

**AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT** 1. CONTRACT ID CODE PAGE 1 OF 12 PAGES

2. AMENDMENT/MODIFICATION NO. **M383** 3. EFFECTIVE DATE **See Block 16C** 4. REQUISITION/PURCHASE REQ. NO. 5. PROJECT NO. (If applicable)

6. ISSUED BY **U.S. Department of Energy  
National Nuclear Security Administration  
Sandia Site Office (MS 0184)  
P.O. Box 5400  
Albuquerque, NM 87185-5400** CODE 7. ADMINISTERED BY (If other than Item 6) CODE

8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, state, ZIP Code) **Sandia Corporation  
P. O. Box 5800  
Albuquerque, NM 87185** CODE FACILITY CODE 9A. AMENDMENT OF SOLICITATION NO. 9B. DATED (SEE ITEM 11) 10A. MODIFICATION OF CONTRACT/ORDER NO. **DE-AC04-94AL85000** 10B. DATED (SEE ITEM 13) **October 1, 1993**

**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 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 ACKNOWLEDGMENT 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)**

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

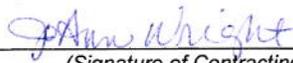
CHECK ONE	A. THIS CHANGE ORDER IS ISSUED PURSUANT TO (Specify authority): THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
	B. THE ABOVE-NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (Such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).
<b>X</b>	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF: Department of Energy Organization Act, 42 U.S.C. § 7101 et seq. and the National Nuclear Security Administration Act, 50 U.S.C. § 2401 et seq.
	D. OTHER (Specify type of modification and authority):

E. IMPORTANT: Contractor  is not,  is required to sign this document and return 3 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 effect changes in Section H, *Special Contract Requirements*, to implement the National Nuclear Security Administration's Governance Reform Initiative. This modification is the first in a series of modifications that is intended to improve the effectiveness and efficiency of contractor operations by revising government requirements to facilitate the contractor's exercise of prudent technical and business practices. Accordingly, the contract is modified as follows: 1) Section H, *Special Contract Requirements*, clauses H-1 through H-10 are revised and replaced with Sections H-1 through H-10 attached hereto; and 2) H-41 is hereby added to the contract.

Except as provided herein, all terms and conditions of the document referenced in Items 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print) **Gary B. Zura, Senior Manager  
Corporate Contract Management, Sandia Corp.** 16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print) **JoAnn Wright, Contracting Officer  
Sandia Site Office**  
15B. CONTRACTOR/OFFEROR BY  (Signature of person authorized to sign) 15C. DATE SIGNED **6/16/10** 16B. UNITED STATES OF AMERICA BY  (Signature of Contracting Officer) 16C. DATE SIGNED **6/15/2010**

**1. Section I Contract Clauses H-1 through H-10 are replaced with the following clauses:**

**H-1 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-1 Clause sets forth an overview of NNSA's approach to achieve this commitment. Contract Clauses H-2 through H-10, and H-41 set forth the specific Contract requirements that will provide the Contractor the flexibility to improve its management and performance. The principles of Integrated Safety Management and Integrated Safeguards and Security Management will serve as the foundation of the implementing mechanisms at the Laboratory.

(b) Contract Relationship and Accountabilities

NNSA is responsible for establishing the work to be accomplished by the Contractor and will provide program and performance direction regarding **what** NNSA wants in each of its programs. The Contractor shall determine **how** program and operational requirements are executed and shall be accountable for performance in accordance with the terms and conditions of this Contract. The Contractor will have the flexibility to use its expertise and ingenuity to determine how the work is to be accomplished and is accountable for assuring safe, secure, effective, and efficient operations in accordance with the terms and conditions of this Contract. NNSA will issue performance direction to the Contractor only through a warranted Contracting Officer or a designated Contracting Officer Representative (COR). All other Federal staff and oversight components are therefore precluded from tasking the Contractor.

(c) Approach to Oversight

NNSA will rely on increased Contractor accountability through implementation of the Integrated Laboratory Management System (ILMS). The Contractor is also responsible for the oversight of its management practices through its management system and will ensure management and performance under the contract. Board of Directors' approval and monitoring of the ILMS and major changes thereto shall be a key feature of ILMS. NNSA oversight is intended to evaluate contractor performance and measure results. Oversight will utilize the Contractor's ILMS, joint performance reviews, and other tools to evaluate performance while seeking to establish contractor assurance. In certain areas, 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, transitioning where appropriate from a transactional to a performance and systems based approach.

(d) Empowering Contractor Expertise

The Contractor will identify, evaluate, and implement best commercial standards and best business practices and continuously pursue improvements in aspects of Contract performance where cost effective and efficient improvements can be achieved. The Contractor will also use the private-sector expertise of its parent organization to improve Contract performance, as appropriate.

(e) Results-Oriented, Streamlined Performance Appraisal

A results-oriented, streamlined performance appraisal process will be established with performance objectives and incentives, and associated measures, and targets that focus on those areas of greatest strategic value to NNSA using systems-based metrics.

*(End of Clause)*

## **H-2 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 and guidance provided by the Contracting Officer and/or the Contracting Officer Representative (COR). NNSA is responsible for establishing the work to be accomplished and overseeing the Contractor's performance against contract requirements. The Contractor will use its expertise and ingenuity to determine how program and operational requirements are executed and will make choices among acceptable alternatives to most effectively and efficiently accomplish the work called for by this Contract.

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

(c) (1) The Contracting Officer and the NNSA Administrator will appoint, 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 by a COR 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 days from the receipt of the Performance Direction. Oral notification to the Contracting Officer shall be confirmed in writing within ten days of the oral notification.

(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 shall 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 shall 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 as appropriate.

*(End of Clause)*

### H-3 INTEGRATED LABORATORY MANAGEMENT SYSTEM

- (a) The Contractor shall maintain an Integrated Laboratory Management System (ILMS) that is ISO 9001:2008 registered and is approved and monitored by the Sandia Board of Directors. This system will ensure transparency to the Government for it to conduct oversight of the Contractor's performance. An effectively working ILMS will provide the government the opportunity to reduce transactional oversight.
- (b) The Contractor's ILMS shall have the following minimum key attributes:
  - (1) Comprehensive description of the ILMS with risks, key activities and accountabilities clearly defined and all of the various activities designed to:
    - a) Identify deficiencies and opportunities for improvement;
    - b) Report deficiencies to the responsible contract managers and government authorities; and
    - c) Implement corrective actions.
  - (2) A risk management process.
  - (3) Documented accountabilities.
  - (4) Process for notifying the Contracting Officer of significant changes to the management system.
  - (5) Electronic access to ILMS by government personnel with oversight responsibilities.
  - (6) Rigorous, risk-based, credible assessments (including self-assessments, management assessments, and internal independent assessments).
  - (7) Feedback, lessons learned, vulnerability studies and improvement activities (including provisions for worker feedback), including utilization of nationally recognized experts, and other independent reviews to assess and improve its work process and to carry out independent risk and vulnerability studies. In addition to the ISO 9001:2008 registration, the Contractor is encouraged to seek other third party certifications (such as VPP and ISO 9001 or ISO 14001), audits, peer reviews and independent assessments with external certification or validation.
  - (8) Maintain the current ISO 9001 for ILMS and 14001 for Environmental Management System (EMS) registrations and pursue other registrations/certifications as appropriate.
  - (9) Incident/event reporting including accident investigations.
  - (10) Identification and correction of negative performance/compliance trends before they become significant issues.
  - (11) Performance metrics or measures and performance targets.
  - (12) Issues management (including graded analysis of causes, identification of corrective actions, corrective action tracking, monitoring and closure, verification of effectiveness, and trend analysis).
- (c) The Contractor will maintain an operating experience (lessons learned) program that develops and evaluates site-specific lessons learned across all

aspects of the operations (e. g., Policy Areas) with a focus on preventing recurrence of problems, and will benchmark, share and incorporate good work practices among DOE sites through the DOE Lessons Learned Database (<http://www.eh.doe.gov/DOELL/index.asp>). The Contractor will also provide feedback through the Sandia Site Office to the issuing authority for DOE Corporate Operating Experience Documents (i.e., Special Operations Reports (SORs), Safety Alerts (SAs) , and Safety Bulletins(SBs)) when specific implementation of lessons learned or corrective actions and a formal response are required.

- (d) If the Contracting Officer determines that the Contractor is not fully complying with applicable laws or regulations or that performance has degraded and that the Contractor is not taking appropriate and timely corrective action, the Contracting Officer may take any action deemed necessary and reasonable under this Contract including increasing oversight of the Contractor.
- (e) NNSA will revise its oversight in accordance with the Contract Clause entitled "NNSA Oversight" when the Contractor has demonstrated to the Contracting Officer's satisfaction that the ILMS or components of the system are operating effectively.

*(End of Clause)*

#### **H-4 OVERSIGHT**

At all times during the term of this Contract, NNSA will continue, preserve and maintain the right to determine the level of NNSA oversight of all Contractor activities under this Contract. In addition to the rights and remedies provided to the Government under other provisions of this Contract, the Contractor shall fully cooperate with NNSA oversight personnel, subject matter experts and external review and inspection team members in the performance of their assigned oversight functions, and shall provide complete access to facilities, information, and Contractor personnel. NNSA's oversight program will ensure that the Contractor's activities provide adequate protection to the health and safety of workers and the public.

Oversight activities will distinguish between Nuclear Facility Operations, other High Hazard Activities as jointly defined, and non-nuclear operations by risk intensity, frequency, and the evidence of performance. Generally, oversight will be performed on a transactional basis for nuclear operations and other high hazard activities and on a systems level for non-nuclear facility and business operations as determined appropriate by the Government.

*(End of Clause)*

## **H-5 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 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.

*(End of Clause)*

## **H-6 RESERVED**

## **H-7 UTILIZATION OF PARENT CORPORATE SYSTEMS**

If the Contractor, in the interest of efficiency and effectiveness of business operations, decides to adopt or adapt its parent corporate systems or services, it shall ensure that the Government and Contractor's data in such systems is readily transferable to a successor contractor.

*(End of Clause)*

## **H-8 RESERVED**

## **H-9 RESERVED**

## H-10 PERFORMANCE BASED MANAGEMENT

(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 Performance Objectives (POs) in relation to fixed fee, Performance-Based Incentives (PBIs), and Multi-Site Incentives (MSIs) in relation to incentive fee. The POs, PBIs, and MSIs are established in advance on a fiscal year basis and incorporated into the Performance Evaluation Plan. The Parties agree to continuously improve upon these objectives as mission and operational needs change.

(b) Performance Appraisal Process.

(1) Performance Evaluation Plan (PEP). The Government will define expectations. A PEP shall be developed and finalized by the Contracting Officer, with Contractor input, prior to the scheduled start date of the appraisal period. The PEP will document the process and associated performance objectives, performance-based incentives including multi-site performance incentives and associated measures and targets by which the Contractor's performance will be evaluated and rated. The Parties will strive to reach mutual agreement on POs, PBIs, and MSIs 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. In the event the parties cannot come to agreement of the PEP, the NNSA Sandia Site Office Manager reserves the unilateral right to make the final decision, including changes thereto, on all POs, PBIs, and MSIs and the methodology used to evaluate Contractor performance. The PEP shall be finalized:

(i) Prior to the start of an appraisal period, if the POs, PBIs, and MSIs and associated measures and targets have been mutually agreed to by the Parties; or

(ii) Not later than thirty days prior to the scheduled start date of the appraisal period, if the POs, PBIs, and MSIs and associated measures and targets have been unilaterally established by the NNSA Sandia Site Office Manager.

Only the Contracting Officer may revise the PEP, consistent with mission, operational, and business needs, during the appraisal period of performance. It is the goal of the parties to maintain stability and consistency of both performance objectives and expectations to avoid changes that might impact the efficiency and operation of the Laboratories. If changes are necessary in the PEP, formal change control procedures will be used.

(i) Bilateral changes will be made at least sixty calendar days prior to the end of the affected appraisal period;

(ii) Unilateral changes will be made 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.

(2) SNL Appraisal Self-Assessment Report. An annual self assessment report will be prepared by the Contractor delineating its positive and negative aspects of performance against the POs, PBIs, and MSIs contained in the PEP and other significant factors as determined by the Contractor and Contracting Officer. This report shall also (i) include an assessment of the effectiveness of, and the improvements achieved through the ILMS in accordance with Contract Clause entitled "Integrated Laboratory Management System."

(c) Schedule for Incentive Fee (PBIs and MSIs) earned determination.

The NNSA Sandia Site Office Manager shall issue the Fee Determination Official's final total incentive fee amount earned determination in accordance with: the schedule set forth in the PEP; 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 one is required or permitted, 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. 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.

*(End of Clause)*

## 2. Section I Contract Clause H-41 is added as follows:

### H-41 OPERATING REQUIREMENTS

(a) The Contractor shall comply with the operating requirements listed in Appendix G of the Contract as stated in the Contract Clause entitled "DEAR 970.5204-2 Laws, Regulations and DOE Directives" and Appendix L, List of JORRB-Identified Deliverables.

(b) Definitions:

(A) **Baseline:** The baseline shall consist of the operating requirements in Appendix G. The Contractor shall maintain a record of the baseline in its Prime Contract, and changes thereto, in the Integrated Laboratory Management System.

(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 in compliance with the baseline.

(c) **Industry Standard.** The term industry standard encompasses national and international consensus standards and generally accepted industry standards.

(c) The Contractor shall benchmark with industry as appropriate to identify best-in-class commercial practices, industry standards, and best business practices that may, when substituted for existing contractual requirements, improve site operations and cost effective performance, while effectively managing business and operations. The Contractor will propose exemptions or equivalencies to existing contractual requirements, as determined appropriate, through the change control process described below. The Contractor is encouraged to incorporate best-in-class commercial practices, industry standards, and best business practices to improve site operations and cost effective performance, while effectively managing business and operations, even if exemptions or equivalencies to existing contractual requirements are not required.

(d) Operating Requirements Change Control

i) **Joint Operating Requirements Review Board (JORRB)** – The parties shall jointly develop and use the JORRB for evaluating and recommending baseline changes to the Sandia Site Office Manager. The JORRB shall not affect the application of otherwise applicable laws and regulations of the United States Government.

ii) Implementation: The Sandia Site Office Manager will notify the Contractor of the government's final decision on the recommendations resulting from the process. For change requests that have been initiated by the Sandia Site Office Manager, the Contractor will receive a comprehensive description of Contractor requirements necessitated by the change and a date for implementation.

iii) Documentation: The Contractor shall maintain a system for documenting all change requests, JORRB recommendations and decisions resulting from the process.

iv) 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 G or Appendix L.

v) Baseline Changes: Ordinarily no change will be made to the Baseline without first following the JORRB process identified in this Section.

vi) Deficiency and Remedial Action: If, during performance of this Contract, NNSA determines that a previously approved change to a DOE Directive or DOE/NNSA requirement is not satisfactory, the Contracting Officer may require the Contractor to prepare a corrective action plan for NNSA approval. If NNSA is not satisfied with the corrective action taken, the Contracting Officer may direct corrective action to remedy the deficiency, including, if appropriate the reinstatement of the Directive or DOE/NNSA requirement pursuant to Clause I-72, "DEAR 970.5204-2, Laws, Regulations, and DOE Directives."

vii) JORRB-Identified Deliverables: As part of the JORRB process, specific contract deliverables that are not otherwise identified in an operating requirement listed in Appendix G will be identified for incorporation into the Contract under Section J Appendix L List of JORRB-Identified Deliverables will only include deliverables not identified elsewhere in the Contract.

*(End of Clause)*

**3. Other terms and conditions of the contract remain the same.**

*(End of modification)*