

**TERMS AND CONDITIONS**  
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**1. BILLING INSTRUCTIONS.** (a) A packing list must accompany all shipments.

(b) Mark the outside of all packages with the subcontract number.

(c) Packing lists, delivery tickets, and any required invoices must show the subcontract number and must show car numbers when carload shipment is made.

(d) Render separate invoices, if required, for each and every shipment, and render invoice for returnable containers stating terms and conditions for return thereof.

(e) Mail one copy of all shipping papers and one copy of all required invoices to the Company's Accounts Payable Department at the address shown elsewhere in this subcontract.

**2. DEFINITIONS.** As used throughout this subcontract, the following terms shall have the meanings set forth below:

(a) The term "Government" means the United States of America and includes DOE.

(b) The term "DOE" means the Department of Energy or any duly authorized representative thereof.

(c) The term "Company" means Martin Marietta Energy Systems, Inc., acting under Contract No. DE-AC05-84OR21400 with DOE and includes any duly authorized representative thereof.

(d) The term "Seller" means the person or organization that has entered into this subcontract with the Company.

(e) Except as otherwise provided in this subcontract, the term "subcontracts" includes, but is not limited to, purchase orders and changes and modifications to purchase orders under this subcontract.

**3. TITLE AND ADMINISTRATION.** It is understood and agreed that title to all supplies furnished hereunder by the Seller shall pass directly from the Seller to the Government; that the Company is authorized to and will make payment hereunder from Government funds advanced and agreed to be advanced to it by DOE, and not from its own assets; and that administration of this subcontract may be transferred from the Company to DOE or its designee, and in case of such transfer and notice thereof to the Seller, the Company shall have no further responsibilities hereunder.

**4. OFFICIALS NOT TO BENEFIT.** No member of or delegate to Congress, or resident commissioner, shall be admitted to any share or part of this subcontract, or to any benefit arising from it. However, this clause does not apply to this subcontract to the extent that this subcontract is made with a corporation for the corporation's general benefit.

**5. COVENANT AGAINST CONTINGENT FEES.** (a) The Seller warrants that no person or agency has been employed or retained to solicit or obtain this subcontract upon an agreement or understanding for a contingent fee, except a bona fide employee or agency. For breach or violation of this warranty, the Company shall have the right to annul this subcontract without liability or, in its discretion, to deduct from the subcontract price or consideration, or otherwise recover, the full amount of the contingent fee.

(b) "Bona fide agency," as used in this clause, means an established commercial or selling agency, maintained by the Seller for the purpose of securing business, that neither exerts nor proposes to exert improper influence to solicit or obtain Government contracts or subcontracts nor holds itself out as being able to obtain any Government contracts or subcontracts through improper influence.

"Bona fide employee," as used in this clause, means a

person, employed by the Seller and subject to the Seller's supervision and control as to time, place, and manner of performance, who neither exerts nor proposes to exert improper influence to solicit or obtain Government contracts or subcontracts nor holds out as being able to obtain any Government contracts or subcontracts through improper influence.

"Contingent fee," as used in this clause, means any commission, percentage, brokerage, or other fee that is contingent upon the success that a person or concern has in securing a Government contract or subcontract.

"Improper influence," as used in this clause, means any influence that induces or tends to induce a Company employee or officer to give consideration or to act regarding a Company subcontract on any basis other than the merits of the matter.

**6. RESTRICTIONS ON SUBCONTRACTOR SALES TO THE COMPANY OR THE GOVERNMENT.** (a) Except as provided in (b) below, the Seller shall not enter into any agreement with an actual or prospective subcontractor, nor otherwise act in any manner, which has or may have the effect of restricting sales by such subcontractors directly to the Company or the Government of any item or process (including computer software) made or furnished by the subcontractor under this subcontract or under any follow-on production subcontract.

(b) The prohibition in (a) above does not preclude the Seller from asserting rights that are otherwise authorized by law or regulation.

(c) The Seller agrees to incorporate the substance of this clause, including this paragraph (c), in all subcontracts under this subcontract.

(d) The Seller agrees to incorporate the substance of this clause, including this paragraph (c), in all subcontracts under this subcontract.

**7. ANTI-KICKBACK PROCEDURES.** (a) Definitions.

"Kickback," as used in this clause, means any money, fee, commission, credit, gift, gratuity, thing of value, or compensation of any kind which is provided, directly or indirectly, to any prime Contractor, prime Contractor employee, subcontractor, or subcontractor employee for the purpose of improperly obtaining or rewarding favorable treatment in connection with a prime contract or in connection with a subcontract relating to a prime contract.

"Person," as used in this clause, means a corporation, partnership, business association of any kind, trust, joint-stock company, or individual.

"Prime contract," as used in this clause, means a contract or contractual action entered into by the United States for the purpose of obtaining supplies, materials, equipment, or services of any kind.

"Prime Contractor," as used in this clause, means a person who has entered into a prime contract with the United States.

"Prime Contractor employee," as used in this clause, means any officer, partner, employee, or agent of a prime Contractor.

"Subcontract," as used in this clause, means a contract or contractual action entered into by a prime Contractor or subcontractor for the purpose of obtaining supplies, materials, equipment, or services of any kind under a prime contract.

"Subcontractor," as used in this clause, (1) means any person, other than the prime Contractor, who offers to furnish or furnishes any supplies, materials, equipment, or services of any kind under a prime contract or a subcontract entered into in connection with such prime contract, and (2) includes any person who offers to furnish or furnishes general supplies to the prime Contractor or a higher tier subcontractor.

"Subcontractor employee," as used in this clause, means

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any officer, partner, employee, or agent of a subcontractor.

(b) The Anti-Kickback Act of 1986 (41 U.S.C. 51-58) (the Act), prohibits any person from:

(1) Providing or attempting to provide or offering to provide any kickback;

(2) Soliciting, accepting, or attempting to accept any kickback; or

(3) Including, directly or indirectly, the amount of any kickback in the contract price charged by a prime Contractor to the United States or in the contract price charged by a subcontractor to a prime Contractor or higher tier subcontractor.

(c) (1) When the Seller has reasonable grounds to believe that a violation described in paragraph (b) of this clause may have occurred, the Seller shall promptly report in writing the possible violation. Such reports shall be made to the Company and the Inspector General of DOE or the Department of Justice.

(2) The Seller shall cooperate fully with any Federal agency investigating a possible violation described in paragraph (b) of this clause.

(3) The Contracting Officer may (i) offset the amount of the kickback against any monies owed by the United States under the prime contract and/or (ii) direct that the Prime Contractor withhold, from sums owed a subcontractor under the prime contract, the amount of any kickback. The Contracting Officer may order the monies withheld under subdivision (c)(3)(ii) of this clause be paid over to the Government unless the Government has already offset those monies under subdivision (c)(3)(i) of this clause. In either case, the Prime Contractor shall notify the Contracting Officer when the monies are withheld.

(4) The Seller agrees to incorporate the substance of this clause, including this subparagraph (c)(4) in all subcontracts under this subcontract.

### **8. LIMITATION ON PAYMENTS TO INFLUENCE CERTAIN FEDERAL TRANSACTIONS.** (*Applicable if subcontract exceeds \$100,000.*)

(a) **Definitions.** "Agency," as used in this clause, means executive agency as defined in FAR 2.101.

"Covered Federal action," as used in this clause, means any of the following Federal actions:

(a) The awarding of any Federal contract.

(b) The making of any Federal grant.

(c) The making of any Federal loan.

(d) The entering into of any cooperative agreement.

(e) The extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

"Indian tribe" and "tribal organization," as used in this clause, have the meaning provided in Section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450B) and include Alaskan Natives.

"Influencing or attempting to influence," as used in this clause, means making, with the intent to influence, any communication to or appearance before an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any covered Federal action.

"Local government," as used in this clause, means a unit of government in a State and, if chartered, established, or otherwise recognized by a State for the performance of a governmental duty, including a local public authority, a special district, an intrastate district, a council of governments, a sponsor group representative organization, and any other instrumentality of a local government.

"Officer or employee of an agency," as used in this clause,

includes the following individuals who are employed by an agency:

(a) An individual who is appointed to a position in the Government under Title 5, United States Code, including a position under a temporary appointment.

(b) A member of the uniformed services, as defined in Subsection 101(3), Title 37, United States Code.

(c) A special Government employee, as defined in Section 202, Title 18, United States Code.

(d) An individual who is a member of a Federal advisory committee, as defined by the Federal Advisory Committee Act, Title 5, United States Code, Appendix 2.

"Person," as used in this clause, means an individual, corporation, company, association, authority, firm, partnership, society, State, and local government, regardless of whether such entity is operated for profit, or not for profit. This term excludes an Indian tribe, tribal organization, or any other Indian organization with respect to expenditures specifically permitted by other Federal law.

"Reasonable compensation," as used in this clause, means, with respect to a regularly employed officer or employee of any person, compensation that is consistent with the normal compensation for such officer or employee for work that is not furnished to, not funded by, or not furnished in cooperation with the Federal Government.

"Reasonable payment," as used in this clause, means, with respect to professional and other technical services, a payment in an amount that is consistent with the amount normally paid for such services in the private sector.

"Recipient," as used in this clause, includes the Seller and all subcontractors. This term excludes an Indian tribe, tribal organization, or any other Indian organization with respect to expenditures specifically permitted by other Federal law.

"Regularly employed," as used in this clause, means, with respect to an officer or employee of a person requesting or receiving a Federal contract, an officer or employee who is employed by such person for at least 130 working days within one year immediately preceding the date of the submission that initiates agency consideration of such person for receipt of such contract. An officer or employee who is employed by such person for less than 130 working days within one year immediately preceding the date of the submission that initiates agency consideration of such person shall be considered to be regularly employed as soon as he or she is employed by such person for 130 working days.

"State," as used in this clause, means a State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, a territory or possession of the United States, an agency or instrumentality of a State, and multi-State, regional, or interstate entity having governmental duties and powers.

(b) **Prohibitions.** (1) Section 1352 of Title 31, United States Code, among other things, prohibits a recipient of a Federal contract, grant, loan, or cooperative agreement from using appropriated funds to pay any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any of the following covered Federal actions; the awarding of any Federal contract; the making of any Federal grant; the making of any Federal loan; the entering into of any cooperative agreement; or the modification of any Federal contract, grant, loan, or cooperative agreement.

(2) The Act also requires Contractors to furnish a disclosure if any funds other than Federal appropriated funds (including profit or fee received under a covered Federal transaction) have been paid, or will be paid, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of

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Congress, or an employee of a Member of Congress in connection with a Federal contract, grant, loan, or cooperative agreement.

(3) The prohibitions of the Act do not apply under the following conditions:

(i) Agency and legislative liaison by own employees. (A) The prohibition on the use of appropriated funds, in subparagraph (b)(1) of this clause, does not apply in the case of a payment of reasonable compensation made to an officer or employee of a person requesting or receiving a covered Federal action if the payment is for agency and legislative liaison activities not directly related to a covered Federal action.

(B) For purposes of Subdivision (b)(3)(i)(A) of this clause, providing any information specifically requested by an agency or Congress is permitted at any time.

(C) The following agency and legislative liaison activities are permitted at any time where they are not related to a specific solicitation for any covered Federal action:

(1) Discussing with an agency the qualities and characteristics (including individual demonstrations) of the person's products or services, conditions or terms of sale, and service capabilities.

(2) Technical discussions and other activities regarding the application or adaptation of the person's products or services for an agency's use.

(D) The following agency and legislative liaison activities are permitted where they are prior to formal solicitation of any covered Federal action:

(1) Providing any information not specifically requested but necessary for an agency to make an informed decision about initiation of a covered Federal action;

(2) Technical discussions regarding the preparation of an unsolicited proposal prior to its official submission; and

(3) Capability presentations by persons seeking awards from an agency pursuant to the provisions of the Small Business Act, as amended by Pub.L. 95-507, and subsequent amendments.

(E) Only those services expressly authorized by Subdivision (b)(3)(i)(A) of this clause are permitted under this clause.

(ii) Professional and technical services.

(A) The prohibition on the use of appropriated funds, in subparagraph (b)(1) of this clause, does not apply in the case of:

(1) A payment of reasonable compensation made to an officer or employee of a person requesting or receiving a covered Federal action or an extension, continuation, renewal, amendment, or modification of a covered Federal action, if payment is for professional or technical services rendered directly in the preparation, submission, or negotiation of any bid, proposal, or application for that Federal action or for meeting requirements imposed by or pursuant to law as a condition for receiving that Federal action.

(2) Any reasonable payment to a person, other than an officer or employee of a person requesting or receiving a covered Federal action or an extension, continuation, renewal, amendment, or modification of a covered Federal action if the payment is for professional or technical services rendered directly in the preparation, submission, or negotiation of any bid, proposal, or application for that Federal action or for meeting requirements imposed by or pursuant to law as a condition for receiving that Federal action. Persons other than officers or employees of a person requesting or receiving a

covered Federal action include consultants and trade associations.

(B) For purposes of Subdivision (b)(3)(ii)(A) of this clause, "professional and technical services" shall be limited to advice and analysis directly applying any professional or technical discipline. For example, drafting of a legal document accompanying a bid or proposal by a lawyer is allowable. Similarly, technical advice provided by an engineer on the performance or operational capability of a piece of equipment rendered directly in the negotiation of a contract is allowable. However, communications with the intent to influence made by a professional (such as a licensed lawyer) or a technical person (such as a licensed accountant) are not allowable under this section unless they provide advice and analysis directly applying their professional or technical expertise and unless the advice or analysis is rendered directly and solely in the preparation, submission, or negotiation of a covered Federal action. Thus, for example, communications with the intent to influence made by a lawyer that do not provide legal advice or analysis directly and solely related to the legal aspects of his or her client's proposal, but generally advocate one proposal over another are not allowable under this section because the lawyer is not providing professional legal services. Similarly, communications with the intent to influence made by an engineer providing an engineering analysis prior to the preparation or submission of a bid or proposal are not allowable under this section since the engineer is providing technical services but not directly in the preparation, submission, or negotiation of a covered Federal action.

(C) Requirements imposed by or pursuant to law as a condition for receiving a covered Federal award include those required by law or regulation and any other requirements in the actual award documents.

(D) Only those services expressly authorized by Subdivisions (b)(3)(ii)(A)(1) and (2) of this clause are permitted under this clause.

(E) The reporting requirements of FAR 3.803(a) shall not apply with respect to payments of reasonable compensation made to regularly employed officers or employees of a person.

(iii) Disclosure. (A) The Seller shall file with the Company a disclosure form, OMB standard form LLL, Disclosure of Lobbying Activities, if it has made or has agreed to make any payment using nonappropriated funds (to include profits from any covered Federal action), which would be prohibited under subparagraph (b)(1) of this clause, if paid for with appropriated funds.

(B) The Seller shall file a disclosure form at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the information contained in any disclosure form previously filed under subparagraph (c)(1) of this clause. An event that materially affects the accuracy of the information reported includes:

(1) A cumulative increase of \$25,000 or more in the amount paid or expected to be paid for influencing or attempting to influence a covered Federal action; or

(2) A change in the person(s) or individual(s) influencing or attempting to influence a covered Federal action; or

(3) A change in the officer(s), employee(s), or Member(s) contacted to influence or attempt to influence a covered Federal action.

(C) The Seller shall require the submittal of a certification, and if required, a disclosure form by any person who requests or receives any subcontract exceeding \$100,000 under this subcontract.

(D) All subcontractor disclosure forms

(but not certifications) shall be forwarded from tier to tier until received by the Company. The Company shall submit all disclosures to its Contracting Officer at the end of the calendar quarter in which the disclosure form is submitted by the Seller. Each subcontractor certification shall be retained in the subcontract file of the awarding higher-tier subcontractor. The Seller's certification shall be retained by the Company.

(iv) Agreement. The Seller agrees not to make any payment prohibited by this clause.

(v) Penalties. (A) Any person who makes an expenditure prohibited under paragraph (a) of this clause or who fails to file or amend the disclosure form to be filed or amended by paragraph (b) of this clause shall be subject to civil penalties as provided for by 31 U.S.C. 1352. An imposition of a civil penalty does not prevent the Government from seeking any other remedy that may be applicable.

(B) The Seller may rely without liability on the representation made by its subcontractors in the certification and disclosure form.

(vi) Cost allowability. Nothing in this clause makes allowable or reasonable any costs which would otherwise be unallowable or unreasonable. Conversely, costs made specifically unallowable by the requirements in this clause will not be made allowable under any other provision.

**9. SECURITY.** (a) Responsibility. It is the Seller's duty to safeguard all classified information, special nuclear material, and other DOE property. The Seller shall, in accordance with DOE security regulations and requirements, be responsible for safeguarding all classified information, and protecting against sabotage, espionage, loss and theft, the classified documents and material in the Seller's possession in connection with the performance of work under this subcontract. Except as otherwise expressly provided in this subcontract, the Seller shall, upon completion or termination of this subcontract, transmit to the Company any classified matter in the possession of the Seller or any person under the Seller's control in connection with performance of this subcontract. If retention by the Seller of any classified matter is required after the completion or termination of the subcontract and such retention is approved by the Company, the Seller will complete a certificate of possession to be furnished to the Company specifying the classified matter to be retained. The certification shall identify the items and types or categories of matter retained, the conditions governing the retention of the matter, and the period of retention, if known. If the retention is approved by the Company, the security provisions of the subcontract will continue to be applicable to the matter retained. Special nuclear material will not be retained after the completion or termination of the subcontract.

(b) Regulations. The Seller agrees to conform to all security regulations and requirements of DOE.

(c) Definition of Classified Information. The term "classified information" means Restricted Data, Formerly Restricted Data, or National Security Information.

(d) Definition of Restricted Data. The term "Restricted Data" means all data concerning (1) design, manufacture, or utilization of atomic weapons; (2) the production of special nuclear material, or (3) the use of special nuclear material in the production of energy, but shall not include data declassified or removed from the Restricted Data category pursuant to Section 142 of the Atomic Energy Act of 1954, as amended.

(e) Definition of Formerly Restricted Data. The term "Formerly Restricted Data" means all data removed from the Restricted Data category under Section 142d. of the Atomic Energy Act of 1954, as amended.

(f) Definition of National Security Information. The term "National Security Information" means any information or material, regardless of its physical form or characteristics, that is owned by, produced for or by, or is under the control of the United States Government, that has been determined pursuant to Executive Order 12356 or prior Orders to require protection against unauthorized disclosure, and which is so designated.

(g) Definition of Special Nuclear Material (SNM). SNM means: (1) Plutonium, uranium enriched in the isotope 233 or in the isotope 235, and any other material which pursuant to the provisions of Section 51 of the Atomic Energy Act of 1954, as amended, has been determined to be special nuclear material, but does not include source material; or (2) any material artificially enriched by any of the foregoing, but does not include source material.

(h) Security Clearance of Personnel. The Seller shall not permit any individual to have access to any classified information, except in accordance with the Atomic Energy Act of 1954, as amended, Executive Order 12356, and the DOE's regulations or requirements applicable to the particular level and category of classified information to which access is required.

(i) Criminal Liability. It is understood that disclosure of any classified information relating to the work or services ordered hereunder to any person not entitled to receive it, or failure to safeguard any classified information that may come to the Seller or any person under the Seller's control in connection with work under this subcontract, may subject the Seller, its agents, employees, or subcontractors to criminal liability under the laws of the United States. (See the Atomic Energy Act of 1954, as amended, 42 U.S.C. 2011 *et seq.*; 18 U.S.C. 793 and 794; and Executive Order 12356.)

(j) Subcontracts and Purchase Orders. Except as otherwise authorized in writing by the Company, the Seller shall insert provisions similar to the foregoing in all subcontracts and purchase orders under this subcontract.

**10. CLASSIFICATION.** In the performance of the work under this subcontract, the Seller shall ensure that an Authorized Original Classifier or Derivative Classifier shall assign classifications to all documents, material, and equipment originated or generated under the subcontract in accordance with classification regulations and guidance furnished to the Seller by the Company. Every subcontract and purchase order issued hereunder involving the origination or generation of classified documents, material, or equipment shall include a provision to the effect that in the performance of such subcontract or purchase order, the subcontractor or supplier shall ensure that an Authorized Original Classifier or Derivative Classifier shall assign classifications to all such documents, materials, and equipment in accordance with classification regulations and guidance furnished to such subcontractor or supplier by the Seller.

**11. REQUIRED SOURCES FOR JEWEL BEARINGS AND RELATED ITEMS.** (a) This clause applies only if supplies furnished under this subcontract contain jewel bearings or related items.

(b) "Jewel bearing," as used in this clause, means a piece of synthetic corundum (sapphire or ruby) of any shape, except a phonograph needle, that has one or more polished surfaces to provide supporting surfaces or low-friction contact areas for revolving, oscillating, or sliding parts in an instrument, mechanism, subassembly, or part. A jewel bearing may be unmounted or may be mounted into a ring or bushing. Examples are watch holes--olive, watch holes--straight, pallet stones, roller jewels (jewel pins), endstones (caps), vee (cone) jewels, instrument rings, cups, and

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double cups.

"Plant," as used in this clause, means the Government-owned, contractor-operated William Langer Plant, Rolla, North Dakota 58367 (Phone: 701-477-3193).

"Price list," as used in this clause, means the U.S. Government Jewel Bearing Price List, published periodically by the General Services Administration for jewel bearings produced by the Plant.

"Related item," as used in this clause, means a piece of synthetic corundum (sapphire or ruby), other than a jewel bearing, that (1) is made from material produced by the Verneuil flame fusion process, (2) has a geometric shape up to a maximum of 1 inch in any dimension, (3) requires extremely close tolerances and highly polished surfaces identical to those involved in manufacturing jewel bearings, and (4) is either mounted in a retaining or supporting structure or unmounted. Examples are window, nozzle, guide, knife edge, knife edge plate, insulator domed pin, slotted insulator, sphere, ring gauge, spacer, disc, valve seat, rod, vee groove, D-shaped insulator, and notched plate.

(c) All jewel bearings and related items required for the supplies to be furnished under this subcontract (or an equal quantity of the same type, size, and tolerances) shall be acquired from the following sources: jewel bearings from the Plant, unless the Plant declines or rejects the order; and related items from domestic manufacturers, including the Plant, if the items can be obtained from those sources. Sources other than the foregoing may be used if the foregoing sources decline or reject the order.

(1) Orders may be placed with the Plant for individual contracts or subcontracts, for a combination of contracts or subcontracts, or for stock.

(2) Orders, and any supplements to orders, for items listed in the price list shall refer to the most recent price list and its date.

(3) Requests for quotations for items not listed in the price list should be accompanied by drawings and forwarded to the Plant as soon as possible to ensure prompt quotation or rejection of the order.

(d) At its option, the Plant may decline or reject all or part of the Seller's or a subcontractor's order. If the order is declined or rejected, the Seller shall notify the Company promptly in writing, enclosing a copy of the rejection notice. Unless the declination or rejection has been caused by current excessive and overdue indebtedness of the Seller to the Plant as determined by the Plant, the Company shall evaluate the impact and make an equitable adjustment in the subcontract price, in the delivery schedule, or in both, if one is warranted. This procedure shall also apply to orders for related items rejected by any other domestic manufacturer.

(e) The Seller agrees to insert this clause, including this paragraph (e), in every subcontract unless the Seller has positive knowledge that the subassembly, component, or part being purchased does not contain jewel bearings or related items.

### **12. PROTECTING THE GOVERNMENT'S INTEREST WHEN SUBCONTRACTING WITH CONTRACTORS DEBARRED, SUSPENDED, OR PROPOSED FOR DEBARMENT.** *(Applicable if subcontract exceeds \$25,000.)*

The Government suspends or debar Contractors to protect the Government's interests. The Seller shall not enter into any subcontract equal to or in excess of \$25,000 with a Contractor that has been debarred, suspended, or proposed for debarment unless there is a compelling reason to do so. If the Seller intends to subcontract with a party that is debarred, suspended, or proposed for debarment (see FAR 9.404 for information on the list of Parties Excluded From Procurement Programs), a corporate officer or designee of the Seller shall notify the Company, in writing, before entering into such subcontract.

The notice must include the following:

(a) The name of the subcontractor;

(b) The Seller's knowledge of the reasons for the subcontractor being on the list of Parties Excluded From Procurement Programs;

(c) The compelling reason(s) for doing business with the subcontractor notwithstanding its inclusion on the list of Parties Excluded From Procurement Programs; and

(d) The systems and procedures the Seller has established to ensure that it is fully protecting the Government's interests when dealing with such subcontractor in view of the specific basis for the party's debarment, suspension, or proposed debarment.

**13. NEW MATERIAL.** Unless this subcontract specifies otherwise, the supplies and components to be delivered under this subcontract shall be new (not used or reconditioned) and shall not be of such an age or so deteriorated as to impair their usefulness or safety.

**14. DEFENSE PRIORITY AND ALLOCATION REQUIREMENTS.** This is a rated order certified for national defense use, and the Seller shall follow all the requirements of the Defense Priorities and Allocations System regulation (15 CFR 700).

**15. VARIATION IN QUANTITY.** No variation in the quantity of any item called for by this subcontract will be accepted unless such variation has been caused by conditions of loading, shipping, or packing, or allowances in manufacturing processes, and then only to the extent, if any, specified elsewhere in this subcontract.

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

(1) Cancel the stop-work order; or

(2) Terminate the work covered by the order as provided in the Default, or the Termination for Convenience of the Government, clause of this subcontract.

(b) If a stop-work order issued under this clause is canceled or the period of the order or any extension thereof expires, the Seller shall resume work. The Company shall make an equitable adjustment in the delivery schedule or subcontract price, or both, and the subcontract shall be modified, in writing, accordingly, if:

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

(2) The Seller asserts a claim for the adjustment within 30 days after the end of the period of work stoppage; *provided*, that, if the Company decides the facts justify the action, the Company may receive and act upon the claim asserted at any time before final payment under this subcontract.

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

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

**17. COMPANY DELAY OF WORK.** (a) If the performance of all or any part of the work is delayed or interrupted (1) by an act of the Company in the administration of this subcontract, which act is not expressly or impliedly authorized by this subcontract, or (2) by its failure to act within the time specified in this subcontract (or within a reasonable time if no time is specified), an adjustment (excluding profit) shall be made for any increase in the cost of performance of this subcontract caused by such delay or interruption and the subcontract shall be modified in writing accordingly. Adjustment shall be made also in the delivery or performance dates and any other contractual provision affected by such delay or interruption. However, no adjustment shall be made under this clause for any delay or interruption (1) to the extent that performance would have been delayed or interrupted by any other cause, including the fault or negligence of the Seller; or (2) for which an adjustment is provided or excluded under any other provision of this subcontract.

(b) No claim under this clause shall be allowed (1) for any costs incurred more than twenty (20) days before the Seller shall have notified the Company in writing of the act or failure to act involved; and (2) unless the claim, in an amount stated, is asserted in writing as soon as practicable after the termination of such delay or interruption, but not later than the date of final payment under this subcontract.

**18. EXAMINATION OF RECORDS BY COMPTROLLER**

**GENERAL.** (a) The Comptroller General of the United States or a duly authorized representative from the General Accounting Office shall, until 3 years after final payment under this subcontract or for any shorter period specified in Federal Acquisition Regulation (FAR) Subpart 4.7, Contractor Records Retention, have access to and the right to examine any of the Seller's directly pertinent books, documents, papers, or other records involving transactions related to this subcontract.

(b) The periods of access and examination in paragraph (a) above for records relating to (1) litigation or settlement of claims arising from the performance of this subcontract, or (2) costs and expenses of this subcontract to which the Comptroller General or a duly authorized representative from the General Accounting Office has taken exception shall continue until such litigation, claims, or exceptions are disposed of.

**19. CERTIFIED COST OR PRICING DATA.**

(a) (1) The Seller shall require under the situations described in (2) below, unless exempted under the exceptions set forth in (3) below, each subcontractor under this subcontract to submit cost or pricing data and to certify that, to the best of his knowledge and belief, such cost or pricing data are accurate, complete, and current.

(2) Except as provided in (3) below, certified cost or pricing data shall be submitted prior to (i) the award of each subcontract, the price of which is expected to exceed \$100,000, and (ii) the negotiation of the price of each change or modification to a subcontract under this subcontract for which the price adjustment is expected to exceed \$100,000.

(3) Certified cost or pricing data need not be furnished pursuant to this paragraph (a) where (i) the Seller has not been required to furnish cost or pricing data, or (ii) the price or price adjustment is based on adequate price competition, established catalog or market prices of commercial items sold in substantial quantities to the general public, or the prices are set by law or

regulation; and the Seller states in writing the basis for applying this exception.

(4) In submitting the cost or pricing data, the Seller's subcontractor shall use the form of certificate set forth in paragraph (b) below and shall certify that the data are accurate, complete, and current. Such certificate and data (actual or identified, as provided in the certificate prescribed below), shall be submitted by subcontractors to the next higher-tier subcontractor, or the Seller, as applicable, for retention.

(b) The certificates required by this clause shall be in the form set forth below:

**SUBCONTRACTOR'S CERTIFICATE OF CURRENT COST OR PRICING DATA**

This is to certify that, to the best of my knowledge and belief, cost or pricing data submitted in writing, or specifically identified in writing if actual submission of the data is impracticable (see FAR 15.804-6(d)), to \_\_\_\_\_ in support of \_\_\_\_\_<sup>1</sup> are accurate, complete, and current as of \_\_\_\_\_<sup>2</sup>.  
(Date)

Firm \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

\_\_\_\_\_<sup>3</sup>  
(Date of execution)

<sup>1</sup>Describe the proposal, quotation, request for price adjustments, or other submission involved.

<sup>2</sup>Insert the day, month, and year when price negotiations were concluded and price agreement was reached.

<sup>3</sup>Insert the day, month, and year of signing, which should be as close as practicable to the date when the price negotiations were concluded and the subcontract price was agreed to.  
-----

(c) For purposes of verifying that certified cost or pricing data submitted in conjunction with the negotiation of this subcontract or any subcontract change or other modification involving an amount in excess of \$100,000 were accurate, complete, and current, the Company, DOE, or any of DOE's authorized representatives shall, until the expiration of 3 years from the date of final payment under this subcontract, have the right to examine those books, records, documents, papers, and other supporting data which involve transactions related to this subcontract or which will permit adequate evaluation of the cost or pricing data submitted, along with the computations and projections used therein.

(d) Whenever the price of any change or other modification to this subcontract is expected to exceed \$100,000, the Seller agrees to furnish the Company certified cost or pricing data, using the certificate set forth in paragraph (b) above, unless the price is based on adequate price competition, established catalog or market prices of commercial items sold in substantial quantities to the general public, or prices set by law or regulation.

(e) The requirement for submission by the Seller's subcontractors of certified cost or pricing data with respect to any change or other modification does not apply to any subcontract change or other modification, at any tier, where this subcontract is firm fixed-price or fixed-price with escalation, unless such change or other modification results from a change or other modification to this subcontract, nor does it apply to a subcontract change or

modification, at any tier, where this subcontract is not firm fixed-price or fixed-price with escalation, unless the price for such change or other modification becomes reimbursable under this subcontract.

(f) The Seller agrees to insert paragraph (c) without change and the substance of paragraphs (a), (b), (d), (e), and (f) of this clause in each subcontract hereunder in excess of \$100,000 and in each subcontract of \$100,000 or less at the time of making a change or other modification thereto in excess of \$100,000.

(g) If the Company determines that any price, including profit or fee, negotiated in connection with this subcontract or any cost reimbursable under this subcontract was increased by any significant sums because the Seller, or any subcontractor pursuant to this clause or any subcontract clause herein required, furnished incomplete or inaccurate cost or pricing data or data not current as certified in the Seller's certificate of current cost or pricing data, then such price or cost shall be reduced accordingly and this subcontract shall be modified in writing to reflect such reduction.

NOTE: Since this subcontract is subject to reduction under this clause by reason of defective cost or pricing data submitted in connection with certain of the Seller's subcontracts, it is expected that the Seller may wish to include a clause in each such subcontract requiring the subcontractor to appropriately indemnify the Seller. It is also expected that any subcontractor subject to such indemnification will generally require substantially similar indemnification for defective cost or pricing data required to be submitted by his lower-tier subcontractors.

**20. UTILIZATION OF SMALL BUSINESS CONCERNS AND SMALL DISADVANTAGED BUSINESS CONCERNS.**

(a) It is the policy of the United States that small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals shall have the maximum practicable opportunity to participate in performing contracts let by any Federal agency, including contracts and subcontracts for subsystems, assemblies, components, and related services for major systems.

(b) The Seller hereby agrees to carry out this policy in the awarding of subcontracts to the fullest extent consistent with the efficient performance of this subcontract. The Seller further agrees to cooperate in any studies or surveys as may be conducted by the Small Business Administration, DOE, or the Company that may be necessary to determine the extent of the Seller's compliance with this clause.

(c) As used in this subcontract, the term "small business concern" shall mean a small business as defined pursuant to Section 3 of the Small Business Act and relevant regulations promulgated pursuant thereto. The term "small business concern owned and controlled by socially and economically disadvantaged individuals" shall mean a small business concern--

(1) Which is at least 51 percent unconditionally owned by one or more socially and economically disadvantaged individuals; or, in the case of any publicly owned business, at least 51 percent of the stock of which is unconditionally owned by one or more socially and economically disadvantaged individuals; and

(2) Whose management and daily business operations are controlled by one or more of such individuals. This term also means a small business concern that is at least 51 percent unconditionally owned by an economically disadvantaged Indian tribe or Native Hawaiian organization, or a publicly owned business having at least 51 percent of its stock unconditionally owned by one of these entities, which has its management and daily

business controlled by members of an economically disadvantaged Indian tribe or Native Hawaiian organization, and which meets the requirements of 13 CFR 124. The Seller shall presume that socially and economically disadvantaged individuals include Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, Subcontinent Asian Americans, and other minorities, or any other individuals found to be disadvantaged by the Small Business Administration pursuant to Section 8(a) of the Small Business Act. The Seller shall presume that socially and economically disadvantaged entities also include Indian tribes and Native Hawaiian organizations.

(d) The Seller, acting in good faith, may rely on written representations by its subcontractors regarding their status as either a small business concern or a small business concern owned and controlled by socially and economically disadvantaged individuals.

**21. UTILIZATION OF LABOR SURPLUS AREA CONCERNS.**

(a) Applicability. This clause is applicable if this subcontract exceeds the appropriate small purchase limitation in Part 13 of the Federal Acquisition Regulation.

(b) Policy. It is the policy of the Government to award contracts to concerns that agree to perform substantially in labor surplus areas (LSAs) when this can be done consistent with the efficient performance of the contract and at prices no higher than are obtainable elsewhere. The Seller agrees to use its best efforts to place subcontracts in accordance with this policy.

(c) Order of Preference. In complying with paragraph (b) above and with paragraph (c) of the clause of this subcontract entitled Utilization of Small Business Concerns and Small Disadvantaged Business Concerns, the Seller shall observe the following order of preference in awarding subcontracts: (1) small business concerns that are LSA concerns, (2) other small business concerns, and (3) other LSA concerns.

(d) Definitions. "Labor surplus area," as used in this clause, means a geographical area identified by the Department of Labor in accordance with 20 CFR 654, Subpart A, as an area of concentrated unemployment or underemployment or an area of labor surplus.

"Labor surplus area concern," as used in this clause, means a concern that together with its first-tier subcontractors will perform substantially in labor surplus areas. Performance is substantially in labor surplus areas if the costs incurred under the contract on account of manufacturing, production, or performance of appropriate services in labor surplus areas exceed 50 percent of the contract price.

**22. NOTICE OF LABOR DISPUTES.**

(a) Whenever the Seller has knowledge that any actual or potential labor dispute is delaying or threatens to delay the timely performance of this subcontract, the Seller shall immediately give notice thereof, including all relevant information with respect thereto, to the Company.

(b) The Seller agrees to insert the substance of this clause, including this paragraph (b), in any subcontract hereunder as to which a labor dispute may delay the timely performance of this subcontract; except that each such subcontract shall provide that in the event its timely performance is delayed or threatened by delay by any actual or potential labor dispute, the subcontractor shall immediately notify his next higher-tier subcontractor, or the Seller, as the case may be, of all relevant information with respect to such disputes.

**23. CONVICT LABOR.** The Seller agrees not to employ any person undergoing sentence of imprisonment in performing this subcontract except as provided by 18 U.S.C. 4082(c)(2) and

Executive Order 11755, December 29, 1973.

**24. CONTRACT WORK HOURS AND SAFETY STANDARDS ACT-OVERTIME COMPENSATION.**

(a) Overtime Requirements. No Seller or subcontractor contracting for any part of the subcontract work which may require or involve the employment of laborers or mechanics shall require or permit any such laborers or mechanics (see Federal Acquisition Regulation (FAR) 22.300) in any workweek in which the individual is employed on such work to work in excess of 40 hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than 1-1/2 times the basic rate of pay for all hours worked in excess of 40 hours in such workweek.

(b) Violation; Liability for Unpaid Wages; Liquidated Damages. In the event of any violation of the provisions set forth in paragraph (a) of this clause, the Seller and any subcontractor responsible therefor shall be liable for the unpaid wages. In addition, such Seller and subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to such District or to such territory), for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic employed in violation of the provisions set forth in paragraph (a) of this clause in the sum of \$10 for each calendar day on which such individual was required or permitted to work in excess of the standard workweek of 40 hours without payment of the overtime wages required by provisions set forth in paragraph (a) of this clause.

(c) Withholding for Unpaid Wages and Liquidated Damages. The Company shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld, from any moneys payable on account of work performed by the Seller or subcontractor under any such subcontract with the Company, or any other Federal contract with the Seller, or any other Federally-assisted contract subject to the Contract Work Hours and Safety Standards Act which is held by the Seller, such sums as may be determined to be necessary to satisfy any liabilities of such Seller or subcontractor for unpaid wages and liquidated damages as provided in the provisions set forth in paragraph (b) of this clause.

(d) Payrolls and Basic Records. (1) The Seller or subcontractor shall maintain payrolls and basic payroll records during the course of subcontract work and shall preserve them for a period of 3 years from the completion of the subcontract for all laborers and mechanics working on the subcontract. Such records shall contain the name and address of each such employee, social security number, correct classifications, hourly rates of wages paid, daily and weekly number of hours worked, deductions made, and actual wages paid. Nothing in this paragraph shall require the duplication of records required to be maintained for construction work by Department of Labor regulations at 29 CFR 5.5(a)(3) implementing the Davis-Bacon Act.

(2) The records to be maintained under paragraph (d)(1) of this clause shall be made available by the Seller or subcontractor for inspection, copying, or transcription by authorized representatives of the Company, DOE, or the Department of Labor. The Seller or subcontractor shall permit such representatives to interview employees during working hours on the job.

(e) Subcontracts. The Seller or subcontractor shall insert in any subcontracts the provisions set forth in paragraphs (a) through (e) of this clause and also a clause requiring the subcontractors to include these provisions in any lower tier subcontracts. The Seller shall be responsible for compliance by any subcontractor or lower tier subcontractor with the provisions set forth in paragraphs (a) through (e) of this clause.

**25. WALSH-HEALEY PUBLIC CONTRACTS ACT.** If this subcontract is for the manufacture or furnishing of materials, supplies, articles, or equipment in an amount that exceeds or may exceed \$10,000, and is subject to the Walsh-Healey Public Contracts Act, as amended (41 U.S.C. 35-45), the following terms and conditions apply:

(a) All representations and stipulations required by the Act and regulations issued by the Secretary of Labor (41 CFR Chapter 50) are incorporated by reference. These representations and stipulations are subject to all applicable rulings and interpretations of the Secretary of Labor that are now, or may hereafter, be in effect.

(b) All employees whose work relates to this subcontract shall be paid not less than the minimum wage prescribed by regulations issued by the Secretary of Labor (41 CFR 50-202.2). Learners, student learners, apprentices, and handicapped workers may be employed at less than the prescribed minimum wage (see 41 CFR 50-202.3) to the same extent that such employment is permitted under Section 14 of the Fair Labor Standards Act (41 U.S.C. 40).

**26. EQUAL OPPORTUNITY.** (a) If, during any 12-month period (including the 12 months preceding the award of this subcontract), the Seller has been or is awarded nonexempt Federal contracts and/or subcontracts that have an aggregate value in excess of \$10,000, the Seller shall comply with subparagraphs (b)(1) through (11) below. Upon request, the Seller shall provide information necessary to determine the applicability of this clause.

(b) During the performance of this subcontract, the Seller agrees as follows:

(1) The Seller will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin.

(2) The Seller will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

(3) The Seller shall post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Company that explain this clause.

(4) The Seller will, in all solicitations or advertisements for employees placed by or on behalf of the Seller, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(5) The Seller will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the Company, advising the said labor union or workers' representative of the Seller's commitments under this clause, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(6) The Seller will comply with all provisions of Executive Order No. 11246, as amended, and the rules, regulations, and orders of the Secretary of Labor.

(7) The Seller will furnish all information and reports required by Executive Order No. 11246, as amended, and by the rules, regulations, and orders of the Secretary of Labor. Standard Form 100 (EEO-1), or any successor form, is the prescribed form to be filed within 30 days following the award, unless filed within 12 months preceding the date of award.

(8) The Seller will permit access to its books, records, and accounts by the Company, DOE, or the Office of Federal Contract



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Compliance Programs (OFCCP) for purposes of investigation to ascertain the Seller's compliance with the applicable rules, regulations, and orders.

(9) If the OFCCP determines that the Seller is not in compliance with this clause or with any rule, regulation, or order of the Secretary of Labor, this subcontract may be canceled, terminated, or suspended in whole or in part, and the Seller may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246, as amended. In addition, sanctions may be imposed and remedies invoked against the Seller as provided in Executive Order 11246, as amended, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(10) The Seller will include the provisions of paragraphs (b)(1) through (11) in every subcontract or purchase order that is not exempted by rules, regulations, or orders of the Secretary of Labor issued under Executive Order No. 11246, as amended, so that these provisions will be binding upon each subcontractor or vendor.

(11) The Seller will take such action with respect to any subcontract or purchase order as DOE may direct as a means of enforcing these terms and conditions, including sanctions for noncompliance: Provided, however, That if the Seller becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of any direction, the Seller may request the United States to enter into the litigation to protect the interests of the United States.

(c) Notwithstanding any other clause in this subcontract, disputes relative to this clause will be governed by the procedures in 41 CFR 60-1.1.

**27. NOTIFICATION OF VISA DENIAL.** It is a violation of Executive Order 11246, as amended, for the Seller to refuse to employ any applicant or not to assign any person hired in the United States, on the basis that the individual's race, color, religion, sex, or national origin is not compatible with the policies of the country where the work is to be performed or for whom the work will be performed (41 CFR 60-1.10). The Seller agrees to notify the Department of State, Washington, DC, Attention: Director, Bureau of Politico-Military Affairs, and the Director, Office of Federal Contract Compliance Programs, when it has knowledge of any employee or potential employee being denied an entry visa to a country in which the Seller is required to perform this subcontract, and it believes the denial is attributable to the race, color, religion, sex, or national origin of the employee or potential employee.

**28. AFFIRMATIVE ACTION FOR SPECIAL DISABLED AND VIETNAM ERA VETERANS.** (a) Definitions. "Appropriate office of the State employment service system," as used in this clause means the local office of the Federal-State national system of public employment offices assigned to serve the area where the employment opening is to be filled, including the District of Columbia, Guam, Puerto Rico, Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands.

"Openings that the Seller proposes to fill from within its own organization," as used in this clause, means employment openings for which no one outside the Seller's organization (including any affiliates, subsidiaries, and the parent companies) will be considered and includes any openings that the Seller proposes to fill from regularly established "recall" lists.

"Openings that the Seller proposes to fill under a customary and traditional employer-union hiring arrangement," as used in this clause, means employment openings that the Seller proposes to fill from union halls, under their customary and traditional employer-union hiring relationship.

"Suitable employment openings," as used in this clause:

(1) Includes, but is not limited to, openings that occur in jobs categorized as:

- (i) Production and nonproduction;
- (ii) Plant and office;
- (iii) Laborers and mechanics;
- (iv) Supervisory and nonsupervisory;
- (v) Technical; and
- (vi) Executive, administrative, and professional positions compensated on a salary basis of less than \$25,000 a year; and

(2) Includes full-time employment, temporary employment of over 3 days, and part-time employment, but not openings that the Seller proposes to fill from within its own organization or under a customary and traditional employer-union hiring arrangement, nor openings in an educational institution that are restricted to students of that institution.

(b) General. (1) Regarding any position for which the employee or applicant for employment is qualified, the Seller shall not discriminate against the individual because the individual is a special disabled or Vietnam Era veteran. The Seller agrees to take affirmative action to employ, advance in employment, and otherwise treat qualified special disabled and Vietnam Era veterans without discrimination based upon their disability or veterans' status in all employment practices such as:

- (i) Employment;
- (ii) Upgrading;
- (iii) Demotion or transfer;
- (iv) Recruitment;
- (v) Advertising;
- (vi) Layoff or termination;
- (vii) Rates of pay or other forms of compensation; and
- (viii) Selection for training, including apprenticeship.

(2) The Seller agrees to comply with the rules, regulations, and relevant orders of the Secretary of Labor (Secretary) issued under the Vietnam Era Veterans' Readjustment Assistance Act of 1972 (the Act), as amended.

(c) Listing Openings. (1) The Seller agrees to list all suitable employment openings existing at subcontract award or occurring during subcontract performance, at an appropriate office of the State employment service system in the locality where the opening occurs. These openings include those occurring at any Seller facility, including one not connected with performing this subcontract. An independent corporate affiliate is exempt from this requirement.

(2) State and local government agencies holding Federal contracts of \$10,000 or more shall also list all their suitable openings with the appropriate office of the State employment service.

(3) The listing of suitable employment openings with the State employment service system is required at least concurrently with using any other recruitment source or effort and involves the obligations of placing a bona fide job order, including accepting referrals of veterans and nonveterans. This listing does not require hiring any particular job applicant or hiring from any particular group of job applicants and is not intended to relieve the Seller from any requirements of Executive orders or regulations concerning nondiscrimination in employment.

(4) Whenever the Seller becomes contractually bound to the listing terms of this clause, it shall advise the State employment service system, in each State where it has establishments, of the name and location of each hiring location in the State. As long as the Seller is contractually bound to these terms and has so advised the State system, it need not advise the State system of subsequent contracts. The Seller may advise the State system

when it is no longer bound by this clause.

(5) Under the most compelling circumstances, an employment opening may not be suitable for listing, including situations when (i) the Government's needs cannot reasonably be supplied, (ii) listing would be contrary to national security, or (iii) the requirement of listing would not be in the Government's interest.

(d) Applicability. (1) This clause does not apply to the listing of employment openings which occur and are filled outside the 50 states, the District of Columbia, Puerto Rico, Guam, Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands.

(2) The terms of paragraph (c) above of this clause do not apply to openings that the Seller proposes to fill from within its own organization or under a customary and traditional employer-union hiring arrangement. This exclusion does not apply to a particular opening once an employer decides to consider applicants outside of its own organization or employer-union arrangement for that opening.

(e) Postings. (1) The Seller agrees to post employment notices stating (i) the Seller's obligation under the law to take affirmative action to employ and advance in employment qualified special disabled veterans and veterans of the Vietnam era, and (ii) the rights of applicants and employees.

(2) These notices shall be posted in conspicuous places that are available to employees and applicants for employment. They shall be in a form prescribed by the Director, Office of Federal Contract Compliance Programs, Department of Labor (Director), and provided by or through the Company.

(3) The Seller shall notify each labor union or representative of workers with which it has a collective bargaining agreement or other contract understanding, that the Seller is bound by the terms of the Act, and is committed to take affirmative action to employ, and advance in employment, qualified special disabled and Vietnam Era veterans.

(f) Noncompliance. If the Seller does not comply with the requirements of this clause, appropriate actions may be taken under the rules, regulations, and relevant orders of the Secretary issued pursuant to the Act.

(g) Subcontracts. The Seller shall include the terms of this clause in every subcontract or purchase order of \$10,000 or more unless exempted by rules, regulations, or orders of the Secretary. The Seller shall act as specified by the Director to enforce the terms, including action for noncompliance.

### **29. EMPLOYMENT REPORTS ON SPECIAL DISABLED VETERANS AND VETERANS OF THE VIETNAM ERA.**

(a) The Seller shall report at least annually, as required by the Secretary of Labor, on:

(1) The number of special disabled veterans and the number of veterans of the Vietnam era in the work force of the Seller by job category and hiring location; and

(2) The total number of new employees hired during the period covered by the report, and of that total, the number of special disabled veterans, and the number of veterans of the Vietnam era.

(b) The above items shall be reported by completing the form entitled "Federal Contractor Veterans' Employment Report VETS-100."

(c) Reports shall be submitted no later than March 31 of each year beginning March 31, 1988.

(d) The employment activity report required by paragraph (a)(2) of this clause shall reflect total hires during the most recent 12-month period as of the ending date selected for the employment profile report required by paragraph (a)(1) of this clause. The Seller may select an ending date: (1) As of the end of any pay period during the period January through March 1st of the year the report

is due, or (2) as of December 31, if the Seller has previous written approval from the Equal Employment Opportunity Commission to do so for purposes of submitting the Employer Information Report EEO-1 (Standard Form 100).

(e) The count of veterans reported according to paragraph (a) of this clause shall be based on voluntary disclosure. The Seller, if subject to the reporting requirements at 38 U.S.C. 2012(d) shall invite all special disabled veterans and veterans of the Vietnam era who wish to benefit under the affirmative action program at 38 U.S.C. 2012 to identify themselves to the Seller. The invitation shall state that the information is voluntarily provided, that the information will be kept confidential, that disclosure or refusal to provide the information will not subject the applicant or employee to any adverse treatment and that the information will be used only in accordance with the regulations promulgated under 38 U.S.C. 2012.

(f) Subcontracts. The Seller shall include the terms of this clause in every subcontract or purchase order of \$10,000 or more unless exempted by rules, regulations, or orders of the Secretary.

### **30. AFFIRMATIVE ACTION FOR HANDICAPPED WORKERS.**

(a) General. (1) Regarding any position for which the employee or applicant for employment is qualified, the Seller shall not discriminate against any employee or applicant because of physical or mental handicap. The Seller agrees to take affirmative action to employ, advance in employment, and otherwise treat qualified handicapped individuals without discrimination based upon their physical or mental handicap in all employment practices such as:

- (i) Employment;
- (ii) Upgrading;
- (iii) Demotion or transfer;
- (iv) Recruitment;
- (v) Advertising;
- (vi) Layoff or termination;
- (vii) Rates of pay or other forms of compensation; and
- (viii) Selection for training, including apprenticeship.

(2) The Seller agrees to comply with the rules, regulations, and relevant orders of the Secretary of Labor (Secretary) issued under the Rehabilitation Act of 1973 (29 U.S.C. 793) (the Act), as amended.

(b) Postings. (1) The Seller agrees to post employment notices stating (i) the Seller's obligation under the law to take affirmative action to employ and advance in employment qualified handicapped individuals and (ii) the rights of applicants and employees.

(2) These notices shall be posted in conspicuous places that are available to employees and applicants for employment. They shall be in a form prescribed by the Director, Office of Federal Contract Compliance Programs, Department of Labor (Director), and provided by or through the Company.

(3) The Seller shall notify each labor union or representative of workers with which it has a collective bargaining agreement or other contract understanding, that the Seller is bound by the terms of Section 503 of the Act and is committed to take affirmative action to employ, and advance in employment, qualified physically and mentally handicapped individuals.

(c) Noncompliance. If the Seller does not comply with the requirements of this clause, appropriate actions may be taken under the rules, regulations, and relevant orders of the Secretary issued pursuant to the Act.

(d) Subcontracts. The Seller shall include the terms of this clause in every subcontract or purchase order in excess of \$2,500 unless exempted by rules, regulations, or orders of the Secretary. The Seller shall act as specified by the Director to enforce the

terms, including action for noncompliance.

**31. CLEAN AIR AND WATER.** (Applicable only if this subcontract exceeds \$100,000, or the Company has determined that orders under an indefinite quantity subcontract in any one year will exceed \$100,000, or a facility to be used has been the subject of a conviction under the applicable portion of the Air Act (42 USC 7413(c)(1)) or the Water Act (33 USC 1319(c)) and is listed by EPA, or the subcontract is not otherwise exempt.)

(a) "Air Act," as used in this clause, means the Clean Air Act (42 U.S.C. 7401 et seq.).

"Clean air standards," as used in this clause, means:

(1) Any enforceable rules, regulations, guidelines, standards, limitations, orders, controls, prohibitions, work practices, or other requirements contained in, issued under, or otherwise adopted under the Air Act or Executive Order 11738;

(2) An applicable implementation plan as described in Section 110(d) of the Air Act (42 U.S.C. 7410(d));

(3) An approved implementation plan as described in Section 111(c) or Section 111(d) of the Air Act (42 U.S.C. 7411(c) or (d)); or

(4) An approved implementation procedure under Section 112(d) of the Air Act (42 U.S.C. 7412(d)).

"Clean water standards," as used in this clause, means any enforceable limitation, control, condition, prohibition, standard, or other requirement promulgated under the Water Act or contained in a permit issued to a discharger by the Environmental Protection Agency or by a State under an approved program, as authorized by Section 402 of the Water Act (33 U.S.C. 1342), or by local government to ensure compliance with pretreatment regulations as required by Section 307 of the Water Act (33 U.S.C. 1317).

"Compliance," as used in this clause, means compliance with:

(1) Clean air or water standards; or

(2) A schedule or plan ordered or approved by a court of competent jurisdiction, the Environmental Protection Agency, or an air or water pollution control agency under the requirements of the Air Act or Water Act and related regulations.

"Facility," as used in this clause, means any building, plant, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by the Seller or a subcontractor, used in the performance of this subcontract or a subcontract hereunder. When a location or site of operations includes more than one building, plant, installation, or structure, the entire location or site shall be deemed a facility except when the Administrator, or a designee, of the Environmental Protection Agency determines that independent facilities are collocated in one geographical area.

"Water Act," as used in this clause, means Clean Water Act (33 U.S.C. 1251, et seq.).

(b) The Seller agrees:

(1) To comply with the requirements of Section 114 of the Clean Air Act (42 U.S.C. 7414) and Section 308 of the Clean Water Act (33 U.S.C. 1318) relating to inspection, monitoring, entry, reports, and information, as well as other requirements specified in Section 114 and Section 308 of the Air Act and the Water Act, and all regulations and guidelines issued to implement those acts before the award of this subcontract;

(2) That no portion of the work required by this subcontract will be performed in a facility listed on the Environmental Protection Agency List of Violating Facilities on the date when this subcontract was awarded unless and until the EPA eliminates the name of the facility from the listing;

(3) To use best efforts to comply with clean air standards and clean water standards at the facility in which the subcontract

is being performed; and

(4) To insert the substance of this clause, including this subparagraph (b)(4), into any nonexempt subcontract.

**32. BUY AMERICAN ACT.** (a) The Buy American Act (41 U.S.C. 10) provides that the Government give preference to domestic end products.

"Components," as used in this clause, means those articles, materials, and supplies incorporated directly into the end products.

"Domestic end product," as used in this clause, means (1) an unmanufactured end product mined or produced in the United States, or (2) an end product manufactured in the United States, if the cost of its components mined, produced, or manufactured in the United States exceeds 50 percent of the cost of all its components. Components of foreign origin of the same class or kind as the products referred to in subparagraphs (b)(2) or (3) of this clause shall be treated as domestic. Scrap generated, collected, and prepared for processing in the United States is considered domestic. On acquisitions above \$25,000 in value, components of Canadian origin are treated as domestic.

"End products," as used in this clause, means those articles, materials, and supplies to be acquired for public use under this subcontract.

(b) The Seller shall deliver only domestic end products, except those:

(1) For use outside the United States;

(2) That the Government determines are not mined, produced, or manufactured in the United States in sufficient and reasonably available commercial quantities of a satisfactory quality;

(3) For which DOE determines that domestic preference would be inconsistent with the public interest; or

(4) For which DOE determines the cost to be unreasonable (see Section 25.105 of the Federal Acquisition Regulation).

(The foregoing requirements are administered in accordance with Executive Order 10582, dated December 17, 1954, as amended, and Subpart 25.1 of the Federal Acquisition Regulation.)

**33. RESTRICTIONS ON CONTRACTING WITH SANCTIONED PERSONS.** (a) Definitions. (1) "Component part" means any article which is not usable for its intended functions without being imbedded or integrated into any other product and which, if used in production of a finished product, would be substantially transformed in that process.

(2) "Finished product" means any article which is usable for its intended function without being imbedded in, or integrated into, any other product. It does not include an article produced by a person, other than a sanctioned person, that contains parts or components of the sanctioned person if the parts or components have been substantially transformed during production of the finished product.

(3) "Sanctioned person" means a company or other foreign person upon whom prohibitions have been imposed.

(4) "Substantially transformed," when referring to a component part or finished product, means that the part or product has been subjected to a substantial manufacturing or processing operation by which the part or product is converted or combined into a new and different article of commerce having a new name, character, and use.

(b) General. Section 2443 of the Multilateral Export Control Enhancement Amendments Act (Pub. L. 100-418) and Executive Order 12661, effective December 28, 1988, impose, for a period of three years, with certain exceptions, a prohibition on contracting

with, or procuring (including rental and lease/purchase) directly or indirectly the products or services of (1) Toshiba Machine Company, (2) Kongsberg Trading Company, (3) Toshiba Corporation, or (4) Kongsberg Vaapenfabrikk. The Act and Executive Order also prohibit, for the same three-year period, the importation into the United States of all products produced by Toshiba Machine Company and Kongsberg Trading Company. These prohibitions also apply to subsidiaries, successor entities or joint ventures of Toshiba Machine Company or Kongsberg Trading Company.

(c) Restriction. Unless listed by the Seller in its offer, or unless one of the exceptions in paragraph (d) of this clause applies, the Seller agrees that no products or services delivered to the Company under this subcontract will be products or services of a sanctioned person.

(d) Exceptions. The restrictions do not apply:

(1) To finished products of nonsanctioned persons containing components of a sanctioned person if these components have been substantially transformed during the manufacture of the finished product.

(2) To products or services of a sanctioned person, provided:

(i) The products are designed to the specifications of a nonsanctioned person marketed under the trademark, brand, or name of the nonsanctioned person;

(ii) The business relationship between the nonsanctioned person and the sanctioned person clearly existed prior to June 30, 1987; and

(iii) The nonsanctioned person is not directly or indirectly owned by a sanctioned person.

(3) If a determination has been made in accordance with FAR 25.1003(a) or (b).

(e) Award. Award of any subcontract resulting from this solicitation will not affect the Seller's obligation to comply with importation regulations of the Secretary of the Treasury.

**34. AUTHORIZATION AND CONSENT**. The Government hereby gives its authorization and consent (without prejudice to any rights of indemnification) for all use and manufacture, in the performance of this subcontract or any part hereof or any amendment hereto or any subcontract hereunder (including any lower-tier subcontract), of any invention described in and covered by a patent of the United States (a) embodied in the structure or composition of any article the delivery of which is accepted by the Company under this subcontract or (b) utilized in the machinery, tools or methods the use of which necessarily results from compliance by the Seller or the using subcontractor with (1) specifications or written provisions now or hereafter forming a part of this subcontract, or (2) specific written instructions given by the Company directing the manner of performance. The entire liability to the Government for infringement of a patent of the United States shall be determined solely by the provisions of the indemnity clauses, if any, included in this subcontract or any subcontract hereunder (including all lower-tier subcontracts), and the Government assumes liability for all other infringement to the extent of the authorization and consent hereinabove granted.

**35. PATENT INDEMNITY**. If the amount of this subcontract is in excess of \$10,000, the Seller shall indemnify the Company and the Government and their officers, agents, and employees against liability, including costs, for infringement of any United States Letters Patent (except U.S. Letters Patent issued upon an application which is now or may hereafter be kept secret or otherwise withheld from issue by order of the Government) arising out of the manufacture or delivery of supplies or out of construction,

alteration, modification, or repair of real property (hereinabove referred to as "construction work") under this subcontract, or out of the use or disposal by or for the account of the Government of such supplies or construction work. The foregoing indemnity shall not apply unless the Seller shall have been informed as soon as practicable by the Government of the suit or action alleging such infringement, and shall have been given such opportunity as is afforded by applicable laws, rules, or regulations to participate in the defense thereof; and further, such indemnity shall not apply to: (a) an infringement resulting from compliance with specific written instructions of the Company directing a change in the supplies to be delivered or in the materials or equipment to be used, or directing a manner of performance of the subcontract not normally used by the Seller; (b) an infringement resulting from addition to or change in, such supplies or components furnished or construction work performed which addition or change was made subsequent to delivery or performance by the Seller; or (c) a claimed infringement which is settled without the consent of the Seller, unless required by final decree of a court of competent jurisdiction.

**36. NOTICE AND ASSISTANCE REGARDING PATENT AND COPYRIGHT INFRINGEMENT**. (The provisions of this clause shall be applicable only if the amount of this subcontract exceeds \$10,000.)

(a) The Seller shall report to the Company, promptly and in reasonable written detail, each notice or claim of patent or copyright infringement based on the performance of this subcontract of which the Seller has knowledge.

(b) In the event of any claim or suit against the Company or the Government on account of any alleged patent or copyright infringement arising out of the performance of this subcontract or out of the use of any supplies furnished or work or services performed hereunder, the Seller shall furnish to the Company, when requested by the Company, all evidence and information in possession of the Seller pertaining to such suit or claim. Such evidence and information shall be furnished at the expense of the Company and the Government except where the Seller has agreed to indemnify the Government.

(c) This clause shall be included in all subcontracts.

**37. REPORTING OF ROYALTIES**. If this subcontract is in an amount which exceeds \$10,000 and if any royalty payments are directly involved in the subcontract or are reflected in the subcontract price to the Company, the Seller agrees to report in writing to the Company during the performance of this subcontract and prior to its completion or final settlement the amount of any royalties or other payments paid or to be paid by it directly to others in connection with the performance of this subcontract together with the names and addresses of licensors to whom such payments are made and either the patent numbers involved or such other information as will permit the identification of the patents or other basis on which the royalties are to be paid. The approval of the Company of any individual payments or royalties shall not estop the Government at any time from contesting the enforceability, validity or scope of, or title to, any patent under which a royalty or payments are made.

**38. ADDITIONAL BOND SECURITY**. The Seller shall promptly furnish additional security required to protect the Company, the Government, and persons supplying labor or materials under this subcontract if:

(a) Any surety upon any bond furnished with this subcontract becomes unacceptable to the Government;

(b) Any surety fails to furnish reports on its financial condition as required by the Government; or

(c) The subcontract price is increased so that the penal sum of any bond becomes inadequate in the opinion of the Company.

**39. REPRESENTATION CONCERNING NUCLEAR HAZARDS INDEMNIFICATION AGREEMENT.** The Company represents that there is included in its prime contract with the U.S. Department of Energy an indemnity agreement, entered into by DOE under the authority of Section 170 of the Atomic Energy Act of 1954, as amended by Public Law 85-256 (the "Price-Anderson Act"), a copy of which may be obtained from the Company; that, under said agreement, DOE has agreed to indemnify the Company and other persons indemnified, including the Seller, against claims for public liability (as defined in said Act) arising out of or in connection with the contractual activity; that the indemnity applies to covered nuclear incidents which (a) take place at a "contract location" (which term, as defined in the indemnity agreement, does not include the location of the Seller's plant and facilities); or (b) arise out of or in the course of transportation of source, special nuclear or byproduct material to or from a "contract location"; or (c) involve items produced or delivered under the prime contract. The obligation of DOE to indemnify is subject to the conditions stated in the indemnity agreement.

**40. FEDERAL, STATE, AND LOCAL TAXES.** (a) Definitions. As used throughout this clause, the following terms shall have the meaning set forth below:

(1) The term "direct tax" means any tax or duty directly applicable to the completed supplies or services covered by this subcontract, or any other tax or duty from which the Seller or this transaction is exempt. It includes any tax or duty directly applicable to the importation, production, processing, manufacture, construction, sale, or use of such supplies or services; it also includes any tax levied on, with respect to, or measured by sales, receipt from sales, or use of the supplies or services covered by this subcontract. The term does not include transportation taxes, unemployment compensation taxes, social security taxes, income taxes, excess-profits taxes, capital stock taxes, property taxes, and such other taxes as are not within the definition of the term "direct tax" as set forth above in this paragraph.

(2) The term "subcontract date" means the effective date of this subcontract if it is a negotiated subcontract, or the date set for the opening of bids if it is a subcontract entered into as a result of formal advertising.

(b) Federal Taxes. Except as may be otherwise provided in this subcontract, the subcontract price includes all applicable Federal taxes in effect on the subcontract date.

(c) State or Local Taxes. Except as may be otherwise provided in this subcontract, the subcontract price does not include any State or local direct tax in effect on the subcontract date.

(d) Evidence of Exemption. The Company agrees, upon request of the Seller, to furnish a tax exemption certificate or other similar evidence of exemption with respect to any direct tax not included in the subcontract price pursuant to this clause; and the Seller agrees, in the event of the refusal of the applicable taxing authority to accept such evidence of exemption, (1) promptly to notify the Company of such refusal, (2) to cause the tax in question to be paid in such manner as to preserve all rights to refund thereof, and (3) if so directed by the Company to take all necessary action, in cooperation with and for the benefit of the Government, to secure a refund of such tax (in which event the Company agrees to reimburse the Seller for any and all reasonable expenses incurred at its direction).

(e) Price Adjustment. If, after the subcontract date, the Federal Government or any State or local Government either (1) imposes or increases (or removes an exemption with respect to) any direct

tax, or any tax directly applicable to the materials or components used in the manufacture or furnishing of the completed supplies or services covered by this subcontract, or (2) refuses to accept the evidence of exemption, furnished under paragraph (d), hereof, with respect to any direct tax excluded from the subcontract price, and if under either (1) or (2) the Seller is obliged to and does pay or bear the burden of any such tax (and does not secure a refund thereof), the subcontract price shall be correspondingly increased. If, after the subcontract date, the Seller is relieved in whole or in part from the payment or the burden of any direct tax included in the subcontract price, or any tax directly applicable to the materials or components used in the manufacture or furnishing of the completed supplies or services covered by this subcontract, the Seller agrees promptly to notify the Company of such relief, and the subcontract price shall be correspondingly decreased or the amount of such relief paid over to the Company for the benefit of the Government. Invoices or vouchers covering any increase or decrease in the subcontract price pursuant to the provisions of this paragraph shall state the amount thereof, as a separate added or deducted item, and shall identify the particular tax imposed, increased, eliminated, or decreased.

(f) Refund or Drawback. If any tax or duty has been included in the subcontract price or the price as adjusted under paragraph (e) of this clause, and if the Seller is entitled to a refund or drawback by reason of the export or reexport of supplies covered by this subcontract, or of materials or components used in the manufacture or furnishing of the completed supplies or services covered by this subcontract, the Seller agrees that he will promptly notify the Company thereof and that the amount of any such refund or drawback obtained will be paid over to the Company for the benefit of the Government or credited against amounts due from the Company under this subcontract: Provided, however, That the Seller shall not be required to apply for such refund or drawback unless so requested by the Company.

**41. PAYMENTS.** The Seller shall be paid (upon the submission of invoices or vouchers in a form satisfactory to the Company, if invoices are required by this subcontract) the prices stipulated in this subcontract for supplies delivered and accepted, or services rendered and accepted, less any deductions provided in this subcontract. Unless otherwise specified in this subcontract, payment will be made on partial deliveries accepted by the Company when the amount due on such deliveries so warrants.

**42. DISCOUNTS FOR PROMPT PAYMENT.** (a) Any offered discount will form a part of the award, and will be taken if payment is made within the discount period indicated in the offer. Awardees not offering a prompt payment discount in their offers may include prompt payment discounts on any required individual invoices.

(b) In connection with any discount offered for prompt payment, time shall be computed from the latest of: (1) the date of completion of performance of the services or delivery of the supplies to the carrier if acceptance is at point of origin, or date of delivery at destination or port of embarkation if delivery and acceptance are at either of these points; or (2) the date of acceptance under specific terms of the subcontract; or (3) the date a proper invoice or voucher is received in the office specified by the Company. For the purpose of computing the discount earned, payment shall be considered to have been made on the date which appears on the payment check.

**43. EXTRAS.** Except as otherwise provided in this subcontract, no payment for extras shall be made unless such extras and the price therefor have been authorized in writing by the Company.

**44. INTEREST.** (a) Notwithstanding any other clause of this subcontract, all amounts that become payable by the Seller to the Company under this subcontract (net of any applicable tax credit under the Internal Revenue Code (26 U.S.C. 1481)) shall bear simple interest from the date due until paid unless paid within 30 days of becoming due. The interest rate shall be the interest rate established by the Secretary of the Treasury as provided in Section 12 of the Contract Disputes Act of 1978 (Public Law 95-563), which is applicable to the period in which the amount becomes due, as provided in paragraph (b) of this clause, and then at the rate applicable for each six-month period as fixed by the Secretary until the amount is paid.

(b) Amounts shall be due at the earliest of the following dates:

(1) The date fixed under this subcontract.

(2) The date of the first written demand for payment consistent with this subcontract, including any demand resulting from a default termination.

(3) The date the Company transmits to the Seller a proposed supplemental agreement to confirm completed negotiations establishing the amount of debt.

(4) If this subcontract provides for revision of prices, the date of written notice to the Seller stating the amount of refund payment in connection with a pricing proposal or a negotiated pricing agreement not confirmed by subcontract modification.

(c) The interest charge made under this clause may be reduced under the procedures prescribed in 32.614-2 of the Federal Acquisition Regulation in effect on the date of this subcontract.

**45. ASSIGNMENT OF CLAIMS.** (a) The Seller, under the Assignment of Claims Act, as amended, 31 U.S.C. 3727, 41 U.S.C. 15 (hereafter referred to as "the Act"), may assign its rights to be paid amounts due or to become due as a result of the performance of this subcontract to a bank, trust company, or other financing institution, including any Federal lending agency. The assignee under such an assignment may thereafter further assign or reassign its right under the original assignment to any type of financing institution described in the preceding sentence. Unless otherwise stated in this subcontract, payments to an assignee of any amounts due or to become due under this subcontract shall not, to the extent specified in the Act, be subject to reduction or setoff.

(b) Any assignment or reassignment authorized under the Act and this clause shall cover all unpaid amounts payable under this subcontract, and shall not be made to more than one party, except that an assignment or reassignment may be made to one party as agent or trustee for two or more parties participating in the financing of this subcontract.

(c) The Seller shall not furnish or disclose to any assignee under this subcontract any classified document (including this subcontract) or information related to work under this subcontract until the Company authorizes such action in writing.

**46. ASSIGNMENT.** Neither this subcontract nor any interest therein shall be assigned or transferred by the Seller except as expressly authorized in writing by the Company.

**47. PROTEST AFTER AWARD.** (a) Upon receipt of a notice of protest (as defined in 33.101 of the FAR), the Company may, by written order to the Seller, direct the Seller to stop performance of the work called for by this subcontract. The order shall be specifically identified as a stop-work order issued under this clause. Upon receipt of the order, the Seller shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the order during the

period of work stoppage. Upon receipt of the final decision in the protest, the Company shall either:

(1) Cancel the stop-work order; or

(2) Terminate the work covered by the order as provided in the Default, or the Termination for Convenience of the Government, clause of this subcontract.

(b) If a stop-work order issued under this clause is canceled either before or after a final decision in the protest, the Seller shall resume work. The Company shall make an equitable adjustment in the delivery schedule or subcontract price, or both, and the subcontract shall be modified, in writing, accordingly, if:

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

(2) The Seller requests an adjustment within 30 days after the end of the period of work stoppage; *provided*, that if the Company decides the facts justify the action, the Company may receive and act upon the request at any time before final payment under this subcontract.

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

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

(e) The Company's rights to terminate this subcontract at any time are not affected by action taken under this clause.

**48. PERMITS AND LICENSES.** Except as otherwise directed by the Company, the Seller shall procure all necessary permits or licenses and abide by all applicable laws, regulations, and ordinances of the United States and of the state, territory, and political subdivision in which the work under this subcontract is performed.

**49. CHANGES.** (a) The Company may at any time, by a written order, and without notice to the sureties, if any, make changes, within the general scope of this subcontract, in any one or more of the following:

(1) Drawings, designs, or specifications, where supplies to be furnished are to be specially manufactured for the Government in accordance therewith;

(2) Method of shipment or packing; and

(3) Place of delivery.

(b) If any such change causes an increase or decrease in the cost of, or the time required for, the performance of any part of the work under this subcontract, whether or not changed by the order, an equitable adjustment shall be made in the subcontract price, the delivery schedule, or both, and the subcontract shall be modified in writing accordingly.

(c) The Seller must assert its right to an adjustment under this clause within thirty (30) days from the date of receipt by the Seller of the written order. However, if the Company decides that the facts justify such action, it may receive and act upon a proposal submitted prior to final payment under this subcontract.

(d) Where the cost of property made obsolete or excess as a result of a change is included in the Seller's proposal for adjustment, the Company shall have the right to prescribe the manner of disposition of such property.

(e) Nothing in this clause shall excuse the Seller from proceeding with the subcontract as changed.

**50. NOTIFICATION OF CHANGES.** (a) Notice. The primary

purpose of this clause is to obtain prompt reporting of Company conduct that the Seller considers to constitute a change to this subcontract. Except for changes identified as such in writing and signed by Company Purchasing Division personnel, the Seller shall notify the Subcontract Administrator in writing, within five calendar days from the date that the Seller identifies any Company conduct (including actions, inactions, and written or oral communications) that the Seller regards as a change to the subcontract. On the basis of the most accurate information available to the Seller, the notice shall state:

(1) The date, nature, and circumstances of the conduct regarded as a change;

(2) The name, function, and activity of each Company and Seller employee involved in or knowledgeable about such conduct;

(3) The identification of any documents and the substance of any oral communication involved in such conduct;

(4) In the instance of alleged acceleration of scheduled performance or delivery, the basis upon which it arose;

(5) The particular elements of subcontract performance for which the Seller may seek an equitable adjustment under this clause, including:

(i) What subcontract line items have been or may be affected by the alleged change;

(ii) What labor or materials or both have been or may be added, deleted, or wasted by the alleged change;

(iii) To the extent practicable, what delay and disruption in the manner and sequence of performance and effect on continued performance have been or may be caused by the alleged change;

(iv) What adjustments to subcontract price, delivery schedule, and other provisions affected by the alleged change are estimated; and

(6) The Seller's estimate of the time by which the Company must respond to the Seller's notice to minimize cost, delay, or disruption of performance.

(b) Continued Performance. Following submission of the notice required by (a) above, the Seller shall diligently continue performance of this subcontract to the maximum extent possible in accordance with its provisions as construed by the Seller.

(c) Company Response. The Subcontract Administrator shall, within 15 calendar days after receipt of notice, respond to the notice in writing. In responding, the Subcontract Administrator shall either:

(1) Confirm that the conduct of which the Seller gave notice constitutes a change and when necessary direct the mode of further performance;

(2) Countermand any communication regarded as a change;

(3) Deny that the conduct of which the Seller gave notice constitutes a change and when necessary direct the mode of further performance; or

(4) In the event the Seller's notice information is inadequate to make a decision under (1), (2), or (3) above, advise the Seller what additional information is required, and establish the date by which it should be furnished and the date thereafter by which the Company will respond.

(d) Equitable Adjustments. (1) If the Subcontract Administrator confirms that Company conduct effected a change as alleged by the Seller, and the conduct causes an increase or decrease in the Seller's cost of, or the time required for, performance of any part of the work under this subcontract, whether changed or not changed by such conduct, an equitable adjustment shall be made;

(i) In the subcontract price or delivery schedule or both; and

(ii) In such other provisions of the subcontract as may

be affected.

(2) The subcontract shall be modified in writing accordingly. In the case of drawings, designs, or specifications which are defective and for which the Company is responsible, the equitable adjustment shall include the cost and time extension for delay reasonably incurred by the Seller in attempting to comply with the defective drawings, designs, or specifications before the Seller identified, or reasonably should have identified, such defect. When the cost of property made obsolete or excess as a result of a change confirmed by the Subcontract Administrator under this clause is included in the equitable adjustment, the Company shall have the right to prescribe the manner of disposition of the property. The equitable adjustment shall not include increased costs or time extensions for delay resulting from the Seller's failure to provide notice or to continue performance as provided in (a) and (b) above.

**51. MODIFICATIONS**. Any changes, alterations, or modifications to this subcontract must be made by an instrument in writing and to be binding on the Company must be executed by a duly authorized employee of the Company's Purchasing Division.

**52. GOVERNMENT PROPERTY**. (a) Government-Furnished Property. (1) The Company shall deliver to the Seller, for use in connection with and under the terms of this subcontract, the property described in this subcontract as Government-furnished property, together with any related data and information that the Seller may request and is reasonably required for the intended use of the property (hereinafter referred to as "Government-furnished property").

(2) The delivery or performance dates for this subcontract are based upon the expectation that Government-furnished property suitable for use (except for property furnished "as-is") will be delivered to the Seller at the times stated in this subcontract or, if not so stated, in sufficient time to enable the Seller to meet the subcontract's delivery or performance dates.

(3) If Government-furnished property is received by the Seller in a condition not suitable for the intended use, the Seller shall, upon receipt of it, notify the Company, detailing the facts, and, as directed by the Company and at Company expense, either repair, modify, return, or otherwise dispose of the property. After completing the directed action and upon written request of the Seller, the Company shall make an equitable adjustment as provided in paragraph (h) of this clause.

(4) If Government-furnished property is not delivered to the Seller by the required time, the Company shall, upon the Seller's timely written request, make a determination of the delay, if any, caused the Seller and shall make an equitable adjustment in accordance with paragraph (h) of this clause.

(b) Changes in Government-Furnished Property. (1) The Company may, by written notice, (i) decrease the Government-furnished property provided or to be provided under this subcontract, or (ii) substitute other Government-furnished property for the property to be provided by the Company, or to be acquired by the Seller for the Government, under this subcontract. The Seller shall promptly take such action as the Company may direct regarding the removal, shipment, or disposal of the property covered by such notice.

(2) Upon the Seller's written request, the Company shall make an equitable adjustment to the subcontract in accordance with paragraph (h) of this clause, if the Company has agreed in the subcontract to make the property available for performing this subcontract and there is any:

(i) Decrease or substitution in this property pursuant to subparagraph (b)(1) above; or

(ii) Withdrawal of authority to use this property, if provided under any other contract, subcontract, or lease.

(c) Title in Government Property. (1) The Government shall retain title to all Government-furnished property.

(2) All Government-furnished property and all property acquired by the Seller, title to which vests in the Government under this paragraph (collectively referred to as "Government property"), are subject to the provisions of this clause. Title to Government property shall not be affected by its incorporation into or attachment to any property not owned by the Government, nor shall Government property become a fixture or lose its identity as personal property by being attached to any real property.

(3) Title to each item of facilities, special test equipment, and special tooling (other than that subject to a special tooling clause) acquired by the Seller for the Government under this subcontract shall pass to and vest in the Government when its use in performing this subcontract commences or when the Company has paid for it, whichever is earlier, whether or not title previously vested in the Government.

(4) If this subcontract contains a provision directing the Seller to purchase material for which the Company will reimburse the Seller as a direct item of cost under this subcontract:

(i) Title to material purchased from a vendor shall pass to and vest in the Government upon the vendor's delivery of such material; and

(ii) Title to all other material shall pass to and vest in the Government upon:

(A) Issuance of the material for use in subcontract performance;

(B) Commencement of processing of the material or its use in subcontract performance; or

(C) Reimbursement of the cost of the material by the Company, whichever occurs first.

(d) Use of Government Property. The Government property shall be used only for performing this subcontract, unless otherwise provided in this subcontract or approved by the Company.

(e) Property Administration. (1) The Seller shall be responsible and accountable for all Government property provided under this subcontract and shall comply with Federal Acquisition Regulation (FAR) Subpart 45.5 and DOE Acquisition Regulation Subpart 945.5, as in effect on the date of this subcontract.

(2) The Seller shall establish and maintain a program for the use, maintenance, repair, protection, and preservation of Government property in accordance with sound industrial practice and the applicable provisions of Subpart 45.5 of the FAR and DOE Acquisition Regulation Subpart 945.5.

(3) If damage occurs to Government property, the risk of which has been assumed by the Company under this subcontract, the Company shall replace the items or the Seller shall make such repairs as the Company directs. However, if the Seller cannot effect such repairs within the time required, the Seller shall dispose of the property as directed by the Company. When any property for which the Company is responsible is replaced or repaired, the Company shall make an equitable adjustment in accordance with paragraph (h) of this clause.

(4) The Seller represents that the subcontract price does not include any amount for repairs or replacement for which the Company is responsible. Repair or replacement of property for which the Seller is responsible shall be accomplished by the Seller at its own expense.

(f) Access. The Company and the Government and their designees shall have access at all reasonable times to the premises in which any Government property is located for the purpose of inspecting the Government property.

(g) Risk of Loss. Unless otherwise provided in this

subcontract, the Seller assumes the risk of, and shall be responsible for, any loss or destruction of, or damage to, Government property upon its delivery to the Seller or upon passage of title to the Government under paragraph (c) of this clause. However, the Seller is not responsible for reasonable wear and tear to Government property or for Government property properly consumed in performing this subcontract.

(h) Equitable Adjustment. When this clause specifies an equitable adjustment, it shall be made to any affected subcontract provision in accordance with the procedures of the Changes clause. When appropriate, the Company may initiate an equitable adjustment in favor of the Company. The right to an equitable adjustment shall be the Seller's exclusive remedy. The Company shall not be liable to suit for breach of contract for:

(1) Any delay in delivery of Government-furnished property;

(2) Delivery of Government-furnished property in a condition not suitable for its intended use;

(3) A decrease in or substitution of Government-furnished property; or

(4) Failure to repair or replace Government property for which the Company is responsible.

(i) Final Accounting and Disposition of Government Property. Upon completing this subcontract, or at such earlier dates as may be fixed by the Company, the Seller shall submit, in a form acceptable to the Company, inventory schedules covering all items of Government property (including any resulting scrap) not consumed in performing this subcontract or delivered to the Company. The Seller shall prepare for shipment, deliver f.o.b. origin, or dispose of the Government property as may be directed or authorized by the Company. The net proceeds of any such disposal shall be credited to the subcontract price or shall be paid to the Company as the Company directs.

(j) Abandonment and Restoration of Seller's Premises. Unless otherwise provided herein, the Company and the Government:

(1) May abandon any Government property in place, at which time all obligations of the Company and the Government regarding such abandoned property shall cease; and

(2) Have no obligation to restore or rehabilitate the Seller's premises under any circumstances (e.g., abandonment, disposition upon completion of need, or upon subcontract completion). However, if the Government-furnished property is withdrawn or is unsuitable for the intended use, or if other Government property is substituted, then the equitable adjustment under paragraph (h) of this clause may properly include restoration or rehabilitation costs.

(k) Communications. All communications under this clause shall be in writing.

(l) Overseas Subcontracts. If this subcontract is to be performed outside the United States of America, its territories, or possessions, the words "Government" and "Government-furnished" (wherever they appear in this clause) shall be construed as "United States Government" and "United States Government-furnished," respectively.

**53. INSPECTION OF SUPPLIES.** (a) Definition. "Supplies," as used in this clause, includes but is not limited to raw materials, components, intermediate assemblies, end products, and lots of supplies.

(b) The Seller shall provide and maintain an inspection system acceptable to the Company covering supplies under this subcontract and shall tender to the Company for acceptance only supplies that have been inspected in accordance with the inspection system and have been found by the Seller to be in conformity with subcontract requirements. As part of the system,



the Seller shall prepare records evidencing all inspections made under the system and the outcome. These records shall be kept complete and made available to the Company during subcontract performance and for as long afterwards as the subcontract requires. The Company may perform reviews and evaluations as reasonably necessary to ascertain compliance with this paragraph. These reviews and evaluations shall be conducted in a manner that will not unduly delay the subcontract work. The right of review, whether exercised or not, does not relieve the Seller of the obligations under the subcontract.

(c) The Company has the right to inspect and test all supplies called for by the subcontract, to the extent practicable, at all places and times, including the period of manufacture, and in any event before acceptance. The Company shall perform inspections and tests in a manner that will not unduly delay the work. The Company assumes no contractual obligation to perform any inspection and test for the benefit of the Seller unless specifically set forth elsewhere in this subcontract.

(d) If the Company performs inspection or test on the premises of the Seller or a subcontractor, the Seller shall furnish, and shall require subcontractors to furnish, without additional charge, all reasonable facilities and assistance for the safe and convenient performance of these duties. Except as otherwise provided in the subcontract, the Company shall bear the expense of Company inspections or tests made at other than the Seller's or subcontractor's premises; *provided*, that in case of rejection, the Company shall not be liable for any reduction in the value of inspection or test samples.

(e) (1) When supplies are not ready at the time specified by the Seller for inspection or test, the Company may charge to the Seller the additional cost of inspection or test.

(2) The Company may also charge the Seller for any additional cost of inspection or test when prior rejection makes reinspection or retest necessary.

(f) The Company has the right either to reject or to require correction of nonconforming supplies. Supplies are nonconforming when they are defective in material or workmanship or are otherwise not in conformity with subcontract requirements. The Company may reject nonconforming supplies with or without disposition instructions.

(g) The Seller shall remove supplies rejected or required to be corrected. However, the Company may require or permit correction in place, promptly after notice, by and at the expense of the Seller. The Seller shall not tender for acceptance corrected or rejected supplies without disclosing the former rejection or requirement for correction, and, when required, shall disclose the corrective action taken.

(h) If the Seller fails to promptly remove, replace, or correct rejected supplies that are required to be removed or to be replaced or corrected, the Company may either (1) by contract or otherwise, remove, replace, or correct the supplies and charge the cost to the Seller or (2) terminate the subcontract for default. Unless the Seller corrects or replaces the supplies within the delivery schedule, the Company may require their delivery and make an equitable price reduction.

(i) (1) If this subcontract provides for the performance of Company quality assurance at source, and if requested by the Company, the Seller shall furnish advance notification of the time (i) when Seller inspection or tests will be performed in accordance with the terms and conditions of the subcontract and (ii) when the supplies will be ready for Company inspection.

(2) The Company request shall specify the period and method of the advance notification and the Company representative to whom it shall be furnished. Requests shall not require more than 2 workdays of advance notification if the

Company representative is in residence in the Seller's plant, nor more than 7 workdays in other instances.

(j) The Company shall accept or reject supplies as promptly as practicable after delivery, unless otherwise provided in the subcontract. Company failure to inspect and accept or reject the supplies shall not relieve the Seller from responsibility, nor impose liability on the Company, for nonconforming supplies.

(k) Inspections and tests by the Company do not relieve the Seller of responsibility for defects or other failures to meet subcontract requirements discovered before acceptance. Acceptance shall be conclusive, except for latent defects, fraud, gross mistakes amounting to fraud, or as otherwise provided in the subcontract.

(l) If acceptance is not conclusive for any of the reasons in paragraph (k) hereof, the Company, in addition to any other rights and remedies provided by law, or under other provisions of this subcontract, shall have the right to require the Seller (1) at no increase in subcontract price, to correct or replace the defective or nonconforming supplies at the original point of delivery or at the Seller's plant at the Company's election, and in accordance with a reasonable delivery schedule as may be agreed upon between the Seller and the Company; *provided*, that the Company may require a reduction in subcontract price if the Seller fails to meet such delivery schedule, or (2) within a reasonable time after receipt by the Seller of notice of defects or nonconformance, to repay such portion of the subcontract as is equitable under the circumstances if the Company elects not to require correction or replacement. When supplies are returned to the Seller, the Seller shall bear the transportation cost from the original point of delivery to the Seller's plant and return to the original point when that point is not the Seller's plant. If the Seller fails to perform or act as required in (1) or (2) above and does not cure such failure within a period of 10 days (or such longer period as the Company may authorize in writing) after receipt of notice from the Company specifying such failure, the Company shall have the right by contract or otherwise to replace or correct such supplies and charge to the Seller the cost occasioned the Company thereby.

**54. SUBCONTRACT DOCUMENTS.** The Seller agrees to maintain and make available to the Company's on-site vendor surveillance personnel copies of the subcontract (including drawings, specifications, and revisions) and any modifications thereto.

**55. RESPONSIBILITY FOR SUPPLIES.** (a) Title to supplies furnished under this subcontract shall pass to the Government upon formal acceptance by the Company, regardless of when or where the Company takes physical possession, unless the subcontract specifically provides for earlier passage of title.

(b) Unless the subcontract specifically provides otherwise, risk of loss of or damage to supplies shall remain with the Seller until, and shall pass to the Company upon:

(1) Delivery of the supplies to a carrier, if transportation is f.o.b. origin; or

(2) Acceptance by the Company or delivery of the supplies to the Company at the destination specified in the subcontract, whichever is later, if transportation is f.o.b. destination.

(c) Paragraph (b) above shall not apply to supplies that so fail to conform to subcontract requirements as to give a right of rejection. The risk of loss of or damage to such nonconforming supplies remains with the Seller until cure or acceptance. After cure or acceptance, paragraph (b) above shall apply.

(d) Under paragraph (b) above, the Seller shall not be liable for loss of or damage to supplies caused by the negligence of officers, agents, or employees of the Company or the Government acting

within the scope of their employment.

**56. WARRANTY OF SUPPLIES.** (a) Notwithstanding inspection and acceptance by the Company of supplies furnished under this subcontract or any provision of this subcontract concerning the conclusiveness thereof, and supplementing any other specific guarantees or warranties provided for in any other provisions of this subcontract, the Seller warrants that for one year after such supplies are placed in operation (but in no event to exceed 24 months from the date of delivery of such supplies), all supplies furnished under this subcontract will be free from defects in design (other than design provided by the Company), material, or workmanship, and will conform with the specifications and all other requirements of this subcontract.

(b) The Company shall give written notice to the Seller of any breach of the warranties in paragraph (a) of this clause within 120 days after discovery of the defect.

(c) Within a reasonable time after such notice, the Company may either:

(1) By written notice require the prompt correction or replacement of any supplies or parts thereof that do not conform with the requirements of this subcontract within the meaning of paragraph (a) of this clause; or

(2) Where it determines that because of operational requirements corrective work in fulfillment of this warranty must be performed at the site of installation by employees of the Company, DOE, or another of DOE's contractors, proceed with such corrective work and the Seller shall be liable for all costs occasioned in the performance of such corrective work; or

(3) Retain such supplies and reduce the subcontract price by an amount equitable under the circumstances.

(d) If this subcontract provides for inspection of supplies by sampling procedures, conformance of supplies or components thereof subject to warranty action shall be determined in accordance with the applicable sampling procedures contained in this subcontract. For sampling purposes, the Company may group any supplies delivered under this subcontract. The size of the sample shall be that required by sampling procedures specified in the subcontract for the quantity of supplies on which warranty action is proposed. Warranty sampling results may be projected over supplies in the same shipment or other supplies contained in other shipments even though all of such supplies are not present at the point of reinspection, Provided, that the supplies remaining are reasonably representative of the quantity on which warranty action is proposed. The original inspection lots need not be reconstituted, nor shall the Company be required to use the same lot size as on original inspection. Within a reasonable time after notice of any breach of warranties in paragraph (a) of this clause as determined herein, the Company may exercise one or more of the following options:

(1) Require an equitable adjustment in the subcontract price for any group of supplies;

(2) Screen the supplies grouped under this clause at Seller's expense and return all nonconforming supplies to the Seller for correction or replacement;

(3) Return the supplies grouped under this clause to the Seller (irrespective of the f.o.b. point or the point of acceptance) for screening and correction or replacement.

(e) When return, correction, or replacement is required, transportation charges and responsibility for such supplies while in transit shall be borne by the Seller. However, the Seller's liability for such transportation charges shall not exceed an amount equal to the cost of transportation by the usual commercial method of shipment between the place of delivery specified in this subcontract and the Seller's plant, and return.

(f) The Company may, by contract or otherwise, correct or replace the nonconforming supplies with similar supplies and charge to the Seller the cost occasioned to the Company thereby if the Seller (1) fails to make redelivery of the corrected or replaced supplies within the time established for their return, or (2) fails either to accept return of the nonconforming supplies or fails to make progress after their return to correct or replace them so as to endanger performance of the delivery schedule, and in either of these two circumstances does not cure such failure within a period of ten (10) days (or such longer period as the Company may authorize in writing) after receipt of notice from the Company specifying such failure. In lieu of correction or replacement by the Company, the Company may require an equitable adjustment of the subcontract price. In addition, if the Seller fails to furnish timely disposition instructions, the Company may dispose of the nonconforming supplies for the Seller's account in a reasonable manner. The Company is entitled to reimbursement from the Seller or from the proceeds of such disposal for the reasonable expenses of the care and disposition of the nonconforming supplies, as well as for excess costs incurred or to be incurred.

(g) Any supplies or parts thereof corrected or furnished in replacement pursuant to this clause shall also be subject to all the provisions of this clause to the same extent as supplies initially delivered. The warranty with respect to such supplies or parts thereof shall be equal in duration to that set forth in (a) above and shall run from the date of delivery of such corrected or replaced supplies.

(h) The word "supplies" as used herein means the end item furnished by the Seller and related services required under this subcontract. The word does not include technical data.

(i) All implied warranties of merchantability and "fitness for a particular purpose" are hereby excluded from any obligation contained in this subcontract.

(j) The rights and remedies of the Company provided in this clause are in addition to and do not limit any rights afforded to the Company by any other clause of this subcontract.

(k) The Seller shall be liable for the reasonable costs of disassembly and reassembly of larger items when it is necessary to remove the supplies to be inspected and/or returned for correction or replacement.

**57. PREFERENCE FOR U.S.-FLAG AIR CARRIERS.** (a) "International air transportation," as used in this clause, means transportation by air between a place in the United States and a place outside the United States or between two places both of which are outside the United States.

"United States," as used in this clause, means the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, and possessions of the United States.

"U.S.-flag air carrier," as used in this clause, means an air carrier holding a certificate under Section 401 of the Federal Aviation Act of 1958 (49 U.S.C. 1371).

(b) Section 5 of the International Air Transportation Fair Competitive Practices Act of 1974 (49 U.S.C. 1517) (Fly America Act) requires that all Federal agencies and Government contractors and subcontractors use U.S.-flag air carriers for U.S. Government-financed international air transportation of personnel (and their personal effects) or property, to the extent that service by those carriers is available. It requires the Comptroller General of the United States, in the absence of satisfactory proof of the necessity for foreign-flag air transportation, to disallow expenditures from funds, appropriated or otherwise established for the account of the United States, for international air transportation secured aboard a foreign-flag air carrier if a U.S.-flag air carrier is available to provide such services.

(c) The Seller agrees, in performing work under this subcontract, to use U.S.-flag air carriers for international air transportation of personnel (and their personal effects) or property to the extent that service by those carriers is available.

(d) In the event that the Seller selects a carrier other than a U.S.-flag air carrier for international air transportation, the Seller shall include a certification on vouchers involving such transportation essentially as follows:

CERTIFICATION OF UNAVAILABILITY OF U.S.-FLAG AIR CARRIERS

I hereby certify that international air transportation of persons (and their personal effects) or property by U.S.-flag air carrier was not available or it was necessary to use foreign-flag air carrier service for the following reasons (see Section 47.403 of the Federal Acquisition Regulation): [State reasons]: \_\_\_\_\_

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(End of certification)

(e) The Seller shall include the substance of this clause, including this paragraph (e), in each subcontract or purchase order under this subcontract that may involve international air transportation.

58. PREFERENCE FOR PRIVATELY OWNED U.S.-FLAG COMMERCIAL VESSELS.

(a) The Cargo Preference Act of 1954 (46 U.S.C. 1241(b)) requires that Federal departments and agencies shall transport in privately owned U.S.-flag commercial vessels at least 50 percent of the gross tonnage of equipment, materials, or commodities that may be transported in ocean vessels (computed separately for dry bulk carriers, dry cargo liners, and tankers). Such transportation shall be accomplished when any equipment, materials, or commodities, located within or outside the United States, that may be transported by ocean vessel are:

- (1) Acquired for a U.S. Government agency account;
(2) Furnished to, or for the account of, any foreign nation without provision for reimbursement;
(3) Furnished for the account of a foreign nation in connection with which the United States advances funds or credits, or guarantees the convertibility of foreign currencies; or
(4) Acquired with advance of funds, loans, or guaranties made by or on behalf of the United States.

(b) The Seller shall use privately owned U.S.-flag commercial vessels to ship at least 50 percent of the gross tonnage involved under this subcontract (computed separately for dry bulk carriers, dry cargo liners, and tankers) whenever shipping any equipment, materials, or commodities under the conditions set forth in paragraph (a) above, to the extent that such vessels are available at rates that are fair and reasonable for privately owned U.S.-flag commercial vessels.

(c) (1) The Seller shall submit one legible copy of a rated on-board ocean bill of lading for each shipment to both (i) the Company and (ii) the Division of National Cargo, Office of Market Development, Maritime Administration, U.S. Department of Transportation, Washington, DC 20590.

(2) The Seller shall furnish these bill of lading copies (i) within 20 working days of the date of loading for shipments originating in the United States, or (ii) within 30 working days for shipments originating outside the United States. Each bill of lading copy shall contain the following information:

- (A) Sponsoring U.S. Government agency.
(B) Name of vessel.
(C) Vessel flag of registry.
(D) Date of loading.

- (E) Port of loading.
(F) Port of final discharge.
(G) Description of commodity.
(H) Gross weight in pounds and cubic feet if available.
(I) Total ocean freight revenue in U.S. dollars.

(d) Except for small purchases as described in 48 CFR 13, the Seller shall insert the substance of this clause, including this paragraph (d), in all subcontracts or purchase orders under this subcontract.

(e) The requirement in paragraph (a) does not apply to:

- (1) Small purchases as defined in 48 CFR 13;
(2) Cargoes carried in vessels of the Panama Canal Commission or as required or authorized by law or treaty;
(3) Ocean transportation between foreign countries of supplies purchased with foreign currencies made available, or derived from funds that are made available, under the Foreign Assistance Act of 1961 (22 U.S.C. 2353); and
(4) Shipments of classified supplies when the classification prohibits the use of non-Government vessels.

(f) Guidance regarding fair and reasonable rates for privately owned U.S.-flag commercial vessels may be obtained from the Division of National Cargo, Office of Market Development, Maritime Administration, U.S. Department of Transportation, Washington, DC 20590, Phone: 202-426-4610.

59. TERMINATION FOR CONVENIENCE OF THE GOVERNMENT.

(a) The Company may terminate performance of work under this subcontract in whole or, from time to time, in part if the Company determines that a termination is in the Government's interest. The Company shall terminate by delivering to the Seller a Notice of Termination specifying the extent of termination and the effective date.

(b) After receipt of a Notice of Termination, and except as directed by the Company, the Seller shall immediately proceed with the following obligations, regardless of any delay in determining or adjusting any amounts due under this clause:

- (1) Stop work as specified in the notice.
(2) Place no further subcontracts or orders (referred to as subcontracts in this clause) for materials, services, or facilities, except as necessary to complete the continued portion of this subcontract.
(3) Terminate all subcontracts to the extent they relate to the work terminated.

(4) Assign to the Government, as directed by the Company, all right, title, and interest of the Seller under the subcontracts terminated, in which case the Government or the Company shall have the right to settle or to pay any termination settlement proposal arising out of those terminations.

(5) With approval or ratification to the extent required by the Company, settle all outstanding liabilities and termination settlement proposals arising from the termination of subcontracts; the approval or ratification will be final for purposes of this clause.

(6) As directed by the Company, transfer title and deliver to the Government (i) the fabricated or unfabricated parts, work in process, completed work, supplies, and other material produced or acquired for the work terminated, and (ii) the completed or partially completed plans, drawings, information, and other property that, if the subcontract had been completed, would be required to be furnished to the Company.

- (7) Complete performance of the work not terminated.
(8) Take any action that may be necessary, or that the Company may direct, for the protection and preservation of the property related to this subcontract that is in the possession of the Seller and in which the Government has or may acquire an interest.

(9) Use its best efforts to sell, as directed or authorized by the Company, any property of the types referred to in subparagraph (6) above; *provided*, however, that the Seller (i) is not required to extend credit to any purchaser and (ii) may acquire the property under the conditions prescribed by, and at prices approved by, the Company. The proceeds of any transfer or disposition will be applied to reduce any payments to be made by the Company under this subcontract, credited to the price or cost of the work, or paid in any other manner directed by the Company.

(c) After expiration of the plant clearance period as defined in Subpart 45.6 of the Federal Acquisition Regulation, the Seller may submit to the Company a list, certified as to quantity and quality, of termination inventory not previously disposed of, excluding items authorized for disposition by the Company. The Seller may request the Company to remove those items or enter into an agreement for their storage. Within 15 days, the Government will accept title to those items and the Company will remove them or enter into a storage agreement. The Company may verify the list upon removal of the items, or if stored, within 45 days from submission of the list, and shall correct the list, as necessary, before final settlement.

(d) After termination, the Seller shall submit a final termination settlement proposal to the Company in the form and with the certification prescribed by the Company. The Seller shall submit the proposal promptly, but no later than 1 year from the effective date of termination, unless extended in writing by the Company upon written request of the Seller within this 1-year period. However, if the Company determines that the facts justify it, a termination settlement proposal may be received and acted on after 1 year or any extension. If the Seller fails to submit the proposal within the time allowed, the Company may determine, on the basis of information available, the amount, if any, due the Seller because of the termination and shall pay the amount determined.

(e) Subject to paragraph (d) above, the Seller and the Company may agree upon the whole or any part of the amount to be paid because of the termination. The amount may include a reasonable allowance for profit on work done. However, the agreed amount, whether under this paragraph (e) or paragraph (f) below, exclusive of costs shown in subparagraph (f)(3) below, may not exceed the total subcontract price as reduced by (a) the amount of payments previously made and (2) the subcontract price of work not terminated. The subcontract shall be amended, and the Seller paid the agreed amount. Paragraph (f) below shall not limit, restrict, or affect the amount that may be agreed upon to be paid under this paragraph.

(f) If the Seller and the Company fail to agree on the whole amount to be paid because of the termination of work, the Company shall pay the Seller the amounts determined by the Company as follows, but without duplication of any amounts agreed on under paragraph (e) above:

(1) The subcontract price for completed supplies or services accepted by the Company (or sold or acquired under subparagraph (b)(9) above) not previously paid for, adjusted for any saving of freight and other charges.

(2) The total of:

(i) The costs incurred in the performance of the work terminated, including initial costs and preparatory expense allocable thereto, but excluding any costs attributable to supplies or services paid or to be paid under subparagraph (f)(1) above;

(ii) The cost of settling and paying termination settlement proposals under terminated subcontracts that are properly chargeable to the terminated portion of the subcontract if not included in subdivision (i) above; and

(iii) A sum, as profit on subdivision (i) above, determined by the Company under 49.202 of the Federal Acquisition Regulation, in effect on the date of this subcontract, to

be fair and reasonable; however, if it appears that the Seller would have sustained a loss on the entire subcontract had it been completed, the Company shall allow no profit under this subdivision (iii) and shall reduce the settlement to reflect the indicated rate of loss.

(3) The reasonable costs of settlement of the work terminated, including:

(i) Accounting, legal, clerical, and other expenses reasonably necessary for the preparation of termination settlement proposals and supporting data;

(ii) The termination and settlement of subcontracts (excluding the amounts of such settlements); and

(iii) Storage, transportation, and other costs incurred, reasonably necessary for the preservation, protection, or disposition of the termination inventory.

(g) Except for normal spoilage, and except to the extent that the Company expressly assumed the risk of loss, the Company shall exclude from the amounts payable to the Seller under paragraph (f) above, the fair value, as determined by the Company, of property that is destroyed, lost, stolen, or damaged so as to become undeliverable to the Company or to a buyer.

(h) The cost principles and procedures of Part 31 of the Federal Acquisition Regulation, in effect on the date of this subcontract, shall govern all costs claimed, agreed to, or determined under this clause.

(i) In arriving at the amount due the Seller under this clause, there shall be deducted:

(1) All unliquidated advance or other payments to the Seller under the terminated portion of this subcontract;

(2) Any claim which the Company has against the Seller under this subcontract; and

(3) The agreed price for, or the proceeds of sale of, materials, supplies, or other things acquired by the Seller or sold under the provisions of this clause and not recovered by or credited to the Company.

(j) If the termination is partial, the Seller may file a proposal with the Company for an equitable adjustment of the price(s) of the continued portion of the subcontract. The Company shall make any equitable adjustment agreed upon. Any proposal by the Seller for an equitable adjustment under this clause shall be requested within 90 days from the effective date of termination unless extended in writing by the Company.

(k) (1) The Company may, under the terms and conditions it prescribes, make partial payments and payments against costs incurred by the Seller for the terminated portion of the subcontract, if the Company believes the total of these payments will not exceed the amount to which the Seller will be entitled.

(2) If the total payments exceed the amount finally determined to be due, the Seller shall repay the excess to the Company upon demand, together with interest computed at the rate established by the Secretary of the Treasury under 50 U.S.C. App. 1215(b)(2). Interest shall be computed for the period from the date the excess payment is received by the Seller to the date the excess is repaid. Interest shall not be charged on any excess payment due to a reduction in the Seller's termination settlement proposal because of retention or other disposition of termination inventory until 10 days after the date of the retention or disposition, or a later date determined by the Company because of the circumstances.

(l) Unless otherwise provided in this subcontract or by statute, the Seller shall maintain all records and documents relating to the terminated portion of this subcontract for 3 years after final settlement. This includes all books and other evidence bearing on the Seller's costs and expenses under this subcontract. The Seller shall make these records and documents available to the

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Company and the Government, at the Seller's office, at all reasonable times, without any direct charge. If approved by the Company, photographs, microphotographs, or other authentic reproductions may be maintained instead of original records and documents.

**60. DEFAULT.** (a) (1) The Company may, subject to paragraphs (c) and (d) below, by written notice of default to the Seller, terminate this subcontract in whole or in part if the Seller fails to:

- (i) Deliver the supplies or to perform the services within the time specified in this subcontract or any extension;
- (ii) Make progress, so as to endanger performance of this subcontract (but see subparagraph (a)(2) below); or
- (iii) Perform any of the other provisions of this subcontract (but see subparagraph (a)(2) below).

(2) The Company's right to terminate this subcontract under subdivisions (1)(ii) and (1)(iii) above, may be exercised if the Seller does not cure such failure within 10 days (or more if authorized in writing by the Company) after receipt of the notice from the Company specifying the failure.

(b) If the Company terminates this subcontract in whole or in part, it may acquire, under the terms and in the manner the Company considers appropriate, supplies or services similar to those terminated, and the Seller will be liable to the Company for any excess costs for those supplies or services. However, the Seller shall continue the work not terminated.

(c) Except for defaults of subcontractors at any tier, the Seller shall not be liable for any excess costs if the failure to perform this subcontract arises from causes beyond the control and without the fault or negligence of the Seller. Examples of such causes include (1) acts of God or of the public enemy, (2) acts of the Government in either its sovereign or contractual capacity, (3) fires, (4) floods, (5) epidemics, (6) quarantine restrictions, (7) strikes, (8) freight embargoes, and (9) unusually severe weather. In each instance the failure to perform must be beyond the control and without the fault or negligence of the Seller.

(d) If the failure to perform is caused by the default of a subcontractor at any tier, and if the cause of the default is beyond the control of both the Seller and subcontractor, and without the fault or negligence of either, the Seller shall not be liable for any excess costs for failure to perform, unless the subcontracted supplies or services were obtainable from other sources in sufficient time for the Seller to meet the required delivery schedule.

(e) If this subcontract is terminated for default, the Company may require the Seller to transfer title and deliver to the Government, as directed by the Company, any (1) completed supplies, and (2) partially completed supplies and materials, parts, tools, dies, jigs, fixtures, plans, drawings, information, and contract rights (collectively referred to as "manufacturing materials" in this clause) that the Seller has specifically produced or acquired for the terminated portion of this subcontract. Upon direction of the Company, the Seller shall also protect and preserve property in its possession in which the Government has an interest.

(f) The Company shall pay the subcontract price for completed supplies delivered and accepted. The Seller and the Company shall agree on the amount of payment for manufacturing materials delivered and accepted and for the protection and preservation of the property. The Company may withhold from these amounts any sum the Company determines to be necessary to protect the Company and the Government against loss because of outstanding liens or claims of former lien holders.

(g) If, after termination, it is determined that the Seller was not in default, or that the default was excusable, the rights and obligations of the parties shall be the same as if the termination had been issued for the convenience of the Government.

(h) The rights and remedies of the Company and the Government in this clause are in addition to any other rights and remedies provided by law or under this subcontract.

**61. ENTIRE AGREEMENT.** It is expressly agreed by the parties hereto that this subcontract constitutes the entire and only contract between the parties hereto; that there are no agreements, understandings, or covenants between the parties hereto of any kind, nature, or description, express or implied, oral or otherwise, that have not been set forth herein.