant will be situated on approximately 191 acres and will be located at Botts Road US 150 highway. The facility is being constructed by Centerpoint-Zimmer LLC for the General Services Administration who will then rent the facility to NNSA through an Occupancy Agreement (OA). The OA is for a 20 year period of time with a 10 year option period. The facility is scheduled to be completed in November 2012 for the NNSA mission and in May 2013 for the National Secure Manufacturing Center (NSMC) per the current schedule. There will be 4 buildings at the new facility. Building 1 will be office space and buildings 2 & 3 will house NNSA's manufacturing. Building 4 will house NSMC's Work for Others activities. After construction of the new facility is completed, FM&T will move operations over a 18-month period of time. The Bannister facility will be dispositioned once it is determined to be excess to NNSA's needs and disposition shall take place as soon as practicable.

Kirtland Operations, located in Albuquerque, New Mexico, are principally located on 20.4 acres on Kirtland Air Force Base (KAFB), adjacent to the city. This site consists of 24 Government-owned buildings and trailers totaling approximately 56,000 gross square feet. Additional space is leased at several locations within the city for other operations. These consist of approximately 35,000 gross square feet in the Craddock facility, approximately 9,000 gross square feet in the Air Park facility, both near KAFB, and approximately 1,000 gross square feet of office space in Los Alamos, New Mexico. The New Mexico operations are generally responsible for the various satellite operations within the responsibility of the Kansas City Plant. As of February 1, 2000, the Albuquerque employment was approximately 200 people.

Future plans for Kirtland Operations include moving all operations in support of OST and WFO from NC-135 to a leased space in the vicinity of the currently occupied Craddock and Air Park facilities. The relocation is currently scheduled to be completed by the end of FY 2014. The move will result in the return of approximately 10 acres of land to the US Air Force. Approximately 45,000 total square feet will have to be leased to replace the 65,000 total square feet currently available in facilities at NC-135. The new leased space will require Tenant Improvements necessary to accomplish the mission. Five existing buildings at NC-135 totaling approximately 14,000 square feet will be completely turned over to NA-42 in FY 2011

3.0 SCOPE

This Contract is comprehensive with an objective to perform all necessary operational, coordination, and management functions required to support NNSA and broader national security missions assigned to this facility. This includes but is not limited to all ongoing missions and functions, as well as those that may be assigned during the term of the Contract. It further includes all infrastructure management and maintenance; information technology; human resource management including critical skills recruitment and retention; environmental management; health, safety and security systems; and purchasing, asset management and other administrative systems.

The Contractor shall be fully responsible and accountable for the safe and secure accomplishment of all work, whether performed by its own personnel or team members, including subcontractors. The Contractor shall be responsible for planning and coordinating

production schedules; integrating, managing and executing the programs; supporting and executing large and small projects; and completing operations and other activities as described in this Statement of Work.

3.1 Mission

The Contractor shall safely and securely complete all mission responsibilities and improve performance in the completion of national security missions for non-nuclear production operations and all other national security missions, as applicable. NNSA has a National Work Breakdown Structure (NWBS) that is discussed further in Section J, Appendix F, National Work Breakdown Structure. For this Contract, the general work structure and functional activities of the site is defined in Section J, Appendix A, Chapter II, Work Scope Structure. At a minimum, the Contractor shall:

The scope of operations at the Kansas City Plant includes manufacturing and/or procuring a multitude of nonnuclear electrical, electronic, electro-mechanical, mechanical, plastic, and metal components for nuclear weapons. These manufacturing and/or procurement operations are reflected in approximately 5,700 major active part numbers and 1,000 ship items, requiring 120 major technologies/processes, supporting 42 product lines, approximately 300 suppliers. The Kansas City Plant Contractor provides and operates a production management system to control and level-load the output of multiple manufacturing processes, considering an average of 8,000 weapon packages are shipped monthly.

At a minimum the contractor shall:

- (1) Ensure the full set of manufacturing and evaluation operations are performed safely, efficiently and timely for active production technologies,
- (2) Implement diagnostic techniques that will provide high quality data on the safety, security and reliability of the nuclear weapons components manufactured and/or procured through the Kansas City Plant,
- (3) Effectively use advanced design and manufacturing technologies and systems to design and produce products on short cycle times, with quality that approaches zero defects,
- (4) Effectively support requalification activities for the manufacture of electrical, electronic, electro-mechanical, mechanical, plastic, and metal components and hardware to support the NSE's response to stockpile issues including movement to a new facility, and
- (5) Achieve the plant footprint/space efficiency objectives of the Kansas City, Missouri operations prior to movement into the new facility in 2012.
- (6) Provide design support for Kansas City Responsive Infrastructure and Manufacturing (KCRIMS) project to ensure new facility meets NNSA's Program of Requirements. Reviews of change orders must be completed on time to ensure there is no Government delay caused by the M&O Contractor.
- (7) Move Planning and Execution is performed safely, on time and within budget and does not impact production operations negatively.

- (8) Disposition planning, preparation and execution are performed within scope and schedule. Cost of disposition is to be minimized to protect RTBF budgets. Work is to be accelerated to the extent possible to minimize outyear RTBF budgets.

In order to achieve the above results, the Contractor is expected to move to a higher level of performance throughout the term of the Contract by making the following process enhancements:

- Demonstrate a culture of continuous improvement for plant disciplines (such as cross-functional skill development, flexibility in job classifications, process-based manufacturing, outsourcing of appropriate products, quality, scheduling for continuous output, cost controls) and the associated metrics to demonstrate performance,
- Improve integration, partnering, and support among the NSE Contractors to promote early on-site problem solving and assist in NSE site issues, consolidation of business elements, and cost efficiencies,
- Develop and deploy effective strategic planning for the mission in the environment of changing budgets and technical and regulatory requirements,
- Assure effective human resource management and the availability of critical skills and capabilities to ensure operations are performed timely and efficiently, and
- Ensure that the infrastructure and facilities are operationally safe, secure, compliant, and that an acceptable defined level of readiness is sustained at all facilities to meet programmatic requirements while the floor space required for plant operations is reduced for movement to the new facility.

Operational excellence is a desired underlying philosophy and mindset expected for the Kansas City Plant. This incorporates the principle that compliance with regulations and standards shall be accomplished while performing Kansas City Plant missions on time, at a reasonable cost, while protecting human health and the environment, and conserving the Government's assets. Operational excellence shall include a focus on the requisite rigor and discipline in all aspects of Contractor activities and, in particular, holding management and staff accountable. To achieve this operational excellence, it is essential that operations at the Kansas City Plant be performed in a manner that meets DOE and other regulatory objectives. Therefore, a disciplined, effective and efficient management system to meet and exceed current industry performance in manufacturing operations is a significant objective of this contract.

3.2 Cost Savings

The Contractor shall safely and securely complete mission responsibilities while achieving cost savings in accordance with the commitments included in the Contract. At a minimum the Contractor shall:

- (i) Develop an integrated performance measurement baseline (with cost, scope and schedule) for NNSA approval within one year of the Base Term;
- (ii) Provide cost data transparency in support of the DOE/NNSA Field Chief Financial Officer cost data calls to support cost baselines (see Section J, Appendix M,

Functional Activity Definitions);

- (iii) Utilize cost benefit analyses to determine the appropriate level of support functions and risk;
- (iv) Tailor Earned Value Management System (EVMS) application or equivalent in accordance with requirements in DOE O413.3A at the appropriate level;
- (v) Support independent third party validation of any savings claimed; and
- (vi) Support benchmark studies to compare performance against an appropriate set of industry and Government peers.

3.3 Enterprise Success

The Contractor shall participate with NNSA and other NNSA M&O Contractors as part of an "enterprise organization" to evaluate, plan, develop and implement strategic initiative activities that optimize mission and business operations across the NSE. The goal of these initiatives is to increase the efficiency and cost effectiveness from a business and mission perspective.

The Contractor shall lead and/or participate in strategic business and management initiatives that result in reduced operational costs enterprise-wide, more consistent work practices and operational processes, better pricing, better products, more timely delivery, reduced administrative costs and lead times for both the Contractor and the DOE/NNSA, greater standardization and interchangeability across the NSE, and increased awards to small business entities.

Strategic mission initiatives shall result in timely fulfillment of mission goals such as weapon design, development and production scheduling. The Contractor shall lead and support these and other initiatives that result in a shift to an enterprise focus based on the Contractor who possesses the most expertise and experience level within the NSE.

The Contractor shall cooperate with NNSA and NSE Contractors in identifying potential cross-NSE benefits to be derived from implementing common practices and goals across the NSE in the areas of mission workload and enterprise functional support.

The Contractor and NNSA shall establish performance incentives with performance measures and targets for strategic efforts that would result in enterprise performance improvement overall for the Government.

4.0 ADMINISTRATIVE AND TECHNICAL REQUIREMENTS

4.1 Integrated Safety Management (ISM), Integrated Safeguards and Security Management (ISSM), Environmental Management System (EMS), and Quality Assurance Systems (QAS)

The Contractor shall ensure that the principles of ISM, ISSM, EMS, and QAS are integrated into its operations.

4.2 Work Authorization (WA) System

Specific work requirements under this Contract will be established annually and updated as needed by the Contracting Officer in accordance with DOE Order 412.2 entitled “Work Authorization System” and the Contract’s Section I Clause entitled “DEAR 970.5211-1, Work Authorization.” Prior to the start of each fiscal year and during the year, the NNSA will provide program execution guidance through a comprehensive set of WAs which will provide the Contractor sufficient detail to develop estimated cost, scope, and schedule. The Contractor will respond to each WA by developing a detailed work proposal, which will consist of activities within the NNSA Integrated Performance Measurement Baseline. Both the work proposals and the NNSA Integrated Performance Measurement Baseline will be consistent and compatible with the format in Section J, Appendix F, National Work Breakdown Structure where it applies, and consistent with instructions from the Contracting Officer where it does not.

The Contractor shall submit periodic cost, schedule, and technical performance plans and reports in such form and substance as required by the Contracting Officer (for more information concerning these reports refer to Section J, Appendix O, Program Management and Cost Reports). These periodic plans and reports shall be submitted at the interval, and to the addresses and in the quantities as specified by the Contracting Officer. Where specific forms are required for individual plans and reports, the Contracting Officer shall provide such forms to the Contractor.

4.3 Information Technology (IT)

The NNSA seeks to optimize the efficiency of the NSE through enterprise information sharing, activities that enable the enterprise integration of IT systems, NSE-wide processes that lead to multi-site optimization, and technologies that enable these processes. This entails the careful examination of existing systems and architecture across the sites to develop a single, integrated “to-be” vision that utilizes the best available technologies and management practices from both Government and commercial sources to improve and achieve performance excellence, including fiscal efficiency. With respect to production, these efforts shall include, but are not limited to, the implementation of multi-site, integrated manufacturing based information systems that support weapons production, special nuclear material (SNM) accountability, production scheduling and flow, surveillance, weapon retirement, process knowledge archiving, and preservation of production and certification records. Desktop and back-office computing capabilities should be compatible with those used by NNSA entities to the extent beneficial to the NNSA. Back-office functions shall include, but not be limited to, payroll, human resources, etc.

If the Contractor plans to offer a deliverable that involves IT that is not initially Internet Protocol version 6 (IPv6) and Homeland Security Presidential Directive (HSPD)-12 compatible, the Contractor agrees to (1) obtain the Contracting Officer’s approval before starting work on the deliverable; and (2) provide a migration path and firm commitment to upgrade to IPv6 and HSPD-12 compatibility for all application and product features.

The Contractor agrees to and does hereby grant to the Government an irrevocable, nonexclusive, paid-up license by or for the Government, in any Contractor-owned

software and systems brought in and used. Said license shall be limited to the continued non-nuclear production work by successor Contractors.

4.4 Governance

Governance is the system of management and controls exercised in the stewardship of the organization. The governance system shall be consistent with NNSA governance documents at Section J, Appendix G, Governance. Contractors must self-govern and deliver mission results in a safe and secure manner. The Contractor shall implement governance through a collaborative partnership with NNSA to form the self-governance framework by which the mission is accomplished in an effective and efficient manner. The governance framework invokes trust and confidence between parties, defines expectations and authorities and verifies performance by utilizing objectives, requirements, assessments, metrics and rewards. The Contractor will focus on management transformation activities that maximize the ability to complete the mission in a way that ensures effective and efficient stewardship of the taxpayers' money. The Contractor shall streamline operations and reduce costs to maximize mission accomplishment through a common understanding of expectations and performance accountability, supported by a strong Management Assurance System (MAS). The Contractor shall have a MAS as a subordinate and supporting feature of Governance as described in 4.4.1 below.

4.4.1 Management Assurance System: The Contractor shall have a Contractor designed and utilized system to manage performance consistent with Contract requirements. The MAS shall be a primary tool used by Contractor management to measure and improve performance, ensure that mission objectives and Contract requirements are met; ensure that workers, the public and the environment are protected; and ensure that operations, facilities, and business systems are efficiently and effectively operated and maintained. An effective MAS integrates Contractor management, supports corporate parent governance and facilitates Government oversight systems as described in Section H.14, Management Assurance. NNSA oversight shall not be relied upon by the Contractor as the primary feedback in assessing its performance. The Contractor is fully accountable for performing its own assessment of these areas.

4.4.2 Parent Organization(s):

- (i) The contractor is encouraged to identify opportunities for the use of parent corporate systems and corporate home and branch office personnel for site operations for the purposes of monitoring plant performance, assisting the plant in meeting its mission and operational requirements, streamlining the Contractor's administrative and business systems, improving performance, and adapting private sector expertise to plant issues.

The term "systems" means any discrete process, procedure, program, document or instrument where cost of use under this contract can be identified and quantified to the parent corporation.

- (ii) The Contractor, prior to using any parent corporate systems or home and branch office personnel where reimbursement is expected, shall submit a plan for review and approval by the Contracting Officer. In reviewing the Plan, the Contracting Officer shall consider the extent to which each separate element of the Plan is more efficient and/or represents an overall cost savings to the Government versus existing site systems, assists the parent corporation or the contractor in monitoring plant performance and in meeting mission and operational requirements or brings value-added expertise to plant issues. In addition, in using parent corporate systems, the Contractor must show that it is able to maintain associated data in a form readily transferable to a successor contractor.
- (iii) Parent corporate systems and home and branch office personnel are allowable costs to the extent incurred consistent with the approved Plan and this section.
- (iv) The Contractor shall charge to the account of the Government as provided in the clause entitled "Payments and Advances," or as otherwise directed by the Contracting Officer, the amounts incurred for the approved systems and related support services. Such amounts will be charged and accounted for as follows however, in no event shall they be inconsistent with the FAR or DEAR cost principles applicable to this contract. Costs may include travel, per diem, and other out-of-pocket costs, plus the actual salaries of the persons performing such services plus a percentage factor of salaries to cover fringe benefits and payroll taxes. The percentage factor will be applied in accordance with the Contractor's Cost Accounting Standards Disclosure Statement. Costs reimbursed for parent corporate systems will be based on actual costs or some reasonable basis of allocation consistent with the Contractor's Cost Accounting Standards Disclosure Statement.
- (v) The Contractor shall provide periodic reports of activities and costs incurred as required by the Contracting Officer. The amount reimbursable under this Contract shall be subject to NNSA/DOE audit.

4.4.3 Performance Evaluation Plan: The Contractor shall participate in the formulation of Performance Evaluation Plans (PEP) for a defined period of time. The PEP shall include performance incentives, performance measures, and targets.

4.4.4 Performance Metrics: The Contractor shall propose a list of performance metrics that provide Contractor and NNSA management an overall assessment of the "health of the operation" quickly and accurately. The metrics shall be part of the Management Assurance System and be provided with transparency to aid in the identification and understanding of significant performance issues.

4.5 Contractor Human Resources

The Contractor shall have the flexibility to restructure the workforce and make changes to employee benefits throughout the term of the Contract, as may be permitted by this Contract and applicable law, to maximize efficiencies. The Contractor shall be responsible for identification and maintenance of critical skills and for the employment of all professional, technical, skilled, and other personnel engaged and to be engaged by the Contractor in the work hereunder, and for the training of personnel. Persons employed by

the Contractor or its subcontractors or consultants shall not be deemed employees of the Government. The Contractor shall follow the Human Resources (HR) requirements pertaining to workforce transition and management in accordance with Section J, Appendix A, Chapter III, Human Resources.

4.6 Environmental Permits and Applications

In recognition of the Contractor's responsibility to operate in compliance with all applicable environmental requirements, the Contractor is responsible for signing environmental permits and applications as "operator or co-operator" at the sites.

- (i) The Contractor shall not incur any liability above and beyond that contemplated by the Contract by reason of the Contractor's execution of environmental permits.
- (ii) If bonds, insurance, or administrative fees are required as a condition for such permits, such costs shall be allowable. In the event that such costs are determined by NNSA to be excessive or unreasonable, NNSA shall provide the regulatory agency with an acceptable form of financial responsibility. In no event shall the Contractor or its parent be required to provide any corporate resources or corporate guarantees to satisfy such regulatory requirements.
- (iii) The allowability of the costs associated with fines and penalties shall be subject to clauses of this Contract. The Contractor shall notify the Contracting Officer promptly when it receives service from the regulators of NOVs/NOAVs and fines and penalties.
- (iv) In the event of termination or expiration of this Contract, NNSA will require the new Contractor to accept transfer of all environmental permits executed by the Contractor.
- (v) When providing NNSA with permits and applications that are to be signed or co-signed by NNSA, the Contractor will accompany such document with a certification statement, signed by the appropriate Contractor corporate officer, attesting to NNSA that the document has been prepared in accordance with all applicable requirements and the information is, to the best of its knowledge and belief, true, accurate, and complete.

4.7 Privacy Act System of Records

The Contractor shall design, develop, and maintain the following systems of records on individuals to accomplish an agency function in accordance with the Contract's Section I Clause entitled "FAR 52.224-2, Privacy Act".

<u>DOE System No.</u>	<u>Title</u>
DOE-10	Energy Employees Occupational Illness Compensation Program Act Files
DOE-31	Firearms Qualifications Records (The Contractor Employees at Kansas City Plant.)

- DOE-35 Personnel Radiation Exposure Records (Past and present DOE and Contractor employees and other persons having access to Kansas City Plant.)
- DOE-38 Occupational and Industrial Accident Records (The DOE and Contractor employees and other persons having access to Kansas City Plant and having accidents at Kansas City Plant, or individuals involved in accidents with DOE or Contractor employees.)
- DOE-44 Special Access Authorization for Categories of Classified Information
- DOE-45 Weapon Data Access Control System (The DOE, DOD, or other Government agency employees, Government Contractors, consultants, and other persons requiring access to classified weapons data or Kansas City Plant nuclear weapons program facilities.)
- DOE-48 Security Education and/or Infraction Reports
- DOE-50 Human Reliability Program Records
- DOE-51 Employee and Visitor Access Control System (The DOE and Contractor employees and other individuals working or visiting at Kansas City Plant.)
- DOE-52 Access Control Records of International Visits, Assignments, and Employment at DOE Facilities and Contractor Sites.

The above list shall be revised annually or more frequently if necessary, by mutual agreement between the Contractor and the Contracting Officer as may be necessary to keep it current. Such changes need not be formally incorporated before the annual Contract update modification, but shall have the same effect as if actually listed above for the purpose of satisfying the listing requirement contained in Paragraph (a)(1) of the Contract Clause entitled "Privacy Act."

CHAPTER II. Work Scope Structure

1.0 INTRODUCTION

Specific work requirements under this contract will be established annually by the Contracting Officer in accordance with the Chapter I, Section 4.2 above entitled "Work Authorization System." The Contracting Officer will issue Work Authorizations for each major work area to be accomplished in a given year. These Work Authorizations will conform to the Scope of Work of this Contract and further affect the General Requirements specified in this section.

2.0 GENERAL REQUIREMENTS

2.1 Defense Programs Strategic Planning Process

The Contractor shall contribute to the development of the DOE's Office of Defense Programs (DP) strategic planning process and the Contractor shall execute those plans. The goal of the DP planning process is to integrate programmatic work to maximize scientific and technical work accomplishment, while minimizing duplication between programs and sites and while providing for major investments in facilities within essentially fixed budgets. Work is defined in three major categories:

- **Directed Stockpile Work** is activity that supports ongoing stockpile maintenance and refurbishment work as well as the scientific understanding and engineering development capabilities necessary for the refurbishment and certification of the stockpile to support Stockpile Life Extension Programs.
- **Campaigns** are focused efforts involving the weapons plants, the three weapons laboratories, and the Nevada Test Site (NTS), to address critical capabilities needed to achieve key future program objectives. Campaigns are technically challenging, multi-function efforts that have definitive milestones, specific work plans, and specific end dates. The Kansas City Plant is a major participant in the Enhanced Surveillance, the Advanced Design and Production Technologies, and the Nonnuclear Readiness campaigns.
- **Readiness in Technical Base and Facilities** are those scientific and technical activities required to ensure that the infrastructure and facilities are operationally safe, secure, compliant, and that an acceptable defined level of readiness is sustained at all facilities.

2.2 Technology and Business Integration

The Contractor shall utilize available technology and management practices from both government and commercial sources to improve and achieve excellence. The DOE is continuously looking for opportunities to optimize the efficiency of the site and the collective accomplishment of the weapons production mission through integration of multiple site activities.

The Contractor shall propose and participate with other DOE Contractors and other Federal Contractors and agencies to support these efficiencies. If a stockpile stewardship function were centralized at a single site, the Government would provide these centralized materials and services to the other sites. Therefore, the DOE reserves the

right to reassign missions, both core and non-core responsibilities, when it is in the best interest of the Government, and requires the Contractor to propose and support such initiatives.

The Contractor shall provide nonnuclear materials and components for the six production sites of the NSE. The Contractor shall work with the six production sites to ensure cost-effective products are delivered on time to meet National Security needs. The Contractor shall integrate supplier management and quality to include: pre-qualification, manufacturing process evaluation, field inspection and source acceptance, performance tracking, and corrective action/problem resolution.

The Kansas City Plant is designated as the lead site for the Supply Chain Management Center (SCMC). In this role, the Contractor shall work with NNSA to integrate strategic sourcing for contractor procurement spending across NNSA M&O sites. In addition, the Contractor shall support the effort to implement SCMC tools and systems at DOE M&O sites.

The Contractor shall provide subcontract administration for the NSE for the Roof Asset Management Program (RAMP). In this integration role the Contractor will coordinate with the other participating NSE sites to ensure efficient and effective management of the program. The Contractor will also work with NNSA to expand applicability of the RAMP to DOE sites beyond the NSE as directed by the Contracting Officer.

The Contractor shall provide the management expertise and such other services as may be necessary to accomplish the efficient operation of the facilities at the Kansas City Plant. The Contractor shall maintain national security mission competency and capability.

2.3 Plant Directed Research, Development and Demonstration (PDRD) Program

The Contractor shall conduct a DOE approved Plant Directed Research, Development and Demonstration (PDRD) Program that supports science-based manufacturing related to the National Nuclear Security Administration (NNSA) weapons mission, and encourages advanced research, development, and demonstration work to enhance the science and technology capabilities and core competencies required to fulfill the mission of the plant.

3.0 DIRECTED STOCKPILE WORK (DSW)

Directed Stockpile Work includes weapons programs and production support programs. These programs are performed to achieve stockpile evaluation, stockpile maintenance, and nuclear weapons assembly and disassembly objectives in accordance with DOE directive schedules. The Contractor shall provide the following:

3.1 Weapons Programs

Provide management of the manufacture, evaluation and refurbishment of nuclear weapon components as follows:

- Procure and manufacture nonnuclear electrical, electronic, electro-mechanical, mechanical, plastic, and metal components for nuclear weapons in support of the

DOE Stockpile Life Extension Programs, Limited Life Component Exchanges, and the stockpile evaluation program,

- Provide a Process Development Program,
- Manage the NSE Integrated Production Scheduling System,
- Store nonnuclear components and hardware for nuclear weapons
- Refurbish, repair and modify nonnuclear components and hardware for nuclear weapons,
- Disassemble and dispose of nonnuclear nuclear weapons components and hardware no longer required in the military stockpile,
- Maintain production capabilities for components and hardware not in the active stockpile,
- Manage a weapons quality assurance program to ensure that products meet design agency specifications, and certify in writing that weapons material submitted to DOE meets the requirements of applicable drawings and specifications,
- Manage requalification activities associated with the move to the new facility and ensure production deliverables are met with quality parts, on time and within budget.
- Complete Build-aheads to support the departmental outages during the move and requalification periods.
- Perform research, development, testing and engineering work for the current and future Kansas City Plant production missions to include development work in support of the weapon laboratories, and
- Support DOE production information systems.

3.2 Production Support Programs

- Provide management of operations and support activities to support the nuclear weapons program functions, and maintain core mission competencies and capabilities. These activities include Quality Supervision and Control, Production Supervision and Control, Production Engineering, and other mission support.
- Provide support to other Management and Operating Contractors in the collective accomplishment of the NSE production mission.
- Operate product testing laboratories focused on metallurgical/mechanical analysis, analytical chemistry, stockpile environment testing, and nondestructive evaluation.
- Operate and maintain a metrology laboratory; and develop, build, and maintain test equipment and gages for nonnuclear components.

4.0 CAMPAIGNS

4.1 Enhanced Surveillance Campaign

Implement advanced diagnostic techniques to be used by the Core Surveillance Program. These techniques will provide high quality data on the safety, security and reliability of the nuclear weapons stockpile.

4.2 Advanced Design and Production Technologies Campaign

Effectively use advanced design and manufacturing technologies and systems to design and produce products on short cycle times, with quality that approaches zero defects.

4.3 Nonnuclear Readiness Campaign

Provide tools, techniques and capacities to enable ambitious goals in cost, delivery time and product performance for Directed Stockpile Work. This campaign bridges the gap between technologies developed and demonstrated in campaigns for Advanced Design and Production Technologies, Enhanced Surveillance, and Enhanced Surety and the production availability/capacity required by Directed Stockpile Work.

4.4 Additional Campaigns

Perform work in areas of other Campaigns as they are identified and established along with their associated implementation plans.

5.0 READINESS IN TECHNICAL BASE AND FACILITIES

The Contractor shall provide management and administrative capabilities to maintain the Kansas City Plant in the production readiness posture defined by DOE. Maintaining this state of readiness requires the Contractor to provide the following administrative and technical capabilities, and to provide an assessment of its Readiness to DOE each year.

5.1 General Management, Administration and Oversight

The Contractor shall be fully responsible and accountable for the safe, efficient and effective accomplishment of all work, whether performed by its own personnel or onsite subcontractors. The Contractor shall be responsible for planning, integrating, managing and executing the programs, projects, operations and other activities as described in this scope of work such that all functions are fully integrated and work is accomplished safely. The Contractor shall provide general management and program management functions that include: legal services, audit services, business systems management, human resources, property management, information resources, financial services, safeguards and security, public information and external communications activities, intergovernmental affairs, training, procurement, and industrial relations.

The Contractor shall establish clear ES&H priorities and manage activities in proactive ways that comply with human health, safety and environmental regulations; minimize wastes; and comply with applicable regulatory requirements and DOE directives.

The Contractor shall continuously analyze plant activities to identify commercial standards and practices that may be substituted for DOE Orders and Directives or for current plant business practices. The Contractor shall evaluate the benefits of incorporation of those standards and practices into facility operations, and develop proposals that define the transition timelines and metrics to be used in monitoring the success of those substitutions that are approved by DOE. The Contractor shall integrate the concepts of continuous improvement into all aspects of plant operations, for example, through the use of independent quality certification, safety and environmental management systems, total quality management, etc.

5.2 Waste Management

The Contractor shall manage and perform waste minimization activities and waste management activities to support plant operations.

5.3 Construction Programs and Capital Equipment

Construction programs include the design and construction of facilities necessary for the performance of Kansas City Plant missions. The Contractor shall:

- Manage the design, construction, procurement/installation and startup of plant/equipment for capital facilities at the Bannister Federal Complex and National Security Campus (NSC). Modifications to the NSC above \$650K will be handled consistent with the GSA Lease Agreement, Occupancy Agreement, and Delegations of Operations between NNSA and the General Services Administration.
- Manage the design, construction and building preparation for the disposition of the KCP at Bannister Federal Complex.
- Provide design reviews and project support for the new KCRIMS facility enabling the KCP to meet all mission requirements. KCP design changes must stay within scope, schedule and budget requirements.
- Execute the move and occupancy of the NSC within the scope, cost and schedule.
- Excess Capital Equipment (CE) to support disposition of the Kansas City Plant at the Banister Federal Complex.
- Procure and install specific equipment items pursuant to capitalization criteria as defined by DOE.

It is expected that these projects and activities will be managed to the approved baseline, accomplished on or ahead of schedule, within budget, and will meet stated purpose or objective. During the term of the contract, significant recapitalization may be required to meet production readiness objectives.

5.4 Asset Management

The Contractor shall perform custodial management of government-owned/leased facilities and equipment at the Kansas City Plant and in doing so provide the following:

- Planning/Engineering/Support
The Contractor shall manage government-owned, leased, or controlled real property and attendant facilities under this contract. Support the management of the NSC consistent with the GSA Lease Agreement, Occupancy Agreement, and Delegations of Operations. Specific activities include land and facility use planning, real property management, construction project management, utility management, maintenance management, configuration management, and support of the DOE in its joint operation of the Bannister Federal Complex with the General Services Administration.
- Utility Operations
The Contractor shall manage utility operations that include support for all electric service, fuel oil, natural gas, potable water/sewer service, purified water, nitrogen, steam, chilled water, and non-potable hot water operations and utility services, whether contracted for by the Contractor or DOE. Included in Contractor's

responsibilities is the operation of boiler/chiller plants, utility systems, procured utilities, utilities to other federal tenants, and managing the facility in an energy efficient manner per developed energy management plans. New facility operations will be managed by the Developer team and overseen by GSA with support from the Contractor.

- Maintenance
The Contractor shall manage the Kansas City Plant maintenance activities, including equipment and facilities, custodial services, rearrangements, modifications, and special project services for facilities. The Contractor shall perform periodic condition assessments of the property to determine any deterioration or technical obsolescence that may threaten performance or safety. The NSC shall be managed consistent with the GSA Lease Agreement, Occupancy Agreement, and Delegations of Operations.

5.5 Site Services

The Contractor shall provide the following Site Services, comparable to best-in-industry practices:

- Environmental, Safety & Health Programs
Manage and integrate Environmental, Safety & Health (ES&H) programs for the purpose of ensuring that current and future plant operations do not negatively impact the environment, or the health and safety of the public, employees, and property. ES&H programs include air emissions; toxic materials; pesticides; storm-water, sanitary, and waste water discharges; safety and risk management; fire protection engineering; fire protection; industrial hygiene; and radiological protection.
- Security
Manage the Kansas City Plant security program to protect classified information, nuclear weapon components and other government property. In addition, provide general industrial security services for general plant operations.
- Emergency Services
Manage onsite emergency management and emergency operations programs.

5.6 Other Site Services

The Contractor shall provide other site services that are incidental or related to this Statement of Work as directed and funded by DOE. These support services include onsite and offsite activities that are complementary to the Kansas City Plant mission and enable DOE to accomplish its integrated nuclear weapons mission.

6.0 OTHER DOE SUPPORT

6.1 Secure Transportation Asset Support

The Contractor shall provide production and technical support to the NNSA Office of Secure Transportation, including computer program design and development, numerical analysis, artificial intelligence applications, physics modeling, escort vehicle

manufacturing, procurement and manufacture of tractors and trailers, vehicle maintenance and refurbishment, force on force simulation logistics, development of training programs, and maintenance of remote communications equipment.

6.2 Non-Proliferation, Treaty Related Issues and Verification

The Contractor shall support planning activities and shall execute assigned tasks related to worldwide non-proliferation programs, treaty-related activities, and DOE transparency and verification initiatives.

6.3 Environmental Restoration

The Contractor shall manage and perform environmental characterization, and “operations and maintenance” requirements of solid waste management units in accordance with established permits.

6.4 Supply Chain Management Center (SCMC) and Roof Asset Management Program (RAMP)

As mentioned in Section II.2.2 the Contractor shall work with NNSA and DOE to expand SCMC and RAMP services to DOE sites outside the NSE as determined appropriate by the Contracting Officer.

6.5 Emergency Response

The Contractor shall provide production and service support to the NNSA Office of Emergency Response, including fieldable tools, training devices, depot storage, equipment maintenance, device characterization, equipment procurement, life-cycle management, and field logistics.

7.0 OTHER NON-DOE SUPPORT

The Contractor shall manage and execute other assigned programs related to the Kansas City Plant mission.

7.1 Work for Others (WFO) Program

The Contractor shall conduct a Work for Others (WFO) Program, as approved by the Contracting Officer. Some of the major WFO sponsors include DOD, Federal and State agencies, and academia. All such work shall be consistent with and complementary to the approved missions of KCP. Work shall be done in accordance with policies identified in the operating requirements for the Kansas City Plant to maintain its weapons production capabilities.

7.2 Technology Partnerships Program

The Contractor shall support or establish Technology Partnerships for the transfer of manufacturing technology to American-owned businesses as required. This work takes advantage of partnerships with industry through cooperative research and development agreements, outreach and direct assistance programs, user agreements and facilities, and education and training. All projects must enhance the KCP’s ability to meet mission requirements and improve the industrial competitiveness and national security of the United States.

CHAPTER III. Human Resources

1.0 DEFINITIONS

Contract Performance begins on the effective date of the Transition Term.

Incumbent Employees are the employees in good standing of Honeywell FM&T, LLC under Contract DE-AC04-01AL66850 as of the effective date of the Contract.

Non-Incumbent Employees are new hires, i.e., employees other than Incumbent Employees who are hired by the Contractor upon the beginning of the Base Term at the KCP.

2.0 WORKFORCE TRANSITION

The following are requirements the Contractor shall carry out during the Transition Term prior to the beginning of the Base Term.

2.1 Staffing Plan

No later than 30 calendar days after the effective date of the Contract the Contractor shall provide NNSA its plan for achieving the right workforce size and skills mix at each site.

2.2 Pay & Benefits

Consistent with the requirements identified in **3.0 COMPENSATION** and **4.0 BENEFITS** below, the Contractor shall develop and submit for NNSA approval an integrated pay and benefits program to cover non-bargaining unit Incumbent and non-bargaining unit Non-Incumbent Employees at KCP. It is expected that the benefits program will be developed utilizing best practice and market based design concepts to achieve maximum efficiency and lower cost through such features as vendor and benefit plan consolidation.

2.2.1 No later than 75 calendar days after the effective date of the Contract, the Contractor shall submit for NNSA approval all proposed benefit plans. The submission shall include all plan documents that will describe benefits provided to employees at KCP including existing plans to which the Contractor becomes a sponsor at the beginning of the Base Term as well as newly proposed plans.

No later than 180 calendar days after the effective date of the contract, the contractor shall also submit an “Employee Benefits Value Study” comparing the proposed benefit plans for non-bargaining unit Incumbent Employees and non-bargaining unit Non-Incumbent Employees to an NNSA provided list of comparator companies. Contracting Officer’s approval of the Contractor’s integrated pay and benefits program will be contingent on the net benefit value not exceeding the comparator group by more than five percent.

2.2.2 No later than 150 calendar days after the effective date of the Contract, the Contractor shall submit a plan with a timeline for implementing an integrated Compensation system that meets the criteria defined **3.0 COMPENSATION** below.

2.3 Advance Understanding on Human Resources

The Contractor shall submit no later than 60 calendar days after the effective date of the Contract a proposed Human Resources Plan outlining how the Contractor will comply with the requirements of this Contract. The Human Resources Plan shall describe the policies regarding compensation, pensions and other benefits, and how these policies will support at reasonable cost the effective recruitment and retention of a highly skilled, motivated, and experienced workforce. This document will serve as the starting point for negotiation with which NNSA and the Contractor will reach an advance understanding on Contractor Human Resources costs. The advance understanding enables both the Contractor and the NNSA to determine allocability, allowability and reasonableness of costs prior to incurrence, thereby avoiding subsequent disallowance and disputes; provide appropriate and reasonable compensation levels to recruit and retain Contractor employees to meet NNSA mission objectives; and assure prudent expenditure of public funds. The language identified in **3.0 COMPENSATION**, **4.0 BENEFITS**, **5.0 LABOR RELATIONS**, and **6.0 WORKFORCE PLANNING** below will serve as the governing text for development of the advance understanding. The Personnel Appendix will include but is not limited to such additional topics as severance schedules, holidays, vacation, etc., or any other human resource costs the Contractor or NNSA deems necessary. It is understood that any advance understanding will be appended to the Contract as the Personnel Appendix (Section J, Appendix I, Personnel Appendix). Once the NNSA and the Contractor have reached an advance understanding on Contractor Human Resources costs, the contractor will seek Contracting Officer approval for any change to policies regarding compensation, pensions and other benefits that would result in an overall increase in costs on the Contract. If such approval is not sought or approved, such increase in cost will not be an allowable cost.

3.0 COMPENSATION

The Contractor shall recruit and retain a highly skilled, motivated, and experienced workforce in a cost effective manner capable of carrying out the technical and other requirements set forth elsewhere in this Statement of Work.

3.1 Total Compensation System

Consistent with the requirement in 2.2., Pay and Benefits, the Contractor shall establish a market based pay program. The objective is to provide a level of total compensation which, within available funds, attracts, motivates and retains a highly competent workforce and maintains a competitive position in the applicable labor markets.

The Contractor shall develop, implement and maintain formal policies, practices and procedures to be used in the administration of its compensation system including a compensation system self-assessment consistent with FAR 31.205-6 and DEAR 970.3102-05-6; "Compensation for Personal Services" (Total Compensation System). In addition, the Contractor's total compensation system shall include the following components:

- (i) Philosophy and strategy for all pay delivery programs.
- (ii) System for establishing a job worth hierarchy.

- (iii) Method for relating internal job worth hierarchy to external market.
- (iv) System that includes a documented method and process for evaluating individual job performance and that bases individual and/or group compensation decisions on individual performance and Contractor performance as appropriate. In addition, the system must show the link to the annual evaluation of Contractor performance for individual compensation actions as appropriate.
- (v) Method for planning and monitoring the expenditure of funds.
- (vi) Method for ensuring compliance with applicable wage payment laws and regulations, (e.g., the Fair Labor Standards Act).
- (vii) System for communicating the pay programs to employees.
- (viii) System for internal controls and self-assessment.
- (ix) System to ensure that reimbursement of compensation, including stipends, for employees who are on joint appointments with a parent or other organization shall be pro-rated according to the amount of time the employee spent performing work under this Contract.

3.2 Cash Compensation

The Contractor shall submit the following to the Contracting Officer for a determination of cost allowability for reimbursement under the Contract.

- 3.2.1** Any additional compensation system self-assessment data requested by the Contracting Officer that may be needed to validate and approve the total compensation system.
- 3.2.2** Any proposed major compensation program design changes prior to implementation.
- 3.2.3** An Annual Compensation Increase Plan (CIP). The CIP shall be provided to the Contracting Officer on October 1 annually and shall include the following components and data:
 - (i) Comparison of average pay to market average pay.
 - (ii) Information regarding surveys used for comparison.
 - (iii) Aging factors used for escalating survey data and supporting information.
 - (iv) Projection of escalation in the market and supporting information.
 - (v) Information to support proposed structure adjustments, if any.

- (vi) Analysis to support special adjustments.
- (vii) Funding requests and supporting analysis for each pay structure to include breakouts of merit, promotions, variable pay, special adjustments, and structure movement.
 - (A) The proposed plan totals shall be expressed as a percentage of the payroll for the end of the previous plan year.
 - (B) All pay actions granted under the CIP are fully charged when they occur regardless of time of year in which the action transpires and whether the employee terminates before year end.
 - (C) Specific payroll groups (e.g., exempt, nonexempt) for which CIP amounts are intended shall be defined by mutual agreement between the Contractor and the Contracting Officer.
 - (D) The Contracting Officer may unilaterally adjust the CIP amount after approval based on major changes in factors that significantly affect the plan amount (for example, in the event of a major reduction in force or significant ramp-up).
 - (E) The Contractor is authorized to make minor shifts (up to 10%) in funds between payroll groups without prior Contracting Officer approval. The Contractor shall notify the Contracting Officer at the time funds are shifted.
- (viii) A discussion of the impact of budget and business constraints on the CIP amount.
- (ix) Discussion of relevant factors other than market average pay (e.g., turnover and offer-to-acceptance statistics, collective bargaining provisions, geographic considerations, total compensation).

3.2.4 The compensation actions for all Key Personnel shall be submitted for approval prior to replacement. The top contractor official (i.e., Plant Manager or equivalent) salary actions including merit pay increases shall be submitted annually to the Contracting Officer for approval. The top contractor official's approved reimbursed base salary will serve as the maximum allowable salary reimbursement under the Contract. With these compensation actions, the Contractor shall provide supporting justification related to internal and external equity, individual performance and the Application for Contractor Compensation Approval Form (DOE 3220.5).

3.2.5 Any proposed establishment of an Incentive Compensation Plan (variable pay plan/pay-at-risk). This documentation shall be provided to the Contracting Officer no later than 60 days prior to proposed implementation. Such proposal must contain:

- (i) The design of the Incentive Compensation Plan, the funding methodology, and linkage to Contract performance measures.
- (ii) Requirement for approval of Incentive Compensation Plan design changes by the Contracting Officer prior to implementation.
- (iii) Requirement for an annual approval, prior to the performance period, of the total dollar amount of the pool, the eligible positions, and linkage to Contract performance goals.
- (iv) Requirement for policy that provides a specific passover rate, i.e., percent of participants who will not receive an incentive.
- (v) Requirement for an annual summary report on distributions made under an Incentive Compensation Plan.
- (vi) For any Executive Incentive Plans, a requirement for pay at risk.

3.2.6 Assignments of individuals outside of their normal duty station for which the NNSA/DOE will reimburse all or some of their compensation or other expenses shall be approved by the Contracting Officer prior to beginning the assignment. Requests shall be submitted 30 days prior to the desired start date. The Contractor shall submit a report of all such assignments, to include the total cost of each assignment, reason for assignment, location, duration, and cost-share arrangement to the Contracting Officer by January 30 of each year unless otherwise specified.

3.2.7 Contracting Officer-approved standards (e.g., to be set forth in Section J, Appendix I, Personnel Appendix), shall be applied to the Total Compensation System. The Contractor's Total Compensation System shall meet the tests of allowability in FAR 31.205-6 and DEAR 970.3102-05-6, be fully documented, be consistently applied, and be acceptable to the Contracting Officer. Costs incurred in implementing the Total Compensation System shall be approved by the Contracting Officer. Any changes to the Total Compensation System shall be submitted to the Contracting Officer 60 days prior to implementation. Changes that impact current or future costs shall be approved by the Contracting Officer prior to implementation.

3.2.8 As a part of the Human Resources Plan the Contractor shall submit a severance plan. The severance plan must include the notification period, pay-in-lieu policy, and the severance schedule. Supporting documentation must include information regarding standards from nationally recognized sources and or comparator firms (including corporate parents).

Severance Pay is not payable to an employee under this Contract if the employee:

- (i) Voluntarily separates, resigns or retires from employment, except that in the event the Contractor conducts an NNSA approved voluntary separation program.,
- (ii) Is offered employment with a successor/replacement Contractor,
- (iii) Is offered employment with a parent or affiliated company, or
- (iv) Is discharged for cause.

Service Credit for purposes of determining severance pay does not include any period of prior service for which severance pay has been previously paid through a DOE cost-reimbursement Contract.

3.3 Reports and Information: Compensation

The Contractor shall provide the Contracting Officer with the following reports and information with respect to pay and benefits provided under this Contract:

- (i) An Annual Contractor Salary-Wage Increase Expenditure Report to include, at a minimum, breakouts for merit, promotion, variable pay, special adjustments, and structure movements for each pay structure, showing actual against approved amounts, no later than 30 days after Compensation Increase Plan expenditures; and
- (ii) Other compensation reports as requested by the Contracting Officer.

4.0 BENEFITS

4.1 The Contractor will be required to become a sponsor of the existing pension and other Post Retirement Benefit Plans (PRB), as applicable, with responsibility for management and administration of the plans, including maintaining the qualified status of those plans. The Contractor shall carry over the length of service credit and leave balances accrued as of the date of the Base Term.

4.1.1 No presumption of allowability will exist when the Contractor implements a new benefit plan or makes changes to existing benefit plans until the Contracting Officer makes a determination of cost allowability for reimbursement for new or changed benefit plans that will result in additional costs. Justification for new benefit plans and changes to plan design or funding methodology that will increase costs must include the cost impact, and the basis of determining the cost.

4.1.2 Current incumbent contractor plans have been previously approved. Any changes for which the Contractor requests cost reimbursement for pension and other benefit programs sponsored by the Contractor for non-bargaining and bargaining unit employees will be based on the Contracting Officer's approval of Contractor actions pursuant to an approved "Employee Benefits Value Study" and an "Employee Benefits Cost Survey Comparison" as described in 4.1.5.1 and 4.1.5.2 below.

- 4.1.3** The Contractor may not terminate any benefit plan during the term of the Contract without 60 calendar days prior written notification to the Contracting Officer.
- 4.1.4** Service Credit for cost reimbursement for employee benefits to include PRB eligibility will be determined in accordance with NNSA Supplemental Directive NA SD O 350.1, M&O Contractor Service Credit Recognition.
- 4.1.5** Unless otherwise stated, or as directed by the Contracting Officer, the Contractor shall submit the studies required in paragraphs 4.1.5.1 and 4.1.5.2 below. The studies shall be used by the Contractor in calculating the cost of benefits under existing benefit plans. In addition, the Contractor shall submit updated studies to the Contracting Officer for approval prior to the adoption of any change to a pension or other benefit plan that will increase costs.
- 4.1.5.1** The NNSA Consolidated Employee Benefits Value Study for non-bargaining unit employees, must be completed every two years or as directed by the Contracting Officer. The Contractor will utilize the comparator companies previously utilized in the last NNSA Consolidated Benefit Value Study. If any of the comparator companies no longer participate, the Contractor will recommend replacement companies for approval by the Contracting Officer. The Contractor shall include major non-statutory benefit plans offered by the Contractor, including qualified defined benefit (DB) and defined contribution (DC) retirement and capital accumulation plans and death, disability, health, and paid time off welfare benefit programs in the Value Study. To the extent that the value studies do not address post-retirement benefits other than pensions, the Contractor shall provide a separate cost and plan design data comparison for the post-retirement benefits other than pensions using external benchmarks derived from nationally recognized and Contracting Officer approved survey sources.
- An Employee Benefits Value Study for bargaining unit employees must be completed 6 months prior to the end of the bargaining unit Contract. The Benefits Value Study must include at least 15 comparator companies approved by the Contracting Officer. The Value Study must include major non-statutory benefit plans offered by the Contractor, including qualified DB & DC retirement and capital accumulation plans and death, disability, health, and paid time off welfare benefit programs. To the extent that the value study does not address post retirement benefits other than pensions, the Contractor shall provide a separate cost and plan design data comparison for the post retirement benefits other than pensions using external benchmarks derived from nationally recognized and Contracting Officer approved survey sources.
- 4.1.5.2** An Employee Benefits Cost Study Comparison non-bargaining and bargaining unit employees, annually, using a professionally recognized measure approved by the Contracting Officer, that analyzes the

Contractor's employee benefits cost for employees on a per capita basis per full time equivalent employee and compares it with appropriate comparator data.

- 4.1.5.3 When the average net benefit value for all employees (including different tiers of benefits or groups of employees) exceeds the comparator group by more than five percent, the Contractor shall submit a corrective action plan to the Contracting Officer no later than 60 days after the Benefit Value Study is conducted.
- 4.1.5.4 When the average of the Employee Benefits Cost Study total benefit per capita cost exceeds the comparator group by more than five percent, the Contractor shall submit an analysis of the specific plan costs that are above the per capita cost range or total benefit cost as a percent of payroll and a corrective action plan to the Contracting Officer no later than 60 days after the Benefits Cost Study is conducted.
- 4.1.5.5 Within two years of Contracting Officer approval of the Contractor's corrective action plan for non-bargaining employees, or upon the next collective bargaining period for bargaining unit employees, the Contractor shall attempt to align employee benefit programs with the benefit value and per capita cost range as approved by the Contracting Officer.

4.2 Reports and Information: Benefits

The Contractor shall provide to the Contracting Officer:

- (i) Annually, the Report of Contractor Expenditures for Employee Supplemental Compensation (DOE F 3220.8).
- (ii) Quarterly, input requested benefits data into DOE's iBenefits pension and benefits management system.
- (iii) Every four years, a dependent eligibility verification audit report of 100% of population (actives and retirees; Consolidated Omnibus Budget Reconciliation Act (COBRA) if significant enrollment) which includes all dependents (children and spouses). After completion of audit, procedures must be in place to verify dependents at their initial enrollment, annual enrollment and during status changes.

4.3 Workers Compensation

4.3.1 The Contractor, unless workers' compensation coverage is provided through a state funded arrangement or a corporate benefits program, shall submit to the Contracting Officer for approval all new workers compensation policies and all initial proposals for self-insurance (Contractors shall provide copies to the Contracting Officer of all renewal policies for workers compensation).

4.3.2 Workers compensation loss income benefit payments when supplemented by other programs (such as salary continuation, short term disability) are to be

administered so that the total benefit payments from all sources shall not exceed 100% of employee's net pay.

4.4 Pension Plans

- 4.4.1** For cost allocability and reimbursement purposes, any defined benefit (DB) or defined contribution (DC) pension plans established by the Contractor and any DB or DC plans for which the Contractor assumes sponsorship upon the start of the Base Term, shall be maintained consistent with the requirements of the Internal Revenue Code (IRC), Employee Retirement Income Security Act of 1974 (ERISA) the Pension Protection Act of 2006 (PPA) and any other applicable laws.
- 4.4.2** Any pension plan maintained by the Contractor, for which NNSA reimburses costs, shall be maintained as a separate pension plan distinct from any other pension plan which provides credit for service not performed under a DOE cost-reimbursement contract. Each Contractor pension plan shall be subjected to a limited-scope audit annually that satisfies the requirements of ERISA section 103, except that every third year the Contractor must conduct a full-scope audit satisfying ERISA section 103. Alternatively, the Contractor may conduct a full-scope audit satisfying ERISA section 103 annually. In all cases, the Contractor must submit the audit results to the Contracting Officer. In years in which a limited scope audit is conducted, the Contractor must provide the Contracting Officer with a copy of the qualified trustee or custodian's certification regarding the investment information that provides the basis for the plan sponsor to satisfy reporting requirements under ERISA section 104.
- 4.4.3** The Contractor will be reimbursed for pension contributions in the amounts necessary to ensure that the plans are funded to meet the annual minimum required contribution under ERISA, as amended by PPA. The Contractor shall notify the Contracting Officer at least sixty (60) days prior to the date a payment is due to avoid benefit restrictions is required if the payment of the minimum required contribution will result in benefit restrictions to Plan participants. Reimbursement above the annual ERISA required minimum contribution will require prior approval of the Contracting Officer. The Contracting Officer will take into consideration all pre-funding balances and funding standard carryover balances when evaluating whether to approve reimbursement above the minimum required contribution. Timing of a Contractor's contributions to a plan must enable a plan's actuary to certify that a plan is adequately funded at the beginning of a plan year.
- 4.4.4** At least 60 days prior to the adoption of any benefit changes that increase costs to a pension plan, the Contractor shall submit the information required in 4.4.4.1 and 4.4.4.2 below, as applicable, to the Contracting Officer for approval or disapproval and a determination as to whether the costs to be incurred are deemed allowable pursuant to FAR 31.205-6, as supplemented by DEAR 970.3102-05-6. The Contractor shall provide prior notification to the Contracting Officer of any other benefit changes to a pension plan.

- 4.4.4.1 For proposed changes to DB and DC plans that are not mandated by law the Contractor shall provide the following to the Contracting Officer:
- (i) A clean copy of the current plan document (as conformed to show all prior plan amendments), with the proposed new amendment indicated in redline/strikeout.
 - (ii) An analysis of the impact of any proposed changes on actuarial accrued liabilities and an analysis of relative benefit value and a cost study index.
 - (iii) Except in circumstances where the Contracting Officer indicates that it is unnecessary, a legal explanation of the proposed changes from legal counsel for purposes of compliance with all legal requirements applicable to private sector DB pension plans.
 - (iv) The Summary Plan Description.
 - (v) Any such additional information as requested by the Contracting Officer.

When changes to DB and/or DC plans are required by law, the Contractor must provide a copy of the current plan document (as conformed to show all prior plan amendments), with the proposed new amendment indicated in redline/strikeout no later than 30 days before the new amendment is to take effect.

- 4.4.4.2 The Contractor shall obtain the advance written approval of the Contracting Officer for any required pension plan changes that are not required by law and which may increase costs or liabilities, and any proposed special programs (including, but not limited to, plan-loan features, employee contribution refunds, or ancillary benefits) and shall provide the Contracting Officer with an analysis of the impact of special programs on the actuarial accrued liabilities of the pension plan, and on relative benefit value, or cost per capita, if applicable.

- 4.4.5** When operations at a designated NNSA facility are terminated and no further work is to occur under the prime Contract, the following apply.

- 4.4.5.1 No further benefits for service shall accrue.
- 4.4.5.2 The Contractor shall provide a determination statement in its settlement proposal, defining and identifying all liabilities and assets attributable to the NNSA Contract.
- 4.4.5.3 The Contractor shall base its DB pension liabilities attributable to NNSA Contract work on the market value of annuities or dispose of such liabilities through a competitive purchase of annuities. The Contractor,

as pension plan sponsor, must adhere to Department of Labor guidance set forth at 29 CFR 2509.95-1 regarding selection of an annuity provider for the purpose of benefit distributions from a DB pension plan.

- 4.4.5.4 Assets shall be determined using the “accrual-basis market value” on the date of termination of operations.
- 4.4.5.5 NNSA and the Contractor shall establish an effective date for spinoff or plan termination. On the same day as the Contractor notifies the IRS of the spinoff or plan termination, all NNSA assets assigned to a spun-off or terminating plan shall be placed in a high-yield, fixed-income portfolio until the successor trustee, or an insurance company, is able to assume stewardship of those assets. The portfolio shall be rated no lower than Standard & Poor’s “AA.”

4.4.6 Terminating Plans.

- 4.4.6.1 NNSA Contractors shall not terminate any pension plan (commingled or site specific) without notifying the Department at least 60 days prior to the scheduled date of plan termination.
- 4.4.6.2 To the extent possible, the Contractor shall satisfy plan liabilities to plan participants by the purchase of annuities through competitive bidding on the open annuity market. The Contractor, as pension plan sponsor, must adhere to Department of Labor guidance set forth at 29 CFR 2509.95-1 regarding selection of an annuity provider for the purpose of benefit distributions from a DB pension plan. The Contractor shall apply the assumptions and termination procedures of the Pension Benefit Guaranty Corporation.
- 4.4.6.3 Funds to be paid or transferred to any party as a result of settlements relating to pension plan termination or reassignment shall accrue interest from the effective date of termination or reassignment until the date of payment or transfer.
- 4.4.6.4 If ERISA or IRC rules prevent a full transfer of excess NNSA reimbursed assets from the terminated plan, the Contractor shall pay any deficiency directly to NNSA according to a schedule of payments to be negotiated by the parties.
- 4.4.6.5 On the same day as the Contractor notifies the IRS of the plan termination, all NNSA assets will be placed in a high-yield, fixed-income portfolio until full disposition of the terminating plan’s liabilities. The portfolio shall be rated no lower than Standard & Poor’s “AA.”
- 4.4.6.6 NNSA liability to a commingled pension plan shall not exceed that portion which corresponds to participants’ service accrued for their work

under an NNSA Contract. The NNSA shall have no other liability to the plan, to the plan sponsor, or to the plan participants.

4.4.6.7 After all liabilities of the plan are satisfied, the Contractor shall return to NNSA an amount equaling the asset reversion from the plan termination and any earnings which accrue on that amount because of a delay in the payment to NNSA. Such amount and such earnings shall be subject to NNSA audit. To affect the purposes of this paragraph, NNSA and the Contractor may stipulate to a schedule of payments.

4.4.7 Post Contract Responsibilities for Pension and Other Benefit Plans

4.4.7.1 If this Contract expires or terminates and NNSA has awarded a Contract under which the new Contractor becomes a sponsor and assumes responsibility for management and administration of the pension or other benefit plans covering active or retired Contractor employees with respect to service, the Contractor shall cooperate and transfer to the new Contractor its responsibility for sponsorship, management and administration of the plans consistent with direction from the Contracting Officer. If a comingled plan is involved, the Contractor shall:

- (i) Spin off the NNSA portion of any commingled plan that provides benefits for employees working at the NNSA facility into a separate plan. The new plan shall provide benefits similar to those provided by the commingled plan and shall carry with it the NNSA assets on an accrual basis market value, including NNSA assets that have accrued in excess of NNSA liabilities.
- (ii) Bargain in good faith with NNSA or the successor Contractor to determine the assumptions and methods for establishing the liabilities involved in a spinoff. NNSA and the Contractor(s) shall establish an effective date of spinoff. On the same day as the Contractor notifies the IRS of the spinoff, all NNSA assets assigned to a spun-off plan shall be placed in a high-yield, fixed income portfolio until the successor trustee is able to assume stewardship of those assets. The portfolio shall be rated no lower than Standard & Poor's "AA."

4.4.7.2 If this Contract expires or terminates and NNSA has not awarded a Contract to a new Contractor under which the new Contractor becomes a sponsor and assumes responsibility for management and administration of the Plans, or if the Contracting Officer determines that the scope of work under the Contract has been completed (any one such event may be deemed by the Contracting Officer to be "Contract Completion" for purposes of this paragraph), whichever is earlier, and notwithstanding any other obligations and requirements concerning expiration or termination elsewhere in this Contract, the following actions shall occur

regarding the Contractor's obligations regarding the Plans at the time of Contract Completion:

- (i) Subject to paragraph 4.4.7.2(ii) below, and notwithstanding any legal obligations independent of the Contract the Contractor may have regarding responsibilities for sponsorship, management, and administration of the Plans, the Contractor shall remain the sponsor of the Plans, in accordance with applicable legal requirements.
- (ii) The parties shall exercise their best efforts to reach agreement on the Contractor's responsibilities for sponsorship, management and administration of the Plans prior to or at the time of Contract Completion. However, if the parties have not reached agreement on the Contractor's responsibilities for sponsorship, management and administration of the Plans prior to or at the time of Contract Completion, unless and until such agreement is reached, the Contractor shall comply with written direction from the Contracting Officer regarding the Contractor's responsibilities for continued provision of pension and welfare benefits under the Plans, including but not limited to continued sponsorship of the Plans, in accordance with applicable legal requirements. To the extent that the Contractor incurs costs in implementing direction from the Contracting Officer, the Contractor's costs will be reimbursed pursuant to applicable Contract provisions.

4.4.8 Reports and Information - Retirement Plans: For each DB and DC pension plan as applicable or portion of a pension plan for which NNSA reimburses costs, the Contractor shall provide the Contracting Officer with the following information within nine months of the last day of the current pension plan year except for the Pension Management Plan which must be submitted by January 30 of each year.

- 4.4.8.1 The annual actuarial valuation report for each NNSA-reimbursed pension plan. When a pension plan is commingled, the Contractor shall submit separate reports for NNSA's portion and the plan total.
- 4.4.8.2 Copies of IRS Forms 5500 with Schedules for each NNSA-funded pension plan, no later than that submitted to the IRS.
- 4.4.8.3 Copies of all forms in the 5300 series submitted to the IRS that document the establishment, amendment, termination, spin-off, or merger of a plan submitted to the IRS.
- 4.4.8.4 The annual Pension Management Plan as described below (**4.5 Pension Management Plan**) by January 30 of each year.

4.5 Pension Management Plan

- 4.5.1** The Contractor shall submit a plan for management and administration (Pension Management Plan) for each defined benefit pension plan (Plan) for which the Department has a continuing obligation to reimburse pension contributions that is consistent with the terms of this Contract and which includes estimated assets, estimated liabilities, and estimated contributions and the prior year's actuarial valuation report annually on January 30.
- 4.5.2** The Pension Management Plan shall include:
- 4.5.2.1 The Contractor's best estimate of the contributions which it will be legally obligated to make to the Plan(s), beginning with the required contributions for the current fiscal year, based on the latest actuarial valuation, and continuing for the following four fiscal years. This estimate will be based upon compliance with all applicable legal requirements relating to the determination of contributions and upon the assumptions set out in the Plan document(s). All contribution calculations should reflect payments made during DOE fiscal years, beginning Oct 1, through September 30, and the next succeeding four fiscal years. Please include a summary of the key actuarial assumptions used to determine the required contribution. All estimates must be based upon the most recently available asset information for the Plan. For example, for a Plan with a July 1 valuation date, project the July 1, value of assets for the current year to be used in the calculation from the actual January 1, value of assets from the same year.
- 4.5.2.2 If the actuarial valuation submitted pursuant to the annual Pension Management Plan update indicates that the sponsor of the Plan must impose benefit restrictions, the Contractor shall provide the following information:
- (i) The type of benefit restriction that will take place,
 - (ii) The number of Contractor employees that potentially could be impacted and the nature of the restriction (e.g., financial impact) by imposition of the required benefit restriction,
 - (iii) The amount of money that would need to be contributed to the Plan and the timing of such contribution to avoid legally required benefit restrictions, and
 - (iv) A recommendation regarding whether the additional money should be contributed to the Plan and the rationale for the recommendation.
- 4.5.2.3 A detailed discussion of how the Contractor intends to manage the Plan(s) to maximize contribution predictability (i.e. forecasting accuracy) and to contain current and future costs, to include the rationale for selection of all Plan assumptions (i.e., actuarial experience studies)

that determine the required contributions and which impact the level and predictability of required contributions. As part of the Contractor's plan to maximize contribution predictability, the Contractor may propose funding strategies other than ERISA minimums for NNSA's consideration and approval. The Contractor shall submit the following for NNSA to consider in deciding on the alternate funding strategy:

- (i) Identify whether the current year additional amount can be absorbed within the current operating budget.
- (ii) Discuss the integration of Plan's funding strategy and investment strategy taking into consideration the plan's demographic profile, liability duration, and impact of current year funding decisions on future year contribution requirements.
- (iii) Discuss the strategy for achieving fully funded status and protecting against erosion of the Plan's funded status.
- (iv) Discuss the strategy for specifically protecting any pension funding contributions reimbursed in excess of the minimum required contribution against the risk of significant loss.
- (v) Discuss whether the plan has a prefunding or funding standard carryover balance that could be used to improve the plan's AFTAP without requiring additional contributions. Provide a rationale regarding the recommended use of the available balance(s).

4.5.2.4 An assessment to evaluate the effectiveness of the Contractor's Plan(s) investment management/results. The assessment must include at a minimum: a review and analysis of Plan investment objectives and asset allocations; results of the most recent asset liability study and investment policy review; the strategies employed to achieve the Plan's investment objectives; and the methods used to monitor execution of those strategies and the achievement of the investment objectives. The Contractor shall also identify its plans, if any, for revising any aspect of its Pension Management Plan based on the results of the review.

Within thirty (30) days after the date of the submission, appropriate Contractor representatives will meet with the Contracting Officer and other DOE/NNSA representatives to discuss the Contractor's proposed Pension Management Plan. The Contractor must be prepared to discuss any differences between the prior fiscal year's estimated pension contributions for future fiscal years and the most recent estimated pension contributions for future fiscal years and the rationale for any such discrepancies. In addition, discrepancies between the actual contributions made for the most recent fiscal year preceding the meeting and the estimated contributions for that fiscal year and the

rationale for any such discrepancies, and funding strategies for the Plan will be discussed.

5.0 LABOR RELATIONS

- (i) The Contractor shall comply with the National Labor Relations Act, DEAR Subpart 970.2201, and all applicable Federal and State labor laws.
- (ii) The Contractor shall meet with the Contracting Officer or designee(s) for the purpose of determining the allowability of cost associated with the Contractor's economic bargaining objectives, prior to negotiation of any collective bargaining agreement, extension or revision thereto. During the collective bargaining process, the Contractor shall notify the Contracting Officer before submitting or agreeing to any collective bargaining proposal which would exceed parameters previously determined to be allowable under this Contract or which could involve other items of special interest to the Government. During the collective bargaining process, the Contractor shall obtain the approval of the Contracting Officer in advance before proposing or agreeing to changes in any pension or other benefit plans.
- (iii) The Contractor shall provide an electronic copy of the bargaining agreement to the Contracting Officer 30 days after formal ratification. The Contractor shall provide the "Report of Settlement" 30 days after formal ratification using the Work Force Information System (WFIS).
- (iv) The Contractor shall notify the Contracting Officer in a timely fashion of all labor relations issues including economic issues and other matters that have a potentially significant impact on work rules, make or buy decisions, or other matters that may cause a significant deviation from past customs or practices.
- (v) The Contractor shall immediately advise the Contracting Officer of the following:
 - (A) Possible strike situations or other actions affecting the continuity of operations including work stoppages and picketing.
 - (B) Formal action by the National Labor Relations Board (NLRB) including but not limited to issuance of a complaint against the Contractor. Copies of complaints, settlement agreements, judgments and any other documents issued in connection with Contractor actions with respect to labor practices shall be provided to the Contracting Officer.
 - (C) Recourse to procedures under the Labor-Management Relations Act of 1947 as amended or any other state law.
 - (D) Any grievance scheduled for arbitration under any collective bargaining agreement that has the potential for significant economic or other impact as well as the decision of the arbitrator.
 - (E) Other significant issues that may involve review by other federal or state agencies.

6.0 WORKFORCE PLANNING

6.1 Workforce Planning - General

The Contractor shall analyze workforce requirements consistent with current and future mission requirements and develop appropriate workforce transition strategies to ensure appropriate skills are available at the right time, in the right number, in the right place. Particular attention shall be paid to current and future critical skills. This analysis shall be available for review upon Contracting Officer request.

6.2 Reductions in Contractor Employment – Workforce Restructuring

6.2.1 Voluntary Separations: In order to minimize the number of involuntary separations and mitigate the impact on affected employees, the Contractor will consider in consultation with the Contracting Officer, the use of a Voluntary Separation Program (VSP) before consideration is given to conducting an Involuntary Separation Program (ISP) when workforce restructuring is necessary. The Contractor shall submit the VSP for approval by the Contracting Officer prior to implementation regardless of the number of employees involved. No reimbursement of costs associated with VSPs will be allowable if not approved by the Contracting Officer prior to implementation.

6.2.2 Involuntary Reductions in Contractor Employment

- 6.2.2.1 If the restructuring involves between 10-99 employees in a rolling twelve month period, the Contractor shall notify the Contracting Officer no later than 15 days in advance of the action.
- 6.2.2.2 For restructuring actions that involve separating between 50-99 employees, the Contractor shall prepare a specific workforce restructuring plan and submit the plan to the Contracting Officer for informational purposes. In addition, the Contracting Officer shall perform a diversity impact analysis and provide a copy of the analysis to the NNSA Site Counsel at the Kansas City Site Office for any restructuring actions that involve 50 or more employees within a 12 month period.
- 6.2.2.3 If the restructuring may involve the separation of 100 or more employees within a 12-month period, the Contractor shall submit a specific workforce restructuring plan for approval by the Contracting Officer, to enable compliance with Section 3161 of the National Defense Authorization Act for Fiscal Year 1993 at a minimum, no later than 90 days in advance of the date the Contractor needs to begin notification to employees in accordance with the law and its attendant timeframes to effect the separations
- 6.2.2.4 All notifications to the NNSA must contain pertinent information such as reasons, costs, dates, and numbers of impacted employees.

6.2.3 Any payment of benefits beyond those already approved in the Contract must be approved by the Administrator, NNSA.

SECTION J

APPENDIX B

PERFORMANCE EVALUATION PLAN

09/16/2012

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SECTION J

APPENDIX J

KEY PERSONNEL

09/13/2012

TITLE

NAME

President
Vice President, Operations
Director, Sr. Program Management
Director, Integrated Supply Chain
Director, Engineering
Director, Quality
Director, Information Technology
Director, Finance
Director, Facilities, HS&E and Security

Christopher C. Gentile
Robin Stubenhofer
David Feather
Susan Schwamberger
Kurt Lorenzen
David Schoenherr
Rob Mandl
Scott Aeilts
Don Fitzpatrick

SECTION J

APPENDIX N

LIST OF APPLICABLE DIRECTIVES

09/17/2012

Directive	Directive Title
10 CFR 824, Current Rule	Procedural Rules for the Assessment of Civil Penalties for Classified Information Security Violations
10 CFR 830 - Current Rule	Nuclear Safety Management
10 CFR 851 - Current Rule	Worker Safety and Health Program
ANSI B30.11	Monorails and Underhung Hoists
ANSI N323A	Radiation Protection Instrumentation Test and Calibration Portable Survey Instrumentation, 1997
ANSI N43.2	Radiation Safety for X-Ray Diffraction and Fluorescence Analysis Equipment
ANSI N43.3	American National Standard for General Radiation Safety - Installations Using Non-Medical X-Ray and Sealed Gamma-Ray Sources, Energies up to 10 MeV
Disposition and Long-Term Stewardship Site Standard Dated 2/5/2010	Disposition and Long-Term Stewardship Site Standard Dated 2/5/2010
DOE Accounting Handbook	DOE Accounting Handbook (chapters) 1 Accounting Overview (revised 4/27/07) 4 Accounting Systems and Organization (revised 9/9/98) 5 Accounting for Obligations (revised 7/18/07) 6 Cash (revised 9/30/08) 7 Advances, Prepaid Expenses, and Other Assets (revised 4/17/07) 8 Receivables (revised 12/10/04) 9 Accounting for Inventory and Related Property (revised 4/16/07) 10 Property, Plant and Equipment (revised 4/30/09) 11 Liabilities (revised 3/6/07) 12 Inter-Entity Transactions (revised 9/7/06) 13 Reimbursable Work, Revenues and Other Collections (revised 3/15/2011) 15 Cost Accounting ((Original Issue) 16 Payroll Accounting (revised 9/2/08) 17 Transportation (revised 1/13/05) 21 Financial Close-out (revised 7/17/07)
DOE Annual Budget Call	DOE Annual Budget Call
DOE M 435.1-1, Chapter IV, para I & J	Radioactive Waste Management Manual
DOE M 481.1-1A, Chg 1	Reimbursable Work For Non-Federal Sponsors Process Manual
DOE M 483.1-1	DOE Cooperative Research & Development Agreements Manual
DOE O 130.1	Budget Formulation

DOE O 221.1	Reporting Fraud, Waste and Abuse to the Office of Inspector General
DOE O 350.2B	Use of Management and Operating or Other Facility Management Contractor Employees for Services to the DOE in the Washington DC Area
DOE O 412.1A	Work Authorization System
DOE O 414.1D, Attachment 3 Pages 1-2	Quality Assurance, Attachment 3, Pages 1-2, DOE-Wide Suspect/Counterfeit Item Prevention Process
DOE O 420.1B, Chg 1 Attachment 2, CRD, Chapter II, Fire Protection	Facility Safety, Attachment 2, Contractor Requirements Document, Chapter II, Fire Protection
DOE O 435.1 Chg 1	Radioactive Waste Management
DOE O 461.1B, Attachment 1	Packaging and Transfer for Offsite Shipment of Materials of National Security Interest Attachment 1
DOE O 475.1	Counterintelligence Program
DOE O 481.1C Admin Chg 1	Work for Others (Non Department of Energy Funded)
DOE O 483.1	DOE Cooperative Research & Development Agreements
DOE O 522.1	Pricing of Departmental Materials and Services
DOE O 534.1B	Accounting
DOE's Voluntary Protection Program, Parts I-IV Part I, Program Elements, October 1994 Part II, Procedures Manual, April 1995 Part III, Application Guidelines, October 1994 Part IV, Onsite Review Handbook, July 1995	DOE's Voluntary Protection Program, Parts I-IV Part I, Program Elements, October 1994 Part II, Procedures Manual, April 1995 Part III, application Guidelines, October 1994 Part IV, Onsite Review Handbook, July 1995
Energy and Environmental Sustainability Site Standard Rev 1 January, 2012	Energy and Environmental Sustainability Site Standard Rev 1 January, 2012
FM&T Worker Safety & Health Program, current KCSO Approved Document	FM&T Worker Safety & Health Program, current KCSO Approved Document
Counterintelligence Roles and Responsibilities (CI R&R) dated May 12, 2012	Counterintelligence Roles and Responsibilities (CI R&R) dated May 12, 2012
International Building Code / Latest Standard as of Project Authorization	International Building Code / Latest Standard as of Project Authorization
ISO 14001:2004	Environmental Management Systems Specifications
ISO 17025:2000	Standards and Calibration
ISO 9001:2008	Quality Management System Requirements
Kansas City Plant Site-Specific Maintenance Standard, March 23, 2012	Kansas City Plant Site-Specific Maintenance Standard, March 23, 2012

Kansas City Plant Standard for Radiological Release for Unrestricted Use 3/8/2011	Kansas City Plant Standard for Radiological Release for Unrestricted Use 3/8/2011
Kansas City Plant Facilities Engineering Site-Specific Project Management Standard March 23, 2012	Kansas City Plant Facilities Engineering Site-Specific Project Management Standard March 23, 2012
KCP Site Security Standard, Rev 10	Kansas City Plant Site Security Standard, Rev 10
NA SD M 452.3-1	Defense Programs Business Requirements and Process Manual
NFPA 1600 (Sections 5.1 thru 5.7, 6.1 thru 6.11, 7.1 thru 7.5, 8.1 & 8.2)	Standard for Disaster Emergency Management, 2010 Edition
NFPA 704	Standard System for the Identification of the Hazards of Materials for Emergency Response, 2007 Edition Chapter 5 Health Hazards
Production Accounting Handbook, October 2001	Production Accounting Handbook, Albuquerque Financial Service Center, October 2001
QA-5	Quality Assurance Program, Issue G dated November 2010
QC-1, Revision 10	Weapons Quality Policy
QP 100-1	Quality Plan No: 100-1 Date: April 10, 2008 Amendment No. 3
Weapons Quality Assurance Procedures Manual, March 30, 2009	Weapons Quality Assurance Procedures Manual, March 30, 2009

Directive Deliverables

Deliverables	Reference	Reference Title
Deliverable: Annual Site Environmental Summary	DOE O 231.1B, Attachment 1, Item 1 & Attachment 2 Environmental, Safety & Health Reporting	Environmental, Safety & Health Reporting
Deliverable Occupational Safety & Health Information	DOE O 231.1B, Attachment 1, Item 2a & Attachment 3, Items 1 & 2	Environmental, Safety & Health Reporting
Deliverable Annual Fire Protection Summary Information	DOE O 231.1B, Attachment 1, Item 2b & Attachment 3, Item 3	Environmental, Safety & Health Reporting
Deliverable Ionizing Radiation Exposure Information	DOE O 231.1B, Attachment 1, Item 3 & Attachment 4	Environmental, Safety & Health Reporting
Deliverable: Occurrence Reporting	DOE O 232.2 Attachment 1 Para 1	Occurrence Reporting and Processing of Operations Information
Deliverable Radioactive Sealed Sources Information	DOE O 231.1B, Attachment 1, Item 4 & Attachment 5	Environmental, Safety & Health Reporting
Deliverable: Operational Emergency Events and Conditions Reporting	DOE O 151.1C, Chapter V	Comprehensive Emergency Management System - Operational Emergency Events and Conditions
Deliverable: Initial Emergency Notifications	DOE O 151.1C, Chapter VIII, para 4.a (1) a-c	Comprehensive Emergency Management System -

		Communications Requirements
Deliverable: Emergency Status Updates	DOE O 151.1C, Chapter VIII, para 4.b	Comprehensive Emergency Management System - Communications Requirements
Deliverable: Emergency Readiness Assurance Plans	DOE O 151.1C, Chapter X, para 4.a	Comprehensive Emergency Management System - Emergency Readiness Assurance Plans
Deliverable: Delivery of Annual Privacy Act Training	DOE O 206.1	Department of Energy Privacy Program
Deliverable: Scientific Technical Information (STI) Reporting	DOE O 241.1B	Scientific and Technical Information Management -Scientific Technical Information (STI) Products and Announcements (AN)
Deliverable: Submission of Form F1300.2	DOE O 252.1A, Attachment 1, para 4	Technical Services Program, VCS activities only
Deliverable: Ten Year Site Plan	DOE O 430.1B, Attachment 2, para 1	Real Property Asset Management
Deliverable: Facilities Information Management System Reporting	DOE O 430.1B, Attachment 2, para 3	Real Property Asset Management
Deliverable: Real Estate Reports	DOE O 430.1B, Attachment 2, para 4.a	Real Property Asset Management

(A) Implementation of applicable directives.

- (1) The Contractor shall submit an implementation plan to the Contracting Officer when required by the directive or other instruction of the Contracting Officer and within 60 days of the effective date of the Contract.
- (2) The Contracting Officer will approve or disapprove the plan and notify the Contractor of the decision. If the Contracting Officer disapproves the plan, he/she shall clearly identify all deficiencies and provide reasonable suggestions for making the plan acceptable. Within 30 days after notification of the disapproval of a plan, the Contractor shall submit to the Contracting Officer the revised plan for approval as described above.
- (3) During the process of implementation, the Contractor will notify the Contracting Officer if modifications to the plan are required for any reason. The Contracting Officer will consider all such requests and will not unreasonably withhold his/her approval to modify such plans when circumstances warrant modification.