



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

RECEIVED

JAN 20 1982

METREX CONTRACTS

JAN 19 1982

Mitre Corporation
1820 Dolley Madison Boulevard
McLean, VA 22102

Gentlemen:

Upon your acceptance, this letter contract constitutes a contract subject to the terms set forth herein, and signifies the intent of the Nuclear Regulatory Commission (NRC) to enter into a formal contract with you to conduct a workshop to discuss issues concerning psychological stress generally and psychological stress in the vicinity of Three Mile Island (TMI).

Effective January 14, 1982, you shall proceed with the performance of the work in accordance with the terms and conditions outlined in enclosure (1), attached hereto and forming a part of this letter contract, and the following:

You are not authorized to make expenditures or to incur obligations in performance of this contract which exceed the present Commission obligation of Further, the maximum amount for which the NRC shall be liable if this letter contract is terminated prior to definitization is

The maximum amount set forth above may be increased by written notice from the Contracting Officer from time to time at his sole discretion. You will not be bound to continue performance under this letter contract with respect to the services set forth in enclosure (1), if such performance would cause the amount to be expended by you hereunder, together with a reasonable allowance for fee, to exceed the limitation of the NRC liability set forth above.

A cost plus fixed fee (CPFF) type definitive contract is contemplated. To accomplish this result, the parties agree to enter into negotiation promptly with respect to the terms of a definitive contract. Such definitive contract will include all clauses required by the Federal Procurement Regulations for CPFF contracts on the date of execution of this letter contract, all clauses required by law on the date of execution of the definitive contract and such other clauses, terms, and conditions as may be mutually agreeable. The Contractor agrees to submit a cost plus fixed fee proposal, and cost or pricing data supporting that proposal by 28 January 1982.

The target date for definitization of this letter contract is 01 February 1982.

If agreement on a definitive contract to supersede this letter contract is not made, you shall be reimbursed for all reasonable and necessary costs for work performed subject to the limitation of the NRC's liability paragraph herein. Any expenditure or obligation by your company in excess of that amount, in furtherance of performance hereunder, shall be at your own risk.

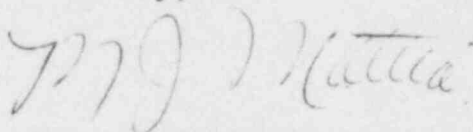
This negotiated letter contract is made pursuant to the provisions of 41 U.S.C. 252 (c)(10)(a)(1) and any required Determination and Findings with respect thereto which have been made. All costs incurred under this letter contract shall be chargeable to the following accounting and appropriation data:

Allotment No. -

B&R No. -

If this agreement is satisfactory, please indicate your acceptance by signing in the space provided below and returning three (3) signed copies to me. The fourth copy is for your retention.

Sincerely,



Mary Jo Mattia, Chief
Technical Assistance Contracts Branch
Division of Contracts
Office of Administration

ACCEPTED:

Name of Company: The MITRE Corporation

By: _____

Title: Serge H. Etienne, Contracts Manager

Date: 21 January 1982

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SCHEDULEArticle I - STATEMENT OF WORKA. BACKGROUND

Following the Three Mile Island Station, Unit No. 2 (TMI-2) accident on March 28, 1979, the U.S. Nuclear Regulatory Commission ordered that the Three Mile Island Nuclear Station, Unit No. 1 (TMI-1) remain in a cold shutdown condition until further order of the Commission and that a hearing would be conducted prior to a restart decision. An intervenor, People Against Nuclear Power (PANE) contended that severe psychological stress would be caused by renewed operation of TMI-1. After considering the advisability of the contention in the context of the TMI-1 restart hearing the Commission ordered on, December 5, 1980, that psychological stress issues would not be heard in the TMI-1 restart proceedings. This ruling was appealed by PANE and on January 7, 1982, the United States Court of Appeals for the District of Columbia vacated the order of the Commission.

The Commission has yet to assess what options are available and what alternative course of action might be most appropriate. The NRC staff in seeking to provide relevant information to the Commission and in anticipating the need to prepare an environmental impact statement (EIS) wishes to assess the extent to which existing knowledge on psychological stress, including research on TMI, can facilitate consideration of psychological stress which may result from restart of TMI-1.

B. OBJECTIVE

The objective of this contract is to provide an assessment by experts within the field of psychological stress generally; authorities on the mental health impacts of the TMI-2 accident and its aftermath; and authorities in related areas such as public perception of risk from nuclear power. The extent to which existing knowledge can be extrapolated to the question of psychological stress caused by the proposed restart of TMI-1 must be addressed. The assessment of experts will be gained by means of a workshop and a report on the deliberations and findings of that workshop.

C. WORK REQUIREMENTS

The contractor shall provide the necessary personnel, facilities, and materials to conduct a workshop to discuss issues concerning psychological stress generally and psychological stress in the vicinity of TMI, as follows:

1. The contractor shall arrange for the participation of approximately twelve (12) nationally recognized authorities in a two (2) day interactive workshop. Other interested parties (estimated at 23 people) shall be in attendance as observers only. On or before January 13, 1982, the contractor shall be provided a list of recognized experts from which to draw. The contractor is to provide names of individuals who have been confirmed as participants in the workshop on or before January 15, 1982.
2. A draft of the issues to be discussed shall be submitted to the contractor on or before January 14, 1982 for review, and comment. The contractor shall assist in the definitization of the issues through oral discussion with the NRC project officer prior to finalization of the draft. The final list of issues shall be submitted to the contractor on or before January 18, 1982. Within 2 days after finalizing the composition of the workshop group and the issues to be discussed, the contractor shall establish and submit for review by the NRC project officer an agenda and discussion procedures for the workshop. The project officer shall review and provide comments to the contractor within 2 days after receipt of the agenda.
3. The contractor shall provide a moderator skilled in workshop leadership and technically conversant about the issues to be discussed.
4. Within 5 days after the receipt of the definitized list of issues the contractor shall make all logistical preparation for the workshop and perform all administrative matter pertaining to the conduct of the workshop. All requirements for taping and transcribing of the workshop shall be the responsibility of the NRC. Upon completion of the workshop, the contractor shall be provided a transcript to aid in the preparation of the final report.
5. Within eight (8) days after the transcript of the workshop is received by the contractor, the contractor shall submit a report which summarizes the discussion and conclusions reached on each of the issues presented to the workshop.

D. REPORTING REQUIREMENTS

1. The Program Manager will be briefed by telephone no less than twice a week during the period on work completed, work yet to be done, problems or delays encountered or anticipated and the plan for resolution of any problems.
2. Upon completion of the agenda and discussion procedures for the workshop, the contractor shall provide a draft for review and comment by the project officer. Comments made by the project officer are to be incorporated into the final agenda and discussion procedure.
3. The contractor shall submit a workshop report as specified in 5 above with distribution as follows:

A. Sinisgalli	(5 copies)
D. Cleary	(1 copy unbound and camera ready)
B. Grenier & M. Mattia	(1 copy)
C. Poslusny & R. Vollmer	(1 copy)

The report shall be in the format specified in NRC Manual Appendix 3202.

BUSINESS LETTER REPORT

At the completion of this project, the contractor will submit to the same distribution as item 3 under Reporting Requirements, a summary of the work performed, delays or problems encountered, funds expended by category.

Milestone Schedule

The following sets forth projected schedules for project milestones and deliverable products:

NRC will provide list of recognized experts to contractor	January 14, 1982
Contractor shall submit individuals to comprise workshop	January 19, 1982
Draft list of issues to be provided to the contractor	January 20, 1982
NRC to provide final list of issues to Contractor	January 22, 1982
Contractor submittal of draft agenda	January 27, 1982
PO review and comments on agenda to contractor	January 29, 1982
Contractor complete logistical preparation for the workshop	January 29, 1982
Contractor shall conduct 2-day workshop	week of February 01, 1982
NRC shall provide transcript	on or before February 12, 1982
Contractor shall submit final workshop report	8 days after receipt of transcript

E. TRAVEL

It is anticipated that most of the workshop participants will require reimbursement for travel to the workshop.

F. NRC FURNISHED MATERIALS AND SERVICES

NRC will furnish a transcript service for the workshop.

Article II - PERIOD OF PERFORMANCE AND LEVEL OF EFFORT

The estimated period of performance under this contract shall be from the effective date of the contract through six (6) weeks thereafter. The level of effort is estimated at four (4) person months.

Article III - ALLOWABLE COST, FIXED FEE AND PAYMENT

The allowable costs under this contract, fixed fee and payment shall be made in accordance with Clause 41 of the General Provisions entitled "Allowable Cost, Fixed Fee and Payment" and as follows:

Allowable Cost - The allowable cost of performing the work under this contract shall be the costs and expenses that are actually chargeable either as direct incident or as allocable through appropriate distribution or apportionment, to the performance of the contract work in accordance with its terms and are determined to be allowable in accordance with Appendix A, annexed hereto.

In determining the allowability of the participants' costs, a memorandum shall be issued with the invoice submitted by the Contractor, which sets forth the principal elements of costs borne by the participants and reimbursed by the Contractor in accordance with the provisions of Appendix A. Such costs shall normally consider the participants' man-day rate for services, travel and per diem costs. The memorandum shall be in sufficient detail to reflect the most significant considerations controlling the establishment

of the cost to be reimbursed to the participant by the Contractor, e.g., in the performance of travel the use of the lowest cost mode commensurate with the requirements and if necessary to use air travel, the use of air coach, tourist class or similar accommodations to the extent consistent with the successful and economical accomplishment of the workshops for which the travel is being performed. Establishment of the man-day rate for service between the participant and the Contractor shall include a statement that the man-day rate charged by the participant is a rate equal to or lower than the rate normally charged to all customers for like services.

- B. Payment of Fixed Fee - The Government shall make payment equal to _____* percent of the allowable costs invoiced by the Contractor, subject to the withholding provisions of Paragraph (c) under Clause 41 of the General Provisions.

C. Items Unallowable Unless Otherwise Provided

Notwithstanding Clause No.5.3-ALLOWABLE COST AND FIXED FEE and Clause No.2. SUBCONTRACTING of the General Provisions of this contract, unless otherwise expressly provided elsewhere in this contract or in any amendment thereto, the costs of the following items or activities shall be unallowable as direct costs:

1. Acquisition, by purchase or lease, of any interest in real property;
2. Special rearrangement or alteration of facilities;
3. Purchase or lease of any item of general purpose office furniture or office equipment.

*to be incorporated in any resulting definitive contract

Article IV - PROJECT OFFICER

Anton A. Sinisgalli is hereby designated as the Contracting Officer's authorized representative (hereinafter called Project Officer) for technical aspects of this contract. The Project Officer is not authorized to approve or request any action which results in or could result in an increase in contract cost; or terminate, settle any claim or dispute arising under the contract; or issue any unilateral directive whatever.

The Project Officer is responsible for: (1) monitoring the contractor's technical progress, including surveillance and assessment of performance, and recommending to the Contracting Officer changes in requirements; (2) interpreting the scope of work; (3) performing technical evaluation as required; (4) performing technical inspections and acceptances required by this contract; and (5) assisting the contractor in the resolution of technical problems encountered during performance. Within the purview of this authority, the Project Officer is authorized to review all costs requested for reimbursement by contractors and submit recommendations for approval, disapproval, or suspension for supplies, services required under the contract. The Contracting Officer is responsible for directing or negotiating any changes in terms, conditions, or amounts cited in the contract.

For guidance from the Project Officer to the contractor to be valid, it must: (1) be consistent with the description of work set forth in the contract; (2) not constitute new assignment of work or change to the expressed terms, conditions or specifications incorporated into this contract; (3) not constitute a basis for an extension to the period of performance or contract delivery schedule; and, as stated above, (4) not constitute a basis for any increase in the contract cost.

ARTICLE V - TECHNICAL DIRECTION

A. Performance of the work under this contract shall be subject to the technical direction of the NRC Project Officer named in ARTICLE XIII of the defined contract. The term "Technical Direction" is defined to include the following:

1. Technical direction to the contractor which shifts work emphasis between areas of work or tasks, requires pursuit of certain lines of inquiry, fills in details or otherwise serves to accomplish the contractual scope of work.
2. Providing assistance to the contractor in the preparation of drawings, specifications or technical portions of the work description.
3. Review and where required by the contract, approval of technical reports, drawings, specifications and technical information to be delivered by the contractor to the Government under the contract.

- B. Technical direction must be within the general scope of work stated in the contract. The Project Officer does not have the authority to and may not issue any technical direction which:
1. Constitutes an assignment of additional work outside the general scope of the contract.
 2. Constitutes a change as defined in the clause of the General Provisions, entitled "Changes."
 3. In any way causes an increase or decrease in the total estimated contract cost, the fixed fee, if any, or the time required for contract performance.
 4. Changes any of the expressed terms, conditions or specifications of the contract.
- C. ALL TECHNICAL DIRECTIONS SHALL BE ISSUED IN WRITING BY THE PROJECT OFFICER OR SHALL BE CONFIRMED BY SUCH PERSON IN WRITING WITHIN TEN (10) WORKING DAYS AFTER VERBAL ISSUANCE. A copy of said written direction shall be submitted to the Contracting Officer.

The contractor shall proceed promptly with the performance of technical directions duly issued by the Project Officer in the manner prescribed by this article and within such person's authority under the provisions of this article.

If, in the opinion of the contractor, any instruction or direction issued by the Project Officer is within one of the categories as defined in B(1) through (4) above, the contractor shall not proceed but shall notify the Contracting Officer in writing within five (5) working days after the receipt of any such instruction or direction and shall request the Contracting Officer to modify the contract accordingly. Upon receiving such notification from the contractor, the Contracting Officer shall issue an appropriate contract modification or advise the contractor in writing that, in the Contracting Officer's opinion, the technical direction is within the scope of this article and does not constitute a change under the Changes Clause.

- D. Any unauthorized commitment or direction issued by the Project Officer may result in an unnecessary delay in the contractor's performance, and may even result in the contractor expending funds for unallowable costs under the contract.
- E. A failure of the parties to agree upon the nature of the instruction or direction or upon the contract action to be taken with respect thereto shall be subject to the provisions of the contract clause entitled "Disputes."

Article VI - CONFLICT OF INTEREST

(a) Purpose. The primary purpose of this article is to aid in ensuring that the contractor:

- (1) is not placed in a conflicting role because of current or planned interest (financial, contractual, organizational, or otherwise) which relates to the work under this contract, and
- (2) does not obtain an unfair competitive advantage over other parties by virtue of its performance of this contract.

(b) Scope. The restrictions described herein shall apply to performance or participation by the contractor as defined in 41 CFR §20-1.5402(f) in the activities covered by this article.

(c) Work for others. Notwithstanding any other provision of this contract, during the term of this contract, the contractor agrees to forego entering into consulting or other contractual arrangements with any firm or organization, the result of which may give rise to a conflict of interest with respect to the work being performed under this contract. The contractor shall ensure that all employees who are employed full time under this contract and employees designated as key personnel, if any, under this contract abide by the provision of this article. If the contractor believes with respect to itself or any such employee that any proposed consultant or other contractual arrangement with any firm or organization may involve a potential conflict of interest, the contractor shall obtain the written approval of the Contracting Officer prior to execution of such contractual arrangement.

(d) Disclosure after award.

- (1) The contractor warrants that to the best of its knowledge and belief and except as otherwise set forth in this contract, it does not have any organizational conflicts of interest, as defined in 41 CFR §20-1.5402(a).
- (2) The contractor agrees that if after award it discovers organizational conflicts of interest with respect to this contract, it shall make an immediate and full disclosure in writing to the Contracting Officer. This statement shall include a description of the action which the contractor has taken or proposes to take to avoid or mitigate such conflicts. The NRC may, however, terminate the contract for convenience if it deems such termination to be in the best interests of the government.

(e) Access to and use of information.

- (1) If the Contractor in the performance of this contract obtains access to information, such as NRC plans, policies, reports, studies, financial plans, internal data protected by the Privacy Act of 1974 (Pub. L. 93-579), or data which has not been

released to the public, the contractor agrees not to: (i) use such information for any private purpose until the information has been released to the public; (ii) compete for work for the Commission based on such information for a period of six (6) months after either the completion of this contract or the release of such information to the public, whichever is first, (iii) submit an unsolicited proposal to the government based on such information until one year after the release of such information to the public, or (iv) release the information without prior written approval by the Contracting Officer unless such information has previously been released to the public by the NRC.

- (2) In addition, the contractor agrees that to the extent it receives or is given access to proprietary data, data protected by the Privacy Act of 1974 (Pub. L. 93-579), or other confidential or privileged technical, business, or financial information under this contract, the contractor shall treat such information in accordance with restrictions placed on use of the information.
- (3) The contractor shall have, subject to patent and security provisions of this contract, the right to use technical data it produces under this contract for private purposes provided that all requirements of this contract have been met.

(f) Subcontracts. Except as provided in 41 CFR §20-1.5402(h), the contractor shall include this article, including this paragraph, in subcontracts of any tier. The terms "contract," "contractor," and "Contracting Officer," shall be appropriately modified to preserve the government's rights.

(g) Remedies. For breach of any of the above proscriptions or for intentional nondisclosure or misrepresentation of any relevant interest required to be disclosed concerning this contract or for such erroneous representations as necessarily imply bad faith, the government may terminate the contract for default, disqualify the contractor from subsequent contractual efforts, and pursue other remedies as may be permitted by law or this contract.

(h) Waiver. A request for waiver under this clause shall be directed in writing through the Contracting Officer to the Executive Director for Operations (EDO) in accordance with the procedures outlined in §20-1.5411.

ARTICLE VII -Order of Precedence

In the event of an inconsistency between the terms and conditions of the contract, the inconsistency shall be resolved by giving precedence in the following order:

1. The Schedule: (Note: - Nothing contained in the Contractor's proposal, whether or not incorporated by reference, shall constitute a waiver of any terms or conditions provided in the Schedule.)
2. The General Provisions
3. Other terms and conditions of the contract, whether incorporated by reference or otherwise.

Article VIII - GENERAL PROVISIONS/ALTERATIONS

The General Provisions of this contract shall consist of:

1. General Provisions - Cost Type Research and Development Contracts with Commercial Organizations

In addition, the following alterations are made to the General Provisions for "Cost Type Research and Development Contracts with Commercial Organizations," dated November 1980:

Provisions Deleted:

- 1.21 Privacy Act Notification
- 1.22 Privacy Act

Provisions Added:

3.12 Labor Surplus Area Subcontracting Program (1-1.805-3(b))

(a) The Contractor agrees to establish and conduct a program which will encourage labor surplus area concerns to compete for subcontracts within their capabilities. In this connection, the Contractor shall--

(1) Designate a liaison officer who will (i) maintain liaison with duly authorized representatives of the Government on labor surplus area matters, (ii) supervise compliance with the Utilization of Concerns in Labor Surplus Areas clause, and (iii) administer the Contractor's "Labor Surplus Area Subcontracting Program;"

(2) Provide adequate and timely consideration of the potentialities of labor surplus area concerns in all "make-or-buy" decisions;

(3) Assure that labor surplus area concerns will have an equitable opportunity to compete for subcontracts, particularly by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation of labor surplus area concerns;

(4) Maintain records showing the procedures which have been adopted to comply with the policies set forth in this clause and report subcontract awards (see 41 CFR 1-16.804-5 regarding use of Optional Form 61): Records maintained pursuant to this clause will be kept available for review by the Government until the expiration of 1 year after the award of this contract, or for such longer period as may be required by any other clause of this contract or by applicable law or regulations; and

(5) Include the Utilization of Concerns in Labor Surplus Areas clause in subcontracts which offer substantial labor surplus area subcontracting opportunities.

(b) (1) The term "labor surplus area" means a geographical area identified by the Department of Labor as an area of concentrated unemployment or underemployment or an area of labor surplus.

(2) The term "concern located in a labor surplus area" means a labor surplus area concern.

(3) The term "labor surplus area concern" means a concern that, together with its first-tier subcontractors, will perform substantially in labor surplus areas.

(4) The term "perform substantially in labor surplus areas" means that the costs incurred on account of manufacturing, production, or appropriate services in labor surplus areas exceed 50 percent of the contract price.

(c) The Contractor further agrees to insert, in any subcontract hereunder which may exceed \$500,000 and which contains the Utilization of Concerns in Labor Surplus Areas clause, provisions which shall conform substantially to the language of this clause, including this paragraph (c), and to notify the Contracting Officer of the names of such subcontractors.

3.13 Utilization of Women-Owned Business Concerns (Over \$10,000)

(a) It is the policy of the United States Government that women-owned businesses shall have the maximum practicable opportunity to participate in the performance of contracts awarded by any Federal agency.

(b) The Contractor agrees to use his best efforts to carry out this policy in the award of subcontracts to the fullest extent consistent with the efficient performance of this contract. As used in the contract, a "women-owned business" concern means a business that is at least 51% owned by a woman or women who also control and operate it. "Control" in this context means exercising the power to make policy decisions. "Operate" in this context means being actively involved in the day-to-day management. "Women" mean all women business owners.

3.14 Women-Owned Business Concerns Subcontracting Program (Over \$500,000 or \$1,000,000 for Construction of Any Public Facility)

(a) The Contractor agrees to establish and conduct a program which will enable women-owned business concerns to be considered fairly as subcontractors and suppliers under this contract. In this connection, the contractor shall:

- (1) Designate a liaison officer who will administer the Contractor's "Women-Owned Business Concerns Program."
- (2) Provide adequate and timely consideration of the potentialities of known women-owned business concerns in all "make-or-buy" decisions.
- (3) Develop a list of qualified bidders that are women-owned businesses and assure that known women-owned business concerns have an equitable opportunity to compete for subcontracts, particularly by making information on forthcoming opportunities available, by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation of women-owned business concerns.
- (4) Maintain records showing (i) procedures which have been adopted to comply with the policies set forth in this clause, including the establishment of a source list of women-owned business concerns; (ii) awards to women-owned businesses on the source list by minority and non-minority women-owned business concerns; and (iii) specific efforts to identify and award contracts to women-owned business concerns.
- (5) Include the "Utilization of Women-Owned Business Concerns" clause in subcontracts which offer substantial subcontracting opportunities.
- (6) Cooperate in any studies and surveys of the Contractor's women-owned business concerns procedures and practices that the Contracting Officer may from time-to-time conduct.

- (7) Submit periodic reports of subcontracting to women-owned business concerns with respect to the records referred to in subparagraph (4) above, in such form and manner and at such time (not more often than quarterly) as the Contracting Officer may prescribe?

(b) The Contractor further agrees to insert, in any subcontract hereunder which may exceed \$500,000 or \$1,000,000 in the case of contracts for the construction of any public facility and which offers substantial subcontracting possibilities, provisions which shall conform substantially to the language of this clause, including this paragraph (b), and to notify the Contracting Officer of the names of such subcontractors.

(c) The contractor further agrees to require written certification by its subcontractors that they are bona fide women-owned and controlled business concerns in accordance with the definition of a women-owned business concern as set forth in the Utilization Clause 1(b) above at the time of submission of bids or proposals

5.8 Price Reduction for Defective Cost or Pricing Data (1-3.814-1(a))

If any price, including profit or fee, negotiated in connection with this contract or any cost reimbursable under this contract was increased by any significant sums because:

(a) The Contractor furnished cost or pricing data which was not accurate, complete and current as certified in the Contractor's Certificate of Current Cost or Pricing Data;

(b) A subcontractor, pursuant to the clause of this contract entitled "Subcontractor Cost or Pricing Data" or "Subcontractor Cost or Pricing Data--Price Adjustments" or any subcontract clause therein required, furnished cost or pricing data which was not accurate, complete and current as certified in the subcontractor's Certificate of Current Cost or Pricing Data;

(c) A subcontractor or prospective subcontractor furnished cost or pricing data which was required to be accurate, complete and current and to be submitted to support a subcontract cost estimate furnished by the Contractor but which was not accurate, complete and current as of the date certified in the Contractor's Certificate of Current Cost or Pricing Data; or

(d) The Contractor or a subcontractor or prospective subcontractor furnished any data, not within (a), (b) or (c) above, which was not accurate as submitted: the price or cost shall be reduced accordingly and the contract shall be modified in writing as may be necessary to reflect such reduction. However, any reduction in the contract price due to defective subcontract data of a prospective subcontractor when the subcontract was not subsequently awarded to such subcontractor, will be limited to the amount (plus applicable overhead and profit markup) by which the actual subcontract, or actual cost to the Contractor if there was no subcontract, was less than the prospective subcontract cost estimate submitted by the Contractor: Provided, The actual subcontract price was not affected by defective cost or pricing data.

(Note: Since the contract is subject to reduction under this clause by reason of defective cost or pricing data submitted in connection with certain subcontracts, it is expected that the Contractor may wish to include a clause in each such subcontract requiring the subcontractor to appropriately indemnify the Contractor. 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 low tier subcontractors.)

5.9 Price Reduction for Defective Cost or Pricing Data - Price Adjustments (1-3.814-1(b))

(a) This clause shall become operative only with respect to any modification of this contract which involves aggregate increases and/or decreases in costs plus applicable profits in excess of \$100,000 unless the modification is priced on the basis of 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. The right to price reduction under this clause is limited to defects in data relating to such modification.

(b) If any price, including profit, or fee, negotiated in connection with any price adjustment under this contract was increased by any significant sums because:

(1) The Contractor furnished cost or pricing data which was not accurate, complete and current as certified in the Contractor's Certificate of Current Cost or Pricing Data;

(2) A subcontractor, pursuant to the clause of this contract entitled "Subcontractor Cost or Pricing Data" or "Subcontractor Cost or Pricing Data--Price Adjustments" or any subcontract clause therein required, furnished cost or pricing data which was not accurate, complete and current as certified in the subcontractor's Certificate of Current Cost or Pricing Data;

(3) A subcontractor or prospective subcontractor furnished cost or pricing data which was required to be accurate, complete and current and to be submitted to support a subcontract cost estimate furnished by the Contractor but which was not accurate, complete and current as of the date certified in the Contractor's Certificate of Current Cost or Pricing Data; or

(4) The Contractor or a subcontractor or prospective subcontractor furnished any data, not within (1), (2) or (3) above, which was not accurate, as submitted; the price shall be reduced accordingly and the contract shall be modified in writing as may be necessary to reflect such reduction. However, any reduction in the contract price due to defective subcontract data of a prospective subcontractor, when the subcontract was not subsequently awarded to such subcontractor, will be limited to the amount (plus applicable overhead and profit markup) by which the actual subcontract, or actual cost to the Contractor if there was no subcontract, was less than the prospective subcontract cost estimate submitted by the Contractor. Provided the actual subcontract price was not affected by defective cost or pricing data.

(Note: Since the contract is subject to reduction under this clause by reason of defective cost or pricing data submitted in connection with certain subcontracts, it is expected that the Contractor may wish to include a clause in each such subcontract requiring the subcontractor to appropriately indemnify the Contractor. 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.)

(c) Failure to agree on a reduction shall be a dispute concerning a question of fact within the meaning of the "Disputes" clause of this contract.

5.10 Subcontractor Cost and Pricing Data (1-3.814-3(a))

(a) The Contractor shall require subcontractors hereunder to submit, actually or by specific identification in writing, cost or pricing data under the following circumstances:

(1) Prior to the award of any subcontract the amount of which is expected to exceed \$100,000 when entered into;

(2) Prior to the pricing of any subcontract modification which involves aggregate increases and/or decreases in costs plus applicable profits expected to exceed \$100,000; except where 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.

(b) The Contractor shall require subcontractors to certify, in substantially the same form as that used in the certificate by the Prime Contractor to the Government, that to the best of their knowledge and belief, the cost and pricing data submitted under (a) above is accurate, complete, and current as of the date of agreement on the negotiated price of the subcontract or subcontract change or modification.

(c) The Contractor shall insert the substance of this clause including this paragraph (c) in each subcontract hereunder which exceeds \$100,000 when entered into except where the price thereof 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. In each such expected subcontract hereunder in excess of \$100,000, the Contractor shall insert the substance of the following clause:

SUBCONTRACTOR COST OR PRICING DATA- PRICE ADJUSTMENTS

(a) Paragraphs (b) and (c) of this clause shall become operative only with respect to any modification made pursuant to one or more provisions of this contract which involves aggregate increases and/or decreases in costs plus applicable profits expected to exceed \$100,000. The requirements of this clause shall be limited to such contract modifications.

(b) The Contractor shall require subcontractors hereunder to submit, actually or by specific identification in writing, cost or pricing data under the following circumstances:

(1) Prior to award of any subcontract, the amount of which is expected to exceed \$100,000 when entered into;

(2) Prior to the pricing of any subcontract modification which involves aggregate increases and/or decreases in costs plus applicable profits expected to exceed \$100,000; except where 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.

5.10 Subcontract Cost and Pricing Data (1-3.814-3(a)) Cont'd

(c) The Contractor shall require subcontractors to certify, in substantially the same form as that used in the certificate by the Prime Contractor to the Government, that to the best of their knowledge and belief the cost and pricing data submitted under (b) above is accurate, complete, and current as of the date of agreement on the negotiated price of the subcontract or subcontract change or modification.

(d) The Contractor shall insert the substance of this clause including this paragraph (d) in each subcontract hereunder which exceeds \$100,000 when entered into.

5.11 Cost Accounting Standards--Nondefense Contract (1-3.1204-2(a))

(a) Unless the Administrator of General Services has prescribed rules or regulations exempting the Contractor or this contract from standards, rules, and regulations promulgated by the Cost Accounting Standards Board, the Contractor, in connection with this contract, shall:

(1) Follow consistently the cost accounting practices established or disclosed as required by regulations of the Cost Accounting Standards Board and administered under the Administration of Cost Accounting Standards clause. If any change in disclosed practices is made for purposes of any contract or subcontract subject to those disclosure requirements, the change must be applied in a consistent manner to this contract.

(2) Comply with all cost accounting standards which the Contractor is required to comply with by reason of concurrent performance of any contract or subcontract subject to the Cost Accounting Standards clause (4 CFR 331) and administered under the Administration of Cost Accounting Standards clause. The Contractor also shall comply with any cost accounting standard which hereafter becomes applicable to such a contract or subcontract. Such compliance shall be required prospectively from the date of applicability to such contract or subcontract. Compliance shall continue until the Contractor completes performance of work under this contract.

(3) Agree to an equitable adjustment (as provided in the Changes clause of this contract, if any) if the contract cost is affected by a change which, pursuant to (2) above, the Contractor is required to make to his established cost accounting practices whether such practices are covered by a Disclosure Statement or not.

(4) Negotiate with the Contracting Officer to determine the terms and conditions under which a change to either a disclosed cost accounting practice or an established cost accounting practice, other than a change under (a)(3) above or (a)(6) below, may be made. A change to a practice may be proposed by either the Government or the Contractor. Provided, however, That no agreement may be made under this provision that will increase costs paid by the United States.

(5) Agree to an adjustment of the contract price or cost allowance, as appropriate, if it or a subcontractor fails to comply with the applicable Cost Accounting Standards or to follow any practice disclosed or established pursuant to subparagraph (a)(1) or (a)(2) above and such failure results in any increased costs paid by the United States. Such adjustment shall provide for recovery of the increased costs to the United States together with interest thereon computed at the rate determined by the Secretary of the Treasury pursuant to Pub. L. 92-41 (50 U.S.C. App. 1215(b)(2)), or 7 percent per annum, whichever is less, from time the payment by the United States was made to the time the adjustment is effected.

(6) Negotiate an equitable adjustment (as provided in the Changes clause of this contract, if any) when the parties agree to a change to either a disclosed cost accounting practice or an established cost accounting practice.

(b) The Contractor shall permit any authorized representatives of the head of the agency, of the Cost Accounting Standards Board, or of the Comptroller General of the United States to examine and make copies of any documents, papers, or records relating to compliance with the requirements of this clause until the expiration of 3 years after final payment under this contract or such lesser time specified in the Federal Procurement Regulations (FPR) part 1-20.

(c) Unless a subcontract or Subcontractor is exempt under rules or regulations prescribed by the administrator of General Services, the Contractor: (1) shall include the substance of this clause including this paragraph (c) in all negotiated subcontracts under this contract with subcontractors that are currently performing a national defense contract or subcontract that contains the clause entitled to Cost Accounting Standards and that are currently required to accept the clause in applicable national defense awards, and (2) shall include the substance of the Consistency of Cost Accounting Practices--Non-defense Contract clause set forth in § 1-3.1204-2(b) of the FPR in negotiated subcontracts under this contract with all other subcontractors. The Contractor may elect to use the substance of the solicitation notice set forth in § 1-3.1203-2(b) of the FPR in his determination of applicability cost accounting standards to subcontracts.

(d) The terms defined in § 331.20 of Part 331 of Title 4, Code of Federal Regulations, shall have the same meaning herein. As there defined, "negotiated subcontract" means "any subcontract except a firm fixed-price subcontract made by a contractor or subcontractor after receiving offers from at least two firms not associated with each other or such contractor or subcontractor, providing (1) the solicitation to all competing firms is identical, (2) price is the only consideration in selecting the subcontractor from among the competing firms solicited, and (3) the lowest offer received in compliance with the solicitation from among those solicited is accepted."

(e) The administration of this clause by the Government shall be accomplished in conjunction with the administration of the Contractor's national defense contracts and subcontracts subject to rules and regulations of the Cost Accounting Standards Board, pursuant to the Administration of Cost Accounting Standards clause. For the purposes of the Administration of Cost Accounting Standards clause contained in this contract, references to the Cost Accounting Standards clause shall be deemed to include this Cost Accounting Standards--Nondefense Contract clause and reference to the Disclosure and Consistency of Cost Accounting Practices clause shall be deemed to include the Consistency of Cost Accounting Practices--Nondefense Contract clause.

5.12 Administration of Cost Accounting Standards (1-3.1204-1(b))

For the purpose of administering Cost Accounting Standards requirements under this contract, the Contractor shall:

(a) Submit to the cognizant Contracting Officer a description of the accounting change and the general dollar magnitude of the change to reflect the sum of all increases and the sum of all decreases for all contracts containing the Cost Accounting Standards clause or the Disclosure and Consistency of Cost Accounting Practices clause:

(1) For any change in cost accounting practices required to comply with a new cost accounting standard in accordance with paragraph (a)(3) and (a)(4)(A) of the Cost Accounting Standards clause within 60 days (or such other date as may be mutually agreed to) after award of a contract requiring such change;

(2) For any change to cost accounting practices proposed in accordance with paragraphs (a)(4)(B), (a)(4)(C) of the Cost Accounting Standards clause or with paragraph (a)(3) or (a)(5) of the Disclosure and Consistency of Cost Accounting Practices clause not less than 60 days (or such other date as may be mutually agreed to) prior to the effective date of the Proposed change; or

(3) For any failure to comply with an applicable Cost Accounting Standard or to follow a disclosed practice as contemplated by paragraph (a)(5) of the Cost Accounting Standards clause or with paragraph (a)(4) of the Disclosure and Consistency of Cost Accounting Practices clause within 60 days (or such other date as may be mutually agreed to) after the date of agreement of such noncompliance by the Contractor.

(b) Submit a cost impact proposal in the form and manner specified by the cognizant Contracting Officer within sixty (60) days (or such other date as may be mutually agreed to) after the date of determination of the adequacy and compliance of a change submitted pursuant to (a) (1), (2), or (3), above.

(c) Agree to appropriate contract and subcontract amendments to reflect adjustments established in accordance with paragraphs (a)(4) and (a)(5) of the Cost Accounting Standards clause or with paragraphs (a)(3), (a)(4), or (a)(5) of the Disclosure and Consistency of Cost Accounting Practices clause.

(d) When the subcontract is subject to either the Cost Accounting Standards clause or the Disclosure and Consistency of Cost Accounting Practice clause so state in the body of the subcontract and/or in the letter of award. Self-deleting clauses shall not be used.

(e) Include the substance of this clause in all negotiated subcontracts containing either the Cost Accounting Standards clause or the Disclosure and Consistency of Cost Accounting Practices clause. In addition, include a provision in these subcontracts which will require such subcontractors, within 30 days after receipt of award (or such other date as may be mutually agreed to) to submit the following information to the Contract Administration Office Cognizant of the subcontractor's facility.

5.12 Administration of Cost Accounting Standards (1-3.1204-1(b)) Cont'd.

(1) Subcontractor's name and subcontract number.

(2) Dollar amount and date of award.

(3) Name of Contractor making the award.

(4) A statement as to whether the subcontractor has made or proposes to make any changes to accounting practices that affect prime contracts or subcontracts containing the Cost Accounting Standards clause or Disclosure and Consistency of Cost Accounting Practices clause unless such changes have already been reported. If award of the subcontract results in making a cost accounting standard(s) effective for the first time, this shall also be reported.

(f) For negotiated subcontracts containing the Cost Accounting Standards clause, require the subcontractor to comply with all Standards in effect on the date of final agreement on price as shown on the subcontractor's signed Certificate of Current Cost or Pricing Data or date of award, whichever is earlier.

(g) In the event an adjustment is required to be made to any subcontract hereunder, notify the Contracting Officer in writing of such adjustment and agree to an adjustment in the price or estimated cost and fee of this contract, as appropriate, based upon the adjustment established under the subcontract. Such notice shall be given within 30 days after receipt of the proposed subcontract adjustment, and shall include a proposal for adjustment to such higher tier subcontract or prime contract as appropriate.

(h) When either the Cost Accounting Standards clause or the Disclosure and Consistency of Cost Accounting Practices clause and this clause are included in subcontracts, the term "Contracting Officer" shall be suitably altered to identify the purchaser.

5.13 Cost Accounting Standard Withdrawal

Cost Accounting Standard 414--Cost of money as an element of the cost of facilities capital--shall not be reimbursed as an allowable cost under this contract.