

Release No. 1, dated November 15, 2021

Flowdown Attachment
FDA-2021.0774

Contract No.: 1000012516

Prime Contract No.: N00024-20-C-2120

DPAS Rating: DO-A3

SAS DUNS number: 799855812

If the Purchase Order is valued at or above \$750,000 (\$1,500,000 for construction), and is not for commercial items, the following applies:

In order to meet the requirements of FAR 52.219-9, the Seller agrees to provide a Small Business Subcontracting Plan prior to the award of a Purchase Order. The referenced plan should contain goals for subcontracting with small businesses, small disadvantaged businesses, woman-owned small business, historically under-utilized small business, veteran owned and service disabled veteran owned businesses in accordance with the plan requirements outlined in FAR 52.219-9.

In addition, the Seller must submit an Individual Subcontracting Report (ISR) via the Electronic Subcontracting Reporting System (eSRS) (<http://www.esrs.gov>) on a semi-annual basis for reporting periods ending on March 31st and September 30th. Reports are due no later than 15 days after the close of each reporting period.

Email for Seller's official acknowledging or rejecting the ISR:
(Seller must include contractor official on the ISR report email notification)

The following customer contract requirements apply to this Purchase Order to the extent indicated below and are hereby incorporated into the Purchase Order by reference:

In all clauses listed herein terms shall be revised to suitably identify the party to establish Seller's obligations to Buyer and to the Government; and to enable Buyer to meet its obligations under its prime contract. Without limiting the generality of the foregoing, and except where further clarified or modified below, the term "Government" and equivalent phrases shall mean "Buyer", the term "Contracting Officer" shall mean "Buyer's Purchasing Representative", the term "Contractor" or "Offeror" shall mean "Seller", "Subcontractor" shall mean "Seller's Subcontractor" under this Purchase Order, and the term "Contract" shall mean this "Purchase Order". For the avoidance of doubt, the words "Government" and "Contracting Officer" do not change: (1) when a right, act, authorization or obligation can be granted or performed only by the Government or the prime contract Contracting Officer or duly authorized representative, such as in FAR 52.227-1 and FAR 52.227-2 and (2) when title to property is to be transferred directly to the Government. Seller shall incorporate into each lower tier contract issued in support of this Purchase Order all applicable FAR and DFARS clauses in accordance with the flow down requirements specified in such clauses.

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SPECIAL CONTRACT REQUIREMENTS:

7. PUBLIC RELEASE OF INFORMATION

(Applicable to all Purchase Orders.)

a. Information, technical data, photographs, sketches, advertisements, displays, or other materials related to Work under this Purchase Order, (referred herein after within this article as "information") in which SELLER would like to publish, display, or release internally to employees who do not have a need-to-know, to other contractors, to Government agencies, or to the general public, requires prior BUYER approval. A request for public release shall be transmitted to the BUYER at least eight weeks prior to the anticipated printing or release date. SELLER shall identify the specific method of release, as well as other pertinent details of the proposed release in the request.

b. Reference to BUYER Corporation, its parent Corporation, or any of their officers, agents, and employees, in any public release is prohibited without prior written consent from BUYER. This includes, without limitation, reference to supplying any particular item or service to BUYER.

c. Information and technical data described above may NOT be transmitted over the internet (except in certain cases when suitably encrypted and prior written approvals have been obtained)

d. Should any information described above be requested, subpoenaed, or otherwise sought by a court of competent jurisdiction or other judicial or administrative authority, SELLER shall provide sufficient notice to BUYER to enable BUYER a reasonable opportunity to obtain a protective order to govern such disclosure, and, if requested by BUYER, SELLER shall reasonably cooperate with BUYER to obtain such a protective order. SELLER's obligations under this article shall survive this Purchase Order and continue in effect for a period of **twenty years** after issuance of this Purchase Order.

e. Flow-down Requirement- SELLER shall include all provisions of this article in all lower-tier subcontracts issued under this Purchase Order.

20. CITIZENSHIP REQUIREMENTS

(Applicable to all Purchase Orders.)

a. SELLER represents that it is either:

i. a U.S. Person as that term is defined in the U.S. Export Laws and Regulations (ITAR 22 CFR 120.15 or the EAR at Title 15, Part 772), or that

ii. it has disclosed to BUYER in writing the country in which it is incorporated or otherwise organized to do business, or if a natural person, all citizenships and U.S. immigration status.

b. SELLER further represents that it has disclosed to BUYER in writing, all pertinent details relating to foreign ownership, control or influence as defined in 22 CFR 120.37 and DFARS 252.209-7002 (JUN 2010).

c. Non-U.S. Personnel. SELLER shall not give any individual or entity who is not a "U.S. Person" (as defined in ITAR 22 CFR 120.15 or the EAR at Title 15, Part 772) access to export-controlled commodities, technical data, technology, software, or any other export-controlled items or provide an unauthorized Defense Service, without the prior written consent of BUYER and obtaining all required licenses and

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approvals. Any request for such consent must state the intended recipient's citizenship(s), and status under 8 U.S.C. 1101 and 8 U.S.C. 1324 (the "Immigration and Naturalization Act"), and such other information as BUYER may reasonably request.

Consent granted by BUYER in response to SELLER's request hereunder shall not relieve SELLER of its obligations to comply with the provisions of U.S. Export Laws and Regulations, constitute a waiver of the requirements of U.S. Export Laws and Regulations, or constitute consent for SELLER to violate any provision of the U.S. Export Laws and Regulations. Disclosure of NNPI has additional restrictions (See NNPI section below).

d. Flow-down Requirement. SELLER shall impose the same restriction on its lower-tier subcontractors under this Order (when lower-tier subcontractors are eligible and/or approved by BUYER and the U.S. Government to receive U.S. technical data).

26. WORK IN THE UNITED STATES

(Applicable to all Purchase Orders.)

a. Unless advance BUYER written approval has been obtained, SELLER shall perform all work in the United States and shall have all items to be delivered to BUYER manufactured in the United States. Components and subcomponents of such deliverables shall also be manufactured in the United States only, unless the components or subcomponents are (1) commercially available off-the-shelf (COTS) items as defined in FAR 2.101, and (2) are not restricted under U.S. Export Laws and Regulations, and (3) are not designed or modified for the BUYER or the Government of the United States. For purposes of this clause, "work" and "manufacture" are defined as: the process of converting or assembling raw materials, components, or parts into finished or partially finished goods that meet SELLER's or BUYER's stated specifications or requirements.

b. SELLER may submit to the BUYER a written request for BUYER approval to perform work outside the United States or to supply items manufactured outside the United States. The request must name all countries where work would be performed or items manufactured. If granted, each approval shall be limited to a specific original purchase order or purchase order supplement and shall not constitute an approval for other purchase orders or purchase order supplements.

c. SELLER shall exclude from its sources of supply any items manufactured in International Traffic in Arms Regulations (ITAR) 126.1 proscribed or embargoed countries, including but not limited to Belarus, Burma, China (PR), Cuba, Eritrea, Iran, North Korea, the Republic of the Sudan, Syria, and Venezuela. A current list of proscribed countries is available on the U.S. State Department Directorate of Defense Trade Controls website: http://www.pmddtc.state.gov/embargoed_countries/.

d. The requirements of this clause are in addition to any other requirements in the terms and conditions of this order for BUYER approval to transmit technical data or equipment outside the United States.

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28. SAFEGUARDING INFORMATION AND TECHNICAL DATA; ACCESS CONTROL PLAN/TECHNOLOGY CONTROL PLAN; AND CERTIFICATION UNDER THE U.S./CANADA JOINT CERTIFICATION PROGRAM

(Applicable to all Purchase Orders.)

a. Safeguarding Information and Technical Data.

i. Equipment and documentation (including, but not limited to, drawings, sketches, specifications, diagrams, models, equipment) associated with the BUYER's end product, submersibles, and other business endeavors, including discussions, telecons, or any other transfer of information and technical data, whether verbal or written, and regardless of medium or whether occurring within or outside of the U.S., shall be considered to be technical data for export control purposes as outlined in the International Traffic in Arms Regulations (ITAR) (22 CFR 120 et seq.).

ii. SELLER is solely and expressly responsible to ensure that it safeguards equipment and technical data subject to export control from unauthorized disclosure and that any dissemination of such equipment and technical data is accomplished in accordance with Purchase Order requirements and applicable Government regulations. In addition, SELLER should ensure that all required licenses, agreements and other approvals (including Governmental as well as written BUYER consent to disclose) are obtained prior to any export or disclosure to unauthorized persons or entities or prior to any public release.

iii. Severe civil and criminal penalties may result from failure to comply with these requirements. In addition to any other penalties that may be imposed, failure to comply shall also be a breach of this contract and grounds for termination of this Purchase Order for Default.

b. Access Control Plan/Technology Control Plan (ACP/TCP).

i. BUYER requires that suppliers have an Access Control Plan or Technology Control Plan (ACP/TCP) suitable to their organization if they will require access to export controlled equipment, technical data or information.

ii. An ACP/TCP is a written documented plan developed to prevent the unauthorized export or disclosure of export controlled equipment or technical data, regardless of whether in the U.S. or abroad, to unauthorized U.S. citizens, and to any foreign concern, foreign interest, foreign national, or their representatives (U.S. citizens or otherwise).

iii. For additional information, SELLER may also refer to the document entitled "Resources for Assistance in Developing an Access Control Plan/Technology Control Plan" which can be accessed on BUYER's website http://gdeb.com/suppliers/4_future_suppliers/attachments/ACP-TCP_Resources_12-9-13.pdf.

c. Certification Under the U.S./Canada Joint Certification Program (JCP)

i. Performance of work for BUYER may require SELLER to be certified by the US/Canada Joint Certification Program (JCP), which establishes SELLER's eligibility to receive technical data governed, in the U.S., by DoD Directive 5230.25 and, in Canada, by the Technical Data Control Regulations (TDCR). This certification is mandatory for U.S. or Canadian contractors requiring access to unclassified technical data disclosing militarily critical technology with military or space application that is under the control of, or in the possession of the U.S. Department of Defense (DoD) or the Canadian Department of National Defense (DND).

ii. To obtain certification, SELLER must submit a DD Form 2345 to the U.S./Canada Joint Certification Office, along with a copy of the company's State/Provincial License, Incorporation Certificate, Sales Tax Identification Form or other documentation which verifies the legitimacy of the company.

iii. The form, with instructions, is available at (<http://www.dlis.dla.mil/jcp/forms/DD2345Form.pdf>).

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34. APPROVALS/PERMITS/LICENSES

(Applicable to all Purchase Orders.)

- a. SELLER agrees that it shall obtain and maintain in good standing, and shall require its lower-tier subcontractors to obtain and to maintain in good standing, all necessary and applicable approvals, permits and licenses (including export and/or import licenses) required for performance of the work under this Purchase Order and pay all fees and other charges required. They shall be obtained and maintained for as long as necessary for the satisfactory completion of the SELLER's responsibilities under this Purchase Order.
- b. The cost of such permits, licenses, and compliance is deemed to be included in the cost or price stated in this Purchase Order. This includes, but is not limited to, those costs in connection with import and export control as well as those costs in connection with any movement over the public highways of overweight/over-dimensional loads and hazardous materials.
- c. SELLER shall immediately notify BUYER in writing if any permits, licenses, and/or approvals that SELLER is required to obtain in performance of this Order are denied, withheld, suspended, revoked, or expired prior to completion of all work required by this Order and its terms.
- d. Flow down Requirement – SELLER shall ensure that the substance of this clause is included in all lower-tier subcontracts at any tier.

30. COUNTERFEIT PARTS/COUNTERFEIT WORK PROHIBITION

(Applicable to all Purchase Orders for the delivery of items that are electronic parts as well as those which require the delivery of components or subcomponents containing electronic parts that will be included in deliverables or otherwise furnished to BUYER or its designee.)

Additional Requirements to DFARS 252.246-7007, Counterfeit Electronic Part Detection and Avoidance System (May 2014)

- a. For purposes of this clause, Work consists of those parts delivered under this Contract that are the lowest level of separately identifiable items (e.g., articles, components, goods, and assemblies).
- b. SELLER agrees and shall ensure that Counterfeit Electronic Parts and/or Suspect Counterfeit Electronic Parts (defined in DFARS 252.246-7007) are strictly prohibited and will not be tendered for acceptance, shipped-in-place, delivered to, or be incorporated into deliverables to BUYER or its designee under this Purchase Order. COUNTERFEIT ELECTRONIC PARTS AND SUSPECT COUNTERFEIT ELECTRONIC PARTS ARE NONCONFORMING TO PURCHASE ORDER REQUIREMENTS AND ARE UNACCEPTABLE REGARDLESS OF THEIR OTHERWISE ACCEPTABLE CONDITION, QUALITY, PERFORMANCE, FUNCTIONALITY, AND/OR SUITABILITY FOR PURPOSE. The term Suspect Counterfeit Electronic Parts also includes electronic parts that the U.S. Government designates as suspect including, without limitation, electronic parts listed in Governmental alerts such as those under the Government Industry Data Exchange Program (GIDEP).
- c. SELLER shall only purchase products to be delivered or to be incorporated into deliverables to

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BUYER directly from the Original Component Manufacturer (OCM)/Original Equipment Manufacturer (OEM), or through an OCM/OEM authorized distributor chain. Work shall not be acquired from independent distributors or brokers unless approved in advance in writing by BUYER.

d. SELLER shall maintain and make available to BUYER and/or the Government documentation that authenticates traceability of the affected electronic parts throughout the supply chain to the applicable OEM/OCM, which SELLER shall provide to BUYER upon request. Documentation shall be maintained for a minimum of ten years after the later of final delivery of all items on the purchase order or final payment of all items on the purchase order.

e. SELLER shall notify BUYER in writing immediately, but in no event later than 10 days, if SELLER becomes aware or suspects that it has delivered Counterfeit Electronic Parts or Suspect Counterfeit Electronic Parts.

f. BUYER reserves the right to quarantine/impound any and all Counterfeit Electronic Parts or Suspect Counterfeit Electronic Parts it receives, and to notify the BUYER's Customer, GIDEP, and other relevant Government agencies. BUYER has the right to turn over the impounded Counterfeit Electronic Parts and Suspect Counterfeit Electronic Parts to the appropriate authorities and to withhold payment for the parts pending the results of the investigation.
Impounded electronic parts may not be returned to the SELLER or SELLER's source.

g. In the event that Work delivered under this Contract constitutes or includes Counterfeit Electronic Parts and/or Suspect Counterfeit Electronic Parts, SELLER shall, at its sole expense, promptly replace such Counterfeit Electronic Parts and Suspect Counterfeit Electronic Parts with genuine Electronic Parts conforming to the requirements of this Purchase Order.

h. Notwithstanding any other provision in this Purchase Order, SELLER shall be liable for all costs relating to the tendering or delivery of the Counterfeit Electronic Parts and Suspect Counterfeit Electronic Parts including, without limitation, those associated with the removal, inspection, testing, investigation, retention, impoundment, and replacement of Counterfeit Electronic Parts and Suspect Counterfeit Electronic Parts, as well as any testing necessitated by the reinstallation of Work after Counterfeit/Suspect Counterfeit Electronic Parts have been exchanged.

i. Also, notwithstanding any other provision in this Purchase Order, the BUYER shall be under no obligation to pay for any such items determined to be counterfeit or unacceptable. All such costs shall be deemed to be direct costs and direct damages. The remedies contained in this clause are in addition to any other remedies BUYER may have at law, equity or under other provisions of this Purchase Order.

j. This clause shall survive the completion, expiration or termination of this order.

k. Flow down Requirement - SELLER shall include paragraphs (a) through (i) and this paragraph (k) of this clause or equivalent provisions in all lower tier subcontracts for the delivery of items that are electronic parts as well as those which require the delivery of components or subcomponents containing electronic parts that will be included in deliverables or otherwise furnished to BUYER or its designee in performance of this order.

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33. COMPLIANCE WITH LAWS

(Applicable to all Purchase Orders.)

a. In performing work under this Purchase Order, SELLER shall comply with all applicable foreign or domestic laws, orders, rules, ordinances and regulations.

b. To the extent not exempt, this contractor and subcontractor shall abide by the requirements of 41 CFR §§ 60-1.4(a), 60-300.5(a) and 60-741.5(a). These regulations prohibit discrimination against qualified individuals based on their status as protected veterans or individuals with disabilities, and prohibit discrimination against all individuals based on their race, color, religion, sex, sexual orientation, gender identity, or national origin. Moreover, these regulations require that covered prime contractors and subcontractors take affirmative action to employ and advance in employment individuals without regard to race, color, religion, sex, sexual orientation, gender identity, national origin, protected veteran status, or disability. In addition, this contractor will not discharge or in any other manner discriminate against any employee or applicant for employment because such employee or applicant has inquired about, discussed, or disclosed the compensation of the employee or applicant or another employee or applicant.

To the extent not exempt, this contractor and subcontractor shall also abide by the requirements of 29 CFR Part 471, Appendix A.

83. COMPUTER SOFTWARE AND DATABASES

(Applicable to all Purchase Orders.)

a. The SELLER shall test all computer software and/or databases, as defined in the clause entitled Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation (DFARS 252.227-7014), for computer viruses before delivery of such software and/or databases in any medium or in any system. All software and/or databases delivered by SELLER shall contain no known viruses that are detectable with the latest version of commercially available virus detection software.

b. Any virus problems that are discovered during the check (or later found by the BUYER) shall be fixed by the SELLER, at SELLER'S expense.

c. A statement verifying that the check has been made shall be included with the deliverable when it is delivered to the BUYER.

d. SELLER shall test any software and/or databases received from BUYER or BUYER's customer for viruses prior to use in performing this Purchase Order. SELLER shall provide BUYER with immediate written notice of any viruses detected in BUYER-provided software and/or databases.

Unless otherwise expressly agreed to in writing, any license agreement covering the use of any computer software and/or databases delivered under this Purchase Order must be paid-up and perpetual, shall not contain any routine to disable the computer software and/or databases in the future, and shall permit transfer to BUYER's customer. No copy-protection devices, codes, or systems shall be used that would prevent BUYER or its customer from copying delivered software and/or data; however, a license agreement or other Purchase Order terms may specify a maximum number of copies that may be made. Any limited rights or other legend(s) permissibly applied under this Purchase Order shall be digitally

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included on the same media as the delivered software and/or databases, and also displayed in human-readable form on a visible surface of the media carrying the digital software and/or databases.

95. NAVAL NUCLEAR PROPULSION INFORMATION SECURITY CONTROLS & ADDITIONAL SECURITY REQUIREMENTS

(Applicable to all Purchase Orders for a part or service which involves Naval Nuclear Propulsion Information (NNPI).)

- a. The provisions of the OPNAVINST N9210.3 are applicable to all NNPI work done under this Purchase Order.
- b. Disclosure of Restricted Data as defined in the Atomic Energy Act of 1954 as amended, relating to the Naval Nuclear Propulsion Program to employees of contractors granted Limited Clearance under the provisions of the DOD 5220.22M, National Industrial Security Program Operating Manual (NISPOM) is denied.
- c. The SELLER shall invoke the foregoing provisions, as appropriate, in all subcontracts hereunder which involve access to NNPI.

98. CONTROL OF VISITORS AND PROCEDURES TO PROTECT NNPI

(Applicable to all Purchase Orders for parts or service which involves NNPI. This restriction does not apply to items, components, assemblies, or major subassemblies that (1) meet the definition of "Commercial Item" as defined in the Federal Acquisition Regulations;;(2) that are not defense articles (refer to the ITAR) specifically designed, developed, modified, or altered in performance of this purchase order; (3) that are otherwise in the public domain.)

- a. "Visitor" as used herein refers to any person who visits the SELLER's plant, office or facility and who does not represent the SELLER, BUYER, or the U.S. Government in the performance of this Purchase Order. This includes Foreign Nationals, whose visits require additional controls above and beyond those necessary for visits by U.S. Citizens.
- b. Unless prior written consent of the BUYER is received, SELLER will not permit any Visitors to its plants, offices, or facilities to view or to examine documents, components, assemblies, or major subassemblies provided for or to be delivered under this purchase order, or to obtain information or data concerning such documents, components, assemblies, or major subassemblies.
- c. SELLER must have procedures that will prevent the release of Classified and Unclassified Naval Nuclear Propulsion Information (NNPI) to Visitors or; to any other person or entity, including its own employees, that are otherwise ineligible to receive NNPI; or who do not have an established need to know for performance of this purchase order. SELLER must notify the BUYER in advance of any visitor to SELLER's plant, office, or facility, who may be required to view or examine documents, components, assemblies, or major subassemblies provided for or delivered under this order.
- d. SELLER must ensure similar controls are in effect at all lower-tier suppliers.
This restriction does not apply to items, components, assemblies, or major subassemblies that (1) meet the definition of "Commercial Item" as defined in the Federal Acquisition Regulations; (2) that are not

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defense articles (refer to the ITAR) specifically designed, developed, modified, or altered in performance of this purchase order; (3) that are otherwise in the public domain.

e. All documents containing NNPI are subject to special marking, handling and disclosure requirements contained in this order and OPNAVINST N9210.3.

f. Documents containing UNCLASSIFIED NAVAL NUCLEAR PROPULSION INFORMATION shall be marked in accordance with OPNAVINST N9210.3 and with the following NOFORN Warning Notice: "NOFORN: This document is subject to special export controls and each transmittal to foreign governments or foreign nationals may be made only with prior approval of the NAVAL SEA SYSTEMS COMMAND."

g. Classified NNPI documents have additional special handling and marking requirements. Refer to OPNAVINST N9210.3.

99. TRANSMISSION ABROAD OF EQUIPMENT OR TECHNICAL DATA RELATING TO THE NUCLEAR PROPULSION OF NAVAL SHIPS

(Applicable to all Purchase Orders for parts or service which involves NNPI except where the transmittal or authorization for the transmittal of equipment or technical data is to be made pursuant to a contract or agreement to which the United States is a party; and ii. Where the transmittal is to be of equipment or technical data which the BUYER's Contracting Officer, or his designated representative, has declared in writing to be thereafter exempt from this requirement.)

a. The supplies specified to be delivered under this contract may relate to the nuclear propulsion of naval ships.

b. Equipment and technical data defined as NNPI under OPNAVINST N9210.3 shall not be disclosed to foreign nationals.

c. For other than equipment or technical defined as NNPI in paragraph (b) above, except with the prior written consent of the BUYER and the Contracting Officer (or his designated representative), the SELLER shall not, at any time during or after the performance of this contract, transmit or authorize the transmittal of, any technical data or equipment as defined in paragraph (d) below:

- i. Outside the United States; or
- ii. Irrespective of location,
 - 1. To any foreign national, not working on this contract or any subcontract hereunder; or
 - 2. To any foreign organization (including foreign subsidiaries and affiliates of the SELLER); or
 - 3. To any foreign government; or
 - 4. To any international organization.

d. As used in this requirement, the following terms shall have the following definitions:

i. "United States" means the States, the District of Columbia, Puerto Rico, American Samoa, the Virgin Islands, Guam, and any areas subject to the complete sovereignty of the United States;

ii. "Equipment" means all supplies of the kind specified to be delivered under this contract, all component parts thereof, and all models of such supplies and component parts; but "equipment" does not include standard commercial supplies and component parts, and models thereof;

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iii. "Technical Data" means all professional, scientific, or technical information and data produced or prepared for the performance of this contract, or on or for the operation, maintenance, evaluation, or testing of any contract item, whether or not the information and data were specified to be delivered under this contract including, without limitation, all writings, sound recordings, pictorial reproductions, and drawings or other graphical representations; but "technical data" does not include such information and data on standard commercial supplies and component parts to the extent that the information and data do not relate to the use, operation, maintenance, evaluation and testing of such supplies and component parts in or in connection with any item, or component parts thereof, specified to be delivered under this contract.

e. Flow Down Requirement:

i. The SELLER agrees to insert in all subcontracts under this contract provisions which shall conform substantially to the language of this requirement, including this paragraph (e).

ii. Notwithstanding any other provisions of this requirement, this requirement shall not apply:

i. Where the transmittal or authorization for the transmittal of equipment or technical data is to be made pursuant to a contract or agreement to which the United States is a party; and

ii. Where the transmittal is to be of equipment or technical data which the BUYER's Contracting Officer, or his designated representative, has declared in writing to be thereafter exempt from this requirement.

SPECIFICALLY NEGOTIATED LICENSE RIGHTS IN NONCOMMERCIAL COMPUTER SOFTWARE, NONCOMMERCIAL COMPUTER SOFTWARE DOCUMENTATION, AND TECHNICAL DATA PERTAINING TO NONCOMMERCIAL ITEMS

(Applicable to all Purchase Orders.)

Pursuant to paragraph (b)(4) of both the DFARS 252.227-7013, "Rights in Technical Data--Noncommercial Items (Feb 2014)" and the DFARS 252.227-7014, "Rights in Noncommercial Computer Software Documentation (Feb 2014)" clauses invoked in this Purchase Order, by acceptance of this Purchase Order or commencement of work hereunder, if SELLER has not taken prior written exception pertaining to this Purchase Order, the SELLER agrees with the BUYER that the following shall be "specifically negotiated special license rights" in noncommercial computer software, noncommercial computer software documentation, and technical data pertaining to noncommercial items as used in these DFARS clauses.

The parties hereby agree that the Government shall have the same license rights under this contract that it would have been granted under the clause entitled "Rights in Technical Data and Computer Software (OCT 1988)", formerly found at DFARS 252.227-7013 and prescribed for use in contracts resulting from solicitations issued prior to 29 September 1995.

UNLIMITED RIGHTS IN TECHNICAL DATA – NUCLEAR PROPULSION PLANT SYSTEMS (Based on NAVSEA, OCT 2018)

(Applicable to all Purchase Orders.)

a. Pursuant to subparagraph (b)(1) of the clauses entitled "Rights In Technical Data--Noncommercial Items" (DFARS 252.227-7013) and "Rights In Noncommercial Computer Software And Noncommercial Computer Software Documentation" (DFARS 252.227-7014), it is agreed that all technical data pertaining

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to nuclear propulsion plant systems, which is specified to be delivered pursuant to this Purchase Order, shall be delivered with unlimited rights, provided, however, that nothing in the clause shall be deemed to require any subcontractor of any tier under this order to deliver or furnish with unlimited rights any technical data which it is entitled to deliver with other than unlimited rights pursuant to said "Rights In Technical Data--Noncommercial Items" Or "Rights In Noncommercial Computer Software And Noncommercial Computer Software Documentation" clauses.

NAVSEA GOVERNMENT-INDUSTRY DATA EXCHANGE PROGRAM (DEC 2018)

(Applicable to all Purchase Orders.)

a. The SELLER shall actively participate in the Government Industry Data Exchange Program in accordance with the GIDEP Operations Manual, S0300-BT-PRO-010. The contractor shall submit information concerning critical or major nonconformance, as defined in FAR 46.407/DFARS 246.407, to the GIDEP information system.

b. GIDEP materials, software and information are available without charge from: GIDEP P.O. Box 8000 Corona, California 92878-8000 (951) 898-3207 (Ph.) (951) 898-3250 (Fax) Internet: <http://www.gidep.org>.

**4. SPECIAL AGREEMENT REGARDING SWITCHBOARD SUBCONTRACTS (NAVSEA) (Jun 2000)
(Modified)**

(Applicable to all Purchase Orders which contain air circuit breakers for switchboards.)

a. The SELLER shall, in all cases involving subcontracts which contain air circuit breakers for switchboards, give advance notification to and obtain written consent of the BUYER and, when required, the BUYER's Contracting Officer via BUYER prior to placing any such subcontract.

7. COMPUTER SOFTWARE AND/OR COMPUTER DATABASE(S) DELIVERED TO AND/OR RECEIVED FROM THE GOVERNMENT (NAVSEA)(APR 2004)

a. The SELLER agrees to test for viruses, malware, Trojan Horses, and other security threats such as those listed in NIST Special Publication 800-12 Rev 1, An Introduction to Computer Security, The NIST Handbook, Chapter 4, in all computer software and computer data bases (as defined in the clause entitled "Rights In Noncommercial Computer Software and Noncommercial Computer Software Documentation" (DFARS 252.227-7014)), before delivery of that computer software or computer data base in whatever media and on whatever system the computer software or data base is delivered whether delivered separately or imbedded within delivered equipment. The SELLER warrants that when delivered any such computer software and computer data base shall be free of viruses, malware, Trojan Horses, and other security threats such as those listed in NIST Special Publication 800-12 Rev 1.

b. The SELLER agrees to test any computer software and/or computer database(s) received from the BUYER or the Government for viruses, malware, Trojan Horses and other security threats listed in NIST Special Publication 800-12 Rev. 1 prior to use under this Purchase Order.

c. Unless otherwise agreed in writing, any license agreement governing the use of any computer software to be delivered as a result of this subcontract/Purchase Order must be paid-up and perpetual, or so

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nearly perpetual as to allow the use of the computer software or computer data base with the equipment for which it is obtained, or any replacement equipment, for so long as such equipment is used. Otherwise the computer software or computer database does not meet the minimum functional requirements of this subcontract/Purchase Order.

d. In the event that there is any routine to disable the computer software or computer database after the software is developed for or delivered to the Government, that routine shall not disable the computer software or computer database until at least twenty-five calendar years after the delivery date of the affected computer software or computer database to the Government.

e. No copy protection devices or systems shall be used in any computer software or computer database delivered under this subcontract/Purchase Order to restrict or limit the BUYER (when used for purposes of BUYER's performance of its prime contract) or the BUYER's Customer (i.e., the Government) from making copies. This does not prohibit license agreements from specifying the maximum amount of copies that can be made.

f. Delivery by the SELLER to the BUYER or by the BUYER to its Customer (i.e., the Government) of certain technical data and other data is now frequently required in digital form rather than as hard copy. Such delivery may cause confusion between data rights and computer software rights. It is agreed that, to the extent that any such data is computer software by virtue of its delivery in digital form, the BUYER in performance of its higher-tier contract and the Government will be licensed to use that digital-form with exactly the same rights and limitations as if the data had been delivered as hard copy.

g. Any limited rights legends or other allowed legends placed by the SELLER on technical data or other data delivered in digital form shall be digitally included on the same media as the digital-form data and must be associated with the corresponding digital-form technical data to which the legends apply to the extent possible. Such legends shall also be placed in human readable form on a visible surface of the media carrying the digital-form data as delivered, to the extent possible.

8. MERCURY EXCLUSION (NAVSEA) (MAR 2019)

(Applicable to all Purchase Orders.)

a. Unless otherwise expressly agreed all goods, components, hardware, and/or supplies delivered under this Purchase Order shall not be, contain, or have come in direct contact with mercury, mercury compounds or with any mercury containing device employing a single boundary of containment. Mercury contamination will be cause for rejection of the goods and correction or replacement shall be at SELLER's expense.

NOTICE OF LOWER-TIER SUBCONTRACT SOLICITATION AND AWARD:

(Applicable to all Purchase Orders that are expected to equal to or exceed \$500,000 or 50 percent (50%) of the value of this Purchase Order, whichever is lesser or total of all subcontracts awarded under this purchase order exceeds, or is expected to exceed, 70 percent (70%) of the total expected value of this purchase order.)

i. SELLER shall provide the BUYER with written notice prior to the prospective award of all subcontracts

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placed by SELLER under this Purchase Order that are expected to equal to or exceed \$500,000 or 50 percent (50%) of the value of this Purchase Order, whichever is lesser.

ii. SELLER shall request written approval to proceed if the total of all subcontracts awarded under this purchase order exceeds, or is expected to exceed, 70 percent (70%) of the total expected value of this purchase order.

iii. SELLER shall provide the BUYER with written notice, if it or any subcontractor changes the amount of lower tier effort after award such that it exceeds 70 percent (70%) of the total cost of work to be performed under its subcontract.

SMALL BUSINESS SUBCONTRACTING PLAN

(Applicable to all Purchase Orders.)

Seller's Comprehensive Small Business Subcontracting Plan (CSP) effective 1 October 2020 through 30 September 2021 that you are required to submit in accordance with the requirements of far 52.219-9 entitled "small business subcontracting plan", has been approved by BUYER and is hereby incorporated into this order by reference. BBN shall provide an updated CSP as soon as it is available.

FAR AND DFARS CLAUSES INCORPORATED BY REFERENCE:

Clause Number	Title	Applicability (Reference to "Purchase Orders" includes underlying Solicitations)
52.203-6	Restrictions on Subcontractor Sales to the Government (Sep 2006)	Applicable to all Purchase Orders over the Simplified Acquisition Threshold.
52.203-7	Anti-Kickback Procedures (May 2014)	Applicable to all Purchase Orders that exceed \$150,000, excepting paragraph (c)(1)).
52.203-12	Limitation on Payments to Influence Certain Federal Transactions (Oct 2010)	Applicable to all Purchase Orders exceeding \$150,000.
52.203-13	Contractor Code of Business Ethics and Conduct (Oct 2015)	Applicable to all Purchase Orders, including for Commercial Items pursuant to 52.244-6, (i) that have a value more than \$5.5 million; and (ii) that have a performance period of more than 120 days. (In Paragraph (b)(3)(i), the meaning of "agency office of the Inspector General" and "Contracting Officer" does not change, in Paragraph (b)(3)(ii) the meaning of "Government" does not change, and in Paragraphs (b)(3)(iii) and (c)(2)(ii)(F), the meaning of "OIG of the ordering agency", "IG of the agency" "agency OIG" and "Contracting Officer" do not change.
52.203-17	Contractor Employee Whistleblower Rights and Requirement To Inform Employees of Whistleblower Rights (Apr 2014)	Applicable to all Purchase Orders over the Simplified Acquisition Threshold.
52.204-2	Security Requirements (Aug 1996)	Applicable to all Purchase Orders that involve access to classified information. Any reference to the Changes clause is excluded.

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Clause Number	Title	Applicability (Reference to "Purchase Orders" includes underlying Solicitations)
52.204-10	Reporting Executive Compensation and First-Tier Subcontract Awards (Oct 2018)	Applicable to all Purchase Orders when the Buyer is the Prime Contractor and the Purchase Order exceeds \$30,000. Substitution of the parties is not applicable to this clause. Seller shall report to Buyer the information required under the clause.
52.204-25	Prohibition on Contracting for Certain Telecommunications and Video Surveillance Services or Equipment (Aug 2019)	Applicable to all Purchase Orders, including for Commercial Items pursuant to 52.244-6.
52.209-6	Protecting the Governments Interest When Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment (Oct 2015)	Applicable to all Purchase Orders exceeding \$35,000, except for Purchase Orders for commercially available off-the-shelf items.
52.215-2	Audit and Records – Negotiation (Oct 2010)	Applicable to the following Purchase Orders that exceed the Simplified Acquisition Threshold: (i) that are cost-reimbursement, incentive, time-and-materials, labor-hour, or price-redeterminable type or any combination of these, (ii) for which certified cost or pricing data are required; or (iii) that require Seller to furnish reports as discussed in paragraph (e) of the clause.
52.215-10	Price Reduction for Defective Certified Cost or Pricing Data (Aug 2011)	Applicable to all Purchase Orders that require the Seller to provide certified cost or pricing data. This clause does not apply to Purchase Orders for commercial items or if the Seller qualifies for any of the other exemptions in FAR 15.403-1.
52.215-12	Subcontractor Certified Cost or Pricing Data (Deviation 2018-00015) (Jul 2018)	Applicable if the Purchase Orders is in excess of \$2 Million. This clause does not apply to Purchase Orders for commercial items or if the Seller qualifies for any of the other exemptions in FAR 15.403-1.
52.215-14	Integrity of Unit Prices (Oct 2010)	Applicable to Purchase Orders less paragraph (b) in the clause, except for construction or architect-engineer services under FAR Part 36; utility services under FAR Part 41; services where supplies are not required; and petroleum products.
52.215-14	Integrity of Unit Prices (Oct 2010) - Alternate I (Oct 1997)	Excepting paragraph (b), applicable to Purchase Orders above the Simplified Acquisition Threshold in FAR Part 2. Not applicable to construction or architect-engineer services under FAR Part 36; utility services under FAR Part 41; services where supplies are not required; commercial items; and petroleum products.
52.215-21	Requirements for Certified Cost or Pricing Data and Data Other Than Certified Cost or Pricing Data – Modifications (Oct 2010)	Applicable to all Purchase Orders when certified cost or pricing data, or data other than certified cost or pricing data, will be required for modifications
52.215-21	Requirements for Certified Cost or Pricing Data and Data Other Than Certified Cost or Pricing Data--Modifications (Oct 2010) - ALTERNATE II (Oct 1997)	Applicable to all Purchase Orders when certified cost or pricing data, or data other than certified cost or pricing data, will be required for modifications. Alternate II paragraph (c) does not apply to Seller.

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Clause Number	Title	Applicability (Reference to "Purchase Orders" includes underlying Solicitations)
52.215-21	Requirements for Certified Cost or Pricing Data and Data Other Than Certified Cost or Pricing Data--Modifications (Oct 2010) - ALTERNATE III (Oct 1997)	Applicable to all Purchase Orders when certified cost or pricing data, or data other than certified cost or pricing data, will be required for modifications and submission via electronic media is required.
52.215-23	Limitations on Pass-Through Charges (Oct 2009)	Applicable to all cost-reimbursement Purchase Orders that exceed the Simplified Acquisition Threshold; except if the Buyers' prime contract is with the DoD, then applicable to all cost-reimbursement Purchase Orders and all fixed-price Purchase Orders, except those identified in 15.408(n)(2)(i)(B)(2), that exceed the threshold for obtaining cost or pricing data in accordance with FAR 15.403-4.
52.219-9	Small Business Subcontracting Plan (Deviation 2018-O0018) (Aug 2018)	Applicable to Purchase Orders over \$750,000 and to Purchase Orders to the extent that the work under the Purchase Order will be performed in the United States or its outlying areas or Seller is recruiting employees in the United States or its outlying areas to work on the Purchase Order. Not applicable to Purchase Orders for commercial items.
52.219-9	Small Business Subcontracting Plan (Deviation 2018-O0018) - ALTERNATE II (Aug 2018)	Applicable to Purchase Orders over \$750,000 and to Purchase Orders to the extent that the work under the Purchase Order will be performed in the United States or its outlying areas or Seller is recruiting employees in the United States or its outlying areas to work on the Purchase Order. Not applicable to Purchase Orders for commercial items.
52.222-20	Contracts for Materials, Supplies, Articles and Equipment Exceeding \$15,000 (May 2014)	Applicable to Purchase Orders over \$15,000.
52.222-35	Equal Opportunity for Veterans (Oct 2015)	Applicable to all Purchase Orders, including for Commercial Items pursuant to 52.244-6, of \$150,000 or more. Foreign Sellers: Applicable to Purchase Orders when the listing of employment openings for purposes of work to be performed under this Purchase Order occur and are filled within the 50 States, the District of Columbia, Puerto Rico, the Northern Mariana Islands, American Samoa, Guam, the U.S. Virgin Islands, and Wake Island.
52.222-36	Equal Opportunity for Workers with Disabilities (Jul 2014)	Applicable to all Purchase Orders, including for Commercial Items pursuant to 52.244-6, exceeding \$15,000. Foreign Sellers: Applicable to Purchase Orders to the extent that work under the Purchase Order will be performed in the United States, Puerto Rico, the Northern Mariana Islands, American Samoa, Guam, the U.S. Virgin Islands, or Wake Island or Seller is recruiting employees in the United States, Puerto Rico, the Northern Mariana Islands, American Samoa, Guam, the U.S. Virgin Islands, or Wake Island to work on the Purchase Order.
52.222-37	Employment Reports on Veterans (Feb 2016)	Applicable to all Purchase Orders, including for Commercial Items pursuant to 52.244-6, of \$150,000 or more. Foreign Sellers: Applicable to Purchase Orders when the listing of employment openings for purposes of work to be performed under this Purchase Order occur and are filled within the 50 States, the District of Columbia, Puerto Rico, the Northern Mariana Islands, American Samoa, Guam, the U.S. Virgin Islands, and Wake Island.

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Clause Number	Title	Applicability (Reference to "Purchase Orders" includes underlying Solicitations)
52.222-50	Combating Trafficking in Persons (Jan 2019)	Applicable to all Purchase Orders, including for Commercial Items pursuant to 52.244-6, except that the requirements in paragraph (h) of the clause apply only to (i) supplies that are other than commercially available off-the-shelf items that are acquired outside the United States, or for services to be performed outside the United States, and (ii) that exceed \$500,000 in value.
52.223-18	Encouraging Contractor Policies to Ban Text Messaging while Driving (Aug 2011)	Applicable to all Purchase Orders over the Micro-Purchase Threshold.
52.225-13	Restrictions on Certain Foreign Purchases (Jun 2008)	Applicable to all Purchase Orders.
52.227-1	Authorization and Consent (Dec 2007)	Applicable to all Purchase Orders over the Simplified Acquisition Threshold.
52.227-2	Notice and Assistance Regarding Patent and Copyright Infringement (Dec 2007)	Applicable to all Purchase Orders expected to exceed the Simplified Acquisition Threshold.
52.230-2	Cost Accounting Standards (DEVIATION 2018-O0015) (Jul 2018)	Applicable when stated in the Purchase Order.
52.232-40	Providing Accelerated Payments to Small Business Subcontractors (Dec 2013)	Applicable to all Purchase Orders, including for Commercial Items pursuant to 52.244-6, with small business concerns, including Purchase Orders with small business concerns for the acquisition of commercial items.
52.237-3	Continuity of Services (Jan 1991)	Applicable to Purchase Orders when services under the contract are considered vital to the Government and must be continued without interruption.
52.243-2	Changes-Cost-Reimbursement (Aug 1987) - Alternate II (Apr 1984)	Applicable to cost-reimbursement Purchase Orders.
52.244-6	Subcontracts for Commercial Items (Jan 2019)	Applicable to all Purchase Orders.
52.251-1	Government Supply Sources (Apr 2012)	Applicable to Purchase Orders when Buyer flows express authorization for Seller to use Government Supply Sources.
252.203-7004	Display of Hotline Posters (Oct 2016)	Applicable to Purchase Orders that exceed \$5.5 million.
252.204-7010	Requirement for Contractor to Notify DoD if the Contractor's Activities are Subject to Reporting Under the US International Atomic Energy Agency Additional Protocol (Jan 2009)	Applicable to all Purchase Orders that are subject to the provisions of the U.S.-IAEA AP.
252.204-7012	Safeguarding Covered Defense Information and Cyber Incident Reporting (Oct 2016)	Applicable to all Purchase Orders for operationally critical support, or for which Purchase Order performance will involve covered defense information.
252.209-7004	Subcontracting with Firms That Are Owned or Controlled by the Government of a Terrorist Country (Oct 2015)	Applies to all Purchase Orders.

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Clause Number	Title	Applicability (Reference to "Purchase Orders" includes underlying Solicitations)
252.211-7003	Item Unique Identification and Valuation (Mar 2016)	Applicable to all Purchase Orders. Seller's obligations under this clause are limited to cooperating with Buyer's efforts to comply with this clause, including granting Buyer access to Seller's deliverables at its facilities and to appropriate property records.
252.219-7003	Small Business Subcontracting Plan (DoD Contracts) (Dec 2018)	Applicable to all Purchase Orders to Sellers that participate in the Test Program described in DFARS 219.702-70, if the subcontract is expected to exceed \$700,000 (\$1.5 million for construction of any public facility) and to have further subcontracting opportunities.
252.225-7009	Restriction on Acquisition of Certain Articles Containing Specialty Metals (Oct 2014)	Applicable to all Purchase Orders, excluding paragraph (d) and (e)(1) which are deleted from this clause, for items containing specialty metals to ensure compliance of the end products that Buyer will deliver to the Government.
252.225-7013	Duty-Free Entry (May 2016)	Applicable to all Purchase Orders with Sellers who are located in a "Qualifying country" as defined in DFARS Part 225.8; or if the estimated U.S. duty for the Goods will exceed \$200 per unit. The information required by paragraph (j)(3) of this clause is available upon request.
252.225-7019	Restriction on Acquisition of Anchor and Mooring Chain (Dec 2009)	Applicable to all Purchase Orders for goods containing welded shipboard anchor and mooring chain, four inches or less in diameter.
252.225-7978	Restriction on Acquisition of Certain Magnets and Tungsten. (DEVIATION 2019-00006) (Jan 2019)	Applicable to Purchase Order using FAR part 12 procedures for the acquisition of commercial items, that exceed the simplified acquisition threshold, unless acquiring items outside the United States for use outside the United States or a nonavailability determination has been made in accordance with 225.7018.
252.226-7001	Utilization of Indian Organizations, Indian-Owned Economic Enterprises, and Native Hawaiian Small Business Concerns (Sep 2004)	Applicable to all Purchase Orders exceeding \$500,000.
252.227-7015	Technical Data—Commercial Items (FEB 2014) - ALTERNATE I (Dec 2011)	Applicable to all Purchase Orders whenever any technical data related to commercial items developed in any part at private expense will be provided under the Purchase Order for delivery to the Government.
252.234-7004	Cost and Software Data Reporting System (Nov 2014)	Applicable to Purchase Orders that exceed \$50 million
252.244-7000	Subcontracts for Commercial Items and Commercial Components (DoD Contracts) (Jun 2013)	Applicable to all Purchase Orders.
252.246-7007	Contractor Counterfeit Electronic Part Detection and Avoidance System (May 2014)	Applicable to all Purchase Orders when the goods or services include electronic parts or assemblies containing electronic parts. This clause applies to all Sellers, at all tiers, without regard to whether the Seller itself is subject to CAS.
252.246-7008	Sources of Electronic Parts (May 2018)	Applicable to all Purchase Orders for electronic parts or assemblies containing electronic parts, unless Seller is the original manufacturer.

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Clause Number	Title	Applicability (Reference to "Purchase Orders" includes underlying Solicitations)
252.249-7002	Notification of Anticipated Contract Termination or Reduction (Oct 2015)	Applicable to all Purchase Orders of \$700,000 or more. Seller shall (i) Provide notice to each of its subcontractors with a subcontract of \$150,000 or more; and (ii) Impose a similar notice and flowdown requirement to subcontractors with subcontracts of \$150,000 or more.
252.251-7000	Ordering From Government Supply Sources (Aug 2012)	Applicable to Purchase Orders when (i) Seller's performance is listed on a Government Supply Source list and (ii) such performance may be purchased pursuant to Government authorization and (iii) Buyer expressly includes such authorization via order specific text on the Purchase Order.

CLAUSES INCORPORATED BY FULL TEXT:

52.216-7 ALLOWABLE COST AND PAYMENT (AUG 2018)

(Applicable to Cost Reimbursement or Time & Material Purchase Orders. Seller must execute assignment documents in accordance with requirements in the clause.)

(a) Invoicing.

(1) The Government will make payments to the Contractor when requested as work progresses, but (except for small business concerns) not more often than once every 2 weeks, in amounts determined to be allowable by the Contracting Officer in accordance with Federal Acquisition Regulation (FAR) Subpart 31.2 in effect on the date of this contract and the terms of this contract. The Contractor may submit to an authorized representative of the Contracting Officer, in such form and reasonable detail as the representative may require, an invoice or voucher supported by a statement of the claimed allowable cost for performing this contract.

(2) Contract financing payments are not subject to the interest penalty provisions of the Prompt Payment Act. Interim payments made prior to the final payment under the contract are contract financing payments, except interim payments if this contract contains Alternate I to the clause at 52.232-25.

(3) The designated payment office will make interim payments for contract financing on the _____ [Contracting Officer insert day as prescribed by agency head; if not prescribed, insert "30th"] day after the designated billing office receives a proper payment request. In the event that the Government requires an audit or other review of a specific payment request to ensure compliance with the terms and conditions of the contract, the designated payment office is not compelled to make payment by the specified due date.

(b) Reimbursing costs.

(1) For the purpose of reimbursing allowable costs (except as provided in paragraph (b)(2) of this clause, with respect to pension, deferred profit sharing, and employee stock ownership plan contributions), the term "costs" includes only—

(i) Those recorded costs that, at the time of the request for reimbursement, the Contractor has paid by cash, check, or other form of actual payment for items or services purchased directly for the contract;

(ii) When the Contractor is not delinquent in paying costs of contract performance in the ordinary course of business, costs incurred, but not necessarily paid, for—

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(A) Supplies and services purchased directly for the contract and associated financing payments to subcontractors, provided payments determined due will be made—

(1) In accordance with the terms and conditions of a subcontract or invoice; and

(2) Ordinarily within 30 days of the submission of the Contractor's payment request to the Government;

(B) Materials issued from the Contractor's inventory and placed in the production process for use on the contract;

(C) Direct labor;

(D) Direct travel;

(E) Other direct in-house costs; and

(F) Properly allocable and allowable indirect costs, as shown in the records maintained by the Contractor for purposes of obtaining reimbursement under Government contracts; and

(iii) The amount of financing payments that have been paid by cash, check, or other forms of payment to subcontractors.

(2) Accrued costs of Contractor contributions under employee pension plans shall be excluded until actually paid unless—

(i) The Contractor's practice is to make contributions to the retirement fund quarterly or more frequently; and

(ii) The contribution does not remain unpaid 30 days after the end of the applicable quarter or shorter payment period (any contribution remaining unpaid shall be excluded from the Contractor's indirect costs for payment purposes).

(3) Notwithstanding the audit and adjustment of invoices or vouchers under paragraph (g) of this clause, allowable indirect costs under this contract shall be obtained by applying indirect cost rates established in accordance with paragraph (d) of this clause.

(4) Any statements in specifications or other documents incorporated in this contract by reference designating performance of services or furnishing of materials at the Contractor's expense or at no cost to the Government shall be disregarded for purposes of cost-reimbursement under this clause.

(c) *Small business concerns.* A small business concern may receive more frequent payments than every 2 weeks.

(d) Final indirect cost rates.

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(1) Final annual indirect cost rates and the appropriate bases shall be established in accordance with Subpart 42.7 of the Federal Acquisition Regulation (FAR) in effect for the period covered by the indirect cost rate proposal.

(2)(i) The Contractor shall submit an adequate final indirect cost rate proposal to the Contracting Officer (or cognizant Federal agency official) and auditor within the 6-month period following the expiration of each of its fiscal years. Reasonable extensions, for exceptional circumstances only, may be requested in writing by the Contractor and granted in writing by the Contracting Officer. The Contractor shall support its proposal with adequate supporting data.

(ii) The proposed rates shall be based on the Contractor's actual cost experience for that period. The appropriate Government representative and the Contractor shall establish the final indirect cost rates as promptly as practical after receipt of the Contractor's proposal.

(iii) An adequate indirect cost rate proposal shall include the following data unless otherwise specified by the cognizant Federal agency official:

(A) Summary of all claimed indirect expense rates, including pool, base, and calculated indirect rate.

(B) *General and Administrative expenses (final indirect cost pool)*. Schedule of claimed expenses by element of cost as identified in accounting records (Chart of Accounts).

(C) *Overhead expenses (final indirect cost pool)*. Schedule of claimed expenses by element of cost as identified in accounting records (Chart of Accounts) for each final indirect cost pool.

(D) *Occupancy expenses (intermediate indirect cost pool)*. Schedule of claimed expenses by element of cost as identified in accounting records (Chart of Accounts) and expense reallocation to final indirect cost pools.

(E) Claimed allocation bases, by element of cost, used to distribute indirect costs.

(F) Facilities capital cost of money factors computation.

(G) Reconciliation of books of account (*i.e.*, General Ledger) and claimed direct costs by major cost element.

(H) Schedule of direct costs by contract and subcontract and indirect expense applied at claimed rates, as well as a subsidiary schedule of Government participation percentages in each of the allocation base amounts.

(I) Schedule of cumulative direct and indirect costs claimed and billed by contract and subcontract.

(J) *Subcontract information*. Listing of subcontracts awarded to companies for which the contractor is the prime or upper-tier contractor (include prime and subcontract numbers; subcontract value and award type; amount claimed during the fiscal year; and the subcontractor name, address, and point of contact information).

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(K) Summary of each time-and-materials and labor-hour contract information, including labor categories, labor rates, hours, and amounts; direct materials; other direct costs; and, indirect expense applied at claimed rates.

(L) Reconciliation of total payroll per IRS form 941 to total labor costs distribution.

(M) Listing of decisions/agreements/approvals and description of accounting/organizational changes.

(N) Certificate of final indirect costs (see [52.242-4](#), Certification of Final Indirect Costs).

(O) Contract closing information for contracts physically completed in this fiscal year (include contract number, period of performance, contract ceiling amounts, contract fee computations, level of effort, and indicate if the contract is ready to close).

(iv) The following supplemental information is not required to determine if a proposal is adequate, but may be required during the audit process:

(A) Comparative analysis of indirect expense pools detailed by account to prior fiscal year and budgetary data.

(B) General organizational information and limitation on allowability of compensation for certain contractor personnel. See 31.205-6(p). Additional salary reference information is available at <https://www.whitehouse.gov/wp-content/uploads/2017/11/ContractorCompensationCapContractsAwardedBeforeJune24.pdf> and <https://www.whitehouse.gov/wp-content/uploads/2017/11/ContractorCompensationCapContractsAwardedafterJune24.pdf>.

(C) Identification of prime contracts under which the contractor performs as a subcontractor.

(D) Description of accounting system (excludes contractors required to submit a CAS Disclosure Statement or contractors where the description of the accounting system has not changed from the previous year's submission).

(E) Procedures for identifying and excluding unallowable costs from the costs claimed and billed (excludes contractors where the procedures have not changed from the previous year's submission).

(F) Certified financial statements and other financial data (*e.g.*, trial balance, compilation, review, *etc.*).

(G) Management letter from outside CPAs concerning any internal control weaknesses.

(H) Actions that have been and/or will be implemented to correct the weaknesses described in the management letter from subparagraph (G) of this section.

(I) List of all internal audit reports issued since the last disclosure of internal audit reports to the Government.

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(J) Annual internal audit plan of scheduled audits to be performed in the fiscal year when the final indirect cost rate submission is made.

(K) Federal and State income tax returns.

(L) Securities and Exchange Commission 10-K annual report.

(M) Minutes from board of directors meetings.

(N) Listing of delay claims and termination claims submitted which contain costs relating to the subject fiscal year.

(O) Contract briefings, which generally include a synopsis of all pertinent contract provisions, such as: contract type, contract amount, product or service(s) to be provided, contract performance period, rate ceilings, advance approval requirements, pre-contract cost allowability limitations, and billing limitations.

(v) The Contractor shall update the billings on all contracts to reflect the final settled rates and update the schedule of cumulative direct and indirect costs claimed and billed, as required in paragraph (d)(2)(iii)(I) of this section, within 60 days after settlement of final indirect cost rates.

(3) The Contractor and the appropriate Government representative shall execute a written understanding setting forth the final indirect cost rates. The understanding shall specify (i) the agreed-upon final annual indirect cost rates, (ii) the bases to which the rates apply, (iii) the periods for which the rates apply, (iv) any specific indirect cost items treated as direct costs in the settlement, and (v) the affected contract and/or subcontract, identifying any with advance agreements or special terms and the applicable rates. The understanding shall not change any monetary ceiling, contract obligation, or specific cost allowance or disallowance provided for in this contract. The understanding is incorporated into this contract upon execution.

(4) Failure by the parties to agree on a final annual indirect cost rate shall be a dispute within the meaning of the Disputes clause.

(5) Within 120 days (or longer period if approved in writing by the Contracting Officer) after settlement of the final annual indirect cost rates for all years of a physically complete contract, the Contractor shall submit a completion invoice or voucher to reflect the settled amounts and rates. The completion invoice or voucher shall include settled subcontract amounts and rates. The prime contractor is responsible for settling subcontractor amounts and rates included in the completion invoice or voucher and providing status of subcontractor audits to the contracting officer upon request.

(6)(i) If the Contractor fails to submit a completion invoice or voucher within the time specified in paragraph (d)(5) of this clause, the Contracting Officer may—

(A) Determine the amounts due to the Contractor under the contract; and

(B) Record this determination in a unilateral modification to the contract.

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(ii) This determination constitutes the final decision of the Contracting Officer in accordance with the Disputes clause.

(e) *Billing rates.* Until final annual indirect cost rates are established for any period, the Government shall reimburse the Contractor at billing rates established by the Contracting Officer or by an authorized representative (the cognizant auditor), subject to adjustment when the final rates are established. These billing rates—

(1) Shall be the anticipated final rates; and

(2) May be prospectively or retroactively revised by mutual agreement, at either party's request, to prevent substantial overpayment or underpayment.

(f) *Quick-closeout procedures.* Quick-closeout procedures are applicable when the conditions in FAR 42.708(a) are satisfied.

(g) *Audit.* At any time or times before final payment, the Contracting Officer may have the Contractor's invoices or vouchers and statements of cost audited. Any payment may be—

(1) Reduced by amounts found by the Contracting Officer not to constitute allowable costs; or

(2) Adjusted for prior overpayments or underpayments.

(h) *Final payment.*

(1) Upon approval of a completion invoice or voucher submitted by the Contractor in accordance with paragraph (d)(5) of this clause, and upon the Contractor's compliance with all terms of this contract, the Government shall promptly pay any balance of allowable costs and that part of the fee (if any) not previously paid.

(2) The Contractor shall pay to the Government any refunds, rebates, credits, or other amounts (including interest, if any) accruing to or received by the Contractor or any assignee under this contract, to the extent that those amounts are properly allocable to costs for which the Contractor has been reimbursed by the Government. Reasonable expenses incurred by the Contractor for securing refunds, rebates, credits, or other amounts shall be allowable costs if approved by the Contracting Officer. Before final payment under this contract, the Contractor and each assignee whose assignment is in effect at the time of final payment shall execute and deliver—

(i) An assignment to the Government, in form and substance satisfactory to the Contracting Officer, of refunds, rebates, credits, or other amounts (including interest, if any) properly allocable to costs for which the Contractor has been reimbursed by the Government under this contract; and

(ii) A release discharging the Government, its officers, agents, and employees from all liabilities, obligations, and claims arising out of or under this contract, except—

(A) Specified claims stated in exact amounts, or in estimated amounts when the exact amounts are not known;

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(B) Claims (including reasonable incidental expenses) based upon liabilities of the Contractor to third parties arising out of the performance of this contract; provided, that the claims are not known to the Contractor on the date of the execution of the release, and that the Contractor gives notice of the claims in writing to the Contracting Officer within 6 years following the release date or notice of final payment date, whichever is earlier; and

(C) Claims for reimbursement of costs, including reasonable incidental expenses, incurred by the Contractor under the patent clauses of this contract, excluding, however, any expenses arising from the Contractor's indemnification of the Government against patent liability.
(End of clause)

52.248-1 VALUE ENGINEERING (OCT 2010)

(Applicable to Purchase Orders over \$150,000.)

(a) *General.* The Contractor is encouraged to develop, prepare, and submit value engineering change proposals (VECP's) voluntarily. The Contractor shall share in any net acquisition savings realized from accepted VECP's, in accordance with the incentive sharing rates in paragraph (f) of this clause.

(b) *Definitions.*

"Acquisition savings," as used in this clause, means savings resulting from the application of a VECP to contracts awarded by the same contracting office or its successor for essentially the same unit. Acquisition savings include—

(1) Instant contract savings, which are the net cost reductions on this, the instant contract, and which are equal to the instant unit cost reduction multiplied by the number of instant contract units affected by the VECP, less the Contractor's allowable development and implementation costs;

(2) Concurrent contract savings, which are net reductions in the prices of other contracts that are definitized and ongoing at the time the VECP is accepted; and

(3) Future contract savings, which are the product of the future unit cost reduction multiplied by the number of future contract units in the sharing base. On an instant contract, future contract savings include savings on increases in quantities after VECP acceptance that are due to contract modifications, exercise of options, additional orders, and funding of subsequent year requirements on a multiyear contract.

"Collateral savings," as used in this clause, means those measurable net reductions resulting from a VECP in the agency's overall projected collateral costs, exclusive of acquisition savings, whether or not the acquisition cost changes.

"Contracting office" includes any contracting office that the acquisition is transferred to, such as another branch of the agency or another agency's office that is performing a joint acquisition action.

"Contractor's development and implementation costs," as used in this clause, means those costs the Contractor incurs on a VECP specifically in developing, testing, preparing, and submitting the VECP, as well as those costs the Contractor incurs to make the contractual changes required by Government acceptance of a VECP.

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“Future unit cost reduction,” as used in this clause, means the instant unit cost reduction adjusted as the Contracting Officer considers necessary for projected learning or changes in quantity during the sharing period. It is calculated at the time the VECP is accepted and applies either—

(1) Throughout the sharing period, unless the Contracting Officer decides that recalculation is necessary because conditions are significantly different from those previously anticipated; or

(2) To the calculation of a lump-sum payment, which cannot later be revised.

“Government costs,” as used in this clause, means those agency costs that result directly from developing and implementing the VECP, such as any net increases in the cost of testing, operations, maintenance, and logistics support. The term does not include the normal administrative costs of processing the VECP or any increase in this contract’s cost or price resulting from negative instant contract savings.

“Instant contract,” as used in this clause, means this contract, under which the VECP is submitted. It does not include increases in quantities after acceptance of the VECP that are due to contract modifications, exercise of options, or additional orders. If this is a multiyear contract, the term does not include quantities funded after VECP acceptance. If this contract is a fixed-price contract with prospective price redetermination, the term refers to the period for which firm prices have been established.

“Instant unit cost reduction” means the amount of the decrease in unit cost of performance (without deducting any Contractor’s development or implementation costs) resulting from using the VECP on this, the instant contract. If this is a service contract, the instant unit cost reduction is normally equal to the number of hours per line-item task saved by using the VECP on this contract, multiplied by the appropriate contract labor rate.

“Negative instant contract savings” means the increase in the cost or price of this contract when the acceptance of a VECP results in an excess of the Contractor’s allowable development and implementation costs over the product of the instant unit cost reduction multiplied by the number of instant contract units affected.

“Net acquisition savings” means total acquisition savings, including instant, concurrent, and future contract savings, less Government costs.

“Sharing base,” as used in this clause, means the number of affected end items on contracts of the contracting office accepting the VECP.

“Sharing period,” as used in this clause, means the period beginning with acceptance of the first unit incorporating the VECP and ending at a calendar date or event determined by the contracting officer for each VECP.

“Unit,” as used in this clause, means the item or task to which the Contracting Officer and the Contractor agree the VECP applies.

“Value engineering change proposal (VECP)” means a proposal that—

(1) Requires a change to this, the instant contract, to implement; and

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(2) Results in reducing the overall projected cost to the agency without impairing essential functions or characteristics; *provided*, that it does not involve a change—

(i) In deliverable end item quantities only;

(ii) In research and development (R&D) end items or R&D test quantities that is due solely to results of previous testing under this contract; or

(iii) To the contract type only.

(c) *VECP preparation.* As a minimum, the Contractor shall include in each VECP the information described in paragraphs (c)(1) through (8) of this clause. If the proposed change is affected by contractually required configuration management or similar procedures, the instructions in those procedures relating to format, identification, and priority assignment shall govern VECP preparation. The VECP shall include the following:

(1) A description of the difference between the existing contract requirement and the proposed requirement, the comparative advantages and disadvantages of each, a justification when an item's function or characteristics are being altered, the effect of the change on the end item's performance, and any pertinent objective test data.

(2) A list and analysis of the contract requirements that must be changed if the VECP is accepted, including any suggested specification revisions.

(3) Identification of the unit to which the VECP applies.

(4) A separate, detailed cost estimate for (i) the affected portions of the existing contract requirement and (ii) the VECP. The cost reduction associated with the VECP shall take into account the Contractor's allowable development and implementation costs, including any amount attributable to subcontracts under the Subcontracts paragraph of this clause.

(5) A description and estimate of costs the Government may incur in implementing the VECP, such as test and evaluation and operating and support costs.

(6) A prediction of any effects the proposed change would have on collateral costs to the agency.

(7) A statement of the time by which a contract modification accepting the VECP must be issued in order to achieve the maximum cost reduction, noting any effect on the contract completion time or delivery schedule.

(8) Identification of any previous submissions of the VECP, including the dates submitted, the agencies and contract numbers involved, and previous Government actions, if known.

(d) *Submission.* The Contractor shall submit VECP's to the Contracting Officer, unless this contract states otherwise. If this contract is administered by other than the contracting office, the Contractor shall submit a copy of the VECP simultaneously to the Contracting Officer and to the Administrative Contracting Officer.

(e) Government action.

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(1) The Contracting Officer will notify the Contractor of the status of the VECP within 45 calendar days after the contracting office receives it. If additional time is required, the Contracting Officer will notify the Contractor within the 45-day period and provide the reason for the delay and the expected date of the decision. The Government will process VECP's expeditiously; however, it will not be liable for any delay in acting upon a VECP.

(2) If the VECP is not accepted, the Contracting Officer will notify the Contractor in writing, explaining the reasons for rejection. The Contractor may withdraw any VECP, in whole or in part, at any time before it is accepted by the Government. The Contracting Officer may require that the Contractor provide written notification before undertaking significant expenditures for VECP effort.

(3) Any VECP may be accepted, in whole or in part, by the Contracting Officer's award of a modification to this contract citing this clause and made either before or within a reasonable time after contract performance is completed. Until such a contract modification applies a VECP to this contract, the Contractor shall perform in accordance with the existing contract. The decision to accept or reject all or part of any VECP is a unilateral decision made solely at the discretion of the Contracting Officer.

(f) *Sharing rates.* If a VECP is accepted, the Contractor shall share in net acquisition savings according to the percentages shown in the table below. The percentage paid the Contractor depends upon—

(1) This contract's type (fixed-price, incentive, or cost-reimbursement);

(2) The sharing arrangement specified in paragraph (a) of this clause (incentive, program requirement, or a combination as delineated in the Schedule); and

(3) The source of the savings (the instant contract, or concurrent and future contracts), as follows:

Contractor's Share of Net Acquisition Savings (Figure in Percent)				
Contract Type	Incentive (Voluntary)		Program Requirement (Mandatory)	
	Instant Contract Rate	Concurrent and Future Contract Rate	Instant Contract Rate	Concurrent and Future Contract Rate
Fixed-price (includes fixed-price-award-fee; excludes other fixed-price incentive contracts)	*50	*50	25	25
Incentive (fixed-price or cost) (other than award fee)	(**)	*50	(**)	25
Cost-reimbursement (includes cost-plus-award-fee; excludes other cost-type incentive contracts)	***25	***25	15	15
<p>* The Contracting Office may increase the Contractor's sharing rate to as high as 75 percent for each VECP.</p> <p>** Same sharing arrangement as the contract's profit or fee adjustment formula.</p> <p>*** The Contracting Office may increase the Contractor's sharing rate to as high as 50 percent for each VECP.</p>				

(g) Calculating net acquisition savings.

(1) Acquisition savings are realized when (i) the cost or price is reduced on the instant contract, (ii) reductions are negotiated in concurrent contracts, (iii) future contracts are awarded, or (iv) agreement is

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reached on a lump-sum payment for future contract savings (see paragraph (i)(4) of this clause). Net acquisition savings are first realized, and the Contractor shall be paid a share, when Government costs and any negative instant contract savings have been fully offset against acquisition savings.

(2) Except in incentive contracts, Government costs and any price or cost increases resulting from negative instant contract savings shall be offset against acquisition savings each time such savings are realized until they are fully offset. Then, the Contractor's share is calculated by multiplying net acquisition savings by the appropriate Contractor's percentage sharing rate (see paragraph (f) of this clause). Additional Contractor shares of net acquisition savings shall be paid to the Contractor at the time realized.

(3) If this is an incentive contract, recovery of Government costs on the instant contract shall be deferred and offset against concurrent and future contract savings. The Contractor shall share through the contract incentive structure in savings on the instant contract items affected. Any negative instant contract savings shall be added to the target cost or to the target price and ceiling price, and the amount shall be offset against concurrent and future contract savings.

(4) If the Government does not receive and accept all items on which it paid the Contractor's share, the Contractor shall reimburse the Government for the proportionate share of these payments.

(h) *Contract adjustment.* The modification accepting the VECP (or a subsequent modification issued as soon as possible after any negotiations are completed) shall—

(1) Reduce the contract price or estimated cost by the amount of instant contract savings, unless this is an incentive contract;

(2) When the amount of instant contract savings is negative, increase the contract price, target price and ceiling price, target cost, or estimated cost by that amount;

(3) Specify the Contractor's dollar share per unit on future contracts, or provide the lump-sum payment;

(4) Specify the amount of any Government costs or negative instant contract savings to be offset in determining net acquisition savings realized from concurrent or future contract savings; and

(5) Provide the Contractor's share of any net acquisition savings under the instant contract in accordance with the following:

(i) Fixed-price contracts—add to contract price.

(ii) Cost-reimbursement contracts—add to contract fee.

(i) Concurrent and future contract savings.

(1) Payments of the Contractor's share of concurrent and future contract savings shall be made by a modification to the instant contract in accordance with paragraph (h)(5) of this clause. For incentive contracts, shares shall be added as a separate firm-fixed-price line item on the instant contract. The Contractor shall maintain records adequate to identify the first delivered unit for 3 years after final payment under this contract.

(2) The Contracting Officer shall calculate the Contractor's share of concurrent contract savings by—

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(i) Subtracting from the reduction in price negotiated on the concurrent contract any Government costs or negative instant contract savings not yet offset; and

(ii) Multiplying the result by the Contractor's sharing rate.

(3) The Contracting Officer shall calculate the Contractor's share of future contract savings by—

(i) Multiplying the future unit cost reduction by the number of future contract units scheduled for delivery during the sharing period;

(ii) Subtracting any Government costs or negative instant contract savings not yet offset; and

(iii) Multiplying the result by the Contractor's sharing rate.

(4) When the Government wishes and the Contractor agrees, the Contractor's share of future contract savings may be paid in a single lump sum rather than in a series of payments over time as future contracts are awarded. Under this alternate procedure, the future contract savings may be calculated when the VECP is accepted, on the basis of the Contracting Officer's forecast of the number of units that will be delivered during the sharing period. The Contractor's share shall be included in a modification to this contract (see paragraph (h)(3) of this clause) and shall not be subject to subsequent adjustment.

(5) *Alternate no-cost settlement method.* When, in accordance with subsection [48.104-4](#) of the Federal Acquisition Regulation, the Government and the Contractor mutually agree to use the no-cost settlement method, the following applies:

(i) The Contractor will keep all the savings on the instant contract and on its concurrent contracts only.

(ii) The Government will keep all the savings resulting from concurrent contracts placed on other sources, savings from all future contracts, and all collateral savings.

(j) *Collateral savings.* If a VECP is accepted, the Contracting Officer will increase the instant contract amount, as specified in paragraph (h)(5) of this clause, by a rate from 20 to 100 percent, as determined by the Contracting Officer, of any projected collateral savings determined to be realized in a typical year of use after subtracting any Government costs not previously offset. However, the Contractor's share of collateral savings will not exceed the contract's firm-fixed-price, target price, target cost, or estimated cost, at the time the VECP is accepted, or \$100,000, whichever is greater. The Contracting Officer will be the sole determiner of the amount of collateral savings.

(k) *Relationship to other incentives.* Only those benefits of an accepted VECP not rewardable under performance, design-to-cost (production unit cost, operating and support costs, reliability and maintainability), or similar incentives shall be rewarded under this clause. However, the targets of such incentives affected by the VECP shall not be adjusted because of VECP acceptance. If this contract specifies targets but provides no incentive to surpass them, the value engineering sharing shall apply only to the amount of achievement better than target.

(l) *Subcontracts.* The Contractor shall include an appropriate value engineering clause in any subcontract of \$150,000 or more and may include one in subcontracts of lesser value. In calculating any adjustment in this

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contract's price for instant contract savings (or negative instant contract savings), the Contractor's allowable development and implementation costs shall include any subcontractor's allowable development and implementation costs, and any value engineering incentive payments to a subcontractor, clearly resulting from a VECP accepted by the Government under this contract. The Contractor may choose any arrangement for subcontractor value engineering incentive payments, *provided*, that the payments shall not reduce the Government's share of concurrent or future contract savings or collateral savings.

(m) *Data*. The Contractor may restrict the Government's right to use any part of a VECP or the supporting data by marking the following legend on the affected parts:

These data, furnished under the Value Engineering clause of contract _____, shall not be disclosed outside the Government or duplicated, used, or disclosed, in whole or in part, for any purpose other than to evaluate a value engineering change proposal submitted under the clause. This restriction does not limit the Government's right to use information contained in these data if it has been obtained or is otherwise available from the Contractor or from another source without limitations.

If a VECP is accepted, the Contractor hereby grants the Government unlimited rights in the VECP and supporting data, except that, with respect to data qualifying and submitted as limited rights technical data, the Government shall have the rights specified in the contract modification implementing the VECP and shall appropriately mark the data. (The terms "unlimited rights" and "limited rights" are defined in [Part 27](#) of the Federal Acquisition Regulation.)

(End of clause)