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SECTION B

SUPPLIES OR SERVICES AND PRICES/COSTS

B-1 SERVICES BEING ACQUIRED

The Contractor shall, in accordance with the terms and conditions of this Contract, provide the personnel, equipment, materials, supplies, and services, (except as may be furnished by the Government) and otherwise do all things necessary for, or incident to, providing its best efforts to effectively, efficiently, and safely manage and operate the Kansas City Plant (hereinafter referred to as "the Site"), for a base period of three years with two one-year options to extend the period of performance for the U.S. Department of Energy, National Nuclear Security Administration (DOE/NNSA) (Section B, B-2, Contract Type and Value, and Section F, F-5, Evaluation of Performance and Exercise of Option(s)).

B-2 CONTRACT TYPE AND VALUE **(MODIFIED MOD 020, 035)**

This is a Performance Based Contract for the Management and Operation of DOE/NNSA facilities governed by FAR 17.6, DEAR 917.6 and DEAR Part 970. It is a Management and Operating (M&O) cost-reimbursement Contract with terms for a Performance Incentive Fee as shown below.

(a) Estimated Cost (exclusive of fee)

(1) The initial transition period for the Contract of October 1, 2010 to December 31, 2010 will be on a cost reimbursement basis and the estimated cost is $ 134,045. There will be no transition fee paid.

(2) The Estimated Cost of the specific Contract periods is:

Contract Period	Estimated Cost
Base Term	
January 1, 2011-September 30, 2011 *(Based on 9 months)*	
M&O Cost	$376,248,000
Work For Others	$ 86,250,000
Other Reimbursable Work	$ 24,100,000
October 1, 2011-September 30, 2012	
M&O Cost	$521,239,000
Work For Others	$125,000,000
Other Reimbursable Work	$ 32,500,000

October 1, 2012-September 30, 2013

M&O Cost	$486,440,000
Work For Others	$140,000,000
Other Reimbursable Work	$ 32,500,000

Option 1:

October 1, 2013-September 30, 2014

M&O Cost	$468,123,000
Work For Others	$140,000,000
Other Reimbursable Work	$ 32,500,000

Option 2:

October 1, 2014-September 30, 2015

M&O Cost	$460,992,000
Work For Others	$144,000,000
Other Reimbursable Work	$ 32,500,000

(3) The Estimated Costs for each NNSA fiscal year (exclusive of fee) will be established by NNSA prior to the commencement of the applicable fiscal year and incorporated into (a)(2) of this clause by modification.

(b) Fee

(1) Definitions.

Total Available Fee = Performance Incentive Fee

(2) The Total Available Fee for the Base Term of the Contract, and the option period(s), if exercised by NNSA is shown in Table 1 below. It is NNSA's intention to set the amount of the annual Performance Incentive Fee once at the beginning of the contract and not make that amount subject to annual negotiation. Based on the Future Years Nuclear Security Program (FYNSP) figures for Fiscal Years 2011-2015, NNSA calculated the average Performance Incentive Fee amount for the five-year period based on a 7% fee rate. If the budget varies by 25% or more from the FYNSP figures, the fee for the remaining contract years will be renegotiated.

Notwithstanding the Contract's Section I Clause entitled "DEAR 970.5243-1, Changes," the Total Available Fee is subject to adjustment only for a plus or minus 25% change in the estimated cost of $1,919,680,614 upon which the fee was based at the time of the effective date of the Contract. The parties agree that the estimated cost of the contract shall not be subject to adjustment based only on differences between the estimated cost and the actual funding as reflected in clause B-5, entitled, 'Obligation of Funds'. Changes in the estimated cost as a result of cost savings will not impact Total Available Fee.

(i) Performance Incentive Fee (Modified Mod 020, 035)

A Performance Incentive Fee will be paid to the Contractor for accomplishments under the Performance Evaluation Plan. The Available Performance Incentive Fee is reflected in Table 1 below.

Table 1.

FY Year	Total Available Fee / Performance Incentive Fee	Total Performance Incentive Fee Earned
2011	$30,000,000	$28,761,519
2012	$30,000,000	$28,755,100
2013	$30,000,000	TBD
2014	$30,000,000	TBD
2015	$30,000,000	TBD

(ii) Work for Others Fixed Fee.

The estimated cost and the available Fixed Fee for Work for Others and other reimbursable work during the Base Term of the Contract and for each Option Term will be established by the NNSA prior to the commencement of the applicable fiscal year and will be revised and incorporated into the Tables 2 & 3 below through a modification to this clause. The Fixed-Fee for Work for Others will be up to 7% of the estimated cost of each project and the Fixed Fee for Other Reimbursable Work will be 7% of the estimated cost of each project. In the event the NNSA does not recover sufficient indirect costs to fund the GSA lease payment for the National Secure Manufacturing Center, the Work for Others Fee will be reduced to as low as 5% in order to cover the deficiency. If the work sponsor or the Government subsequently orders material changes in the amount or character of the Reimbursable Work, an equitable adjustment of the fee, if any, shall be made in accordance with the Contract's Section I Clause entitled "DEAR 970.5243-1, Changes." If the Contractor anticipates exceeding the amount of estimated cost for reimbursable work due to new reimbursable work projects, an adjustment to the estimated cost and Work for Others Fixed Fee for reimbursable work shall be submitted for approval by the Contracting Officer. Work for Others Fixed Fee is not a component of Maximum Available Fee. The estimated cost and available Fixed Fee related to the reimbursable work effort for the specified term is:

Table 2. Work For Others Fee

FY Year	Estimated Cost	Available Fixed Fee	Estimated Cost + Available Fixed Fee
2011	$86,250,000	$6,037,500	$92,287,500
2012	$125,000,000	$8,750,000	$133,750,000
2013	$140,000,000	$9,800,000	$149,800,000
2014	$140,000,000	$9,800,000	$149,800,000

2015	$144,000,000	$10,080,000	$154,080,000

Table 3. Other Reimbursable Work Fee

Year	Estimated Cost	Available Fixed Fee	Estimated Cost + Available Fixed Fee
2011	$21,100,000	$1,706,250	$22,806,250
2012	$32,500,000	$2,275,000	$34,775000
2013	$32,500,000	$2,275,000	$34,775000
2014	$32,500,000	$2,275,000	$34,775000
2015	$32,500,000	$2,275,000	$34,775000

(3) Provisional Payment of Fee.

The Performance Incentive Fee is authorized for draw down by the Contractor from the Contract's special financial institution account as follows:

(i) In monthly provisional fee payments equivalent to 3% of the Available Performance Incentive Fee, or

(ii) Upon completion of milestones or any other methodology as set forth in the Performance Evaluation Plan (PEP) and its supporting documentation; and

(iii) The balance, if any, upon issuance of the Contracting Officer's notification in accordance with Section B, B-7, Performance Evaluation Plan.

(iv) If the provisional payments made above exceed the Performance Incentive Fee earned or the Contractor fails to fully accomplish the objective/incentive for which it has received milestone completion or provisional payments, the Contracting Officer will determine if the Contractor is to refund all or part of the provisional fee it has received. Any refund made shall include interest. Interest will be paid at the interest rate established by the Secretary of the Treasury as provided in Section 12 of the Contract Disputes Act of 1978 (Public Law 95-563), which is applicable to the period in which any unearned payments were made.

(v) The Contractor shall remit any balance due payable to the Government in accordance with directions to be provided by the Contracting Officer.

(4) Unearned Fee

NNSA HQ will determine how unearned fee is reinvested in the Nuclear Security Enterprise.

(c) Except for the conditions identified in this clause, there shall be no adjustment in the amount of the Contractor's fee by reason of differences between any estimate of cost for performance of the work under this Contract and the actual cost of performance of that work.

B-3 RESERVED

B-4 KEY PERSONNEL REPLACEMENT

Unless approved in advance, in writing by the Contracting Officer, should any Key Personnel be removed, replaced, or diverted by the Contractor for reasons under the Contractor's control (other than to maintain satisfactory standards of employee competency, conduct, and integrity under the Contract's Section I Clause entitled "DEAR 970.5203-3, Contractor's Organization") within the first two years of period of performance; or for a replacement Key Person within two years of being placed in the position, the Contractor shall forfeit two years of the DOE/NNSA reimbursable annual salary and relocation costs in fee for that position for each occurrence.

For the purpose of identifying the Managerial Personnel defined in the Contract Clause entitled "Property," and the references to Managerial Personnel in the Contract Clause entitled "Insurance-Litigation and Claims," they are the same personnel as those Key Personnel identified in Section J, Appendix J of this Contract.

B-5 OBLIGATION OF FUNDS (MODIFIED MOD 043 DATED 3/27/13)

Pursuant to this Contract's Section I Clause entitled "DEAR 970.5232-4, Obligation of Funds." The total amount obligated by the Government with respect to this Contract is $1,943,681,179.06.

B-6 AVAILABILITY OF APPROPRIATED FUNDS

Except as may be specifically provided to the contrary to the Contract's Section I Clause entitled "DEAR 952.250-70, Nuclear Hazards Indemnity Agreement," the duties and obligations of the Government hereunder calling for the expenditure of appropriated funds shall be subject to the availability of funds appropriated by the Congress, which DOE/NNSA may legally spend for such purposes.

B-7 PERFORMANCE EVALUATION PLAN (PEP)

(a) Performance-Based Management System. This Contract is a management and operating performance-based contract, which holds the Contractor accountable for performance. This Contract uses clearly defined standards of performance consisting of performance objectives in relation to award fee and performance-based incentives and multi-site incentives as described below with measures and targets for each area agreed to in advance on a fiscal year basis and incorporated into the Performance Evaluation Plan. The Parties agree to continuously improve upon these standards of appraising Contractor performance.

(b) Performance Appraisal Process.

(1) Performance Evaluation Plan. A Performance Evaluation Plan (PEP) shall be developed and finalized by the Contracting Officer, with Contractor input, prior to the

scheduled start date of the appraisal period. The Performance Evaluation Plan will document the process by which the Contractor's performance will be evaluated and rated. The Parties will strive to reach mutual agreement on performance objectives, performance-based incentives including multi-site incentives and associated measures and targets that reflect expected business, operational and technical performance tied to key end products and NNSA/DOE strategic goals and objectives. Performance objectives will not be unduly prescriptive. Comprehensive Performance Objectives may be included to evaluate whether performance in non-mission functions such as administrative areas has been maintained at a high performance level. In the event the parties fail to agree on the requirements, the Contracting Officer reserves the unilateral right to make the final decision on all performance objectives and performance incentives (including the associated measures and targets) used to evaluate Contractor performance. The PEP shall be finalized, whether bilaterally or unilaterally, prior to the start of an appraisal period and incorporated into the Contract by a formal contract modification in Section J, Appendix B, Performance Evaluation Plan.

(2) Revisions. Only the Contracting Officer may revise the Performance Evaluation Plan, consistent with the Contract Statement of Work, during the appraisal period of performance. The Contracting Officer will notify the Contractor:

(i) Of such bilateral changes at least sixty calendar days prior to the end of the affected appraisal period;

(ii) Of such unilateral changes at least ninety calendar days prior to the end of the affected appraisal period and at least thirty calendar days prior to the effective date of the change; or

(iii) If such change, whether unilateral or bilateral, is urgent and high priority, at least thirty calendar days prior to the end of the appraisal period.

(3) Contractor Appraisal Self-Assessment Report. A comprehensive and objective annual self-assessment report including both positive and negative aspects of performance will be prepared if required by the Contracting Officer by the Contractor of its performance against the performance objectives and performance-based incentives contained in the Performance Evaluation Plan and other significant factors as determined by the Contractor and Contracting Officer. The self-assessment report, if required, shall be submitted within five-days after the end of the appraisal period. The Contracting Officer will identify the structure and medium to be used by the Contractor in delivering its annual self-assessment.

(4) Determination of Performance Incentive Fee

(i) The NNSA will, at the conclusion of each specified appraisal period, evaluate the Contractor's performance for all Performance Incentive requirements. Performance factors will be evaluated in the aggregate.

(ii) The Performance Incentive fee determination will be made in accordance with the Performance Evaluation Plan. The determination as to the amount of Performance Incentive fee earned is a unilateral determination made by the Fee Determination Official (FDO).

(iii) The Contractor will be promptly advised in writing of the amount and the basis of the Performance Incentive fee determination.

(iv) Performance Incentive fee not earned during the evaluation period shall not be allocated to future evaluation periods.

(c) Schedule for Performance Incentive Fee earned determination.

The Contracting Officer shall issue the Fee Determination Official's final total available fee amount earned determination in accordance with the schedule set forth in the Performance Evaluation Plan or as otherwise set forth in this contract. However, a determination must be made within sixty calendar days after the receipt by the Contracting Officer of the Contractor's self-assessment (if required by the Contracting Officer) or seventy calendar days after the end of the evaluation period, whichever is later, or a longer period if the Contractor and Contracting Officer agree. Within ten calendar days of the FDO final determination, the Contracting Officer shall issue a modification to the contract authorizing the payment of such fee. If the Contracting Officer evaluates the Contractor's performance of specific requirements on their completion, the payment of any earned fee amount must be made within seventy calendar days (or such other time period as mutually agreed to between the Contracting Officer and the Contractor) after such completion. If the determination is delayed beyond that date, the Contractor shall be entitled to interest on the determined total available fee amount earned at the rate established by the Secretary of the Treasury under section 12 of the Contract Disputes Act of 1978 *(41 U.S.C. 611)* that is in effect on the payment date. This rate is referred to as the "Renegotiation Board Interest Rate," and is published in the Federal Register semiannually on or about January 1 and July 1. The interest on any late total available fee amount earned determination will accrue daily and be compounded in 30-day increments inclusive from the first day after the schedule determination date through the actual date the determination is issued. That is, interest accrued at the end of any 30-day period will be added to the determined amount of fee earned and be subject to interest if not paid in the succeeding 30-day period.

SECTION C

DESCRIPTION/SPECIFICATIONS/STATEMENT OF WORK

C-1 STATEMENT OF WORK

The work to be performed is set forth in Section J, Appendix A, Statement of Work.

SECTION D

PACKAGING AND MARKING (Reserved)

SECTION E

INSPECTION AND ACCEPTANCE

E-1 FAR 52.246-5 INSPECTION OF SERVICES – COST-REIMBURSEMENT (APR 1984)

(a) Definition. "Services," as used in this clause, includes services performed, workmanship, and material furnished or used in performing services.

(b) The Contractor shall provide and maintain an inspection system acceptable to the Government covering the services under this contract. Complete records of all inspection work performed by the Contractor shall be maintained and made available to the Government during contract performance and for as long afterwards as the contract requires.

(c) The Government has the right to inspect and test all services called for by the contract, to the extent practicable at all places and times during the term of the contract. The Government shall perform inspections and tests in a manner that will not unduly delay the work.

(d) If any of the services performed do not conform with contract requirements, the Government may require the Contractor to perform the services again in conformity with contract requirements, for no additional fee. When the defects in services cannot be corrected by re-performance, the Government may-

(1) Require the Contractor to take necessary action to ensure that future performance conforms to contract requirements; and

(2) Reduce any fee payable under the contract to reflect the reduced value of the services performed.

(e) If the Contractor fails to promptly perform the services again or take the action necessary to ensure future performance in conformity with contract requirements, the Government may-

(1) By contract or otherwise, perform the services and reduce any fee payable by an amount that is equitable under the circumstances; or

(2) Terminate the contract for default.

E-2 ACCEPTANCE

Acceptance for all work and effort under this Contract shall be accomplished by the Contracting Officer or any other duly authorized representative.

E-3 QUALITY ASSURANCE SYSTEM

The Contractor shall establish and maintain a formal Quality Assurance Program approved by the DOE that is equal to the elements of the DOE Order 414.1C entitled "Quality Assurance". The Quality Assurance Program shall encompass all areas of performance by the Contractor. Additionally, the Quality Assurance Rule, 10 CFR Part 830.120, applies to those activities related to design, manufacture, and assembly of items for use with radioactive materials in such form or quantity that a nuclear hazard potentially exists even when no nuclear material is present. Any subcontracts in support of this work shall require subcontractors to comply with the Contractor's approved Quality Assurance Program and/or Quality Assurance Plans.

The Contractor’s Quality Assurance Program for nonnuclear weapon component research, design, development, procurement, production, dismantlement, maintenance, stockpile evaluation, and disassembly/disposal shall meet the requirements of the DOE/AL Quality Criteria (QC-1).

SECTION F

DELIVERIES OR PERFORMANCE

F-1 FAR 52.242-15 STOP-WORK ORDER (AUG 1989) ALTERNATE I (APR 1984)

(a) The Contracting Officer may, at any time, by written order to the Contractor, require the Contractor to stop all, or any part, of the work called for by this contract for a period of 90 days after the order is delivered to the Contractor, and for any further period to which the parties may agree. The order shall be specifically identified as a stop-work order issued under this clause. Upon receipt of the order, the Contractor shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the order during the period of work stoppage. Within a period of 90 days after a stop-work is delivered to the Contractor, or within any extension of that period to which the parties shall have agreed, the Contracting Officer shall either--

(1) Cancel the stop-work order; or

(2) Terminate the work covered by the order as provided in the Termination clause of this contract.

(b) If a stop-work order issued under this clause is canceled or the period of the order or any extension thereof expires, the Contractor shall resume work. The Contracting Officer shall make an equitable adjustment in the delivery schedule, the estimated cost, the fee, or a combination thereof, and in any other terms of the contract that may be affected, and the contract shall be modified, in writing, accordingly, if--

(1) The stop-work order results in an increase in the time required for, or in the Contractor's cost properly allocable to, the performance of any part of this Contract; and

(2) The Contractor asserts its right to the adjustment within 30 days after the end of the period of work stoppage; provided that, if the Contracting Officer decides the facts justify the action, the Contracting Officer may receive and act upon the claim submitted at any time before final payment under this contract.

(c) If a stop-work order is not canceled and the work covered by the order is terminated for the convenience of the Government, the Contracting Officer shall allow reasonable costs resulting from the stop-work order in arriving at the termination settlement.

(d) If a stop-work order is not canceled and the work covered by the order is terminated for default, the Contracting Officer shall allow, by equitable adjustment or otherwise, reasonable costs resulting from the stop-work order.

F-2 PERIOD OF PERFORMANCE

(a) The Contract’s period of performance includes:

Transition Term – the effective date of the Contract through December 31, 2010;

Base Term – January 1, 2011 through September 30, 2013; and, if exercised;

Option Term 1 – October 1, 2013 through September 30, 2014; and, if exercised;

Option Term 2 – October 1, 2014 through September 30, 2015.

(b) The period of performance of this Contract will expire on September 30, 2013, unless sooner reduced, terminated or extended in accordance with the provisions of this Contract. The Contract period of performance may be extended in increments, or portions thereof, for up to an additional period of two years of performance in accordance with Section F, F-5, Evaluation of Performance and Exercise of Option(s). The Contract's maximum period of performance, including Options, if exercised, beyond the Transition Term and Base Term of the Contract shall not exceed five (5) years.

(c) The Transition Term shall be for the transition activities identified in Section J, Appendix C, Contractor's Transition Plan. The Contractor's responsibility for management and operation of the Site against the Statement of Work shall commence with the Base Term. The Option Terms 1-2 conditions are set forth in Section F, F-5, Evaluation of Performance and Exercise of Option(s).

F-3 PRINCIPAL PLACE OF PERFORMANCE

The work under this Contract is to be carried out at a variety of locations throughout the United States, with the principal place of performance being in Kansas City, Missouri.

F-4 STOP WORK IN EVENT OF IMMINENT DANGER

In the event that a determination or observation of conditions is immediately dangerous to the life or health of the workers, the public, or the environment, the Contractor shall immediately cease that activity. In the event of imminent danger, any Federal or Contractor employee is authorized to instruct the Contractor to properly stop work. The Contracting Officer must be contacted immediately after the event such that a written Stop-Work order can be issued in accordance with the Contract's Section F Clause entitled "FAR 52.242-15, Stop-Work Order Alternate I." The Contractor shall include this clause in all subcontracts to be performed at the site.

F-5 EVALUATION OF PERFORMANCE AND EXERCISE OF OPTION(S)

NNSA has included an option to extend the term of this Contract in order to demonstrate the value it places on quality performance. The DOE has provided a mechanism for continuing a contractual relationship with a successful Contractor that performs at a level which meets or exceeds quality performance expectations as communicated to the Contractor, in writing, by the Contracting Officer or designated representative. When deciding whether to exercise the option,

the Contracting Officer will consider the quality of the Contractor's performance under this Contract.

The Option Periods, covering the period from October 1, 2013 to September 30, 2015, may be for a period(s) from one to two years. Within 18 months of contract expiration, the NNSA will give the Contractor a preliminary written notice of its intent to extend the contract performance period. The Contracting Officer will determine the duration of the option period(s) at the time of written notification to the Contractor. Successive options may be exercised up to a total of two years. The total term shall not extend beyond September 30, 2015.

F-6 DELIVERABLES

The primary deliverable under this Contract is production of nonnuclear components for nuclear weapons to support NNSA Stockpile Stewardship and Management Program activities directed by the Office of Defense Programs. To ensure that effective and efficient management systems exist for the management and operation of the site, this Contract also requires the delivery of certain documents, plans, and reports for the Contracting Officer’s review and approval. The Contractor shall manage all deliverables required throughout this Contract.

F-7 DELIVERABLES DURING TRANSITION

In addition to the transition deliverables identified elsewhere in the Contract, the following deliverables shall be submitted during the Transition Term as follows:

(a) Community Commitment Plan. The Contractor shall deliver within 10 calendar days after the effective date of the Contract, a community commitment plan that has been discussed between the Contractor and the community. The Community Commitment Plan will consist of commitments between the Contractor and the surrounding community of the site under this Contract for purposes of supporting the community and its economic base. As this plan will not become part of the resulting Contract requirements, costs associated with the development of the plan will be considered allowable, however costs associated with implementing the plan will be considered unallowable.

(b) Key Personnel Cost Estimate.

(1) The Contractor shall propose initial total Key Personnel compensation costs for each of its Key Personnel for fiscal year (FY) 2012 within 10 calendar days after the date of effective date of the Contract. The Key Personnel compensation costs will be subject to approval by the Contracting Officer during the Transition Term. For FY 2012, for Key Personnel, the Contracting Officer will approve one time salary increase requests due to recruitment or promotion actions up to 6 percent above the prior incumbent's Key Personnel reimbursed salary as of the date of effective date of the contract or 10 percent above the candidate's current salary whichever is less. No reimbursement above the limits specified will be allowed under the Contract for FY 2012.

(2) Separately identify and provide a total summary of the annual compensation costs of

the Contractor's proposed Key Personnel for FY 2012. Costs shall include annual base salaries, and applicable bonuses, incentive pay, fringe benefits, and other key personnel compensation. For each of the Key Personnel proposed, identify the individual's position, name, current annual salary, and basis for determining the proposed annual salary. Separately identify and describe the basis of estimate for applicable fringe benefits, incentive pay, bonuses, and any other forms of Key Personnel compensation. Provide narrative support sufficient to explain the development and reasonableness of the proposed compensation costs.

(3) Notwithstanding any other term or condition set forth in the Contract, the compensation for each of the Contractor's Key Personnel shall not exceed $693,951 or the revised benchmark amount, in any subsequent Government fiscal year, as determined by the applicable Determination of Executive Compensation Benchmark Amount Pursuant to Section 39 of the Office of Federal Procurement Policy Act (41 U.S.C. 435), as Amended, as required in FAR 31.205-6, Compensation for Personal Services; paragraph (p), Limitation on allowability of compensation for certain Contractor personnel. Any amount in excess of the OFPP benchmark must be identified and excluded from the Contractor's proposed Key Personnel Costs.

(c) Conflict of Interest Compliance Plan. The Contractor shall submit a Conflict of Interest (COI) Compliance Plan to the Contracting Officer for approval within 90 days after the award date of this Contract. The COI Compliance Plan shall address the Contractor's approach for adhering to this Contract's Section I Clause entitled "DEAR 952.209-72 Organizational Conflicts of Interest Alternate I" and describe its procedures for aggressively self-identifying and resolving both organizational and employee conflicts of interest. The overall purpose of the COI Compliance Plan is to demonstrate how the Contractor will assure that its operations meet the highest standards of ethical conduct, and how its assistance and advice are impartial and objective. The COI Compliance Plan shall include the minimum standards at Section J, Appendix Q, Minimum Standards for Contractor's COI Plans.

SECTION G

CONTRACT ADMINISTRATION DATA

G-1 CORRESPONDENCE PROCEDURES

To promote timely and effective administration under this Contract, the Contractor shall be subject to the following procedures:

(a) Technical and Administrative Correspondence:

Technical and Administrative Correspondence concerning performance of this Contract shall be addressed to the responsible NNSA Contracting Officer's Representative (COR), with an information copy to the NNSA Contracting Officer. CORs are listed in Section J, Appendix S.

(b) Designation of Contracting Officer's Representative(s)

The Contracting Officer's Representative's official delegation of authority shall be provided to the Contractor in writing. This delegation will describe the COR's authorities in detail. However, it is emphasized that only the Contracting Officer has the authority to modify the terms of the Contract, therefore, in no event will any understanding, agreement, modification, change order, or other matter deviating from the terms of the basic Contract between the Contractor and any other person be effective or binding on the Government. When/If, in the opinion of the Contractor, an effort outside the existing scope of the Contract is requested, the Contractor shall promptly notify the Contracting Officer in writing. No action shall be taken by the Contractor unless the Contracting Officer has issued a formal, written contractual change.

If an effort under this Contract requires that an Alternate COR is to perform duties in the absence of the responsible COR, all responsibilities and functions assigned to the COR shall be the responsibility of the Alternate COR acting on behalf of the COR.

(c) Contractual Correspondence/Matters

Correspondence involving Contractual matters shall be addressed to the Contracting Officer responsible for administration of this Contract. The Contracting Officer for NNSA is Ralph B. Tennant II, Kansas City Site Office. This individual shall be primarily responsible for all Contractual actions required to be taken by the Government under the terms of this Contract.

Notwithstanding the above, in the event the above named individual is absent for an extended period or an urgent action is required, any other duly appointed Contracting Officer assigned shall be authorized to take the required Contractual action(s) within the limits of his/her authority.

(d) NNSA Contracting Office Address

Contracting Officer
U.S. Department of Energy/NNSA
Kansas City Site Office
P.O. Box 410202
Kansas City, MO 64141-0202

(e) Marking

To promote timely and effective administration, correspondence submitted under this Contract shall contain a subject line commencing with the Contract Number, as illustrated:

"SUBJECT: CONTRACT NUMBER DE-NA0000622, (insert subject topic after Contract Number, e.g., "Request for subcontract placement approval").

(f) Distribution

A copy of all correspondence addressed to the Contracting Officer shall be provided to the Manager, Site Office at the mailing address stated in G-1(d) above.

G-2 MODIFICATION AUTHORITY

Notwithstanding any of the other clauses of this Contract, a Contracting Officer is the only individual authorized, on behalf of the Government, to:

(a) Accept nonconforming work;

(b) Waive any requirement of this Contract; or

(c) Modify any term or condition of this Contract.

G-3 DOE/NNSA PATENT COUNSEL

The Patent Counsel for items concerning patent, intellectual property, technology transfer, copyright, open source, licenses and technical data issues is identified below. Correspondence being sent to the DOE/NNSA Patent Counsel should be addressed to:

NNSA Service Center
NNSA Patent Counsel
P.O. Box 5400
Albuquerque, NM, 87185-5400
Phone: (505) 845-5172

G-4 DOE/NNSA ORGANIZATIONAL PROPERTY MANAGEMENT OFFICER (MODIFIED MOD 020)

The Contractor may use the Organizational Property Management Officer as a point of contact for guidance and assistance involving property requirements. The Contracting Officer shall be contacted for any matter which involves a change in any of the express terms and conditions of the Contract. Correspondence being sent to the Organizational Property Management Officer should be addressed to:

NNSA Albuquerque Complex
Organizational Property Management Officer (OPMO)
Personal Property Section
Acquisition Management Division
P.O. Box 5400
Albuquerque, New Mexico, 87185-5400
Telephone: (505) 845-5437

G-5 CONTRACTOR CONTACT

The Contractor shall identify to the Contracting Officer the point of contact who has the authority and is responsible for managing, administering, and negotiating changes to the terms and conditions of this Contract as well as executing Contract modifications on behalf of the Contractor.

G-6 PERFORMANCE GUARANTEE(S)

The Contractor is required to organize a separate corporate entity to perform the work under the Contract which shall be totally responsible for all Contract activities. The Contractor's parent organization(s) or all member organizations if the Contractor is a joint venture, limited liability company, or other similar entity, shall guarantee performance as evidenced by the Performance Guarantee Agreement(s) incorporated in Section J, Appendix E, Performance Guarantee Agreement(s). If the Contractor is a joint venture, limited liability company, or other similar entity where more than one organization is involved, the parent or all member organizations shall assume joint and several liability for the performance of the Contractor. In the event any of the signatories to the Performance Guarantee Agreement(s) enters into proceedings related to bankruptcy, whether voluntary or involuntary, the Contractor agrees to furnish written notification of the bankruptcy to the Contracting Officer.

G-7 RECOGNITION OF PERFORMING ENTITY

(a) The Contractor and the Government recognize that the parties named below form the performing entity on which the award of this Contract was based.

The performing entity is Honeywell Federal Manufacturing & Technologies, LLC (FM&T). This entity is comprised of:

Honeywell International Incorporated.

(b) Accordingly, the Contractor and the Government agree that:

The Contractor shall take no action to replace the components of the entity named in paragraph (a) of this clause without the prior written approval of the Contracting Officer.

G-8 RESPONSIBLE CORPORATE OFFICIAL (MODIFIED MOD 002, 020, 029)

Notwithstanding G-6, Performance Guarantee(s), the Government may contact, as necessary, the single responsible corporate official identified below, who is at a level above the Contractor and who is accountable for the performance of the Contractor. Should the responsible corporate official change during the period of the Contract, the Contractor shall promptly notify the Government of the change in the individual to contact.

Name: Mike Madsen
Position: President
Company: Honeywell, Defense & Space

SECTION H

SPECIAL CONTRACT REQUIREMENTS

H-1 CONFIDENTIALITY OF INFORMATION

(a) In accordance with the Contract's Section I Clause entitled "DEAR 952.209-72 Organizational Conflicts of Interest Alternate I," to the extent that the work under this Contract requires that the Contractor be given access to confidential or proprietary business, technical, or financial information belonging to the Government or other companies, the Contractor shall, after receipt thereof, treat such information as confidential and agrees not to appropriate such information to its own use or to disclose such information to third parties unless specifically authorized by the Contracting Officer in writing. The foregoing obligations, however, shall not apply to:

(1) Information which, at the time of receipt by the Contractor, is in the public domain;

(2) Information which is published after receipt thereof by the Contractor or otherwise becomes part of the public domain through no fault of the Contractor;

(3) Information which the Contractor can demonstrate was in its possession at the time of receipt thereof and was not acquired directly or indirectly from the Government or other companies; or

(4) Information which the Contractor can demonstrate was received by it from a third party that did not require the Contractor to hold it in confidence.

(b) The Contractor shall obtain the written agreement, in a form satisfactory to the Contracting Officer, with each employee permitted access, whereby the employee agrees that he will not discuss, divulge, or disclose any such information or data to any person or entity except those persons within the Contractor's organization directly concerned with the performance of the Contract.

(c) The Contractor agrees, if requested by the Government, to sign an agreement identical, in all material respects, to the terms of this clause, with each company supplying information to the Contractor under this Contract, and to supply a copy of such agreement to the Contracting Officer.

(d) The Contractor agrees that upon request by DOE/NNSA, it will execute a DOE/NNSA-approved agreement with any party whose facilities or proprietary data it is given access to or is furnished, restricting use and disclosure of the data or the information obtained from the facilities. Upon request by DOE/NNSA, such an agreement shall also be signed by Contractor personnel.

(e) This clause shall flow down to all subcontracts.

(f) Technical data is addressed in this Contract's Section I Clause entitled "DEAR 970.5227-2, Rights in Data-Technology Transfer."

H-2 NNSA PRIME CONTRACTS (MODIFIED MOD 020)

(a) In accordance with the Contract's Section I Clause entitled "DEAR 970.5243-1, Changes," the Contracting Officer may identify any of the work contemplated by Section J, Appendix A, Statement of Work, of this Contract to be performed either by another Contractor directly contracted by the DOE/NNSA or by Government employees. The Contractor agrees to fully cooperate with such other Contractors and Government employees, carefully fit its own work to such other work as may be directed by the Contracting Officer, and provide reasonable support as required. The Contractor shall not commit or permit any act which will interfere with the performance of work by any other Contractor or by Government employees. For work identified for performance by another Contractor directly contracted by the NNSA–

(1) The Government and the Contractor will confer in advance on the strategy for changing responsibility for the work and will do so with the objective of minimum disruption to the site operations.

(2) The Government may designate the Contractor as the Technical Monitor (not authorized to accept or provide technical direction) for such Contracts that are directly related to the scope of this Contract. The Contractor agrees to perform such monitoring duties as shall be further described in the designation for each such Contract. No designation shall include, and the Contactor shall not perform any function determined to be inherently Governmental. These functions include, but are not limited to:

(i) Award, modification, change, or termination of the Contract.

(ii) Receipt, processing or adjudication of any claims, invoices, or demands for payment of any form.

(3) The Technical Monitor shall report to the Contracting Officer, or the Contracting Officer's Representative, any performance of a designated Contract that may not be in compliance with its terms and conditions but is not authorized to take any other action regarding such noncompliance.

(4) Additionally, the NNSA agrees to insert the clause below entitled "Other Government Contractors Performing Work at the M&O Site," substantially as written here, in all such Contracts as follows:

OTHER GOVERNMENT CONTRACTORS PERFORMING WORK AT THE M&O SITE
In addition to this Contract, DE-NA0000622, the Government may undertake or award other Contracts for additional work or services at the Site. The Contractor agrees to fully cooperate with the M&O Contractor, other Contractors, and Government employees, and carefully coordinate its own work with other work being performed at

the site as may be directed by the Contracting Officer. The Contractor shall not commit or permit any act which will interfere with the performance of work by any other Contractor or by Government employees at the site.

The Government may designate the M&O Contractor to be the Technical Monitor for any right, duty or interest in this Contract. If the M&O Contractor is designated, a copy of the designation letter will be provided to the Contractor by the Government. The Contractor further agrees to fully cooperate with the M&O Contractor for all matters under the terms of the designation.

(b) In the cases where the Government directly contracts with other entities and retains administration, the Contractor shall fully cooperate with these other entities and provide reasonable support as required.

(c) Adjustments shall be made to the Contractor's Subcontracting Plan to recognize the changes to the subcontracting base and goals, if appropriate.

H-3 INSTRUCTIONS FOR UPDATING FOREIGN OWNERSHIP, CONTROL OR INFLUENCE (FOCI) INFORMATION (APRIL 2010)

(a) In order to submit periodic updates or to report changes to Foreign Ownership, Control or Influence information as required by this Contract's Section I Clause entitled "DEAR 952.204-2, Security," the Contractor shall use the DOE/NNSA FOCI electronic submission system located at https://foci.td.anl.gov.

(b) New users, when registering to update information under this Contract, should select "NNSA Service Center Procurement" as the FOCI Office that will review the FOCI Submission.

(c) An original signed hardcopy "Certificate Pertaining to Foreign Interest" form, SF 328, is not required. Instead, the respective Contractor facility shall print, sign and scan the SF 328 into the eFOCI package. The Key Management Personnel (KMP) form shall also be printed, signed and scanned into the eFOCI package.

H-4 ADDITION AND ALTERATIONS TO IMPLEMENT EXECUTIVE ORDER 13423, STRENGTHENING FEDERAL ENVIRONMENTAL, ENERGY, AND TRANSPORTATION MANAGEMENT AND ITS IMPLEMENTING INSTRUCTIONS

This contract involves contractor operation of Government-owned facilities and/or vehicles and the provisions of Executive Order 13423 are applicable to the Contractor to the same extent they would be applicable if the Government were operating the facilities or vehicles. Information on the requirements of the Executive Order and its Implementing Instructions may be found at http://ofee.gov/Executive Order/Executive Order13423_main.asp. This requirement includes the Electronics Stewardship requirements of Implementing Instruction XII. When acquiring desktop or laptop computers and computer monitors, the Contractor shall acquire Electronic Product Environmental Assessment Tool registered products conforming to IEEE 1680-2006 Standard

and ranked at least bronze, provided such products are life cycle cost efficient and meet applicable performance requirements. Information on EPEAT-registered computer products is available at www.epeat.net.

H-5 NOTIFICATION OF CONFLICTS OF INTEREST REGARDING PERSONNEL

(a) In addition to the requirements of the Contract's Section I Clause entitled "DEAR 952.209-72 Organizational Conflicts of Interest Alternate I," the following terms with regard to employee personnel performing under this Contract shall apply until the earlier of the following two dates: the termination date of the affected employee(s) or the expiration date of the Contract.

(b) The Contractor shall notify immediately the Contracting Officer's Representative(s) and the Contracting Officer of (1) any actual or potential personal conflict of interest with regard to any of its employees working on or having access to information regarding this Contract, or (2) any such conflicts concerning subcontractor employees or consultants working on or having access to information regarding this Contract, when such conflicts have been reported to the Contractor. A personal conflict of interest is defined as a relationship of an employee, subcontractor employee, or consultant with an entity that may impair the objectivity of the employee, subcontractor employee, or consultant in performing the Contract work.

(c) The Contractor shall notify each Contracting Officer's Representative and Contracting Officer prior to incurring costs for that employee's work when an employee may have a personal conflict of interest. In the event that the personal conflict of interest does not become known until after performance on the Contract begins, the Contractor shall immediately notify the Contracting Officer of the personal conflict of interest. The Contractor shall continue performance of this Contract until notified by the Contracting Officer of the appropriate action to be taken.

(d) The Contractor shall insert in any subcontract or consultant agreement placed hereunder, where applicable, terms which shall conform substantially to the language of this clause, including this paragraph (d), unless otherwise authorized by the Contracting Officer.

H-6 ANNUAL CONFLICT OF INTEREST CERTIFICATION

The Contractor shall submit an annual conflict of interest certification to the Contracting Officer. In this certification, the Contractor shall certify annually that, to the best of the Contractor's knowledge and belief, all actual or potential organizational conflicts of interest have been reported to NNSA. In addition, in this annual certification, the Contractor shall certify that it has informed its personnel who perform work under NNSA Contracts or relating to NNSA Contracts of their obligation to report personal and organizational conflicts of interest to the Contracting Officer. Such certification must be signed by a senior executive of the company and submitted in accordance with instructions provided by the Contracting Officer. The initial certification shall cover the one-year period from the date of effective date of the Contract, and all subsequent certifications shall cover successive annual periods thereafter, until expiration or termination of the Contract. The certification must be received by the Contracting Officer no later than 45 days

after the close of the certification period covered.

H-7 SMALL BUSINESS PARTICIPATION

Small business concerns, veteran-owned small business concerns, service-disabled veteran-owned small business concerns, HUBZone small business concerns, small disadvantaged business concerns, and women-owned small business concerns submitted by the Contractor in its proposal for purposes of evaluation for award, are incorporated into this Contract at Section J, Appendix K, Small Business Subcontracting Plan. To the extent that such concerns specifically were identified in the proposal, they are also incorporated into this Contract and the Contractor shall notify the Contracting Officer of any changes in scope and value, and any substitutions of firms. This notification shall include a rationale and justification for the changes.

The Contractor's performance in meeting and exceeding its proposed socio-economic business participation shall be assessed as part of the fee determination under this Contract.

H-8 RESERVED

H-9 REDEFINING THE FEDERAL/CONTRACTOR RELATIONSHIP TO IMPROVE MANAGEMENT AND PERFORMANCE

(a) General

The NNSA is committed to improving the effectiveness and efficiency of the Nuclear Weapons Complex. This H-9 Clause sets forth an overview of NNSA's approach to achieve this commitment. The following Contract Clauses set forth the specific Contract requirements that will provide the Contractor the flexibility to improve its management and performance. Collectively these clauses are referred to herein as "the performance improvement system."

H-9 Redefining the Federal/Contractor Relationship to Improve Management and Performance
H-10 Performance Direction
H-11 Operating Requirements and Standards Management
H-14 Management Assurance
H-15 Accountability
H-16 Contractor Reinvestment of Cost Efficiencies
H-17 NNSA Oversight

(b) Clarifying the Contract Relationship

To clarify the contractual relationship, NNSA will establish the work to be accomplished by the Contractor, set applicable operating requirements to be met by the Contractor, and will provide program and performance direction regarding what NNSA wants in each of its programs. The Contractor shall determine how the program is executed and shall be accountable for performance in accordance with the terms and conditions of this Contract.

The Contractor will utilize its expertise and ingenuity in determining how the work is to be accomplished in the most effective and efficient manner. NNSA will issue performance direction to the Contractor only through a Contracting Officer or a designated COR. All other Federal staff and oversight components are therefore precluded from tasking contractor personnel. The Contractor is accountable for assuring safe, secure, effective and efficient operations in accordance with the terms and conditions of this Contract.

(c) Approach to Oversight

NNSA will increase Contractor accountability as a result of implementation of the Contractor's Management Assurance System to achieve improved Contractor performance on the Contract. Parent Organization oversight shall be a key feature of the Contractor's Management Assurance System. NNSA oversight will focus on evaluating systems and performance rather than transactions. NNSA will determine the level of NNSA oversight of all Contractor activities under this Contract, consistent with the Oversight Plan and approved funding levels. Oversight will focus on the essential outcomes of the following core requirements for the KCP: meeting product schedule; meeting product specification; cost management; asset management; and compliance to contract standards including ES&H and National Security.

(d) Empowering Contractor Expertise

The Contractor is encouraged to identify and evaluate best commercial standards and best business practices and to continuously pursue cost effective and efficient improvements in Contract performance. The contractor and its parent organization shall provide the functional leadership, core processes and policies, and best practices to be deployed under the contract. The Contractor shall use the private-sector expertise of its parent organization to improve contract performance as appropriate by maintaining and enhancing strong ties to the contractor's parent organization, the exercise of parent accountability over contract operations, and maintaining and expanding the application of corporate systems, processes and human resources to the contract.

(e) Results-Oriented, Streamlined Performance Appraisal

A results-oriented, streamlined performance appraisal process will be established with critical performance objectives, measures, and targets that focus on those areas of greatest strategic value to NNSA using systems-based metrics. Comprehensive Performance Objectives will be incorporated to reward performance in non-core functions such as administrative areas.

(f) Reward for Achieving Cost Efficiencies

The Contractor will be rewarded for the achievement of cost efficiencies through onsite investment of cost savings with program approval.

H-10 PERFORMANCE DIRECTION

(a) The contractor is responsible for the management, integration, and operation of the site in accordance with the Terms and Conditions of the contract, duly issued Work Authorizations (WAs), and written direction provided by the Contracting Officer and the Contracting Officer's Representatives (COR). NNSA is responsible for establishing the work to be accomplished, the applicable standards and requirements to be met, and overseeing the work of the contractor. The contractor will use its expertise and ingenuity in contract performance and in making choices among acceptable alternatives to most effectively and efficiently accomplish the work called for by this contract.

(b) Only the Contracting Officer may assign, modify, and priority rank WAs.

(c) (1) The Contracting Officer and the NNSA Administrator will designate, in writing, specific NNSA employees as CORs with the authority to issue Performance Direction to the contractor. CORs are authorized to act within the limits of their delegation letter. A copy of each letter will be provided to the contractor. COR functions include technical monitoring, inspection, and other functions of a technical nature not involving a change in the scope, cost, or Terms and Conditions of the contract.

(2) The contractor must comply with written Performance Directions that are signed by the COR and:

(i) Redirect the contract effort, shift work emphasis within a work area or a WA, require pursuit of certain lines of inquiry, further define or otherwise serve to accomplish the Statement of Work (SOW), or

(ii) Provide information that assists in the interpretation of drawings, specifications, or technical portions of the work description.

(3) Performance Direction does not:

(i) authorize the contractor to exceed the funds obligated on the contract;

(ii) authorize any increased cost or delay in delivery in a WA;

(iii) entitle the contractor to an increase in fee; or

(iv) change any of the terms or conditions of the contract.

(d) (1) The contractor shall accept only Performance Direction that is provided in writing by a COR and that is within the SOW and a WA.

(2) The COR is authorized to review and approve technical reports, drawings, specifications, and technical information delivered by the contractor.

(e) (1) The contractor shall promptly comply with each duly issued Performance Direction unless the contractor reasonably believes that the Performance Direction violates this clause. If the contractor believes the Performance Direction violates this clause, the contractor shall suspend implementation of the Performance Direction and promptly notify the Contracting Officer of its reasons for believing that the Performance Direction violates this clause. The contractor shall confirm these reasons in writing to the Contracting Officer within ten workdays from receipt of the Performance Direction.

(2) The Contracting Officer will determine if the Performance Direction is within the SOW and WA. This determination will be issued in writing and the contractor shall promptly comply with the Contracting Officer's direction. If it is not within the SOW or WA, the Contracting Officer may issue a change order pursuant to the Changes clause.

(f) The parties agree to maintain full and open communication at all times, and on all issues affecting contract performance, during the term of this contract. Performance direction issued pursuant to this clause is intended to be consistent with the approach described in Clause H.1(b) that government direction will be limited to “what” the contractor intends to accomplish. The contractor is encouraged to identify concerns to the Contracting Officer whenever it believes that performance direction defines “how” the contractor is intended to accomplish the work, and the Contracting Officer will work to revise the performance direction if appropriate.

H-11 OPERATING REQUIREMENTS AND STANDARDS

(a) The Contractor shall comply with those "Operating Requirements" listed in Section J, Appendix N or directed by the Contracting Officer that include DOE directives incorporated into the contract in accordance with the Contract Clause entitled "Laws, Regulations, and DOE Directives," best-in-class commercial standards and best business practices. A current list of operational requirements shall be maintained by the Contractor as an "Operating Requirements" section of a KCP plant information system that is to be updated as part of the “Operating Requirements” change control process and available to all employees and the NNSA. Revisions to the "Operating Requirements" may be made unilaterally by the Contracting Officer in accordance with Paragraph (b) of the Contract Clause entitled "Laws, Regulations, and DOE Directives," or they may be initiated by the Contractor or NNSA through the process described in Paragraph (c) below.

(b) The Contractor shall benchmark with industry as appropriate to identify best-in-class commercial practices and best business practices that may, when substituted for existing contractual requirements, improve site operations and cost effective performance, while effectively managing safety and security.

(c) Operating Requirements Change Control

i) Definitions:

(A) Baseline: The baseline shall consist of the Operating Requirements. The Contractor shall maintain a record of the baseline in its Command Media.

(B) Change: Any directive, inspection, audit finding, informal or formal communication that if implemented by the Contractor would add or delete an element to the baseline or would alter, increase or decrease the contractor's work relating to the baseline.

ii) Baseline Change Control Process – The parties shall jointly develop and use the Baseline Change Control Process for evaluating and recommending Baseline changes to the Contracting Officer. The Baseline Change Control Process shall not affect the application of otherwise applicable laws and regulations of the United States, including DOE/NNSA regulations.

iii) Implementation: The Contracting Officer will make a final decision on the recommendations resulting from the process. For change requests that have been initiated by the Contracting Officer, the Contractor will receive a comprehensive description of Contractor requirements necessitated by the change and a date for implementation.

iv) Documentation: Systems shall be established for documenting all change requests, Operating Requirements Review Board recommendations and decisions resulting from the process.

v) Contract Modification: The contractor shall be under no obligation to respond to orders for changes to the Baseline absent a modification to this Contract. Any change to Operating Requirements approved by the Contracting Officer under this clause shall be incorporated into the Contract under Section J, Appendix N.

vi) Ordinarily no change will be made to the Baseline without first following the process identified in this Section and the associated Baseline Change Control Process. Nothing in this Clause is intended to limit the authority of the Contracting Officer to incorporate or reinstate a directive or requirement under the DEAR clause entitled "Laws, Regulations, and DOE Directives."

H-12 ASSUMPTION OF EXISTING AGREEMENTS AND SUBCONTRACTS

On January 1, 2011, the Contractor shall continue responsibility for existing contracts and other agreements from Contract No. DE-AC04-01AL66850. These include: (a) all subcontracts and purchase orders, (b) cooperative research and development agreements, (c) consent orders, (d) regulatory agreements and permits, (e) collective bargaining agreements, (f) site-wide plans (e.g., safety and security plans), and (g) any other agreements in effect prior to execution of this Contract.

H-13 CONTRACTOR EMPLOYEES/NON-CONTRACT ACTIVITIES

(a) In carrying out the work under this Contract, the Contractor shall be responsible for the employment of all professional, technical, skilled, and unskilled personnel engaged by the Contractor in the work hereunder, and for the training of personnel. Persons employed by the Contractor shall be and remain employees of the Contractor and shall not be deemed employees of the DOE or the Government; however, nothing herein shall require the establishment of any employer-employee relationship between the Contractor and consultants or others whose services are utilized by the Contractor for the work hereunder.

(b) The Contractor's employees engaged in the performance of this Contract may remain on the payroll of the Kansas City Plant and be used to perform incidental work by the Contractor unrelated to the scope of work of this Contract, provided that: these activities do not interfere with work under this Contract; no costs, expense or liabilities, including liabilities for accrued pension service, resulting from the performance of such activities shall be allowable costs under the Contract; and the Contractor shall indemnify and hold harmless DOE against any such liabilities, claims or expenses resulting from such activities. Further, the Contractor shall make advance payment for such activities to the Special Financial Institution Account Agreement for Use With the Payments Cleared Financing Agreement referred to in Appendix B hereof, in manner and amount consistent with applicable DOE financial policies and procedures, as amended, and as determined by the Contracting Officer. Payments so made shall become part of the advances of Government funds as described in the clause entitled "Payments and Advances." Prior written approval of the Contracting Officer shall be required for any "Key Personnel" as defined in Section J, Appendix J, to be so used. The Contractor shall submit to the Contracting Officer a quarterly written report on other employees who have been so used.

(c) The parties recognize that the performance of activities described in paragraph (b) above may result in the generation of records. The parties agree that any records (excluding records required to determine costs, expenses, or liabilities related to the activities in (b) above) being paid for out of corporate and not Contract funds are owned by the Contractor and DOE shall have no right to inspect, copy, or audit such records as set forth in the Contract Clause entitled "Access to and Ownership of Records."

(d) Upon prior written approval of the Contracting Officer, the Contractor may use corporate employees, not employed under the Contract, for incidental work under the Contract. Salary reimbursement for the time such employees work under this Contract will be determined in accordance with the employee's regular work location's government-approved costing practices. Time worked under this Contract for such corporate employees will include the time spent by the employees en route to and returning from the work site on the first and last day of such work. Travel costs of such corporate personnel will be allowed in accordance with the travel policies that are contained elsewhere in this Contract.

H-14 MANAGEMENT ASSURANCE

(a) "Management Assurance System" is the contractor's comprehensive approach to ensuring it is performing the scope of work of this contract. A management assurance system includes activities designed to identify deficiencies and opportunities for improvement, report deficiencies to responsible management, and ensure that corrective actions are completed and effective. An effectively working management assurance system will provide the government the opportunity to reduce oversight.

(b) The Contractor shall implement a Management Assurance System. The Management Assurance System shall, at a minimum.

(1) Align with the contractor's business including major functional areas and management systems relating to the contract;

(2) Be generally consistent with the model that the Contractor deploys at its commercial manufacturing facilities:

(3) Apply the appropriate method of assurance to processes and systems including management reviews, oversight and administration, internal audits, internal independent assessments, and third-party assessments;

(4) Identify and rely upon performance metrics and targets to assess performance;

(5) Provide an approach to identify performance issues and take corrective actions;

(6) Contain an approach to continuous improvement of performance relying on benchmarking to identify best practices as appropriate.

(7) The Contractor's Parent Organization oversight shall be a key feature.

(c) The Contractor shall document the architecture for the Management Assurance System. The Management Assurance System shall be monitored by the Contractor's parent organization.

(d) The Contractor shall provide the NNSA with access to all elements of the Management Assurance System and visibility of its metrics; except the Contractor shall be under no obligation to disclose confidential or proprietary information generated by its parent company or affiliates. The Contractor shall notify or make visible to the Contracting Officer any modifications to the Balanced Scorecard, framework of the Management Assurance System, or to the frequency or format of NNSA forums as defined by the Management Operating Systems.

H-15 ACCOUNTABILITY

The Contractor is responsible for the quality of its products and for assessing its operations, programs, projects and business systems and identifying deficiencies and implementing needed improvements in accordance with the terms and conditions of this Contract, regardless of whether NNSA has evaluated the Contractor's performance in any area of the Contract. The Contractor is encouraged to rely upon parent corporate leadership, systems and processes as well as independent third party assessments in assessing its own performance under this contract. The purpose of NNSA oversight is for assessing the Contractor's performance in meeting its obligations under this Contract. NNSA oversight shall not be relied upon by the Contractor in assessing its performance.

H-16 CONTRACTOR REINVESTMENT OF COST EFFICIENCIES

Prior to the beginning of each fiscal year, or as soon as practical after the budget is determined, the NNSA and the Contractor will identify and agree upon listings of un-funded priority direct mission work identified by specific appropriation and budget and reporting category. Throughout the fiscal year, the Contractor shall apply cost efficiencies achieved through streamlining systems and operations only to un-funded priority direct mission work within the same appropriation and budget and reporting category unless a formal reprogramming action is approved by NNSA. Indirect cost efficiencies shall be returned to the mission work in the form of reduced indirect rates or applied only to un-funded priority indirect work, which has been approved and documented. Although it is the intent of the NNSA that the Contractor shall apply cost efficiencies at the KCP, the NNSA reserves the right to reallocate direct mission work cost efficiencies to other programmatic mission critical needs.

H-17 NNSA OVERSIGHT

(a) As used in this clause, "NNSA oversight" encompasses activities performed by NNSA organizations to determine the effectiveness of contractor performance of the Scope of Work. Oversight includes onsite reviews, assessments, performance evaluations, and other activities.

(b) NNSA oversight - NNSA will determine the level of NNSA oversight of all Contractor activities under this Contract, consistent with the Oversight Plan and approved funding levels. NNSA will apply its oversight of the Contractor consistent with the contractor's management systems, the risk level of the work processes, the contractor's performance, and the effectiveness of the Management Assurance System. The Contracting Officer will seek input from the contractor on the appropriate type and level of effort of oversight for management systems and processes. The oversight mechanisms will be documented by NNSA, linked to the Management Assurance System and subject to modification. In general, NNSA oversight will be consistent with the following concepts:

(1) There will be less oversight in areas subject to well-recognized, independent third party assessments, when the third party assessments find that the contractor systems are performing adequately.

(2) The level of oversight will take into account whether areas are directly related to critical outcomes of the mission of the Kansas City Plant, or areas that are not central to the core mission such as administrative support functions.

(3) Oversight will not unduly interfere with contractor efforts to implement industrial standards and/or best commercial practices.

(4) Oversight is subject to increase in areas where performance deficiencies exist. However, prior to increasing oversight, the Contracting Officer will consider whether contractor corrective action plans provide sufficient assurance.

(c) In addition to the rights and remedies provided to the Government under other provisions of the Contract, the Contractor shall fully cooperate with the NNSA oversight personnel and subject matter experts in the performance of their assigned oversight functions, and shall provide complete access to facilities, information and Contractor personnel.

(d) The Contractor shall continue to be subject to the oversight of independent oversight functions authorized by the Secretary of Energy in the performance of their duties such as the Office of Security and Safety Performance Assurance or the Office of the Inspector General. The Contractor shall not comply with a finding, opinion, or directive of an Independent Oversight Function absent direction from the Contracting Officer.