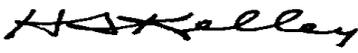


AWARD/CONTRACT		1. THIS CONTRACT IS A RATED ORDER UNDER DPAS (15 CFR 350)		RATING DO-S1	PAGE OF PAGES 1 32		
2. CONTRACT (Proc. Inst. Ident.) NO. N68936-04-D-0026		3. EFFECTIVE DATE 07 Sep 2004		4. REQUISITION/PURCHASE REQUEST/PROJECT NO.			
5. ISSUED BY CDR NAWCWD CODE 230000E ATTN: D. MAHAN (805) 989-1915 575 1 st AVE SUITE 1, BLDG 65 POINT MUGU CA 93042-5049		CODE N68936	6. ADMINISTERED BY (If other than Item 5) DCMA SAN DIEGO 7675 DAGGET STREET SUITE 200 SAN DIEGO CA 93211-2241		CODE S0514A		
7. NAME AND ADDRESS OF CONTRACTOR (No., street, city, county, state and zip code) PHOTON RESEARCH ASSOC INC WM. JERRY GRIFFITH 5720 OBERLIN DR SAN DIEGO CA 92121-1723			8. DELIVERY [] FOB ORIGIN [X] OTHER (See below)		SCD: C		
			9. DISCOUNT FOR PROMPT PAYMENT				
CODE 7N694			10. SUBMIT INVOICES (4 copies unless otherwise specified) TO THE ADDRESS SHOWN IN:		ITEM Section G		
11. SHIP TO/MARK FOR See Schedule		CODE	12. PAYMENT WILL BE MADE BY DFAS - COLUMBUS CENTER WEST ENTITLEMENT OPERATIONS PO BOX 182381 COLUMBUS OH 43218-2381		CODE HQ0339		
13. AUTHORITY FOR USING OTHER THAN FULL AND OPEN COMPETITION: [X] 10 U.S.C. 2304(c)(1) [] 41 U.S.C. 253(c)()			14. ACCOUNTING AND APPROPRIATION DATA				
15A. ITEM NO.	15B. SUPPLIES/ SERVICES	15C. QUANTITY	15D. UNIT	15E. UNIT PRICE	15F. AMOUNT		
SEE SCHEDULE							
15G. TOTAL AMOUNT OF CONTRACT					\$20,190,617.00		
16. TABLE OF CONTENTS							
(X)	SEC.	DESCRIPTION	PAGE(S)	(X)	SEC.	DESCRIPTION	PAGE(S)
PART I - THE SCHEDULE				PART II - CONTRACT CLAUSES			
X	A	SOLICITATION/ CONTRACT FORM	1 - 2	X	I	CONTRACT CLAUSES	23 - 31
X	B	SUPPLIES OR SERVICES AND PRICES/ COSTS	3 - 5	PART III - LIST OF DOCUMENTS, EXHIBITS AND OTHER ATTACHMENTS			
X	C	DESCRIPTION/ SPECS/ WORK STATEMENT	6	X	J	LIST OF ATTACHMENTS	32
X	D	PACKAGING AND MARKING	7	PART IV - REPRESENTATIONS AND INSTRUCTIONS			
X	E	INSPECTION AND ACCEPTANCE	8	K	REPRESENTATIONS, CERTIFICATIONS AND OTHER STATEMENTS OF OFFERORS		
X	F	DELIVERIES OR PERFORMANCE	9 - 11		L	INSTRS., CONDS., AND NOTICES TO OFFERORS	
X	G	CONTRACT ADMINISTRATION DATA	12 - 14	M		EVALUATION FACTORS FOR AWARD	
X	H	SPECIAL CONTRACT REQUIREMENTS	15 - 22				
CONTRACTING OFFICER WILL COMPLETE ITEM 17 OR 18 AS APPLICABLE							
17. [X] CONTRACTOR'S NEGOTIATED AGREEMENT (Contractor is required to sign this document and return copies to issuing office.) Contractor agrees to furnish and deliver all items or perform all the services set forth or otherwise identified above and on any continuation sheets for the consideration stated herein. The rights and obligations of the parties to this contract shall be subject to and governed by the following documents: (a) this award/contract, (b) the solicitation, if any, and (c) such provisions, representations, certifications, and specifications, as are attached or incorporated by reference herein. (Attachments are listed herein.)				18. [] AWARD (Contractor is not required to sign this document.) Your offer on Solicitation Number N68936-03-R-0087-0001 including the additions or changes made by you which additions or changes are set forth in full above, is hereby accepted as to the items listed above and on any continuation sheets. This award consummates the contract which consists of the following documents: (a) the Government's solicitation and your offer, and (b) this award/contract. No further contractual document is necessary.			
19A. NAME AND TITLE OF SIGNER (Type or print)				20A. NAME AND TITLE OF CONTRACTING OFFICER HENRY G KELLEY / PROCUREMENT CONTRACTING OFFICE TEL: (805) 989-1943 EMAIL: henry.kelley@navy.mil			
19B. NAME OF CONTRACTOR		19C. DATE SIGNED		20B. UNITED STATES OF AMERICA		20C. DATE SIGNED	
BY _____ (Signature of person authorized to sign)				BY  (Signature of Contracting Officer)		01-Sep-2004	

Section A - Solicitation/Contract Form

CLAUSES INCORPORATED BY FULL TEXT

FOR YOUR INFORMATION: The following addresses and point of contacts are provided:

Name: Daniel R. Mahan
Phone: (805) 989-1915
DSN: 351-1915
FAX: (805) 989-3656
Email address: daniel.mahan@navy.mil

U.S Postal Service Mailing Address:

COMMANDER
CODE 254300E (Daniel R. Mahan - 805-989-1915)
NAVAIRWARCENWPNDIV
575 "I" AVE SUITE 1
POINT MUGU, CA 93042-5049

Direct Delivery Address (UPS, FedEx, etc):

COMMANDER
CODE 254300E (Daniel R. Mahan)
NAVAIRWARCENWPNDIV
BLDG 65, RM 1-MAILROOM
POINT MUGU, CA 93042-5049

Note – The Contracting Officer has sufficient funds on hand to fund the \$150,000 contract minimum.

Section B - Supplies or Services and Prices

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0001	Engineering Services CPFF	UNDEFINED	Each	UNDEFINED	UNDEFINED
	Engineering services in support of test and evaluation and systems engineering activities related to AEGIS BMD and THAAD Programs to include operations research support, physics analysis, test plans and procedures, test data collection analysis and test data review, test monitoring and real-time mission support, program management support, management reports, and briefing preparations. Support to be provided primarily at Pacific Missile Range Facility, Barking Sands, Kauai, Hawaii. FOB: Destination				
				MAX COST	\$18,654,216.00
				FIXED FEE	\$1,536,401.00
				TOTAL MAX COST + FEE	<u>\$20,190,617.00</u>

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0002	Data CPFF		Lot	NSP	NSP
	Data in accordance with attached Contract Data Requirements Lists FOB: Destination				
				MAX COST	NSP
				FIXED FEE	NSP
				TOTAL MAX COST + FEE	<u>NSP</u>

CLAUSES INCORPORATED BY FULL TEXT

5252.211-9503 LEVEL OF EFFORT (COST REIMBURSEMENT) (SEP 1999)

(a) The level of effort estimated to be ordered during the term of this contract is 123,001 man-hours of direct labor including authorized subcontract labor, if any. The contractor shall not, under any circumstances, exceed one

hundred (100%) percent of the total level of effort specified in this basic contract. The estimated composition of the total man-hours of direct labor by classification is as follows:

Labor Category	Hours 2004	Hours 2005	Hours 2006	Hours 2007	Hours 2008	Hours 2009
T15	Ex b(4)					
T14	Ex b(4)					
T12	Ex b(4)					
T10	Ex b(4)					
T09	Ex b(4)					
T08	Ex b(4)					
T07	Ex b(4)					
A04	Ex b(4)					
Totals	10,250	24,600	24,600	24,600	24,600	14,351

Other Direct Costs	2004	2005	2006	2007	2008	2009
Material	Ex b(4)					
Travel	Ex b(4)					

Totals

* Denotes Key Personnel labor categories

(b) Either FAR Clause 52.232-20, "Limitation of Cost" or FAR Clause 52.232-22, "Limitation of Funds", depending upon whether the order is fully funded, applies independently to each order under this contract and nothing in this clause amends the rights or responsibilities of the parties hereto under either of those two clauses. In addition, the notifications required by this clause are separate and distinct from any specified in either FAR Clause 52.232-20 or FAR Clause 52.232-22.

(c) In the event that less than one hundred (100%) percent of the established level of effort of the basic contract is actually expended by the completion date of the contract (or if said Level of Effort has been previously revised upward, or the fee bearing portion of the additional hours by which the Level of Effort was last increased), the Government shall have the option of:

(1) Requiring the Contractor to continue performance, subject to the provisions of the FAR Clause 52.232-20 or 52.232-22, as applicable, until the effort expended equals 100% of the established Level of Effort; or

(2) Effecting a reduction in the fixed fee by the percentage by which the total expended man-hours is less than one hundred (100%) percent of the established Level of Effort (or the fee bearing portion of the last upward revision).

(d) Completion Form Task Orders.

(1) An estimated level of effort shall be established for each completion form task order. This estimated level of effort is established for the purpose of determining the amount of fixed fee payable on the task order and tracking the ceiling amount of the contract, it is not to be construed as a performance requirement. In the event the task(s) can not be completed within the estimated cost, the Government will require more effort without increase in fee, provided the Government increases the estimated cost.

(2) Within thirty days after completion of the work under each completion form task order, the Contractor shall submit the following information directly, in writing, to the ordering officer, with copies to the COR and the Defense Contract Audit Agency office to which vouchers are submitted:

(i) The Contractor's estimate of the total allowable cost incurred under the task order; and

(ii) In the case of a cost underrun, the amount by which the estimated costs of the task order may be reduced to recover excess funds.

(e) Term Form Task Orders.

(1) The Contractor shall notify the Procuring Contracting Officer immediately in writing whenever it has reason to believe that:

(i) The level of effort the Contractor expects to incur under any term form order in the next 60 days, when added to the level of effort previously expended in the performance of that order, will exceed seventy-five (75%) percent of the level of effort established for that order; or

(ii) The level of effort required to perform a particular term form order will be greater than the level of effort established for that order.

As part of the notification, the Contractor shall provide the Contracting Officer a revised estimate of the level of effort required to perform the order. As part of the notification, the Contractor also shall submit any proposal for adjustment to the estimated cost and fixed fee that it deems would be equitable if the Government were to increase the level of effort as proposed by the Contractor. Any such upward adjustment shall be prospective only, i.e., will apply only to effort expended after a modification (if any) is issued. However, whether an increase in fixed fee is appropriate shall depend on the circumstances involved, and, except as otherwise provided in the contract, shall be entirely within the discretion of the Contracting Officer. In performing term form task orders, the Contractor may use any combination of hours of the labor categories listed in the task order.

(2) In performing term form task orders, the contractor may use any combination of hours of the labor categories listed in the task order.

(3) Within thirty days after completion of the work under each term form task order, the Contractor shall submit the following information directly, in writing, to the ordering officer, with copies to the COR and the Defense Contract Audit Agency office to which vouchers are submitted:

(i) The total number of man-hours of direct labor, including subcontract labor, expended and a breakdown of this total showing the number of man-hours expended in each direct labor classification listed in the task order schedule, including the identification of the key employees utilized;

(ii) The Contractor's estimate of the total allowable cost incurred under the task order; and

(iii) In the case of a cost underrun, the amount by which the estimated cost of the task order may be reduced to recover excess funds.

(4) In the event that less than one hundred (100%) percent of the established level of effort of a term order (or if said level of effort has been previously revised upward, of the fee bearing portion of the additional hours by which the level of effort was last increased) is actually expended by the completion date of the contract, the Government shall have the option of:

(i) Requiring the Contractor to continue performance, subject to the provisions of the "Limitation of Cost" or the "Limitation of Funds" clause, as applicable, until the effort expended equals one hundred (100%) percent of the established Level of Effort (or of the fee-bearing portion of the last upward revision); or

(ii) Effecting a reduction in the fixed fee by the percentage by which the total expended man-hours is less than one hundred (100%) percent of the established Level of Effort (or the fee bearing portion of the last upward revision).

(5) In the event that the expended level of effort of a term order exceeds the established level of effort by ten (10%) percent or less, but does not exceed the estimated cost of the order; the contractor shall be entitled to cost reimbursement for actual hours expended, not to exceed the ceiling cost. The contractor shall not be paid fixed fee, however, on level of effort in excess of one hundred (100%) percent without complying with subsection (e)(1) above. This does not supersede or change subsection (e)(1) above, whereby the contractor and Government may agree on a change to the task order level of effort with an equitable adjustment for both cost and fee.

5252.216-9506 MINIMUM AND MAXIMUM QUANTITIES (MAR 1999) (NAVAIR)

As referred to in paragraph (b) of FAR 52.216-22 " Indefinite Quantity" of this contract, the contract minimum quantity is \$150,000; the maximum quantity is the total contract value.

B.6A PAYMENT OF FIXED FEE

Subject to the withholding provisions of the clause at FAR 52.216-8, Fixed Fee, the fixed fee specified shall be paid at the rate of 8.25% of total costs less FCCM (if applicable). The percentage of fee applicable to task orders will be the same fee rate established in the basic contract

Section C - Descriptions and Specifications

CLAUSES INCORPORATED BY FULL TEXT

C.33 CONTRACT DATA REQUIREMENTS LIST

Item 0002 shall be in accordance with the attached Contract Data Requirements List, CDRL, DD Form 1423, dated 01 March 2004, Exhibit "A" of this contract.

Section D - Packaging and Marking

CLAUSES INCORPORATED BY FULL TEXT

5252.247-9507 PACKAGING AND MARKING OF REPORTS (SEP 1999)

(a) All unclassified data shall be prepared for shipment in accordance with best commercial practice. Classified reports, data and documentation, if any, shall be prepared for shipment in accordance with the National Industry Security Program Operating Manual, DoD 5220.22-M.

(b) The contractor shall promptly display on the cover of each report the following information:

- (1) Name and business address of contractor.
- (2) Contract Number/Delivery/Task order number.
- (3) Contract/Delivery/task order dollar amount.
- (4) Whether the contract was competitively or non-competitively awarded;
- (5) Name, code and activity of sponsoring individual.

D-TXT-03 PACKAGING AND MARKING OF SHIPMENTS (APR 2002)

The Contractor shall preserve, package and mark all shipments in accordance with ASTM (American Society of Testing and Materials) D3951-98, Standard Practice for Commercial Packaging.

D-TXT-04 CLASSIFIED MATTER (APR 2002)

Classified matter, if applicable, will be packed and shipped in accordance with transmission instructions contained in the National Industrial Security Program Operating Manual (NISPOM) and the DD Form 254 attached to this contract.

Section E - Inspection and Acceptance

CLAUSES INCORPORATED BY REFERENCE

52.246-5 Inspection Of Services Cost-Reimbursement APR 1984

CLAUSES INCORPORATED BY FULL TEXT

E-TXT-04 INSPECTION AND ACCEPTANCE (DESTINATION) (APR 2002)

Inspection and acceptance of the supplies or services to be furnished hereunder shall be made at destination by the receiving activity.

Section F - Deliveries or Performance

CLAUSES INCORPORATED BY REFERENCE

52.242-15 Alt I	Stop-Work Order (Aug 1989) - Alternate I	APR 1984
52.242-17	Government Delay Of Work	APR 1984
52.247-34	F.O.B. Destination	NOV 1991

CLAUSES INCORPORATED BY FULL TEXT

252.247-7023 TRANSPORTATION OF SUPPLIES BY SEA (MAY 2002)

(a) Definitions. As used in this clause-

(1) "Components" means articles, materials, and supplies incorporated directly into end products at any level of manufacture, fabrication, or assembly by the Contractor or any subcontractor.

(2) "Department of Defense" (DoD) means the Army, Navy, Air Force, Marine Corps, and defense agencies.

(3) "Foreign flag vessel" means any vessel that is not a U.S.-flag vessel.

(4) "Ocean transportation" means any transportation aboard a ship, vessel, boat, barge, or ferry through international waters.

(5) "Subcontractor" means a supplier, materialman, distributor, or vendor at any level below the prime contractor whose contractual obligation to perform results from, or is conditioned upon, award of the prime contract and who is performing any part of the work or other requirement of the prime contract.

(6) "Supplies" means all property, except land and interests in land, that is clearly identifiable for eventual use by or owned by the DoD at the time of transportation by sea.

(i) An item is clearly identifiable for eventual use by the DoD if, for example, the contract documentation contains a reference to a DoD contract number or a military destination.

(ii) "Supplies" includes (but is not limited to) public works; buildings and facilities; ships; floating equipment and vessels of every character, type, and description, with parts, subassemblies, accessories, and equipment; machine tools; material; equipment; stores of all kinds; end items; construction materials; and components of the foregoing.

(7) "U.S.-flag vessel" means a vessel of the United States or belonging to the United States, including any vessel registered or having national status under the laws of the United States.

(b)(1) The Contractor shall use U.S.-flag vessels when transporting any supplies by sea under this contract.

(2) A subcontractor transporting supplies by sea under this contract shall use U.S.-flag vessels if-

(i) This contract is a construction contract; or

(ii) The supplies being transported are-

(A) Noncommercial items; or

(B) Commercial items that-

(1) The Contractor is reselling or distributing to the Government without adding value (generally, the Contractor does not add value to items that it subcontracts for f.o.b. destination shipment);

(2) Are shipped in direct support of U.S. military contingency operations, exercises, or forces deployed in humanitarian or peacekeeping operations; or

(3) Are commissary or exchange cargoes transported outside of the Defense Transportation System in accordance with 10 U.S.C. 2643.

(c) The Contractor and its subcontractors may request that the Contracting Officer authorize shipment in foreign-flag vessels, or designate available U.S.-flag vessels, if the Contractor or a subcontractor believes that-

(1) U.S.-flag vessels are not available for timely shipment;

(2) The freight charges are inordinately excessive or unreasonable; or

(3) Freight charges are higher than charges to private persons for transportation of like goods.

(d) The Contractor must submit any request for use of other than U.S.-flag vessels in writing to the Contracting Officer at least 45 days prior to the sailing date necessary to meet its delivery schedules. The Contracting Officer

will process requests submitted after such date(s) as expeditiously as possible, but the Contracting Officer's failure to grant approvals to meet the shipper's sailing date will not of itself constitute a compensable delay under this or any other clause of this contract. Requests shall contain at a minimum-

- (1) Type, weight, and cube of cargo;
- (2) Required shipping date;
- (3) Special handling and discharge requirements;
- (4) Loading and discharge points;
- (5) Name of shipper and consignee;
- (6) Prime contract number; and

(7) A documented description of efforts made to secure U.S.-flag vessels, including points of contact (with names and telephone numbers) with at least two U.S.-flag carriers contacted. Copies of telephone notes, telegraphic and facsimile message or letters will be sufficient for this purpose.

(e) The Contractor shall, within 30 days after each shipment covered by this clause, provide the Contracting Officer and the Maritime Administration, Office of Cargo Preference, U.S. Department of Transportation, 400 Seventh Street SW., Washington, DC 20590, one copy of the rated on board vessel operating carrier's ocean bill of lading, which shall contain the following information:

- (1) Prime contract number;
- (2) Name of vessel;
- (3) Vessel flag of registry;
- (4) Date of loading;
- (5) Port of loading;
- (6) Port of final discharge;
- (7) Description of commodity;
- (8) Gross weight in pounds and cubic feet if available;
- (9) Total ocean freight in U.S. dollars; and
- (10) Name of steamship company.

(f) The Contractor shall provide with its final invoice under this contract a representation that to the best of its knowledge and belief--

- (1) No ocean transportation was used in the performance of this contract;
- (2) Ocean transportation was used and only U.S.-flag vessels were used for all ocean shipments under the contract;

(3) Ocean transportation was used, and the Contractor had the written consent of the Contracting Officer for all non-U.S.-flag ocean transportation; or

(4) Ocean transportation was used and some or all of the shipments were made on non-U.S.-flag vessels without the written consent of the Contracting Officer. The Contractor shall describe these shipments in the following format:

	ITEM	CONTRACT LINE DESCRIPTION	QUANTITY ITEMS
TOTAL	_____	_____	_____

(g) If the final invoice does not include the required representation, the Government will reject and return it to the Contractor as an improper invoice for the purposes of the Prompt Payment clause of this contract. In the event there has been unauthorized use of non-U.S.-flag vessels in the performance of this contract, the Contracting Officer is entitled to equitably adjust the contract, based on the unauthorized use.

(h) In the award of subcontracts for the types of supplies described in paragraph (b)(2) of this clause, the Contractor shall flow down the requirements of this clause as follows:

(1) The Contractor shall insert the substance of this clause, including this paragraph (h), in subcontracts that exceed the simplified acquisition threshold in part 2 of the Federal Acquisition Regulation.

(2) The Contractor shall insert the substance of paragraphs (a) through (e) of this clause, and this paragraph (h), in subcontracts that are at or below the simplified acquisition threshold in part 2 of the Federal Acquisition Regulation.

5252.211-9507 PERIOD OF PERFORMANCE (NAVAIR) (MAR 1999)

(a) The contract shall commence on 7 September 2004 and shall continue through 6 September 2009. However, the period of performance may be extended in accordance with the option provisions contained herein.

(b) If FAR Clause 52.216-18, "Ordering", is incorporated into this contract, then the period in which the Government can issue orders under the contract will be extended at the exercise of an option, and extended to the end of that option period.

5252.247-9505 TECHNICAL DATA AND INFORMATION (NAVAIR) (FEB 1995)

Technical Data and Information shall be delivered in accordance with the requirements of the Contract Data Requirements List, DD Form 1423, Exhibit A, attached hereto, and the following:

(a) The contractor shall concurrently deliver technical data and information per DD Form 1423, Blocks 12 and 13 (date of first/subsequent submission) to all activities listed in Block 14 of the DD Form 1423 (distribution and addresses) for each item. Complete addresses for the abbreviations in Block 14 are shown in paragraph (g) below. Additionally, the technical data shall be delivered to the following cognizant codes, who are listed in Block 6 of the DD Form 1423.

(1) Contract Specialist, Daniel R. Mahan, Code 254300E; daniel.mahan@navy.mil.

(2) Contracting Officer's Representative, Code 4K9300E; diane.lotspeich@navy.mil.

(b) Partial delivery of data is not acceptable unless specifically authorized on the DD Form 1423, or unless approved in writing by the PCO.

(c) The Government review period provided on the DD Form 1423 for each item commences upon receipt of all required data by the technical activity designated in Block 6.

(d) A copy of all other correspondence addressed to the Contracting Officer relating to data item requirements (i.e., status of delivery) shall also be provided to the codes reflected above and the technical activity responsible for the data item per Block 6, if not one of the activities listed above.

(e) The PCO reserves the right to issue unilateral modifications to change the destination codes and addresses for all technical data and information at no additional cost to the Government.

(f) Unless otherwise specified in writing, rejected data items shall be resubmitted within thirty (30) days after receipt of notice of rejection.

(g) DD Form 1423, Block 14 Mailing Addresses: See individual task order.

F-TXT-04 DELIVERY OF DATA (MAR 2003)

Data shall be delivered per the schedules and to the destinations listed in the Contract Data Requirements List, DD Form 1423, Exhibit A.

Section G - Contract Administration Data

CLAUSES INCORPORATED BY REFERENCE

252.242-7000

Postaward Conference

DEC 1991

CLAUSES INCORPORATED BY FULL TEXT

5252.232-9001 SUBMISSION OF INVOICES (COST-REIMBURSEMENT, TIME- AND-MATERIAL, LABOR-HOUR, OR FIXED PRICE INCENTIVE) (JUL 1992) (NAPS)

(a) "Invoice" as used in this clause includes contractor requests for interim payments using public vouchers (SF 1034) but does not include contractor requests for progress payments under fixed price incentive contracts.

(b) The Contractor shall submit invoices and any necessary supporting documentation, in an original and 4 copies, to the Defense Contract Audit Agency (DCAA) at the following address: DCAA San Diego, 7675 Daggett Street, Suite 300, San Diego, CA 92111 unless delivery orders are applicable, in which case invoices will be segregated by individual order and submitted to the address specified in the order. In addition, an information copy shall be submitted to Dian Lotspeich, Code 4K9300E, 575 I Avenue, Suite 1, Point Mugu, CA 93042-5000. Following verification, the DCAA auditor will forward the invoice to the designated payment office for payment in the amount determined to be owing, in accordance with the applicable payment (and fee) clause(s) of this contract.

(c) Invoices requesting interim payments shall be submitted no more than once every two weeks, unless another time period is specified in the Payments clause of this contract. For indefinite delivery type contracts, interim payment invoices shall be submitted no more than once every two weeks for each delivery order. There shall be a lapse of no more than ___ calendar days between performance and submission of an interim payment invoice.

(d) In addition to the information identified in the Prompt Payment clause herein, each invoice shall contain the following information, as applicable:

- (1) Contract line item number (CLIN)
- (2) Subline item number (SLIN)
- (3) Accounting Classification Reference Number (ACRN)
- (4) Payment terms
- (5) Procurement activity
- (6) Date supplies provided or services performed
- (7) Costs incurred and allowable under the contract
- (8) Vessel (e.g., ship, submarine or other craft) or system for which supply/service is provided

(e) A DD Form 250, "Material Inspection and Receiving Report",

__ is required with each invoice submittal.

__ is required only with the final invoice.

X is not required.

(f) A Certificate of Performance

__ shall be provided with each invoice submittal.

X is not required

(g) The Contractor's final invoice shall be identified as such, and shall list all other invoices (if any) previously tendered under this contract.

(h) Costs of performance shall be segregated, accumulated and invoiced to the appropriate ACRN categories to the extent possible. When such segregation of costs by ACRN is not possible for invoices submitted with CLINS/SLINS with more than one ACRN, an allocation ratio shall be established in the same ratio as the obligations cited in the accounting data so that costs are allocated on a proportional basis.

5252.232-9503 INVOICE INSTRUCTIONS (NAVAIR) (MAR 1999)

(a) General. Strict compliance with the invoice instructions will facilitate early payment of invoices. However, no payment can be made until the contract is returned, properly executed, to Commander, Naval Air Warfare Center Weapons Division, Code 254300E, 575 I Avenue, Suite 1, Point Mugu, CA 93042-5000.

(b) Assignments. Notwithstanding an assignment of money claims pursuant to authority contained in the contract, the contractor - not the assignee - is required to prepare invoices. Where such an assignment has been made, the original copy of the invoice must refer to the assignment and must show that payment of the invoice is to be made directly to the assignee as follows:

Pursuant to the instrument of assignment, dated _____, make payment of this invoice to (name and address of assignee).

(c) Contractor Request for Progress Payment. If the contract provides for progress payments, each contractor request for progress payment shall be submitted on Standard Form 1443, Contractor Request for Progress Payment, directly to the ACO with any additional information reasonably requested by the ACO. With regard to ceiling priced orders, each Contractor Progress Payment Request shall be made in accordance with paragraph (k) of the clause entitled "Ordering -Provisioned Items", if included in the contract, or paragraph (k) of the clause entitled "Orders (Fixed-Price)". If the contract includes Foreign Military Sales (FMS) requirements, request for progress payment shall be submitted in accordance with the procedures of DFARS Clause 252.232-7002, "Progress Payments for Foreign Military Sales Acquisitions".

5252.232-9521 PAYMENT INQUIRIES (NAVAIR) (AUG 1998)

Inquiries regarding payment should be referred to: the DFAS Vendor Pay Inquiry System (VPIS) at <http://www.dfas.mil/money/vendor/>. Payment information can be traced using the contract number, check number, CAGE code, DUNS number, or invoice number. The information is available for 90 days after payment is made.

5252.242-9511 CONTRACT ADMINISTRATION DATA (NAVAIR) (MAY 1998)

(a) Contract Administration Office.

(1) Contract administration functions (see FAR 42.302 and DFARS 242.302) are assigned to DCMA San Diego, 7675 Daggett Street, Suite 200, San Diego, CA 92111.

(2) Contract administration functions withheld, additional contract administration functions assigned, or special instructions (see FAR 42.202) are: None.

(3) The Accounting Classification Reference Numbers (ACRN) assigned by the Naval Air System Command shall be used in applicable contract modifications or orders or modifications thereto issued by the cognizant contract administration office. If no ACRN is assigned by Naval Air Systems Command, the contract administration office may assign a two-position ACRN that can be either alpha-numeric (A1 through B9 and continuing, if necessary through Z9, excluding the letters "I" and "O") or alpha (AA through ZZ, excluding the letters "I" and "O"), (see DFARS 204.7101).

(4) The cognizant contract administration office shall distribute to the U.S. Navy International Logistics Control Office (NAVILCO) (Code 20), 700 Robbins Avenue, Philadelphia, Pennsylvania 19111, a copy of any report or document which indicates an anticipated or actual delay in the delivery of supplies or services called for under the Navy International Logistics Program (ILP) Foreign Military Sales (FMS) (or Military Assistance Program (MAP)) Item(s) identified in Section B, if any. Copies of reports or documents distributed to NAVILCO shall include the applicable Item number, the FMS Case identifier and FMS country (or MAP record Control/Program Directive number identifier) and the requisition number and shall be in addition to any other distribution required by this contract or directives applicable to the cognizant contract administration office.

(b) PCO Quality Assurance Representative. Any quality assurance questions, comments, problems, recommendations, etc., which cannot be resolved at the Administrative Contracting Officer (ACO) Quality

Assurance Representative (QAR) level should be communicated to the Procuring Contracting Officer (PCO).

(c) Paying Office. The disbursing office that will make payments is designated as follows: DFAS Columbus Center, West Entitlement Operations, PO Box 182381, Columbus, OH 43218.

(d) Remittance Address. The address to which payments should be mailed by the Government is:

Photon Research Associates
5720 Oberlin Drive
San Diego, CA 92121
ATTN: Accounts Receivable

G-TXT-01 ATTENTION! E-MAIL ADDRESS REQUIRED FOR DISTRIBUTION (APR 2002)

All Naval Air Warfare Center Weapons Division Contracts/ Purchase Orders and other related documents are now distributed by electronic mail.

Please provide the e-mail address to which distribution of contracts/purchase orders should be made.

E-Mail Address: jgriffith@photon.com

G-TXT-06 SECURITY ASSIGNMENT (APR 2002)

Defense Security Service, 16885 W. Bernardo Drive, Suite 150, San Diego, CA 92127 is hereby assigned administrative responsibility for safeguarding classified information.

Section H - Special Contract Requirements

CLAUSES INCORPORATED BY FULL TEXT

252.204-7000 DISCLOSURE OF INFORMATION (DEC 1991)

(a) The Contractor shall not release to anyone outside the Contractor's organization any unclassified information, regardless of medium (e.g., film, tape, document), pertaining to any part of this contract or any program related to this contract, unless--

- (1) The Contracting Officer has given prior written approval; or
- (2) The information is otherwise in the public domain before the date of release.

(b) Requests for approval shall identify the specific information to be released, the medium to be used, and the purpose for the release. The Contractor shall submit its request to the Contracting Officer at least 45 days before the proposed date for release.

(c) The Contractor agrees to include a similar requirement in each subcontract under this contract. Subcontractors shall submit requests for authorization to release through the prime contractor to the Contracting Officer.

5252.210-9501 AVAILABILITY OF UNIQUE DATA ITEM DESCRIPTIONS (UDIDs) AND DATA ITEM DESCRIPTIONS (DIDs) (APR 1998)

(a) Ordering Procedures for Acquisition Management System and Data Requirements Control List (AMSDDL), DoD 5010.12-L, and DIDs listed therein. The AMSDDL and all DIDs and UDIDs listed therein are stocked at the Navy Publishing and Printing Service Office (NPPSO), Philadelphia, Pennsylvania. Requests for individual DIDs and UDIDs or the AMSDDL will be honored from private industry and from individuals. Requests may be made using the automated telephone request service known as TeleSpecs by dialing (215) 697-1187, 8:00 a.m. to 8:00 p.m. (EST), Monday through Friday. If a customer number has not been previously assigned, requester must call the Special Assistance Desk at (215) 697-2667/2179 before using the TeleSpec service. Requests may also be made by mail or FAX in any form, although it is preferred that the DoD Specification and Standards Requisition, DD Form 1425, be used. Customers will be automatically provided with sufficient blank requisitions for future orders, once an order has been placed. In addition, the DD Form 1425 may be obtained through supply channels of the cognizant military activity. All requests should include the following information:

- (1) Customer number or Commercial and Government Entity (CAGE) number.
- (2) Complete mailing address.
- (3) Each desired AMSDDL, DID or UDID listed by document identifier (e.g., AMSDDL should be listed as DoD 5010.12-L).

(4) The quantity of documents desired. The maximum quantity issued per item is five (5). Mail orders to: DODSSP, Standardization Document Order Desk, 700 Robbins Avenue, Bldg. 4D, Philadelphia, PA 19111-5094. Fax orders to: (215) 697-1462.

(b) Ordering Complete Sets of DIDs. Complete sets of DIDs or UDIDs are available for a fee.

(c) Subscriptions. A subscription service is available to private industry for a yearly fee. Upon payment of the subscription fee, the subscriber will receive one copy of any new or revised unrestricted and unclassified DID or UDID for a one year period after the effective subscription date. The AMSDDL is included with this subscription. Requests for subscriptions must be accompanied by a check or money order in the above amount payable to the Treasurer of the United States. Requests may be mailed to: DODSSP, Subscription Service Desk, 700 Robbins Avenue, Bldg. 4D, Philadelphia, PA 19111-5094.

(d) Availability of Canceled DIDs. NPPSO supplies only the current version of DIDs. Superseded or canceled documents must be requested through the procurement or Contracting Officer of the military activity citing the need for the document.

5252.211-9502 GOVERNMENT INSTALLATION WORK SCHEDULE (DEV) (DEC 2001)

(a) The Holidays applicable to this contract are: New Year's Day, Martin Luther King's Birthday, President's Birthday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veteran's Day, Thanksgiving Day, and Christmas Day.

(b) In the event that the contractor is prevented from performance as the result of an Executive Order or an administrative leave determination that applies to the using activity, such time may be charged to the contract as a direct cost provided such charges are consistent with the contractor's accounting practices. In the event that any of the above holidays occur on a Saturday or Sunday, or alternate Friday, then such holiday shall be observed by the assigned Government employees at the using activity.

(c) The Naval Air Warfare Center Weapons Division works a 4/5/9 work schedule. Therefore alternate Fridays are not a part of the normal workweek for work performed on-site at a Naval Air Warfare Center Weapons Division site. The majority of the Government offices are closed on alternate Fridays.

(d) No deviation in the normal workweek will be permitted without express advance approval by the designated Contracting Officer with coordination of the using departments.

5252.216-9500 UNILATERAL UNPRICED DELIVERY/TASK ORDERS (NOV 1999)

(a) When the government determines, in circumstances of emergency or exigency, that the need for specific supplies or services is unusually urgent, the Ordering Officer may issue a unilateral unpriced order requiring the contractor to provide the supplies or services specified.

(b) The unilateral unpriced order shall specify the estimated cost and fee and the desired delivery schedule for the work being ordered. The Government's desired delivery shall apply unless the Ordering Officer receives written notification from the contractor within fifteen (15) days after receipt of the order that the proposed delivery schedule is not acceptable. Such notification shall propose an alternative delivery schedule. The contractor shall submit its cost proposal within thirty (30) days after receipt of the order. The Government has no obligation to pay for the supplies or services ordered until the actual price and delivery schedule have been negotiated. In no event shall the costs incurred exceed the estimated cost of the order before the proposal is submitted.

(c) The contractor shall include in its proposal a statement of costs incurred and an estimate of costs expected to complete the work. Data supporting the accuracy and reliability of the cost estimate should also be included. After submission of the contractor's cost proposal and supporting data, the contractor and the Ordering Officer shall negotiate a bilateral modification to the original order finalizing the price and delivery schedule, which will be specified in a bilateral modification to the original order.

(d) Should the Ordering Officer and the contractor be unable to reach an agreement as to the terms of the order, the conflict shall be referred to the Contracting Officer who shall issue such direction as is required by the circumstances. If a bilateral agreement is not negotiated within sixty (60) days after submission of the contractor's cost proposal, the Contracting Officer will issue a modification to the unilateral unpriced order that establishes the Government's total estimated cost for the order. This estimate will remain in effect until a final price is established in a bilateral modification to the order.

(e) Failure to arrive at an agreement shall be handled as a dispute in accordance with the clause entitled "Disputes".

5252.216-9502 ORAL ORDERS (INDEFINITE DELIVERY CONTRACTS) (MAR 1999)

Upon determination that funds are available, oral orders may be placed providing the following are complied with:

(a) No oral order will exceed \$10,000 or such lesser amount as may be specified elsewhere in the schedule of this contract.

(b) Contractor will furnish with each shipment a delivery ticket, showing: contract number, order number under the contract; date order was placed, name and title of person placing order; an itemized listing of supplies or services furnished; unit price and extension of each item; and, delivery or performance date.

(c) Invoices for supplies or services furnished in response to oral orders will be accompanied with proof of delivery or receipt.

(d) Ordering activity shall designate in writing the names of individuals authorized to place oral orders and will furnish a copy thereof to the contractor.

(e) Written confirmation of oral orders will be issued as a means of documenting the oral order within [insert number of days] working days or oral orders will be confirmed twice a month, in writing, when more than one (1) oral order is consolidated for a single confirmation.

5252.216-9534 TASK ORDER PROCEDURES (SEP 1999)

(a) The following individual is designated as Ordering Officer(s): H.G. Kelley

The above individual is responsible for issuing and administering any orders placed hereunder. Ordering Officers may negotiate revisions/modifications to orders, but only within the scope of this contract. Ordering Officers have no authority to modify any provision of this basic contract. Any deviation from the terms of the basic contract must be submitted to the Procuring Contracting Officer (PCO) for contractual action. Ordering Officers may enter into mutual no cost cancellations of orders under this contract and may reduce the scope of orders/tasks, but a Termination for Convenience or Termination for Default may be issued by the PCO.

(b) Task orders. All orders issued hereunder are subject to the terms and conditions of this contract. The contract shall control in the event of conflict with any order. When mailed, an order shall be "issued" for purposes of this contract at the time the Government deposits the order in the mail, or, if transmitted by other means, when physically delivered to the contractor.

(c) A task order shall be issued for each order. In addition to any other data that may be called for in the contract, the following information shall be specified in each order, as applicable:

- (1) Date of order.
- (2) Contract and task order number.
- (3) Applicable contract line item number (CLIN).
- (4) Description of the task to be performed.
- (5) Description of the end item or service.
- (6) DD Form 254 (Contract Security Classification).
- (7) DD Form 1423 (Contract Data Requirements List).
- (8) Exact place of performance.
- (9) The inspecting and accepting codes.
- (10) Estimated cost and fee and level of effort by labor category (and billing rate if known).
- (11) List of Government furnished property and the estimated value of the property.
- (12) Invoice and payment provisions to the extent not covered by the contract.
- (13) Accounting and appropriation data.
- (14) Period of performance.
- (15) Organizational Conflict of Interest provisions.
- (16) Type of order (e.g., completion, term, FFP)

(d) Negotiated Agreement. For task orders with an estimated value of greater than **\$10,000**, the information contained in each task order with respect to labor categories, man-hours and delivery date shall be the result of a negotiated agreement reached by the parties in advance of issuance of the order.

(1) The Ordering Officer shall furnish the contractor with a written preliminary task order and request for proposal. The request shall include:

- (i) a description of the specified work required,
- (ii) the desired delivery schedule,
- (iii) the place and manner of inspection and acceptance, and

(2) The contractor shall, within the time specified by the preliminary task order, provide the Ordering Officer with a proposal to perform, which shall include:

- (i) the required number of labor hours by labor classification and scheduled billing rates, for each end product or task,
- (ii) overtime hours by labor category,
- (iii) proposed completion or delivery dates,
- (iv) other direct costs (i.e., direct material, travel subsistence, and similar costs)
- (v) dollar amount and type of any proposed subcontracts, and
- (vi) total estimated cost/price.

The cost factors utilized in determining the estimated cost/price under any order shall be the rates applicable at time the order is issued.

(3) Upon receipt of the proposal, the Ordering Officer shall review the estimates therein to ensure acceptability to the Government, enter into such discussions with the contractor as may be necessary to correct and revise any discrepancies in the proposal, and effect whatever internal review procedures are required. Should the Ordering Officer and contractor be unable to reach agreement as to the terms of the order prior to its issuance, the conflict shall be referred to the Contracting Officer.

(4) For task orders under the dollar amount indicated in paragraph (d), the procedures for reaching agreement are as follows:

(i) The Ordering Officer shall issue a fully funded, unilaterally executed task order representing a firm order for the total requirement.

(ii) In the event the contractor cannot perform in accordance with the terms and conditions and within the estimated cost of the task order, he shall:

(A) notify the Ordering Officer immediately,

(B) submit a proposal for the work requested in the task order,

(C) not commence performance until such time that differences between the task order and the contractor's proposal are resolved and a modification, if necessary, is issued.

(e) Total Estimated Dollar Amount. The total estimated dollar amount of each order constitutes a ceiling price for that order. The requirements for notification set forth in Federal Acquisition Regulation paragraph (c) of FAR Clause 52.232-22, Limitation of Funds are applicable to individual task orders. The ceiling amount for each order may not be exceeded unless authorized by a modification to the order. All revisions providing additional funds to a task order will include fee in the same manner as established in the basic task order.

(f) Oral Orders. Oral orders may be placed hereunder only in emergency circumstances. Information described above shall be furnished to the contractor at the time of placing an oral order and shall be confirmed by issuance of a written task order within **30** working days of the oral order.

(g) Modifications. Modifications to orders shall be issued using a Standard Form 30 and shall include the information set forth in paragraph (c) above, as applicable. Orders may be modified orally by the Ordering Officer in emergency circumstances. (Oral modifications shall be confirmed by issuance of a written modification on Standard Form 30 within **7** working days from the time of the oral communication amending the order.)

5252.227-9501 INVENTION DISCLOSURES AND REPORTS (MAY 1998)

(a) In accordance with the requirements of the Patent Rights clause of this contract, the contractor shall submit "Report of Inventions and Subcontracts" (DD Form 882) along with written disclosure of inventions to the designated Contract Administrator.

(b) The Contract Administrator will forward such reports and disclosures directly to the appropriate Patent Counsel, designated below, for review and recommendations, after which the reports will be returned to the Contract Administrator.

Name and address of Patent Counsel:

Office of Counsel, Code 771000E

David Kalmbaugh

Naval Air Warfare Center Weapons Division

575 I Avenue, Suite 1
Point Mugu, California 93042-5000

(c) The above-designated Patent Counsel will represent the Procurement Contracting Officer with regard to invention reporting matters arising under this contract.

(d) A copy of each report and disclosure shall be forwarded to the Procuring Contracting Officer.

(e) The contractor shall furnish the Contracting Officer a final report within three (3) months after completion of the contracted work listing all subject inventions or certifying that there were no such inventions, and listing all subcontracts at any tier containing a patent rights clause or certifying that there were no such subcontracts.

5252.227-9507 NOTICE REGARDING THE DISSEMINATION OF EXPORT-CONTROLLED TECHNICAL DATA (JAN 1992)

(a) Export of information contained herein, which includes release to foreign nationals within the United States, without first obtaining approval or license from the Department of State for items controlled by the International Traffic in Arms Regulations (ITARs), or the Department of Commerce for items controlled by the Export Administration Regulations (EAR), may constitute a violation of law.

(b) For violation of export laws, the contractor, its employees, officials or agents are subject to:

(1) Imprisonment and/or imposition of criminal fines; and

(2) Suspension or debarment from future Government contracting actions.

(c) The Government shall not be liable for any use or misuse of the information, technical data or specifications in this contract. It shall not be liable for any patent infringement or contributory patent infringement. The Government neither warrants the adequacy nor the completeness of the information, technical data or specifications in this contract.

(d) The contractor shall include the provisions of paragraphs (a) through (c) above in any subcontracts awarded under this contract.

5252.228-9501 LIABILITY INSURANCE (MAR 1999)

The following types of insurance are required in accordance with the clause entitled, FAR 52.228-5, "Insurance--Work on a Government Installation" and shall be maintained in the minimum amounts shown:

(a) Comprehensive General Liability: \$200,000 per person and \$500,000 per accident for bodily injury.

(b) Automobile Insurance: \$200,000 per person and \$500,000 per accident for bodily injury and \$500,000 per accident for property damage.

(c) Standard Workman's Compensation and Employer's Liability Insurance (or, where maritime employment is involved, Longshoremen's and Harbor Worker's Compensation Insurance) in the minimum amount of \$100,000.

(d) Aircraft public and passenger liability: \$200,000 per person and \$500,000 per occurrence for bodily injury, other than passenger liability; \$200,000 per occurrence for property damage. Passenger bodily injury liability limits of \$200,000 per passenger, multiplied by the number of seats or number of passengers, whichever is greater.

5252.232-9509 REIMBURSEMENT OF TRAVEL, PER DIEM, AND SPECIAL MATERIAL COSTS (MAR 2000)

(a) Area of Travel. Performance under this contract may require travel by contractor personnel. If travel, domestic or overseas, is required, the contractor is responsible for making all necessary arrangements for its personnel. These include but are not limited to: medical examinations, immunizations, passports/visas/etc., and security clearances. All contractor personnel required to perform work on any U.S. Navy vessel shall obtain boarding authorization from the Commanding Officer of the vessel before boarding.

(b) Travel Policy. The Government will reimburse the contractor for allowable travel costs incurred by the contractor in performance of the contract in accordance with FAR Subpart 31.2. Travel required for tasks assigned under this contract shall be governed in accordance with: Federal Travel Regulations, prescribed by the General Services Administration for travel in the conterminous 48 United States, (hereinafter the FTR); Joint Travel Regulation, Volume 2, DoD Civilian Personnel, Appendix A, prescribed by the Department of Defense, for travel in Alaska, Hawaii, The Commonwealth of Puerto Rico, and territories and possessions of the United States (hereinafter JTR); and Standardized Regulations (Government Civilians, Foreign Areas), Section 925, "Maximum Travel Per Diem Allowances for Foreign Areas," prescribed by the Department of State, for travel in areas not covered in the FTR or JTR (hereinafter the SR).

(c) Travel. Travel and subsistence are authorized for travel beyond a fifty-mile radius of the contractor's office whenever a task assignment requires work to be accomplished at a temporary alternate worksite. No travel or subsistence shall be charged for work performed within a fifty-mile radius of the contractor's office. The contractor shall not be paid for travel or subsistence for contractor personnel who reside in the metropolitan area in which the tasks are being performed. Travel performed for personal convenience, in conjunction with personal recreation, or daily travel to and from work at the contractor's facility will not be reimbursed.

(1) For travel costs other than described in paragraph (c) above, the contractor shall be paid on the basis of actual amount paid to the extent that such travel is necessary for the performance of services under the contract and is authorized by the COR in writing.

(2) When transportation by privately owned conveyance is authorized, the contractor shall be paid on a mileage basis not to exceed the applicable Government transportation rate as contained in the FTR, JTR or SR. Authorization for the use of privately owned conveyance shall be indicated in the basic contract. Distances traveled between points shall be shown on invoices as listed in standard highway mileage guides. Reimbursement will not exceed the mileage shown in the standard highway mileage guides.

(3) The contractor agrees, in the performance of necessary travel, to use the lowest cost mode commensurate with the requirements of the mission as set forth in the basic contract and in accordance with good traffic management principles. When it is necessary to use air or rail travel, the contractor agrees to use coach, tourist class, or similar accommodations to the extent consistent with the successful and economical accomplishment of the mission for which the travel is being performed.

(4) The contractor's invoices shall include receipts or other evidence substantiating actual costs incurred for authorized travel. In no event will such payments exceed the rates of common carriers.

(d) Vehicle and/or Truck Rentals. The contractor shall be reimbursed for actual rental/lease of special vehicles and/or trucks (i.e., of a type not normally used by the contractor in the conduct of its business) only if authorized in the basic contract or upon approval by the COR. Reimbursement of such rental shall be made based on actual amounts paid by the contractor. Use of rental/lease costs of vehicles and/or trucks that are of a type normally used by the contractor in the conduct of its business are not subject to reimbursement.

(e) Car Rental. The contractor shall be reimbursed for car rental, exclusive of mileage charges, as authorized in the basic contract or upon approval by the COR, when the services are required to be performed beyond the normal commuting distance from the contractor's facilities. Car rental for a team on TDY at one site will be allowed for a minimum of four (4) persons per car, provided that such number or greater comprise the TDY team.

(f) Per Diem. The contractor shall not be paid for per diem for contractor personnel who reside in the metropolitan areas in which the tasks are being performed. Per Diem shall not be paid on services performed within a fifty-mile radius of the contractor's home office or the contractor's local office. Per Diem is authorized for contractor personnel beyond a fifty-mile radius of the contractor's home or local offices whenever a task assigned requires work to be done at a temporary alternate worksite. Per Diem shall be paid to the contractor only to the extent that overnight stay is necessary and authorized under this contract. The authorized per diem rate shall be the same as the prevailing per diem in the worksite locality. These rates will be based on rates contained in the FTR, JTR or SR. The applicable rate is authorized at a flat seventy-five (75%) percent on the day of departure from contractor's home or local office, and on the day of return. Reimbursement to the contractor for per diem shall be limited to actual payments to per diem defined herein. The contractor shall provide actual payments of per diem defined herein. The contractor shall provide supporting documentation for per diem expenses as evidence of actual payment.

(g) Shipboard Stays. Whenever work assignments require temporary duty aboard a Government ship, the contractor will be reimbursed at the per diem rates identified in paragraph C8101.2C or C81181.3B(6) of the Department of Defense Joint Travel Regulations, Volume II.

(h) Special Material. "Special material" includes only the costs of material, supplies, or services which is peculiar to the ordered data and which is not suitable for use in the course of the contractor's normal business. It shall be furnished pursuant to specific authorization approved by the COR. The contractor will be required to support all material costs claimed by its costs less any applicable discounts. "Special materials" include, but are not limited to, graphic reproduction expenses, or technical illustrative or design requirements needing special processing.

5252.242-9515 RESTRICTION ON THE DIRECT CHARGING OF MATERIAL (NAVAIR) (JUL 1998)

(a) The term "material" includes supplies, materials, parts, equipment, hardware and Information Technology (IT) resources including equipment, services and software. This is a service contract and the procurement of material of any kind that are not incidental to and necessary for contract performance may be determined to be unallowable costs pursuant to FAR Part 31. No materials may be acquired under the contract without the prior written authorization of the Contracting Officer's Representative (COR). IT resources may not be procured under the material line item of this contract unless the approvals required by Department of Defense purchasing procedures have been obtained. Any material provided by the contractor is subject to the requirements of the Federal Acquisition Regulation (FAR), the Defense Federal Acquisition Regulation Supplement (DFARS), and applicable Department of the Navy regulations and instructions.

(b) Prior written approval of the COR shall be required for all purchases of materials. If the contractor's proposal submitted for a task order includes a list of materials with associated prices, then the COR's acceptance of the contractor's proposal shall constitute written approval of those purchases.

(c) The costs of general purpose business expenses required for the conduct of the contractor's normal business operations will not be considered an allowable direct cost in the performance of this contract. General purpose business expenses include, but are not limited to, the cost for items such as telephones and telephone charges, reproduction machines, word processing equipment, personal computers and other office equipment and office supplies.

5252.243-9504 AUTHORIZED CHANGES ONLY BY THE CONTRACTING OFFICER (NAVAIR) (JAN 1992)

(a) Except as specified in paragraph (b) below, no order, statement, or conduct of Government personnel who visit the contractor's facilities or in any other manner communicates with contractor personnel during the performance of this contract shall constitute a change under the "Changes" clause of this contract.

(b) The contractor shall not comply with any order, direction or request of Government personnel unless it is issued in writing and signed by the Contracting Officer, or is pursuant to specific authority otherwise included as a part of this contract.

(c) The Contracting Officer is the only person authorized to approve changes in any of the requirements of this contract and notwithstanding provisions contained elsewhere in this contract, the said authority remains solely the Contracting Officer's. In the event the contractor effects any change at the direction of any person other than the Contracting Officer, the change will be considered to have been made without authority and no adjustment will be made in the contract price to cover any increase in charges incurred as a result thereof. The address and telephone number of the Contracting Officer is:

Ex b(6)

575 I Avenue, Suite 1
Point Mugu, CA 93042-5000
Phone: Ex b(6)

H-TXT-02 DESIGNATION OF CONTRACTING OFFICER'S REPRESENTATIVE (APR 2002)

(a) The Contracting Officer has designated:

Name: Ex b(6)

Code: 4K9300E

Mail Address: 575 I Avenue, Suite 1, Point Mugu, CA 93042-5000

Telephone Number: Ex b(6)

as the authorized Contracting Officer's Representative (COR) for this contract/order.

(b) The COR is responsible for monitoring the performance and progress, as well as overall technical management of the orders placed hereunder and should be contacted regarding any questions or problems of a technical nature. In no event, however, will any understanding or agreement, modification, change order, or other matter deviating from the terms of the contract between the Contractor and any person other than the Contracting Officer be effective or binding upon the Government, unless formalized by proper contractual documents executed by the Contracting Officer prior to the completion of this contract.

(c) When, in the opinion of the Contractor, the COR requests effort outside the scope of the contract, the Contractor will promptly notify the Contracting Officer in writing. No action will be taken by the Contractor under such technical instruction until the Contracting Officer has determined if such effort is within the contract scope, and, if not, has issued a contract change.

H-TXT-03 DESIGNATION OF GOVERNMENT TECHNICAL ASSISTANT (APR 2002)

(a) The Contracting Officer hereby designates the following as Technical Assistant for this contract:

Name: Ex b(6)

Code: 4KEL00E

Mail Address: 575 I Avenue, Suite 1

Point Mugu, CA 93042-5000

Telephone Number: Ex b(6)

(b) The above person is responsible for monitoring the technical performance and progress of this contract and should be contacted regarding questions or problems of a technical nature. In no event, however, will any understanding or agreement, modification, change order, or other matter deviating from the terms of the contract between the Contractor and any person other than the Contracting Officer be effective or binding upon the Government, unless formalized by proper contractual documents executed by the Contracting Officer.

(c) When, in the opinion of the Contractor, the technical assistant or any other Government representative requests effort outside the scope of the contract, the Contractor will promptly notify the Contracting Officer in writing.

(d) On all problems that pertain to contract terms and conditions, the Contractor shall contact the Contracting Officer.

H-TXT-15 DESIGNATION OF CONTRACTING OFFICER'S SECURITY REPRESENTATIVE (OCT 2002)

(a) The Contracting Officer has designated:

Name: Ex b(6)

Code: 771000E

Mail Address: 575 I Avenue, Suite 1, Point Mugu, CA 93042-5000

Telephone Number: Ex b(6)

as the authorized Contracting Officer's Security Representative (COSR) for this contract/order.

(b) The Contracting Officer's Security Representative (COSR) is responsible for the security administration of this contract as required by SECNAVINST 5510.36, Department of the Navy Information Security Program (ISP) Regulation.

(c) The COSR is responsible for signing the Contract Security Classification Specification (DD 254), and revisions thereto. The COSR shall ensure that the industrial security functions specified in chapter 11 of SECNAVINST 5510.36 are accomplished when classified information is provided to industry for performance on a contract.

Section I - Contract Clauses

CLAUSES INCORPORATED BY REFERENCE

52.202-1	Definitions	DEC 2001
52.203-3	Gratuities	APR 1984
52.203-5	Covenant Against Contingent Fees	APR 1984
52.203-6	Restrictions On Subcontractor Sales To The Government	JUL 1995
52.203-7	Anti-Kickback Procedures	JUL 1995
52.203-8	Cancellation, Rescission, and Recovery of Funds for Illegal or Improper Activity	JAN 1997
52.203-10	Price Or Fee Adjustment For Illegal Or Improper Activity	JAN 1997
52.203-12	Limitation On Payments To Influence Certain Federal Transactions	JUN 2003
52.204-2	Security Requirements	AUG 1996
52.204-4	Printed or Copied Double-Sided on Recycled Paper	AUG 2000
52.209-6	Protecting the Government's Interest When Subcontracting With Contractors Debarred, Suspended, or Proposed for Debarment	JUL 1995
52.211-5	Material Requirements	AUG 2000
52.211-15	Defense Priority And Allocation Requirements	SEP 1990
52.215-2	Audit and Records--Negotiation	JUN 1999
52.215-8	Order of Precedence--Uniform Contract Format	OCT 1997
52.215-10	Price Reduction for Defective Cost or Pricing Data	OCT 1997
52.215-11	Price Reduction for Defective Cost or Pricing Data--Modifications	OCT 1997
52.215-12	Subcontractor Cost or Pricing Data	OCT 1997
52.215-13	Subcontractor Cost or Pricing Data--Modifications	OCT 1997
52.215-15	Pension Adjustments and Asset Reversions	JAN 2004
52.215-17	Waiver of Facilities Capital Cost of Money	OCT 1997
52.215-18	Reversion or Adjustment of Plans for Postretirement Benefits (PRB) Other than Pensions	OCT 1997
52.215-19	Notification of Ownership Changes	OCT 1997
52.216-7	Allowable Cost And Payment	DEC 2002
52.216-8	Fixed Fee	MAR 1997
52.219-8	Utilization of Small Business Concerns	OCT 2000
52.222-3	Convict Labor	JUN 2003
52.222-4	Contract Work Hours and Safety Standards Act - Overtime Compensation	SEP 2000
52.222-21	Prohibition Of Segregated Facilities	FEB 1999
52.222-26	Equal Opportunity	APR 2002
52.222-35	Equal Opportunity For Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans	DEC 2001
52.222-36	Affirmative Action For Workers With Disabilities	JUN 1998
52.222-37	Employment Reports On Special Disabled Veterans, Veterans Of The Vietnam Era, and Other Eligible Veterans	DEC 2001
52.223-5	Pollution Prevention and Right-to-Know Information	AUG 2003
52.223-6	Drug-Free Workplace	MAY 2001
52.225-8	Duty-Free Entry	FEB 2000
52.225-13	Restrictions on Certain Foreign Purchases	DEC 2003
52.226-1	Utilization Of Indian Organizations And Indian-Owned Economic Enterprises	JUN 2000

52.227-1	Authorization and Consent	JUL 1995
52.227-11	Patent Rights--Retention By The Contractor (Short Form)	JUN 1997
52.227-14	Rights in Data--General	JUN 1987
52.228-7	Insurance--Liability To Third Persons	MAR 1996
52.230-2	Cost Accounting Standards	APR 1998
52.232-9	Limitation On Withholding Of Payments	APR 1984
52.232-17	Interest	JUN 1996
52.232-20	Limitation Of Cost	APR 1984
52.232-22	Limitation Of Funds	APR 1984
52.232-23	Assignment Of Claims	JAN 1986
52.232-25	Prompt Payment	OCT 2003
52.232-25 Alt I	Prompt Payment (Feb 2002) Alternate I	FEB 2002
52.232-33	Payment by Electronic Funds Transfer--Central Contractor Registration	OCT 2003
52.233-1	Disputes	JUL 2002
52.237-2	Protection Of Government Buildings, Equipment, And Vegetation	APR 1984
52.237-3	Continuity Of Services	JAN 1991
52.242-1	Notice of Intent to Disallow Costs	APR 1984
52.242-3	Penalties for Unallowable Costs	MAY 2001
52.242-4	Certification of Final Indirect Costs	JAN 1997
52.242-13	Bankruptcy	JUL 1995
52.243-2 Alt I	Changes--Cost-Reimbursement (Aug 1987) - Alternate I	APR 1984
52.243-5	Changes and Changed Conditions	APR 1984
52.244-2 Alt I	Subcontracts (Aug 1998) - Alternate I	AUG 1998
52.244-5	Competition In Subcontracting	DEC 1996
52.244-6	Subcontracts for Commercial Items	APR 2003
52.245-5	Government Property (Cost-Reimbursement Time-And-Materials, Or Labor Hour Contracts)	JUN 2003
52.246-1	Contractor Inspection Requirements	APR 1984
52.246-25	Limitation Of Liability--Services	FEB 1997
52.249-6	Termination (Cost Reimbursement)	SEP 1996
52.249-14	Excusable Delays	APR 1984
52.253-1	Computer Generated Forms	JAN 1991
252.201-7000	Contracting Officer's Representative	DEC 1991
252.203-7001	Prohibition On Persons Convicted of Fraud or Other Defense-Contract-Related Felonies	MAR 1999
252.203-7002	Display Of DOD Hotline Poster	DEC 1991
252.204-7000	Disclosure Of Information	DEC 1991
252.204-7003	Control Of Government Personnel Work Product	APR 1992
252.204-7004 Alt A	Required Central Contractor Registration Alternate A	NOV 2003
252.205-7000	Provision Of Information To Cooperative Agreement Holders	DEC 1991
252.209-7000	Acquisition From Subcontractors Subject To On-Site Inspection Under The Intermediate Range Nuclear Forces (INF) Treaty	NOV 1995
252.209-7004	Subcontracting With Firms That Are Owned or Controlled By The Government of a Terrorist Country	MAR 1998
252.215-7000	Pricing Adjustments	DEC 1991
252.215-7002	Cost Estimating System Requirements	OCT 1998
252.219-7003	Small, Small Disadvantaged and Women-Owned Small Business Subcontracting Plan (DOD Contracts)	APR 1996
252.219-7011	Notification to Delay Performance	JUN 1998
252.223-7004	Drug Free Work Force	SEP 1988

252.223-7006	Prohibition On Storage And Disposal Of Toxic And Hazardous Materials	APR 1993
252.225-7001	Buy American Act And Balance Of Payments Program	APR 2003
252.225-7002	Qualifying Country Sources As Subcontractors	APR 2003
252.225-7012	Preference For Certain Domestic Commodities	FEB 2003
252.225-7013	Duty-Free Entry	JAN 2004
252.225-7016	Restriction On Acquisition Of Ball and Roller Bearings	APR 2003
252.226-7001	Utilization of Indian Organizations and Indian-Owned Economic Enterprises, and Hawaiian Small Business Concerns	OCT 2003
252.227-7013	Rights in Technical Data--Noncommercial Items	NOV 1995
252.227-7014	Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation	JUN 1995
252.227-7015	Technical Data--Commercial Items	NOV 1995
252.227-7016	Rights in Bid or Proposal Information	JUN 1995
252.227-7019	Validation of Asserted Restrictions--Computer Software	JUN 1995
252.227-7027	Deferred Ordering Of Technical Data Or Computer Software	APR 1988
252.227-7030	Technical Data--Withholding Of Payment	MAR 2000
252.227-7036	Declaration of Technical Data Conformity	JAN 1997
252.227-7037	Validation of Restrictive Markings on Technical Data	SEP 1999
252.232-7003	Electronic Submission of Payment Requests	JAN 2004
252.242-7004	Material Management And Accounting System	DEC 2000
252.243-7002	Requests for Equitable Adjustment	MAR 1998
252.244-7000	Subcontracts for Commercial Items and Commercial Components (DoD Contracts)	MAR 2000
252.246-7001	Warranty Of Data	DEC 1991
252.247-7023	Transportation of Supplies by Sea	MAY 2002
252.247-7024	Notification Of Transportation Of Supplies By Sea	MAR 2000

CLAUSES INCORPORATED BY FULL TEXT

52.216-18 ORDERING (OCT 1995)

(a) Any supplies and services to be furnished under this contract shall be ordered by issuance of delivery orders or task orders by the individuals or activities designated in the Schedule. Such orders may be issued from 07 September 2004 through 06 September 2009.

(b) All delivery orders or task orders are subject to the terms and conditions of this contract. In the event of conflict between a delivery order or task order and this contract, the contract shall control.

(c) If mailed, a delivery order or task order is considered "issued" when the Government deposits the order in the mail. Orders may be issued orally, by facsimile, or by electronic commerce methods only if authorized in the Schedule.

52.216-19 ORDER LIMITATIONS (OCT 1995)

(a) Minimum order. When the Government requires supplies or services covered by this contract in an amount of less than **\$1,000**, the Government is not obligated to purchase, nor is the Contractor obligated to furnish, those supplies or services under the contract.

(b) Maximum order. The Contractor is not obligated to honor--

- (1) Any order for a single item in excess of **\$20,000,000**;
- (2) Any order for a combination of items in excess of **\$20,000,000**; or

(3) A series of orders from the same ordering office within **seven (7)** days that together call for quantities exceeding the limitation in subparagraph (1) or (2) above.

(c) If this is a requirements contract (i.e., includes the Requirements clause at subsection 52.216-21 of the Federal Acquisition Regulation (FAR)), the Government is not required to order a part of any one requirement from the Contractor if that requirement exceeds the maximum-order limitations in paragraph (b) above.

(d) Notwithstanding paragraphs (b) and (c) above, the Contractor shall honor any order exceeding the maximum order limitations in paragraph (b), unless that order (or orders) is returned to the ordering office within **seven (7)** days after issuance, with written notice stating the Contractor's intent not to ship the item (or items) called for and the reasons. Upon receiving this notice, the Government may acquire the supplies or services from another source.

52.216-22 INDEFINITE QUANTITY (OCT 1995)

(a) This is an indefinite-quantity contract for the supplies or services specified, and effective for the period stated, in the Schedule. The quantities of supplies and services specified in the Schedule are estimates only and are not purchased by this contract.

(b) Delivery or performance shall be made only as authorized by orders issued in accordance with the Ordering clause. The Contractor shall furnish to the Government, when and if ordered, the supplies or services specified in the Schedule up to and including the quantity designated in the Schedule as the "maximum." The Government shall order at least the quantity of supplies or services designated in the Schedule as the "minimum."

(c) Except for any limitations on quantities in the Order Limitations clause or in the Schedule, there is no limit on the number of orders that may be issued. The Government may issue orders requiring delivery to multiple destinations or performance at multiple locations.

(d) Any order issued during the effective period of this contract and not completed within that period shall be completed by the Contractor within the time specified in the order. The contract shall govern the Contractor's and Government's rights and obligations with respect to that order to the same extent as if the order were completed during the contract's effective period; provided, that the Contractor shall not be required to make any deliveries under this contract after the specified in the order.

52.222-2 PAYMENT FOR OVERTIME PREMIUMS (JUL 1990)

(a) The use of overtime is authorized under this contract if the overtime premium cost does not exceed *** or the overtime premium is paid for work --

(1) Necessary to cope with emergencies such as those resulting from accidents, natural disasters, breakdowns of production equipment, or occasional production bottlenecks of a sporadic nature;

(2) By indirect-labor employees such as those performing duties in connection with administration, protection, transportation, maintenance, standby plant protection, operation of utilities, or accounting;

(3) To perform tests, industrial processes, laboratory procedures, loading or unloading of transportation conveyances, and operations in flight or afloat that are continuous in nature and cannot reasonably be interrupted or completed otherwise; or

(4) That will result in lower overall costs to the Government.

(b) Any request for estimated overtime premiums that exceeds the amount specified above shall include all estimated overtime for contract completion and shall--

(1) Identify the work unit; e.g., department or section in which the requested overtime will be used, together with present workload, staffing, and other data of the affected unit sufficient to permit the Contracting Officer to evaluate the necessity for the overtime;

(2) Demonstrate the effect that denial of the request will have on the contract delivery or performance schedule;

(3) Identify the extent to which approval of overtime would affect the performance or payments in connection with other Government contracts, together with identification of each affected contract; and

(4) Provide reasons why the required work cannot be performed by using multishift operations or by employing additional personnel.

*** Overtime Premium to be negotiated on a task order by task order basis.

52.248-1 VALUE ENGINEERING (FEB 2000)

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

(b) Definitions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Value engineering change proposal (VECP)" means a proposal that--

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

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

(i) In deliverable end item quantities only;

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

(iii) To the contract type only.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONTRACTOR'S SHARE OF NET ACQUISITION SAVINGS

(Figures in percent)

Contract Type	Incentive (Voluntary)		Program Requirement (Mandatory)	
	Instant Contract Rate	Concurrent and Future Contract Rate	Instant Contract Rate	Concurrent and Future Contract Rate
Fixed-price (includes fixed-price-award-fee; excludes other fixed-price incentive contracts)	(1) 50	(1) 50	25	25
Incentive (fixed-price or cost)(other than award fee)	(2)	(1) 50	(2)	25
Cost-reimbursement ([includes cost-plus-award-fee; excludes other cost-type incentive Contracts])	(3) 25	(3) 25	15	15

(1) The Contracting Officer may increase the Contractor's sharing rate to as high as 75 percent for each VECP.

(2) Same sharing arrangement as the contract's profit or fee adjustment formula.

(3) The Contracting Officer may increase the Contractor's sharing rate to as high as 50 percent for each VECP.

(g) Calculating net acquisition savings. (1) Acquisition savings are realized when (i) the cost or price is reduced on the instant contract, (ii) reductions are negotiated in concurrent contracts, (iii) future contracts are awarded, or (iv) agreement is reached on a lump-sum payment for future contract savings (see subparagraph (i)(4) below). Net acquisition savings are first realized, and the Contractor shall be paid a share, when Government costs and any negative instant contract savings have been fully offset against acquisition savings.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(l) Subcontracts. The Contractor shall include an appropriate value engineering clause in any subcontract of \$100,000 or more and may include one in subcontracts of lesser value. In calculating any adjustment in this

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

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

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

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

52.252-2 CLAUSES INCORPORATED BY REFERENCE (FEB 1998)

This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at this/these address(es): www.arnet.gov/far/ or www.farsite.hill.af.mil/

52.252-6 AUTHORIZED DEVIATIONS IN CLAUSES (APR 1984)

(a) The use in this solicitation or contract of any Federal Acquisition Regulation (48 CFR Chapter 1) clause with an authorized deviation is indicated by the addition of "(DEVIATION)" after the date of the clause.

(b) The use in this solicitation or contract of any Defense Federal Acquisition Regulation (48 CFR Chapter 2) clause with an authorized deviation is indicated by the addition of "(DEVIATION)" after the name of the regulation.

Section J - List of Documents, Exhibits and Other Attachments

Exhibit/Attachment Table of Contents

DOCUMENT TYPE	DESCRIPTION	PAGES	DATE
Attachment 1	Statement of Work	07	24 May 2004
Attachment 2	Contract Security Classification Specification (DD 254)	32	25 February 2004
Exhibit A	Contract Data Requirements List (DD 1423)	04	01 March 2004