THIS IS CURRENT TO MAR 1973

ATLANTIC RICHFIELD HANFORD COMPANY

CONTRACT AT(45-1)-2130

CONFORMED COPY FOR

CONTRACT ADMINISTRATOR'S REPRESENTATIVE

Contract E(45-1)-2130
Obligation Notice No. 33

NOV 5 1975

Atlantic Richfield Hanford Company
ATTN: Mr. G. T. Stocking, President
Richland, Washington

Gentlemen:

OBLIGATION OF FUNDS UNDER CONTRACT E(45-1)-2130

This is to notify you that pursuant to Paragraph (A) of Article IV of Contract E(45-1)-2130, the amount obligated by ERDA is hereby increased $985,000.00.

The total sum obligated under that contract for work at/or for the plant is increased to $334,799,273.00.

The obligation effected by Obligation Notice No. 33 is chargeable to the following appropriation available to ERDA:

Plant and Capital Equipment, ERDA 1976
Appropriation 89X0103.91
Equipment $985,000.00

Very truly yours,

ORIGINAL SIGNED BY
OSCAR J. BENNETT

Oscar J. Bennett, Director
Contracts and Procurement Division

BUD:FLB

bcc: BUD Off. File
BUD Rdg. File
Mgr.'s Rdg. File
EM Richardson, CPD
CPD Rdg. File
Peggy Ott, FIN

2-6683	BUD	BUD	BUD	FIN	CPD
	BOWERS:gd	GOODNOW	BAGLEY	POHLOD	BENNETT
	10/31/75				

Contract E(45-1)-2130
Obligation Notice No. 82

OCT 30 1975

Atlantic Richfield Hanford Company
ATTN: Mr. G. T. Stocking, President
Richland, Washington

Gentlemen:

OBLIGATION OF FUNDS UNDER CONTRACT E(45-1)-2130

This is notify you that pursuant to Paragraph (A) of Article IV of Contract E(45-1)-2130, the amount obligated by ERDA is hereby increased $18,300,000.00.

The total sum obligated under that contract for work at/or for the plant is increased to $333,514,273.00.

The obligation effected by Obligation Notice No. 82 is chargeable to the following appropriation available to ERDA:

Operating Expenses, ERDA 1976
Appropriation 89X0100.91 ..... $18,300,000.00

Very truly yours,

Original Signed by
Donald J. Gier

for Oscar J. Bennett, Director
Contracts and Procurement Division

BUD:CWG

bcc: BUD Off. File
BUD Rdg. File
Mgr.'s Rdg. File
EM Richardson, CPD
CPD Rdg. File
Peggy Ott, FIN

82-6683	BUD	BUD	FIN	CPD
	GOODNOW:or	BAGLEY	POHLOD	BENNETT
	10/29/75			

UNITED STATES
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
RICHLAND OPERATIONS OFFICE
P. O. BOX 550
RICHLAND, WASHINGTON 99352

Contract E(45-1)-2130
Obligation Notice No. 81

OCT 31 1975

Atlantic Richfield Hanford Company
ATTN: Mr. G. T. Stocking, President
Richland, Washington

Gentlemen:

OBLIGATION OF FUNDS UNDER CONTRACT E(45-1)-2130

This is to notify you that pursuant to Paragraph (A) of Article IV of Contract E(45-1)-2130, the amount obligated by ERDA is hereby increased $1,066,000 for work at/or for the plant.

The total sum obligated under that contract for work at/or for the plant is increased to $315,514,273.00.

The obligation effected by this notice is chargeable to the following appropriations available to ERDA:

Operating Expenses, ERDA 1975 - 1976	
Appropriation 89X0100.91	$ 885,000
Plant and Capital Equipment	
Appropriation 89X0103.91	
Equipment	181,000
	$1,066,000

Very truly yours,

O. J. Bennett, Director
Contracts and Procurement Division

FTF:JKH

bcc: FTF Off File
FTF Rdg File
Site Rdg File
MGR Rdg File
OJ Bennett, CPD
EM Richardson, CPD
DL White, CPD
P. Ott, FIN
JF Bagley, BUD

CONFORMED COPY

UNITED STATES
ATOMIC ENERGY COMMISSION
RICHLAND OPERATIONS OFFICE
P. O. BOX 550
RICHLAND, WASHINGTON 99352

IN REPLY REFER TO:

August 1, 1967

Atlantic Richfield Hanford Company
Richland, Washington

Attention: L. M. Richards, President

Subject: UNDERSTANDINGS ON CONTRACT AT(45-1)-2130

Gentlemen:

I wish to confirm certain understandings reached between us during the negotiation of Contract No. AT(45-1)-2130 ("the Contract") relating to the interpretation, implementation and administration of the following provisions of said Contract.

1. Article II - Engagement of Contractor - Designation of Facilities

   Any oral "directions and instructions" to the Contractor pursuant to Article II will be confirmed in writing.

2. Article V (e)(5) and Article V (e)(24) - Examples of Items of Unallowable Costs

   It is recognized that the Contractor's central office is located in Richland, Washington, and, therefore, certain of the central office costs will be incurred in connection with the work to be performed under the Contract. Consequently, it is agreed that a properly allocable portion of such central office costs (including travel by officers, executives, administrative heads, and other employees) will be allowable under this Contract. The test of allowability of such costs is set forth in Article V (c).

3. Article XXXVII - Patents

   In the event it is determined pursuant to Article XXXVII, Patents, that the title to a particular invention or discovery shall vest in the Commission, the Commission shall, as promptly as is practicable but not later than six months after the filing of the application or applications for patent in the United States, inform the Contractor in writing of the foreign countries in which the Commission has filed or intends to file corresponding applications for patent. As to any and all other foreign countries

the Commission agrees at the request of the Contractor to give consideration to the reassignment of the title to such invention or discovery to the Contractor and if such reassignment is made, to give to the Contractor such assistance, to the extent that such assistance does not involve any security violation, as may be necessary to enable the Contractor to file corresponding applications for patent in any such other foreign country.

4. Article XXXVII (g) - Patents and Article XL (a) - Background Technical Data

The Contractor shall be under no obligation in any way to utilize or embody in the work under the Contract, or in the facilities in which the work is conducted, any specific background inventions or discoveries of the type described in Article XXXVII (g), or any background technical data of the type described in Article XL (a) of the Contract.

5. Article XIII - Contractor Procurement

It is understood that the Contractor shall submit its procurement procedures to the Contracting Officer for his approval. When so approved, the Contracting Officer will establish a reasonable dollar amount for fixed price subcontracts and purchase orders under which specific approvals will not be required. This amount may be modified by the Contracting Officer from time to time.

6. Article V - Allowable Costs and Fixed Fee and Article XXXVI - Term and Termination

The Contracting Officer will treat as allowable costs, severance payments made by the Contractor under Article XXXVI, Term and Termination, in accordance with Appendix B to the Contract.

7. Article V (d)(8)(A) - Examples of Items of Allowable Cost

It is understood and agreed that the five persons initially assigned to the Hanford Operations by Atlantic Richfield Company shall be treated as employees of Atlantic Richfield Company for the purposes of payment of salaries and participation in fringe benefit plans only. Costs of salaries, which shall be subject to the Contracting Officer's approval pursuant to Article V (d)(8)(A) of the Contract, and fringe benefits for these persons will be allowable to the extent they are approved by the Commission.

8. Appendix B

Additional benefit plans may be submitted by the Contractor to the Contracting Officer for consideration.

If the foregoing accurately states the understandings reached, I shall appreciate it if you will so indicate by signing and returning to me the enclosed copy of this letter.

Very truly yours,

/s/ D. G. Williams
CGB
D. G. Williams
Contracting Officer

ACCEPTED: August 1, 1967.

/s/ Lawrence M. Richards
HBO

Atlantic Richfield Hanford Company

CONFORMED COPY

OPERATING CONTRACT NO. AT(45-1)-2130

BETWEEN

UNITED STATES OF AMERICA

REPRESENTED BY

UNITED STATES ATOMIC ENERGY COMMISSION

AND

ATLANTIC RICHFIELD HANFORD COMPANY

- - - - - - - - - - -

CHEMICAL PROCESSING OPERATION

CONTRACT NO. AT(45-1)-2130

UNITED STATES ATOMIC ENERGY COMMISSION

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Contract No. AT(45-1)-2130

THIS CONTRACT, entered into the 1st day of August, 1967, effective as of 12:01 A.M. the fourth day of September, 1967, between the UNITED STATES OF AMERICA (hereinafter called the "Government"), acting through the UNITED STATES ATOMIC ENERGY COMMISSION (hereinafter called the "Commission"), and ATLANTIC RICHFIELD HANFORD COMPANY (hereinafter called the "Contractor"), a corporation organized and existing under the laws of the State of Delaware, with its principal place of business at Richland, Washington;

WITNESSETH THAT:

WHEREAS, the Commission has elected, pursuant to legal authority, to enter into an agreement with the Contractor under which the Contractor will agree to undertake the performance of certain functions for the Commission involved in and associated with the Commission's Chemical Processing Operations in the facilities of the Commission as hereinafter referred to; and

WHEREAS, such agreement arises out of the Commission's need for the services of an organization with personnel of proved capabilities, both technical and administrative, to manage and operate certain facilities of the Commission and to perform certain work and services for the Commission; and the Commission recognizes the Contractor as an organization having such personnel, and that the initiative, ingenuity, and other qualifications of such personnel should be exercised in providing such services under the agreement, to the fullest extent practicable; and

WHEREAS, the Contractor recognizes that attainment of the Commission's overall objectives and discharge of its responsibility for economy and efficiency in the conduct of the atomic energy program require the Commission's general direction of the program, supervision of Government-financed activities of organizations managing Commission facilities and related functions so as to assure conformity with applicable law and policies of the Commission, and full access to information concerning such activities under this contract, and that the Commission's program of administration under the Atomic Energy Act requires integration and coordination of such activities which the various organizations may be in a position to perform, for the utilization of their services and of information, materials, facilities, funds and other property of the Commission, in the manner most advantageous to the Government; and

WHEREAS, the Contractor is willing to undertake the performance of these functions; and

WHEREAS, the Commission certifies that this negotiated contract is authorized by and executed under the Atomic Energy Act of 1954, as amended, in the interest of the common defense and security and under Section 302(c)(15) of the Federal Property and Administrative Services Act of 1949, as amended;

NOW, THEREFORE, the parties hereto do agree as follows:

ARTICLE I - DEFINITIONS

As used throughout this contract, the following terms shall have the meanings set forth below:

(a) The term "Commission" means the United States Atomic Energy Commission or any duly authorized representative thereof, including the Contracting Officer, except for the purpose of deciding an appeal under the article entitled "Disputes".

(b) The term "Contracting Officer" means the person executing this contract on behalf of the Government, and includes his successors or any duly authorized representative of any such person.

(c) Except as otherwise provided in this contract, the term "subcontract" includes purchase orders under this contract.

ARTICLE II - ENGAGEMENT OF CONTRACTOR - DESIGNATION OF FACILITIES

The Government expressly engages the Contractor to manage, operate and maintain the facilities designated in writing from time to time by the Commission, and to perform work and services described in this contract, including the utilization of information, material, funds, and other property of the Commission, the collection of revenues, and the acquisition, sale or other disposal of property for the Commission, subject to the limitations as hereinafter set forth. The Contractor undertakes and promises to manage, operate, and maintain said facilities, and to perform said work and services, upon the terms and conditions herein provided and in accordance with such directions and instructions not inconsistent with this contract which the Commission may deem necessary and give to the Contractor from time to time. Subject to such terms and conditions and to directions and instructions, if any, the Contractor will use its best judgment, skill and care in all matters pertaining to the performance of this contract.

ARTICLE III - DESCRIPTION OF WORK AND SERVICES

(a) Operating and Management Services. The Contractor shall manage, operate, and maintain the facilities designated under the article entitled "Engagement of Contractor-Designation of Facilities", in accordance with work programs approved in writing from time to time by the Commission, and the Commission directions and instructions referred to in the article entitled, "Engagement of Contractor-Designation of Facilities".

(1) The services to be performed include, but are not necessarily limited to, the following:

(i) Performance of all work and services associated with Chemical Processing Operations, including production processes known as Purex, Waste Management (crude fission products recovery and storage), UO_3 Calcination, Z Plant Operations (Plutonium Reclamation and purification) and the Hot Semi Works, necessary to chemically process fuels and materials designated by the

Commission and to deliver to the Commission or to other parties approved by the Commission, designated end-products, by-products and fission product feed materials in crude and purified form conforming to specifications acceptable to the Commission.

(ii) Conduct or manage the conduct by others of research and development programs related to the Chemical Processing Operations facilities being operated by the Contractor and such other research and development programs as the Commission may direct.

(iii) Performance of services which the Contractor is particularly qualified to perform for the Commission or other contractors of the Commission at Richland, Washington. Such services shall be designated by the Commission in writing from time to time.

(iv) Initiation of such recommendations to the Commission for the modification, improvement, alteration or repair of existing facilities or construction of new facilities as the Contractor considers essential for the continued or safe operation of the facilities designated under Article II or necessary to permit realization of benefits and advantages attained in the course of work hereunder.

(v) Conduct of conceptual engineering, scoping and preparation of design criteria for all projects of the nature described in (iv) above and the providing of liaison with architect-engineer and construction contractors which may be engaged by the Commission for work on such projects.

(2) Services to be performed for the Contractor by the Commission or other contractors of the Commission at Richland, Washington shall be designated by the Commission in writing from time to time and, unless otherwise approved by the Commission, the Contractor shall obtain said services from the Commission or such other contractors of the Commission.

(b) Construction Services. Upon request of the Commission and acceptance thereof by the Contractor, the Contractor shall procure by subcontract the construction of new facilities or the alteration or repair of Government-owned facilities. Any subcontract entered into under this paragraph shall be subject to the written approval of the Commission and shall contain the provisions relative to labor and wages required by law to be included in contracts for the construction, alteration or repair, including painting and decorating, of a public building or public work.

(c) Related Services.

(1) In addition to the services specifically described in other provisions of this Article III, the Contractor shall perform other services, incidental or related to the services described in this Article III (a) or (b) or to the programs of the Commission as the Commission and the Contractor shall agree in writing from time to time will be performed under this contract either for the Commission or its contractors.

(2) The Contractor, to the extent it is in a position to do so, will render services to Federal agencies and to other cost-type contractors of the Commission as requested by the Commission in accordance with such procedures and requirements as the Commission may establish from time to time. The Contractor will receive transfers of funds therefor from such Federal agencies and other cost-type contractors to the extent that such transfer is required by and in accordance with policies adopted from time to time by the Commission. The funds received in exchange for such services shall be handled as a part of the advances of Government funds as provided in Article VI. In the performance of such services, the Contractor is authorized to use facilities, materials, and equipment in its custody under this contract. With the approval of the Commission, the Contractor will render the same services, including transfers of property, to lump-sum or unit-price Commission contractors under the terms and conditions herein stated, and the payments received therefor shall be for the account of the Government and shall be handled as a part of the advances of Government funds pursuant to Article VI.

(d) General.

(1) The Contractor shall perform the maintenance work necessary for the efficient operation of the facilities to the extent such work is included in work programs agreed in writing between the Contractor and the Commission. Projects which under applicable procedures adopted by the Commission from time to time require the issuance of a directive therefor by the Commission shall not be undertaken until such directive has been issued.

(2) Whenever approval or other action by the Commission is required with respect to any expenditure or commitment by the Contractor under the terms of this contract, the Government shall not be responsible therefor unless and until such approval or action is obtained or taken.

(3) In carrying out the work under this contract, the Contractor shall be responsible for the employment of all professional, technical, skilled, and unskilled personnel engaged and to be engaged by the Contractor in the work hereunder, and for the training of personnel. Persons employed by the Contractor shall be and remain employees of the Contractor, and shall not be deemed employees of the Commission or the Government; provided, that nothing herein shall require the establishment of any employer-employee relationship between the Contractor and consultants and others whose services are utilized by the Contractor for the work hereunder.

(4) The Contractor shall exert its best efforts to acquire for the Government such materials, supplies, equipment, and facilities, required in connection with the work under this contract as are not furnished by the Government.

(5) The administration of all subcontracts, purchase orders and other contractual agreements made by the Contractor, including responsibility for payment from the Government funds advanced and agreed to be advanced hereunder to the Contractor, shall, during the period of this contract, remain in the Contractor unless and until transferred to the Government or other designee of the Commission, at the direction or with the approval of the Commission.

(6) The Contractor shall, when directed by the Commission, and may, but only when authorized by the Commission, enter into subcontracts for the performance of any part of the work under this article.

ARTICLE IV - OBLIGATION OF FUNDS

(a) Obligation of Funds. The amount presently obligated by the Government with respect to this contract is Two Hundred Thousand Dollars ($200,000). Such amount may be increased unilaterally by the Commission by written notice to the Contractor and may be increased or decreased by written agreement of the parties (whether or not by formal modification of this contract). Estimated revenues and receipts from others for work and services to be performed under this contract are not included in the amount obligated with respect to this contract. Such revenues and receipts, to the extent actually received by the Contractor, shall be available and used for the payment of allowable costs as provided in the article entitled "Payments and Advances". Nothing in this paragraph (a) is to be construed as authorizing the Contractor to exceed limitations stated in financial plans established by the Commission and furnished to the Contractor from time to time under this contract.

(b) Limitation on Payment by the Government. Except as otherwise provided in this contract and except for costs which may be incurred by the Contractor pursuant to the article entitled "Term and Termination" or costs of claims allowable under the contract accruing after completion or termination and not released by the Contractor at the time of financial settlement of the contract in accordance with the article entitled "Payments and Advances", payment by the Government under this contract on account of allowable costs shall not in the aggregate exceed the amount obligated with respect to this contract less the Contractor's fixed fee. Unless expressly negated in this contract, payment on account of those costs excepted in the preceding sentence which are in excess of the amount obligated with respect to this contract shall be subject to the availability of (1) revenues and receipts deposited to the Government's account as provided in the article entitled "Payments and Advances", and (2) other funds which the Commission may legally use for such purpose; provided, the Commission will use its best efforts to obtain the appropriation of funds for this purpose if not otherwise available.

(c) Notices -- Contractor Excused From Further Performance. The Contractor shall notify the Commission in writing whenever the unexpended balance of funds (including revenues and receipts) available under paragraph (a) above, plus the Contractor's best estimate of revenues and receipts to be received during the 45 day period hereinafter specified, is in the Contractor's best judgment sufficient to continue contract operations at the programmed rate for 45 days and to cover the Contractor's unpaid fixed fee, and outstanding commitments and liabilities on account of costs allowable under the contract at the end of such period. Whenever the unexpended balance of funds (including revenues and receipts) available under paragraph (a) above, less the amount of the Contractor's fixed fee then earned but not paid, is in the Contractor's best judgment either sufficient only to liquidate outstanding commitments and liabilities on account of costs allowable under this contract or is equal to zero, the Contractor shall immediately notify the Commission and shall make no further commitments or expenditures (except to liquidate existing

commitments and liabilities), and, unless the parties otherwise agree, the Contractor shall be excused from further performance (except such performance as may become necessary in connection with termination by the Government) and the performance of all work hereunder will be deemed to have been terminated for the convenience of the Government in accordance with the provisions of the article entitled "Term and Termination".

(d) Financial Plans; Cost and Commitment Limitations. In addition to the limitations provided for elsewhere in this contract, the Commission may through Financial Plans or other directives issued to the Contractor, establish controls on the costs to be incurred and commitments to be made in the performance of the contract work. Such plans and instructions may be amended or supplemented from time to time by the Commission. The Contractor hereby agrees to comply with the specific limitations (ceilings) on costs and commitments set forth in such plans and directives, to use its best efforts to comply with the other requirements of such plans and directives, and to promptly notify the Commission in writing whenever it has reason to believe the authorized financial levels of costs and commitments will be exceeded or substantially underrun.

(e) Government's Right to Terminate Not Affected. The giving of any notice under this article shall not be construed to waive or impair any right of the Government to terminate the contract under the provisions of the article entitled "Term and Termination".

ARTICLE V - ALLOWABLE COSTS AND FIXED FEE

(a) Compensation for Contractor's Services. Payment for the allowable cost as hereinafter defined, and of the fixed fee, if any, as hereinafter provided shall constitute full and complete compensation for the performance of the work under this contract.

(b) Fixed Fee.

(1) The fee from the period commencing on the date of execution of this contract and ending on the day before the Contractor assumes, and Isochem Inc. no longer has responsibility for, the Hanford 200 Area Chemical Processing Operations referred to in Article III shall be at the rate of $3,000 per month; thereafter, the monthly fee shall be $65,953 and shall continue to June 30, 1968. The fixed fee for each fiscal year thereafter shall be negotiated annually in accordance with the procedures and schedule set out in Appendix "A" which is attached hereto and incorporated herein.

(2) If, as a result of any instruction or direction given by the Commission pursuant to the provisions of this contract, the level of the Contractor's management effort is materially increased or decreased, the fee provided for in Article V will be equitably adjusted. In the event either party deems that an adjustment in the fee is appropriate, it will, after issuance of the instruction or direction, so notify the other party in writing and the parties will attempt to agree upon the amount by which the fee should be increased or decreased. Failure of the parties so to agree shall constitute a "dispute" within the meaning

of Article XVII. There shall be no adjustment in the amount of the fee by reason of difference between any estimate of cost for performance of the work under the contract and the actual cost for performance of that work.

(3) Services performed pursuant to mutual agreement under the provisions of this contract shall be performed without additional fee unless the Commission and the Contractor shall mutually agree in writing that they will constitute a material increase in the level of the Contractor's management effort under this contract, in which event the parties hereto will negotiate in good faith to agree upon an equitable fee for such additional services. Failure of the parties so to agree shall constitute a "dispute" within the meaning of Article XVII.

(c) Allowable Cost. The allowable cost of performing the work under this contract shall be the costs and expenses that are actually incurred by the Contractor in the performance of the contract work in accordance with its terms and are determined to be allowable pursuant to this paragraph (c). The determination of the allowability of cost hereunder shall be based on: (1) reasonableness, including the exercise of prudent business judgment, (2) consistent application of generally accepted accounting principles and practices that result in equitable charges to the contract work and (3) recognition of all exclusions and limitations set forth in this article or elsewhere in this contract as to types or amounts of items of cost. Allowable cost shall not include cost of any item described as unallowable in paragraph (e) of this article, except as indicated therein. Failure to mention an item of cost specifically in paragraph (d) or paragraph (e) shall not imply either that it is allowable or that it is unallowable.

(d) Examples of Items of Allowable Cost. Subject to the other provisions of this article, the following examples of items of cost of work done under this contract shall be allowable to the extent indicated:

(1) Bonds and insurance including self-insurance, as provided in the article entitled "Required Bonds and Insurance - Exclusive of Government Property".

(2) Communication costs, including telephone services, local and long distance calls, telegrams, cablegrams, radiograms, postage and similar items.

(3) Consulting services (including legal and accounting), and related expenses, as approved by the Contracting Officer, except as made unallowable by paragraph (e) (25).

(4) Litigation expenses, including reasonable counsel fees, incurred in accordance with the article of this contract entitled "Litigation and Claims".

(5) Losses and expenses (including settlements made with the consent of the Contracting Officer) sustained by the Contractor in the performance of this contract and certified in writing by the Contracting Officer to be just and reasonable, except the losses and expenses expressly made unallowable under other provisions of this contract.

(6) Materials, supplies and equipment, including freight, transportation, material handling, inspection, storage, salvage, and other usual expenses incident to the procurement, use and disposition thereof, subject to approvals required under other provisions of this contract.

(7) Patents, purchased design, and royalty payments to the extent expressly provided for under other provisions in this contract or as approved by the Contracting Officer; and, preparation of invention disclosures, reports and related documents, and searching the art to the extent necessary to make such invention disclosures in accordance with the Patent Article of this contract.

(8) (i) Personnel costs and related expenses incurred in accordance with Appendix "B", or amendments thereto, such as:

(A) Salaries and wages; bonuses and incentive compensation; overtime, shift differential, holiday and other premium pay for time worked, non-work time including vacations, holidays, sick, funeral, military, jury, witness, and voting leave; salaries and wages to employees in their capacity as union stewards and committeemen for time spent in handling grievances, negotiating agreements with the Contractor, or serving on labor management (Contractor) committees: Provided, however, that the Contracting Officer's approval is required in each instance of total compensation to an individual employee at an annual rate of $25,000 or more, when it is proposed that a total of fifty percent or more of such compensation be reimbursed under AEC and other Government cost-type contracts. Total compensation, as used here, includes only the employee's base salary and bonus and incentive compensation payments;

(B) Legally required contributions to old age and survivors' insurance, unemployment compensation plans and workmen's compensation plans (whether or not covered by insurance); voluntary or agreed upon plans providing benefits for retirement, separation, insurance, hospitalization, medical-surgical and unemployment (whether or not such plans are covered by insurance);

(C) Travel (except foreign travel, which requires specific approval by the Contracting Officer on a case by case basis); incidental subsistence and other allowances of Contractor employees, in connection with performance of work under this contract (including new employees reporting for work and transfer of employees, the transfer of their household goods and effects and the travel and subsistence of their dependents);

(D) Employee relations, welfare, morale, etc., programs, including incentive or suggestion awards, employee counseling services, health or first-aid clinics and house or employee publications;

(E) Personnel training (except special education and training courses and research assignments calling for attendance at educational institutions which require specific approval by the Contracting Officer on a case-by-case basis) including apprenticeship training programs designed to improve efficiency productivity of contract operations, to develop needed skills and to develop scientific and technical personnel in specialized fields required in the contract work;

(F) Recruitment of personnel (including help-wanted advertisement) including services of employment agencies at rates not in excess of standard commercial rates, employment office, travel of prospective employees at the request of the Contractor for employment interviews; and

(G) Net cost of operating plant-site cafeterias, dining rooms and canteens attributable to the performance of the contract.

(ii) Appendix "B" may be modified from time to time, in writing, without execution of an amendment to this contract for the purposes of effecting any changes in or additions to Appendix "B" as may be agreed upon by the parties.

(9) Repairs, maintenance, inspection, replacement and disposal of Government-owned property and the restoration or cleanup of site and facilities to the extent directed or approved by the Contracting Officer.

(10) Subcontracts and purchase orders, including procurements from contractor-controlled sources, subject to approvals required by other provisions of this contract.

(11) Subscriptions to trade, business, technical, and professional periodicals, as approved by the Contracting Officer.

(12) Taxes, fees, and charges levied by public agencies which the Contractor is required by law to pay, except those which are expressly made unallowable under other provisions of this contract.

(13) Utility services, including electricity, gas, water, steam and sewerage.

(14) Establishment and maintenance of bank accounts in connection with the work hereunder, including, but not limited to, service charges, the cost of disbursing cash, necessary guards, cashiers, and paymasters. If payments to employees are made by check, facilities and arrangements for cashing checks may be provided without expense to the employees, subject to the approval of the Contracting Officer.

(e) Examples of Items of Unallowable Costs. The following examples of items of costs are unallowable under this contract to the extent indicated:

(1) Advertising, except (i) help-wanted advertising, and (ii) other advertising (such as costs of participation in exhibits) approved by the Contracting Officer as clearly in furtherance of work performed under the contract.

(2) Bad debts (including expenses of collection) and provisions for bad debts arising out of other business of the Contractor.

(3) Bidding expenses and costs of proposals.

(4) Bonuses and similar compensation under any other name, which (i) are not pursuant to an agreement between the Contractor and employee prior to the rendering of the services or an established plan consistently followed by the Contractor, (ii) are in excess of those costs which are followed by the Internal Revenue Code and regulations thereunder, or (iii) provide total compensation to an employee in excess of reasonable compensation for the services rendered.

(5) Central and branch office expenses of the Contractor, except as specifically set forth in the contract or as approved by the Contracting Officer.

(6) Commissions, bonuses and fees (under whatever name) in connection with obtaining or negotiating for a Government contract or a modification thereto, except when paid to bona fide employees or bona fide established selling organizations maintained by the Contractor for the purpose of obtaining Government business.

(7) Contingency reserves, provision for.

(8) Contributions and donations.

(9) Depreciation in excess of that calculated by application of methods approved for use by the Internal Revenue Service under the Internal Revenue Code of 1954, as amended, including the straight-line, declining balance (using a rate not exceeding twice the rate which would have been used had the depreciation been computed under the straight-line method), or sum-of-the-years-digits method, on the basis of expected useful life, to the cost of acquisition of the related fixed assets less estimated salvage or residual value at the end of the expected useful life.

(10) Dividend provisions or payments and, in the case of sole proprietors and partners, distributions of profit.

(11) Entertainment costs, except the costs of such recreational activities for on-site employees as may be approved by the Contracting Officer or provided for elsewhere in this contract.

(12) Fines and penalties including assessed interest, resulting from violations of, or failure of the Contractor to comply with Federal, State, or local laws or regulations, except when incurred in accordance with the written approval of the Contracting Officer or as a result of compliance with the provisions of this contract.

(13) Insurance (including any provision of a self-insurance reserve) on any person where the Contractor under the insurance policy is the beneficiary, directly or indirectly, and insurance against loss or of damage to Government property as defined in Article XI.

(14) Interest, however represented (except interest incurred in compliance with the article entitled "State and Local Taxes"), bond discounts and expenses and costs of financing and refinancing operations.

(15) Legal, accounting, and consulting services and related costs incurred in connection with the preparation of prospectuses, preparation and issuance of

stock rights, corporate organization or reorganization, prosecution or defense of antitrust suits, prosecution of claims against the United States, contesting actions or proposed actions of the United States, and except as otherwise provided in this contract, prosecution or defense of patent-infringement litigation.

(16) Losses (including litigation expenses, counsel fees, and settlements) on, or arising from the sale, exchange, or abandonment of the Contractor's capital assets, including investments; losses on other contracts, including the Contractor's contributed portion under cost-sharing contracts; losses in connection with price reductions to and discount purchases by employees and others from any source; and losses where such losses or expenses - - -

(i) are compensated for by insurance or otherwise or which would have been compensated by insurance required by law or by written direction of the Contracting Officer but which the Contractor failed to procure or maintain through its own fault or negligence;

(ii) result from willful misconduct or lack of good faith on the part of any of the Contractor's directors; corporate officers; or supervising representative of the Contractor, as defined in Article XXI of this contract;

(iii) represent liabilities to third persons for which the Contractor has expressly accepted responsibility under other terms of this contract,

(17) Maintenance, depreciation, and other costs incidental to the Contractor's idle or excess facilities (including machinery and equipment) other than reasonable standby facilities.

(18) Membership in trade, business, and professional organizations except as approved by the Contracting Officer.

(19) Precontract costs, except as expressly made allowable under other provisions in this contract.

(20) Research and development costs, unless specifically provided for elsewhere in this contract.

(21) Selling costs, except to the extent they are determined to be reasonable and to be allocable to the contract. Allocability of selling costs to the contract will be determined in the light of reasonable benefit to the agency program arising from such activities as technical, consulting, demonstration, and other services performed for such purposes as applying or adapting the Contractor's product for agency use.

(22) Storage of records pertaining to this contract after completion of operations under this contract irrespective of contractual or statutory requirement for the preservation of records.

(23) Taxes, fees and charges in connection with corporate financing, refinancing, or refunding operations, including the listing of securities on exchanges; taxes which are paid contrary to the article entitled "State and Local Taxes"; taxes on net income and excess profits and special assessments on land which represent capital improvement.

(24) Travel expenses of the officers, proprietors, executives, administrative heads and other employees of the Contractor's central office or branch office organizations concerned with the general management, supervision and conduct of the Contractor's business as a whole, except to the extent that particular travel is in connection with the contract and approved by the Contracting Officer.

(25) Salary or other compensation (and expenses related thereto) of any individual employed under this contract as a consultant or in another comparable employment capacity who is an employee of another organization and concurrently performing work on a full-time annual basis for that organization under a cost-type contract with the Commission, except to the extent that cash payment therefor is required pursuant to the provisions of this contract or procedure of the Commission applicable to the borrowing of such an individual from another cost-type contractor.

(26) First-class air travel in excess of the cost of less than first-class air accommodations, except when less than first-class accommodations are not reasonably available to meet necessary mission requirements, such as, where less than first-class accommodations would:

(i) require circuitous routing;

(ii) require travel during unreasonable hours;

(iii) greatly increase the duration of the flight;

(iv) result in additional costs which would offset the transportation savings;

(v) offer accommodations which are not reasonably adequate for the medical needs of the traveler.

(27) Government-furnished property, except to the extent that cash payment therefor is required pursuant to procedures of the Commission applicable to transfers of such property to the Contractor from others.

ARTICLE VI - PAYMENTS AND ADVANCES

(a) Payment of Fixed Fee. The fixed fee provided in Article V shall be paid in equal monthly installments as it accrues.

(b) Payment on Account of Allowable Cost. Payment for allowable costs shall be made by the Contractor from the special bank account or accounts as hereinafter provided. Accordingly, the Government shall advance to the Contractor, from time to time (generally weekly, but in any event at such times as, in the opinion of

the Commission, the Contractor's need therefor develops), such Government funds (hereinafter referred to as "advances") as the Commission, after consultation with the Contractor, deems adequate to enable the Contractor to continue to make payments for allowable costs under this contract in furtherance of its performance.

(c) Special Bank Account - Use. All advances of Government funds shall be made under a Letter of Credit in favor of the Contractor, or, in the option of the Government, by check payable to the Contractor, or as otherwise agreed by the parties, and shall be deposited only in the Special Bank Account referred to in the Agreement for Special Bank Account, the form of which is attached hereto and incorporated into this contract as Appendix "C". The Contractor shall likewise deposit in the Special Bank Account any other revenues received by the Contractor in connection with the work under this contract. No part of the funds in the Special Bank Account shall be (1) mingled with any funds of the Contractor or (2) used for a purpose other than that of making payments for costs allowable under this contract or payments for other items specifically approved in writing by the Contracting Officer. If the Contracting Officer shall at any time determine that the balance in such bank account exceeds the Contractor's current needs, the Contractor shall promptly make such disposition of the excess as the Contracting Officer may direct.

(d) Title to Funds Advanced. Title to the unexpended balance of any funds advanced of any bank account established pursuant to this article shall remain in the Government and be superior to any claim or lien of the bank of deposit or others. It is understood that an advance to the Contractor hereunder is not a loan to the Contractor, and will not require the payment of interest by the Contractor, and that the Contractor acquires no right, title, or interest in or to such advance other than the right to make expenditures therefrom as provided in this article.

(e) Review and Approval of Costs Incurred. The Contractor shall prepare and submit annually as of June 30 a voucher, for the total of net expenditures accrued (i.e., net costs incurred) for the period covered by the voucher and the Commission, after audit and appropriate adjustment will approve such voucher. This approval by the Commission will constitute an acknowledgement by the Commission that the net costs incurred are allowable under the contract and that they have been recorded in the accounts maintained by the Contractor in accordance with the Commission accounting policies, but will not relieve the Contractor of responsibility for the Commission's assets in its care, for appropriate subsequent adjustments, or for errors later becoming known to the Commission.

(f) Financial Settlement. The Government shall promptly pay to the Contractor the unpaid balance of allowable costs and fixed fee upon termination of the work, expiration of the term of the contract, or completion of the work after (1) compliance by the Contractor with the Commission's patent clearance requirements, and (2) the furnishing by the Contractor of:

(i) an assignment of the Contractor's rights (to the extent such rights are not already vested in the Government) to any refunds, rebates, allowances, accounts receivable, or other credits applicable to allowable costs under the contract;

(ii) a closing financial statement;

(iii) the accounting for Government-owned property required by the article entitled "Property"; and

(iv) a release discharging the Government, its officers, agents, and employees from all liabilities, obligations, and claims arising out of or under this contract, subject only to the following exceptions:

(A) specified claims in stated amounts or in estimated amounts where the amounts are not susceptible of exact statement by the Contractor;

(B) claims, together with reasonable expenses incidental thereto, based upon liabilities of the Contractor to third parties arising out of the performance of this contract; provided that such claims are not known to the Contractor on the date of the execution of the release; and provided further that the Contractor gives notice of such claims in writing to the Contracting Officer not more than six (6) years after the date of the release or the date of any notice to the Contractor that the Government is prepared to make final payment, whichever is earlier; and

(C) claims for cost (other than expenses of the Contractor by reason of any indemnification of the Government against patent liability), including reasonable expenses incidental thereto, incurred by the Contractor under the provisions of this contract relating to patents.

In arriving at the amount due the Contractor under this article, there shall be deducted (1) any claim which the Government may have against the Contractor in connection with this contract and (2) deductions due under the terms of this contract, and not otherwise recovered by or credited to the Government. In the event any advances in the Special Bank Account have not been fully liquidated, the unliquidated balance thereof shall be returned or accounted for to the Government in such manner as the Commission directs.

(g) Claims. Claims for credit against funds advanced or for payment shall be accompanied by such supporting documents and justifications as the Contracting Officer shall prescribe.

(h) Discounts. The Contractor shall take and afford the Government the advantage of all known and available cash and trade discounts, rebates, allowances, credits, salvage, and commissions unless the Contracting Officer finds that such action is not in the best interest of the Government.

(i) Revenues. All revenues other than the Contractor's fixed fee or fees, if any, accruing to the Contractor in connection with the work under this contract shall be Government property and shall be deposited in the Special Bank Account to be available for payment of allowable costs under this contract.

(j) Direct Payment of Charges -- Deductions. The Government reserves the right, upon ten days' written notice from the Contracting Officer to the Contractor, to pay directly to the persons concerned all amounts due which otherwise would be allowable under this contract. Any payment so made shall discharge the Government of all liability to the Contractor therefor.

ARTICLE VII - ASSIGNMENT

Neither this contract nor any interest therein nor claim thereunder shall be assigned or transferred by the Contractor except as expressly authorized in writing by the Contracting Officer.

ARTICLE VIII - ACCOUNTS, RECORDS, AND INSPECTION

(a) Accounts. The Contractor shall maintain a separate and distinct set of accounts, records, documents and other evidence showing and supporting all allowable costs incurred, revenues or other applicable credits, fixed-fee accruals, and the receipt, use, and disposition of all Government property coming into the possession of the Contractor under this contract. The system of accounts employed by the Contractor shall be satisfactory to the Commission and in accordance with generally accepted accounting principles consistently applied.

(b) Inspection and Audit of Accounts and Records. All books of account and records relating to this contract shall be subject to inspection and audit by the Commission at all reasonable times, before and during the period of retention provided for in (d) below, and the Contractor shall afford the Commission proper facilities for such inspection and audit.

(c) Audit of Subcontractors' Records. The Contractor also agrees, with respect to any subcontracts (including lump-sum or unit-price subcontracts or purchase orders) where, under the terms of the subcontract, costs incurred are a factor in determining the amount payable to the subcontractor of any tier, to conduct an audit of the costs of the subcontractor in a manner satisfactory to the Commission or to have the audit conducted by the next higher tier subcontractor in a manner satisfactory to the Contractor and the Commission, except when the Commission elects to waive such audit or approves other arrangements for the conduct of the audit.

(d) Disposition of Records. Except as agreed upon by the Government and the Contractor, all financial and cost reports, books of account and supporting documents, and other data evidencing costs allowable and revenues and other applicable credits under this contract, shall be the property of the Government, and, subject to the right of the Contractor to retain a copy of said material for its own use and subject to the provisions of Article XX - Security and Article XXXVII - Patents hereof, shall be delivered to the Government or otherwise disposed of by the Contractor either as the Contracting Officer may from time to time direct during the progress of the work or in any event as the Contracting Officer shall direct upon completion or termination of this contract and final audit of all accounts hereunder. All other records in the possession of the Contractor relating to this contract shall be preserved by the Contractor for a period of three (3) years after settlement of the contract or otherwise disposed of in such manner as may be agreed upon by the Government and the Contractor.

(e) Reports. The Contractor shall furnish such progress reports and schedules, financial and costs reports, and other reports concerning the work under this contract as the Contracting Officer may from time to time require.

(f) Inspections. The Commission shall have the right to inspect the work and activities of the Contractor under this contract at such time and in such manner as it shall deem appropriate.

(g) Subcontracts. The Contractor further agrees to require the inclusion of provisons similar to those in paragraphs (a) through this paragraph (g) of this article in all subcontracts (including lump-sum or unit-price subcontracts or purchase orders) of any tier entered into hereunder where, under the terms of the subcontract, costs incurred are a factor in determining the amount payable to the subcontractor.

(h) Internal Audit. The Contractor agrees to conduct an internal audit and examination satisfactory to the Commission of the records, operations, expenses, and the transactions with respect to costs claimed to be allowable under this contract annually and at such other times as may be mutually agreed upon. The results of such audit, including the working papers, shall be submitted or made available to the Contracting Officer.

ARTICLE IX - EXAMINATION OF RECORDS

(a) The Contractor agrees that the Comptroller General of the United States or any of his duly authorized representatives shall have access to and the right to examine any directly pertinent books, documents, papers and records of the Contractor involving transactions related to this contract until the expiration of three years after final payment under this contract unless the Commission authorizes their prior disposition.

(b) The Contractor further agrees to include in all its subcontracts hereunder a provision to the effect that the subcontractor agrees that the Comptroller General of the United States or any of his duly authorized representatives shall, until the expiration of three years after final payment under the subcontract, have access to and the right to examine any directly pertinent books, documents, papers, and records of such subcontractor, involving transactions related to the subcontract, unless the Commission authorizes their prior disposition. To the extent directed by the Commission, the Contractor will also include in such provision agreement that the Commission shall have the same right of examination as is hereinbefore provided for the Comptroller General. The term "subcontract" as used in this paragraph excludes (1) purchase orders not exceeding $2500, and (2) subcontracts or purchase orders for public utility services at rates established for uniform applicability to the general public.

(c) Nothing in this contract shall be deemed to preclude an audit by the General Accounting Office of any transaction under this contract.

ARTICLE X - REQUIRED BONDS AND INSURANCE - EXCLUSIVE OF GOVERNMENT PROPERTY

The Contractor shall procure and maintain such bonds and insurance as are required by law or by the written direction of the Contracting Officer. The terms of any such bond or insurance policy shall be submitted to the Contracting Officer for approval, upon request.

ARTICLE XI - PROPERTY

(a) Title to Property. Title to all Government-owned property in the care, custody or possession of the Contractor in connection with the performance of this contract shall remain vested in the Government throughout the term hereof, except for such as may be transferred or disposed of in accordance with this contract; and upon the completion or termination of this contract, the Contractor shall return care, custody and possession of all of the same not so transferred or disposed of or consumed to the Government. Except as otherwise directed by the Commission, title to all materials, equipment, supplies, and tangible personal property of every kind and description acquired by the Contractor, the cost of which is allowable under this contract, shall pass directly from the vendor to the Government and not to the Contractor.

(b) Identification. To the extent directed by the Contracting Officer, the Contractor shall identify the Government property coming into the Contractor's possession or custody by marking or segregating in such a way, satisfactory to the Contracting Officer, as shall indicate its ownership by the Government.

(c) Disposition. The Contractor shall make such disposition of Government property which has come into the possession or custody of the Contractor under this contract as the Commission shall direct. When authorized in writing by the Commission during the progress of the work or upon completion or termination of this contract, the Contractor may, upon such terms and conditions as the Commission may approve, sell or exchange such property, or acquire such property at a price agreed upon by the Commission and the Contractor at the fair value thereof. The proceeds of any disposition shall be received for the account of the Government, and shall be handled as a part of the advances of Government funds pursuant to Article VI hereof or otherwise credited to the account of the Government as the Commission may direct. Upon completion of the work or the termination of this contract, the Contractor shall render an accounting, as prescribed by the Commission, of all Government property which had come into the possession or custody of the Contractor under this contract.

(d) Protection of Government Property - Classified Materials. The Contractor shall take all reasonable precautions, as directed by the Contracting Officer, or in the absence of such directions in accordance with sound industrial practice, to safeguard and protect Government property in the Contractor's possession or custody. Special measures shall be taken by the Contractor in the protection of an accounting for any classified or special materials involved in the performance of this contract, in accordance with the regulations and requirements of the Commission.

(e) Risk of Loss of Government Property. The Contractor shall not be liable for loss or destruction of or damage to Government property in the Contractor's possession unless the same is due to the willful misconduct or bad faith on the part of any of the corporate officers of the Contractor or the full-time supervising representative of the Contractor in the performance of the work under this contract or unless such loss, destruction or damage is due to a failure on the part of the corporate officers of the Contractor or the full-time supervising

representative of the Contractor in the performance of the work under this contract to take all reasonable steps to comply with directives of the Commission to safeguard such property. The exemption from liability for loss or destruction of or damage to Government property provided for in this article shall not extend to any such loss, destruction or damage for which the Contractor is liable in tort under law and which is caused by the Contractor as a result of its activities not performed in carrying out the work under this contract.

(f) Steps to be Taken in Event of Loss. Upon the happening of any loss or destruction of or damage to Government property in the possession or custody of the Contractor, the Contractor shall immediately inform the Contracting Officer of the occasion and extent thereof, shall take all reasonable steps to protect the property remaining, and shall repair or replace the lost, destroyed, or damaged property, if and as directed by the Contracting Officer, but shall take no action prejudicial to the right of the Government to recover therefor and shall furnish to the Government, on request, all reasonable assistance in obtaining recovery.

(g) Use of Government Property. Government property shall be used only for the performance of this contract except as otherwise agreed upon in writing, in which event such other use shall be subject to such terms and conditions as may be agreed to by the parties.

ARTICLE XII - STATE AND LOCAL TAXES

(a) The Contractor agrees to notify the Commission of any State or local tax, fee, or charge levied or purported to be levied on or collected from the Contractor with respect to the contract work or any transaction thereunder and constituting an allowable item of cost if due and payable, but which, in the opinion of the Contractor or under the position of the Commission as communicated to the Contractor, is inapplicable or invalid; and the Contractor further agrees to refrain from paying any such tax, fee, or charge unless authorized by the Commission. Any State or local tax, fee, or charge paid with the approval of the Commission or on the basis of advice from the Commission that such tax, fee, or charge is applicable and valid, and which would otherwise be an allowable item of cost, shall not be disallowed as an item of cost by reason of any subsequent ruling or determination that such tax, fee, or charge was in fact inapplicable or invalid.

(b) The Contractor agrees to take such action as may be required or approved by the Commission to cause any such tax, fee, or charge referred to above to be paid under protest and to take such actions as may be required or approved by the Commission to seek recovery of any payment made, including assignment to the Government or its designee of all rights to an abatement or refund thereof, and granting permission for the Government to join with the Contractor in any proceedings for the recovery thereof or to sue for recovery in the name of the Contractor. If the Commission directs the Contractor to institute litigation to enjoin the collection of or to recover payment of any such tax, fee, or charge referred to above, or if a claim or suit is filed against the Contractor for a tax, fee, or charge it had refrained from paying in accordance with this article, the procedures and requirements of the article entitled "Litigation and Claims" shall apply and the costs

and expenses incurred by the Contractor shall be allowable items of cost, as provided in this contract, together with the amount of any judgment rendered against the Contractor.

(c) The Government shall save the Contractor harmless from penalties and interest incurred through compliance with this article.

ARTICLE XIII - CONTRACTOR PROCUREMENT

(a) The Commission reserves the right at any time to require that the Contractor submit for approval any or all procurements under this contract. The Contractor shall not procure any item whose purchase is expressly prohibited by the written direction of the Commission and shall use such special and directed procurement sources as may be expressly required by the Commission. The Contractor shall provide information concerning procurement methods, practices, and procedures used or proposed to be used and shall use methods, practices and procedures which are acceptable to the Commission. Procurement arrangements under this contract shall not relieve the Contractor of any obligation under this contract (including, among other things, the obligation properly to supervise, administer, and coordinate the work of subcontractors) and shall be in such form and contain such provisions as are required by this contract or as the Commission may prescribe.

(b) In addition to, and without derogation of any rights under paragraph (a) of this clause and any other provision in this contract, the Contractor shall require subcontractors to furnish cost or pricing data, and shall include in such subcontracts the clause set forth in AECPR 9-3.814-50, except as otherwise directed or approved by the Commission.

(c) Procurement or transfer of equipment, materials, supplies, or services from a Contractor-controlled source (any division or other organizational component of the Contractor (exclusive of the contracting component) and any subsidiary or affiliate of the Contractor under a common control) shall be considered a procurement for the purposes of this article.

ARTICLE XIV - BUY AMERICAN ACT

(a) In acquiring end products, the Buy American Act (41 U.S.C. 10a-d) provides that the Government give preference to domestic source end products. For the purpose of this article:

(1) "Components" means those articles, materials, and supplies which are directly incorporated in the end products;

(2) "End Products" means those articles, materials, and supplies, which are to be acquired under this contract for public use; and

(3) A "Domestic source end product" means (i) an unmanufactured end product which has been mined or produced in the United States and (ii) an end product manufactured in the United States if the cost of the components thereof which are mined, produced, or manufactured in the United States exceeds 50 percent

of the costs of all its components. For the purposes of this (a) (3) (ii), components of foreign origin of the same type or kind as the products referred to in (b) (2) or (3) of this article shall be treated as components mined, produced, or manufactured in the United States.

(b) The Contractor agrees that there will be used under this contract (by the Contractor, subcontractor, materialmen, and suppliers) only domestic source end products, except end products:

(1) Which are for use outside the United States;

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

(3) As to which the Commission determines the domestic preference to be inconsistent with the public interest; or

(4) As to which the Commission determines the cost to the Government to be unreasonable.

ARTICLE XV - PRIORITIES, ALLOCATIONS AND ALLOTMENTS

The Contractor shall follow the provisions of DMS Regulation 1 and all other applicable regulations and orders of the Business and Defense Service Administration in obtaining controlled materials and other products and materials needed to fill this contract.

ARTICLE XVI - LITIGATION AND CLAIMS

(a) Initiation of Litigation. If the Government requires the Contractor to initiate litigation, including proceedings before administrative agencies, in connection with this contract, the Contractor shall proceed with the litigation in good faith as directed from time to time by the Contracting Officer.

(b) Defense and Settlement of Claims. The Contractor shall give the Contracting Officer immediate notice in writing (1) of any action, including any proceeding before an administrative agency, filed against the Contractor arising out of the performance of this contract, and (2) of any claim against the Contractor the cost and expenses of which is allowable under the article entitled "Allowable Costs and Fixed Fee". Except as otherwise directed by the Contracting Officer, in writing, the Contractor shall furnish immediately to the Contracting Officer copies of all pertinent papers received by the Contractor with respect to such action or claim. To the extent not in conflict with any applicable policy of insurance, the Contractor may with the Contracting Officer's approval settle any such action or claim, shall effect at the Contracting Officer's request an assignment and subrogation in favor of the Government of all the Contractor's rights and claims (except those against the Government) arising out of any such action or claim against the Contractor, and, if required by the Contracting Officer, shall authorize representatives of the Government to settle or defend any such action or

claim and to represent the Contractor in, or to take charge of, any action. If the settlement or defense of an action or claim against the Contractor is undertaken by the Government, the Contractor shall furnish all reasonable assistance in effecting a settlement or asserting a defense. Where an action against the Contractor is not covered by a policy of insurance, the Contractor shall, with the approval of the Contracting Officer, proceed with the defense of the action in good faith; and in such event the defense of the action shall be at the expense of the Government; provided, however, that the Government shall not be liable for such expense to the extent that it would have been compensated for by insurance which was required by law or by the written direction of the Contracting Officer, but which the Contractor failed to secure through its own fault or negligence.

ARTICLE XVII - DISPUTES

(a) Except as otherwise provided in this contract, any dispute concerning a question of fact arising under this contract which is not disposed of by agreement shall be decided by the Contracting Officer, who shall reduce his decision to writing and mail or otherwise furnish a copy thereof to the Contractor. The decision of the Contracting Officer shall be final and conclusive unless within 30 days from the date of receipt of such copy, the Contractor mails or otherwise furnishes to the Contracting Officer a written appeal addressed to the Commission. The decision of the Commission or its duly authorized representative for the determination of such appeals shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent or capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence. In connection with any appeal proceeding under this article, the Contractor shall be afforded an opportunity to be heard and to offer evidence in support of its appeal. Pending final decision of a dispute hereunder, the Contractor shall proceed diligently with the performance of the contract and in accordance with the Contracting Officer's decision.

(b) This "Disputes" article does not preclude consideration of law questions in connection with decisions provided for in paragraph (a) above: Provided, That nothing in this contract shall be construed as making final the decision of any administrative official, representative, or board on a question of law.

ARTICLE XVIII - SAFETY, HEALTH AND ACCIDENT PROTECTION

The Contractor shall take all reasonable precautions in the performance of the work under this contract to protect the health and safety of employees and of members of the public and to minimize danger from all hazards to life and property, and shall comply with all health, safety, and fire protection regulations and requirements (including reporting requirements) of the Commission. In the event that the Contractor fails to comply with said regulations or requirements of the Commission, the Contracting Officer, may, without prejudice to any other legal or contractual rights of the Commission, issue an order stopping all or any part of the work; thereafter a start order for resumption of work may be issued at the discretion of the Contracting Officer.

ARTICLE XIX - PERMITS

Except as otherwise directed by the Contracting Officer, the Contractor shall procure all necessary permits or licenses and abide by all applicable laws, regulations, and ordinances of the United States and of the State, territory, and political subdivision in which the work under this contract is performed.

ARTICLE XX - SECURITY

(a) Contractor's Duty to Safeguard Restricted Data and Other Classified Information. In the performance of the work under this contract, the Contractor shall, in accordance with the Commission's security regulations and requirements, be responsible for safeguarding restricted data and other classified matters and protecting against sabotage, espionage, loss and theft, the classified documents, materials, equipment, processes, etc., as well as such other material of high intrinsic or strategic value as may be in the Contractor's possession in connection with performance of work under this contract. Except as otherwise expressly provided herein, the Contractor shall, upon completion or termination of this contract, transmit to the Commission any classified matter in the possession of the Contractor or any person under the Contractor's control in connection with performance of this contract.

(b) Regulations. The Contractor agrees to conform to all security regulations and requirements of the Commission.

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

(d) Security Clearance of Personnel. The Contractor shall not permit any individual to have access to Restricted Data, or other classified information, except in accordance with the Atomic Energy Act of 1954, as amended, and the Commission's regulations or requirements.

(e) Criminal Liability. It is understood that disclosure of information relating to the work or services ordered hereunder to any person not entitled to receive it, or failure to safeguard any Restricted Data or any Top Secret, Secret, or Confidential matter that may come to the Contractor or any person under the Contractor's control in connection with work under this contract, may subject the Contractor, his agents, employees, and subcontractors to criminal liability under the laws of the United States (see the Atomic Energy Act of 1954, 68 Stat. 919), (see also Executive Order 10104 of February 1, 1950, 15 F. R. 597).

(f) Subcontracts and Purchase Orders. Except as otherwise authorized in writing by the Contracting Officer, the Contractor shall insert provisions similar to the foregoing in all subcontracts and purchase orders under this contract.

ARTICLE XXI - CONTRACTOR'S ORGANIZATION

(a) Organization Chart. As promptly as possible after the execution of this contract the Contractor shall furnish to the Contracting Officer a chart showing the names, duties, and organization of key personnel to be employed in connection with the work, and shall furnish from time to time supplementary information reflecting changes therein.

(b) Supervising Representative of Contractor. Unless otherwise directed by the Contracting Officer, a competent full-time resident supervising representative of the Contractor satisfactory to the Contracting Officer shall be in charge of the work at the site at all times.

(c) Standards. The Contractor shall be responsible for maintaining satisfactory standards of employee competency, conduct and integrity and shall be responsible for taking such disciplinary action with respect to its employees as may be necessary. The Contractor shall establish such standards and procedures as are necessary to implement effectively the provisions set forth in Atomic Energy Commission Procurement Regulations 9-12.54, and such standards and procedures shall be subject to the approval of the Contracting Officer.

ARTICLE XXII - KEY PERSONNEL

It having been determined that the employees whose names appear (in Appendix "D"), or persons approved by the Contracting Officer as persons of substantially equal abilities and qualifications, are necessary for the successful performance of this contract, the Contractor agrees to assign such employees or persons to the performance of the work under this contract and shall not reassign or remove any of them without the consent of the Contracting Officer. Whenever, for any reason, one or more of the aforementioned employees is unavailable for assignment for work under the contract, the Contractor shall, with the approval of the Contracting Officer, replace such employee with an employee of substantially equal abilities and qualifications.

ARTICLE XXIII - CONSULTANT EMPLOYMENT

The Contractor shall require all employees who are employed full-time (an individual who performs work under the cost-type contract on a full-time annual basis) or part-time (50 percent or more of regular annual compensation received under the terms of a contract with the Commission) on the contract work to disclose to the Contractor all consultant or other comparable employment services which the employees propose to undertake for others. The Contractor shall transmit to the Contracting Officer all information obtained from such disclosures. The Contractor will require any employee who will be employed full-time on the contract work to agree, as a condition of his participation in such work, that he will not perform consultant or other comparable employment services for another Commission cost-type contractor or in the atomic energy field for another organization except with the prior approval of the Contractor. If the Contractor believes, with respect to any employee who is employed full-time on the contract work, that

any proposed consultant or other comparable employment service for an organization in the atomic energy field other than a Commission cost-type contractor may involve a rate of remuneration significantly in excess of the employee's regular rate of remuneration or a significant question concerning possible conflict with the Commission's policies regarding conduct of employees of the Commission's contractors, the Contractor's responsibility to report fully and promptly to the Commission all significant research and development information or the patent provisions of the Contractor's contract with the Commission, the Contractor shall obtain the prior approval of the Contracting Officer for such consultant or other comparable employment service.

ARTICLE XXIV - NOTICE OF LABOR DISPUTES

Whenever an actual or potential labor dispute is delaying or threatens to delay the performance of the work the Contractor shall immediately notify the Contracting Officer in writing. Such notice shall include all relevant information concerning the dispute and its background.

ARTICLE XXV - CONTRACT WORK HOURS STANDARDS ACT - OVERTIME COMPENSATION

This contract, to the extent that it is of a character specified in the Contract Work Hours Standards Act (40 U.S.C. 327-330), is subject to the following provisions and to all other applicable provisions and exceptions of such Act and the regulations of the Secretary of Labor thereunder.

(a) Overtime Requirements. No Contractor subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any laborer or mechanic in any workweek in which he is employed on such work to work in excess of eight hours in any calendar day or in excess of forty hours in such workweek on work subject to the provisions of the Contract Work Hours Standards Act unless such laborer or mechanic receives compensation at a rate not less than one and one-half times his basic rate of pay for all such hours worked in excess of eight hours in any calendar day or in excess of forty hours in such workweek, whichever is the greater number of overtime hours.

(b) Violation; Liability for Unpaid Wages; Liquidated Damages. In the event of any violation of the provisions of paragraph (a), the Contractor and any subcontractor responsible therefor shall be liable to any affected employee for his unpaid wages. In addition, such Contractor and subcontractor shall be liable to the United States for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic employed in violation of the provisions of paragraph (a) in the sum of $10 for each calendar day on which such employee was required or permitted to be employed on such work in excess of eight hours or in excess of the standard workweek of forty hours without payment of the overtime wages required by paragraph (a).

(c) Withholding for Unpaid Wages and Liquidated Damages. The Contracting Officer may withhold from the Contractor, from any moneys payable on account of work performed by the Contractor or subcontractor, such sums as may administratively be determined to be necessary to satisfy any liabilities of such Contractor or subcontractor for unpaid wages and liquidated damages as provided in the provisions of paragraph (b).

(d) Subcontracts. The Contractor shall insert paragraphs (a) through (d) of this article in all subcontracts, and shall require their inclusion in all subcontracts of any tier.

(e) Records. The Contractor shall maintain payroll records containing the information specified in 29 CFR 516.2(a).

ARTICLE XXVI - WALSH-HEALEY PUBLIC CONTRACTS ACT

If this contract is for the manufacture or furnishing of materials, supplies, articles, or equipment in an amount which exceeds or may exceed $10,000 and is otherwise subject to the Walsh-Healey Public Contracts Act, as amended (41 U.S.C. (35-45)), there are hereby incorporated by reference all representations and stipulations required by said Act and regulations issued thereunder by the Secretary of Labor, such representations and stipulations being subject to all applicable rulings and interpretations of the Secretary of Labor which are now or may hereafter be in effect.

ARTICLE XXVII - EQUAL OPPORTUNITY

The following article is applicable unless this contract is exempt under the rules and regulations of the President's Committee on Equal Employment Opportunity (41 CFR, ch. 60). Exemptions include contracts and subcontracts (a) not exceeding $10,000, (b) not exceeding $100,000 for standard commercial supplies or raw materials, and (c) under which work is performed outside the United States and no recruitment of workers within the United States is involved.

During the performance of this contract, the Contractor agrees as follows:

(a) The Contractor will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, creed, color, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation, and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Contracting Officer setting forth the provisions of this nondiscrimination article.

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

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

(d) The Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(e) The Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, as amended, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the Commission and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(f) In the event of the Contractor's noncompliance with the nondiscrimination clause of this contract or with any of the said rules, regulations, or orders, this contract may be canceled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in the said Executive Order or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(g) The Contractor will include the provisions of paragraphs (a) through (g) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as the Commission may direct as a means of enforcing such provisions, including sanctions for noncompliance; provided, however, that in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the Commission, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

ARTICLE XXVIII - CONVICT LABOR

In connection with the performance of work under this contract, the Contractor agrees not to employ any person undergoing sentence of imprisonment at hard labor.

ARTICLE XXIX - COVENANT AGAINST CONTINGENT FEES

(a) Warranty-Termination or Deduction for Breach. The Contractor warrants that no person or selling agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage,

brokerage, or contingent fee, excepting bona fide employees, or bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business. For breach or violation of this warranty the Government shall have the right to annul this contract without liability or in its discretion to deduct from the contract price or consideration, or otherwise recover, the full amount of such commission, percentage, brokerage, or contingent fee.

(b) Subcontracts and Purchase Orders. Unless otherwise authorized by the Contracting Officer in writing the Contractor shall cause provisions similar to the foregoing to be inserted in all subcontracts and purchase orders entered into under this contract.

ARTICLE XXX - OFFICIALS NOT TO BENEFIT

No member of or delegate to Congress, or resident commissioner, shall be admitted to any share or part of this contract, or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

ARTICLE XXXI - RENEGOTIATION

If this contract is subject to the Renegotiation Act of 1951, as amended, the following provisions shall apply:

(a) This contract is subject to the Renegotiation Act of 1951 (50 U.S.C. App. 1211, et seq.), as amended, and to any subsequent act of Congress providing for the negotiation of contracts. Nothing contained in this clause shall impose any renegotiation obligation with respect to this contract or any subcontract hereunder which is not imposed by an act of Congress heretofore or hereafter enacted. Subject to the foregoing, this contract shall be deemed to contain all the provisions required by Section 104 of the Renegotiation Act of 1951, and by any such other act, without subsequent contract amendment specifically incorporating such provisions.

(b) The Contractor agrees to insert the provisions of this article, including this paragraph (b), in all subcontracts, as that term is defined in Section 103g of the Renegotiation Act of 1951.

ARTICLE XXXII - UTILIZATION OF SMALL BUSINESS CONCERNS

(a) It is the policy of the Government as declared by the Congress that a fair proportion of the purchases and contracts for supplies and services for the Government be placed with small business concerns.

(b) The Contractor agrees to accomplish the maximum amount of subcontracting to small business concerns that the Contractor finds to be consistent with the efficient performance of this contract.

ARTICLE XXXIII - SMALL BUSINESS SUBCONTRACTING PROGRAM

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

(1) Designate a liaison officer who will (i) maintain liaison with the Government on small business matters, (ii) supervise compliance with the Utilization of Small Business Concerns article, and (iii) administer the Contractor's "Small Business Subcontracting Program".

(2) Provide adequate and timely consideration of the potentialities of small business concerns in all "make-or-buy" decisions.

(3) Assure that small business concerns will have an equitable opportunity to compete for subcontracts, particularly by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation of small business concerns. Where the Contractor's lists of potential small business subcontractors are excessively long, reasonable effort shall be made to give all such small business concerns an opportunity to compete over a period of time.

(4) Maintain records showing (i) whether each prospective subcontractor is a small business concern, (ii) procedures which have been adopted to comply with the policies set forth in this article, and (iii) with respect to the letting of any subcontract (including purchase orders) exceeding $10,000, information substantially as follows:

(A) Whether the award went to large or small business.

(B) Whether less than three or more than two small business concerns were solicited.

(C) The reason for nonsolicitation of small business if such was the case.

(D) The reason for small business failure to receive the award if such was the case when small business was solicited.

The records maintained in accordance with (iii) above may be in such form as the Contractor may determine, and the information shall be summarized quarterly and submitted by the purchasing department of each individual plant or division to the Contractor's cognizant small business liaison officer. Such quarterly summaries will be considered to be management records only and need not be submitted routinely to the Government; however, records maintained pursuant to this clause will be kept available for review.

(5) Notify the Contracting Officer before soliciting bids or quotations on any subcontract (including purchase orders) in excess of $10,000 if (i) no

small business concern is to be solicited, and (ii) the Contracting Officer's consent to the subcontract (or ratification) is required by a "Subcontracts" article in this contract. Such notice will state the Contractor's reasons for nonsolicitation of small business concerns, and will be given as early in the procurement cycle as possible so that the Contracting Officer may give SBA timely notice to permit SBA a reasonable period to suggest potentially qualified small business concerns through the Contracting Officer. In no case will the procurement action be held up when to do so would, in the Contractor's judgment, delay performance under the contract.

(6) Include the Utilization of Small Business Concerns article in subcontracts which offer substantial small business subcontracting opportunities.

(7) Cooperate with the Contracting Officer in any studies and surveys of the Contractor's subcontracting procedures and practices that the Contracting Officer may from time to time conduct.

(8) Submit such information on subcontracting to small business concerns as is called for by the Contracting Officer.

(b) A "small business concern" is a concern that meets the pertinent criteria established by the Small Business Administration and set forth in Section 1-1.701 of the Federal Procurement Regulations.

(c) The Contractor agrees that, in the event he fails to comply with his contractual obligations concerning the small business subcontracting program, this contract may be terminated, in whole or in part, for default.

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

ARTICLE XXXIV - UTILIZATION OF CONCERNS IN LABOR SURPLUS AREAS

It is the policy of the Government to place contracts with concerns which will perform such contracts substantially in areas of persistent or substantial labor surplus, where this can be done consistent with the efficient performance of the contract and at the prices no higher than are obtainable elsewhere. The Contractor agrees to use his best efforts to place his subcontracts in accordance with this policy. In complying with the foregoing and with paragraph (b) of the article of this contract entitled "Utilization of Small Business Concerns", the Contractor in placing its subcontracts shall observe the following order of preference:

(a) persistent labor surplus area concerns which are also small business concerns;

(b) other persistent labor surplus area concerns;

(c) substantial labor surplus area concerns which are also small business concerns;

(d) other substantial labor surplus area concerns; and

(e) small business concerns which are not labor surplus area concerns.

ARTICLE XXXV - LABOR SURPLUS AREA SUBCONTRACTING PROGRAM

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

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

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

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

(4) Maintain records showing procedures which have been adopted to comply with the policies set forth in this article; and

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

(b) A "labor surplus area concern" is a concern which will perform, or cause to be performed, a substantial proportion of any contract awarded to it in "Areas of Substantial Labor Surplus" (also called "Areas of Substantial Unemployment"), as designated by the Department of Labor. A concern shall be deemed to perform a substantial proportion of a contract in a labor surplus area if the costs that the concern will incur on account of manufacturing or production performed in persistent or substantial labor surplus areas (by itself or its first-tier subcontractors) amount to more than 50 percent of the price of such contract.

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

ARTICLE XXXVI - TERM AND TERMINATION

(a) This contract shall continue until October 1, 1972, unless sooner terminated in accordance with the provisions which follow:

(1) The performance of work under this contract may be terminated by the Commission in whole, or from time to time in part, (i) whenever the Contractor shall default in performance, and shall fail to cure the fault or failure within such period as the Commission may allow after receipt from the Commission of a notice specifying the fault or failure, or (ii) whenever for any reason the Commission shall determine any such termination is for the best interest of the Government. Termination of the work hereunder shall be effected by delivery of a notice of termination specifying whether termination is for default of the Contractor or at the option of the Commission, the extent to which performance of work under the contract shall be terminated, and the date upon which such termination shall become effective. Any such termination shall be without prejudice to any claim which either party may have against the other. If, after notice of termination of this contract under the provisions of paragraph (a) (1) (i) above, it is determined for any reason that the Contractor was not in default or that the failure to perform this contract is due to causes beyond the control and without the fault or negligence of the Contractor or its subcontractors, such notice of default shall be deemed to have been issued pursuant to paragraph (a) (1) (ii) above and the rights and obligations of the parties hereto shall in such event be governed by such paragraph.

(2) Upon receipt of notice of termination, in accordance with paragraph (1) above, the Contractor shall, to the extent directed in writing by the Commission, discontinue the terminated work and the placing of orders for materials, facilities, and supplies in connection therewith, and shall proceed, if, and to the extent required by the Commission, to cancel promptly and settle with the approval or ratification of the Commission, existing orders, subcontracts and commitments insofar as such orders, subcontracts and commitments are chargeable to this contract or the terminated portion thereof.

(b) Upon the termination of this contract, full and complete settlement of all claims of the Contractor and of the Commission arising out of this contract shall be made as follows:

(1) The Government shall have the right in its discretion to assume sole responsibility for any or all obligations, commitments and claims that the Contractor may have theretofore in good faith undertaken or incurred in connection with the terminated work, the cost of which would be allowable in accordance with the provisions of this contract; and the Contractor shall, as a condition of receiving the payments mentioned in this article, execute and deliver all such papers and take all such steps as the Commission may require for the purpose of fully vesting in the Government any rights and benefits the Contractor may have under such obligations or commitments.

(2) The Government shall treat as allowable costs all expenditures made in accordance with and allowable under Article V not previously so allowed or

otherwise credited for work performed prior to the effective date of termination, together with such of these, expenditures as may be incurred for a reasonable time thereafter with the approval of, or as directed by, the Contracting Officer.

(3) The Government shall treat as allowable costs, to the extent not included in (b) (2) above, the costs of settling and paying claims arising out of the termination of work under orders, subcontracts and commitments as provided in paragraph (a) (2) above which are properly chargeable to the terminated portion of the contract.

(4) The Government shall treat as allowable costs the reasonable costs of settlement, including accounting, legal, clerical, and other expenses reasonably necessary for the preparation of settlement claims and supporting data with respect to the termination of the contract and for the termination and settlement of orders and subcontracts thereunder, together with such further expenditures made by the Contractor after the date of termination for the protection or disposition of Government property as are approved or required by the Commission; provided however, that if the termination is for default of the Contractor, there shall not be included any amount for preparation of the Contractor's settlement proposal.

(5) If performance of work under this contract is terminated in whole by the Government, the fixed fee of the Contractor shall be prorated to and including the effective date of such termination. In addition, if the termination is for the convenience of the Government, the Contractor shall be paid a fixed fee in an amount to be agreed upon as compensation for its services in closing out the work under this contract after the effective date of such termination.

The additional fixed fee is to be negotiated as soon as practicable after service of notice of termination, shall be based upon an estimate of the cost of the services rendered under this article after the effective date of termination and agreed to by the Contractor and the Commission, and shall be provided for in a supplement or amendment to this contract prior to final settlement hereunder. Pending agreement as to the amount of such fee, the Contractor shall diligently proceed with the performance of the services required under this article. No additional fee will be paid if the contract is terminated due to the default of the Contractor. In the event of a partial termination by the Government, an equitable adjustment shall be made in the fixed fee if such termination results in a material decrease in the level of the Contractor's management effort. Any failure to agree on the right to or the amount of any adjustment shall be deemed a dispute within the purview of Article XVII hereof entitled "Disputes".

(6) The obligation of the Government to make any of the payments required by this article or any other provisions of this contract shall be subject to any unsettled claims in connection with this contract which the Government may have against the Contractor.

(c) Prior to final settlement the Contractor shall furnish a release as required in Article VI hereof and such accounting for Government-owned property as may be required by the Commission; provided, however, that unless the Commission requires an inventory, the maintenance and disposition of records of Government-

owned property in accordance with Article VIII shall be accepted by the Commission as full compliance with all requirements of this contract pertaining to an accounting of such property.

ARTICLE XXXVII - PATENTS

(a) Whenever any invention or discovery is made or conceived by the Contractor or its employees in the course of or under this contract, the Contractor shall promptly furnish the Commission with complete information thereon; and the Commission shall have the sole power to determine whether or not and where a patent application shall be filed, and to determine the disposition of the title to and rights under any application or patent that may result. The judgment of the Commission on these matters shall be accepted as final; and the Contractor, for itself and for its employees, agrees that the inventor or inventors will execute all documents and do all things necessary or proper to carry out the judgment of the Commission.

(b) No claim for pecuniary award or compensation under the provisions of the Atomic Energy Acts of 1946 and 1954 shall be asserted by the Contractor or its employees with respect to any invention or discovery made or conceived in the course of or under this contract.

(c) Except as otherwise authorized in writing by the Commission, the Contractor will obtain patent agreements to effectuate the purposes of paragraphs (a) and (b) of this article from all persons who perform any part of the work under this contract, except such clerical and manual labor personnel as will not have access to technical data.

(d) It is recognized that during the course of the work under this contract, the Contractor or its employees may from time to time desire to publish, within the limits of security requirements, information regarding scientific or technical developments made or conceived in the course of or under this contract. In order that public disclosure of such information will not adversely affect the patent interest of the Commission, patent approval for release and publication shall be secured from the Commission prior to any such release or publication.

(e) Except as otherwise authorized in writing by the Commission, the Contractor will insert in all subcontracts and purchase orders, other than purchase orders for standard commercial supplies, provisions making subparagraphs (a), (b), (c) and (d) of this article applicable to the subcontractor or seller and its employees.

(f) It is agreed that the Government shall hold the Contractor harmless from liability of any kind arising from infringement of patent rights in the course of the work performed by the Contractor under this contract, in view of the following facts:

(1) The Contractor has not made an investigation as to the possibility of patent infringement,

(2) The Government and the Contractor desire to avoid the delay incident to a patent investigation, and

(3) The Contractor has not included in its price or fee any provision for the settlement of possible patent claims excepting, however, any liability arising from the infringement of letters patent resulting from the Contractor's furnishing or supplying standard parts or components or utilizing its normal practice or methods in the performance of the contract or to any parts, components, practices or methods as to which the Contractor has secured indemnification from liability and with respect to which the Contractor agrees to indemnify the Government, its officers, agents, servants and employees against liability of any kind for the use of any invention or discovery and for the infringement of any letters patent (not including any liability arising from Section 183, Title 35 (1952) U.S.C., prior to the issuance of letters patent). The Contractor shall give prompt notice in writing to the Commission of any action filed or claim against the Contractor for infringement of patent rights in the course of the work performed by the Contractor under this contract. Except as otherwise directed by the Commission in writing, the Contractor shall furnish promptly to the Commission copies of all pertinent papers received by the Contractor with respect to any such action or claim. If required by the Commission, the Contractor (at the Government's expense, by proper arrangement) shall assist the Government in the settlement or defense of such action or claim and shall furnish such evidence in its possession as may be required by the Government in the settlement or defense of such action or claim.

(g) In addition to the rights of the parties under the foregoing paragraphs in and to inventions or discoveries made or conceived in the course of or under this contract, the Contractor agrees to and does hereby grant to the Government an irrevocable, nonexclusive, paid-up license in and to any inventions or discoveries actually reduced to practice before the effective date of this contract owned or controlled by the Contractor or Atlantic Richfield Company, and in and to any inventions or discoveries actually reduced to practice or acquired during the contract period but not subject to the foregoing foreground invention rights provision, which shall be incorporated in the construction of, involved in the utilization of, or embodied in the work at, the facilities designated under Article II of this contract, by the Contractor (1) to practice or to have practiced for the Government at such facilities, (2) to practice and to have practiced in similar U. S. Government facilities, and (3) to sell or dispose of such facility or facilities, or any portion thereof, as provided by law. The acceptance or exercise by the Government of the aforesaid rights and license shall not prevent the Government at any time from contesting the enforceability, validity or scope of, or the title to, any rights or patents herein licensed.

(h) If this contract involves any royalty payments or if the amount of any royalty payments is reflected in the contract price of the contract to the Government, the Contractor agrees to report in writing to the Commission (Assistant General Counsel for Patents) during the performance of this contract and prior to its completion or final settlement the amount of any royalties or other payments paid or to be paid by it directly to others in connection with the performance of this contract together with the names and addresses of licensors to whom such payments are made and either the patent numbers involved or such other information as will permit identification of the patents or other basis on which the royalties are to be paid. The approval of the Commission of any individual payments or

royalties shall not estop the Government at any time from contesting the enforceability, validity or scope of, or title to, any patent under which a royalty or payments are made.

ARTICLE XXXVIII - COPYRIGHT

(a) The Contractor (1) agrees that the Commission shall determine the disposition of the title to and the rights under any copyright secured by the Contractor or its employees on copyrightable material first produced or composed and delivered to the Government under this contract and (2) hereby grants to the Government a royalty-free, nonexclusive, irrevocable license to reproduce, translate, publish, use and dispose of, and to authorize others so to do, all copyrighted or copyrightable work not first produced or composed by the Contractor in the performance of this contract but which is incorporated in the material furnished under the contract, provided that such license shall be only to the extent the Contractor now has, or prior to the completion or final settlement of the contract may acquire, the right to grant such license without becoming liable to pay compensation to others solely because of such grant.

(b) The Contractor agrees that it will not include any copyrighted material in any written or copyrightable material furnished or delivered under this contract, without a license as provided for in paragraph (a) (2) hereof, or without the consent of the copyright owner, unless specific written approval of the Commission to the inclusion of such copyrighted material is secured.

(c) The Contractor agrees to report in writing to the Commission, promptly and in reasonable detail, any notice or claim of copyright infringement received by the Contractor with respect to any material delivered under this contract.

(d) The Government hereby grants its authorization and consent to use of any material which is not known to be copyrighted in the course of the work to be performed by the Contractor under this contract. Except for the foregoing authorization and consent, any liability arising from infringement of any copyright work protected under copyright laws of the United States resulting from the Contractor's performance of the contract, the Contractor agrees to indemnify the Government, its officers, agents, servants and employees against liability and infringement of any such copyright.

ARTICLE XXXIX - DRAWINGS, DESIGNS, SPECIFICATIONS

Except as agreed upon by the Government and the Contractor, all drawings, sketches, designs, design data, plans, specifications, notebooks, technical and scientific data, medical records, all supporting documents relating to this contract, and all photographs, negatives, reports, findings, recommendations, data and memoranda of every description relating thereto, as well as copies of the foregoing and information contained therein, shall be subject to inspection by the Commission at all reasonable times (for which inspection the proper facilities shall be afforded the Commission by the Contractor and its subcontractors); shall be the property of the Government and may be used by the Government for any purpose whatsoever without any claim on the part of the Contractor or its subcontractors and

vendors for additional compensation; and shall, subject to the right of the Contractor to retain a copy of said material for its own use, be delivered to the Government, or otherwise disposed of by the Contractor, either as the Commission may from time to time direct during the progress of the work, or in any event as the Commission shall direct upon completion or termination of this contract. The Contractor's right of retention and use of said material shall be subject to the security and patent articles of this contract, and, unless such material has been otherwise disseminated, its use by the Contractor is further restricted to the use in connection with the work under this contract unless prior written approval is obtained from the Contracting Officer for other uses.

ARTICLE XL - BACKGROUND TECHNICAL DATA

(a) In addition to the rights of the parties set forth above in Article XXXIX and subject to paragraph (b) of this article the Contractor agrees to and does hereby grant to the Government an irrevocable license and right to use any secret process, technical information, or know-how of the Contractor or Atlantic Richfield Company made, developed, or acquired prior to or on the effective date of expiration or completion of this contract, which shall be or is utilized, tested, or embodied in the work under this contract or in the facilities designated under Article II, or which shall be or is specifically incorporated by the Contractor in any scientific or technical report rendered under this contract; Provided, however, That to the extent that any such background "secret processes, technical information or know-how" when furnished or delivered are specifically indentified by the Contractor at the time of delivery to the Commission, the same shall not be used by the Government (unless such material and information are generally available to the public or has been made available to the Government from other sources or previously by the Contractor without limitation as to use) except in the performance of this contract or of other contracts or subcontracts with or for the benefit of the Government, and the right of the Government to practice or have practiced is limited to the facilities designated under Article II, and to similar Government facilities with the Government having the right to sell or lease such facilities, or any portion thereof, as provided by law.

(b) The granting of the license referred to in paragraph (a) of this article is limited to the extent the Contractor now has, or prior to or on the effective date of expiration or completion of this contract may acquire, the right to grant such license without becoming liable in any way to others because of such grant. The Contractor will not incorporate in the facilities designated under Article II, or in the work and shall exert its best efforts not to incorporate in any scientific or technical report rendered under this contract any secret process, technical information, or know-how in which the Contractor cannot grant a license without becoming liable to others because of such grant, unless approved by the Commission.

ARTICLE XLI - CLASSIFICATION

In the performance of the work under this contract, the Contractor shall assign classifications to all documents, material and equipment originated or generated by the Contractor in accordance with classification guidance furnished to the

Contractor by the Commission. Every subcontract and purchase order issued hereunder involving the origination or generation of classified documents, material or equipment, shall include a provision to the effect that in the performance of such subcontract or purchase order the subcontractor or supplier shall assign classifications to all such documents, material and equipment in accordance with classification guidance furnished to such subcontractor or supplied by the Contractor.

ARTICLE XLII - NUCLEAR HAZARDS INDEMNITY

(a) This article is incorporated into this contract pursuant to the authority contained in subsection 170(d) of the Atomic Energy Act of 1954, as amended (hereinafter called "the Act").

(1) The definitions set out in the Act shall apply to this article.

(2) The term "contract location" means any Commission facility, installation, or site at which contractual activity under this contract is being carried on, and any Contractor-owned or controlled facility, installation, or site at which the Contractor is engaged in the performance of contractual activity under this contract.

(b) Except as hereafter permitted or required in writing by the Commission, the Contractor will not be required to provide or maintain, and will not provide or maintain at Government expense, any form of financial protection to cover public liability. The Commission may at any time require in writing that the Contractor provide and maintain financial protection of such a type and in such amount as the Commission shall determine to be appropriate to cover public liability arising out of or in connection with the contractual activity, provided that the costs of such financial protection will be reimbursed to the Contractor by the Commission.

(c) (1) To the extent that the Contractor and other persons indemnified are not compensated by any financial protection permitted or required by the Commission, the Commission will indemnify the Contractor, and other persons indemnified, against (i) claims for public liability as described in paragraph (2) of this section (c); and (ii) the reasonable costs of investigating and settling claims, and defending suits for damage for such public liability, provided that the Commission's liability, including such reasonable costs, under all indemnity agreements entered into by the Commission under Section 170 of the Act, including this contract, shall not exceed $500,000,000, in the aggregate for each nuclear incident occurring within the United States or $100,000,000 in the aggregate for each nuclear incident occurring outside the United States, irrespective of the number of persons indemnified in connection with this contract.

(2) The public liability referred to in paragraph (1) of this section is public liability which (i) arises out of or in connection with the contractual activity; and (ii) arises out of or results from:

(A) a nuclear incident which takes place at a contract location; or

(B) a nuclear incident which takes place at any other location and arises out of or in the course of the performance of contractual activity under this contract by the Contractor's employees, individual consultants, borrowed personnel or other persons for the consequences of whose acts or omissions the Contractor is liable, provided that such incident is not covered by any other indemnity agreement entered into by the Commission pursuant to Section 170 of the Act; or

(C) a nuclear incident which arises out of or in the course of transportation of source, special nuclear, or by-product materials to or from a contract location; provided such incident is not covered by an indemnity agreement entered into by the Commission with the transporting carrier, or with a carrier's organization acting for the benefit of the transporting carrier, or with a licensee of the Commission, pursuant to Section 170 of the Act.

(D) a nuclear incident which involves items (such as equipment, material, facilities, or design or other data) produced or delivered under this contract, provided such incident is not covered by any other indemnity agreement entered into by the Commission pursuant to Section 170 of the Act.

(d) When the Commission shall determine that the Government will probably be required to make indemnity payments under the provisions of Section (c) above, the Commission shall have the right to, and shall, collaborate with the Contractor and any other person indemnified in the settlement or defense of any claim and shall have the right (i) to require the prior approval of the Commission for the payment of any claim that the Commission may be required to indemnify hereunder, and (ii) to appear through the Attorney General on behalf of the Contractor or any other person indemnified in any action brought upon any claim that the Commission may be required to indemnify hereunder, take charge of such action, and settle or defend any such action. If the settlement or defense of any such action or claim is undertaken by the Commission, the Contractor shall furnish all reasonable assistance in effecting a settlement or asserting a defense.

(e) The indemnity provided by this article shall not apply to public liability arising out of or in connection with any activity that is performed at a licensed facility, and that is covered by a Commission indemnity agreement authorized by Section 170 of the Act.

(f) The obligations of the Commission under this article shall not be affected by any failure on the part of the Contractor to fulfill its obligation under this contract, and shall be unaffected by the death, disability or termination of existence of the Contractor or by the completion, termination or expiration of this contract.

(g) The parties to this contract enter into this article upon the condition that this article may be amended at any time by the mutual written agreement of the Commission and the Contractor and that such amendment may, by its express terms, provide that it will apply to any nuclear incidents which occur thereafter.

(h) The provisions of this article shall not be limited in any way by, and shall be interpreted without reference to, any other article of this contract, (including Article XVII - Disputes); provided, however, that the following provisions of this contract: Article XXIX, Covenant Against Contingent Fees; Article XXX, Officials Not to Benefit; Article VII, Assignment; and Article IX, Examination of Records; and any provisions later added to this contract which, under applicable Federal law, including statutes, executive orders and regulations, are required to be included in agreements of the type contained in this article, shall apply to this article.

ARTICLE XLIII - SOURCE AND SPECIAL NUCLEAR MATERIALS

The Contractor shall comply with all applicable regulations and instructions of the Commission relative to the control of and accounting for source and special nuclear material (as these terms are defined in the Atomic Energy Act of 1954). The Contractor shall make such reports and permit such inspections as the Commission may require with reference to source and special nuclear materials. The Contractor shall take all reasonable steps and precautions to protect such materials against theft and misappropriations and to minimize all losses of such materials.

ARTICLE XLIV - WORKMEN'S COMPENSATION

(a) The Commission has heretofore entered into Contract No. AT(45-1)-562 with the Department of Labor and Industries of the State of Washington (hereinafter called the "Department") which embodies a Defense Projects Insurance Rating Plan (hereinafter called the "Plan") pursuant to Chapter 144 of the Laws of 1951 of the State of Washington. The Contractor shall take all action required to provide and maintain workmen's compensation coverage for its employees under the laws of the State of Washington subject to the provisions of the Plan. Under the Plan, the Commission has agreed to bear the actual cost of the workmen's compensation coverage for contractors with respect to whom the Commission advises the Department the coverage is to apply. The Commission has advised the Department that the coverage of the Plan shall apply to the Contractor as a named insured. If the Plan is terminated, the Commission agrees to give the Contractor 90 days' advance notice before the effective date of said termination.

(b) In accordance with Contract No. AT(45-1)-562, the coverage afforded by the workmen's compensation statute of the State of Washington shall, for performance of work in the State of Washington, including work subcontracted, be subject to the following:

(1) The Contractor shall be relieved of all obligation to pay premiums for such coverage, the Commission having agreed to bear the actual cost of such coverage.

(2) The Contractor shall submit to the Commission, for transmittal to the Department, such payroll records as are required by Title 51 of the Revised Code of Washington.

(3) The Contractor shall, for coverage of each individual employer or any member or officer of any corporate employer provided for by Section 51.32.030 of the Revised Code of Washington, submit to the Commission for transmittal to the Department the written notice required by that section.

(4) The Contractor shall submit to the Commission, for transmittal to the Department, the accident reports provided for by Section 51.28.010 of the Revised Code of Washington.

(5) The Contractor shall take such action, and only such action, as the Commission requires in connection with any such accident reports, including assistance in the investigation and disposition of any claims thereunder and, subject to the direction and control of the Commission, the conduct of litigation in the Contractor's own name in connection therewith.

ARTICLE XLV - UNEMPLOYMENT COMPENSATION

(a) The Contractor shall take all action required to provide and maintain unemployment compensation coverage for its employees under the laws of the State of Washington (Title 50, Revised Code of Washington).

(b) The Commission shall be given the benefit of any employer experience rating credit received by the Contractor and attributable to wages subject to contribution paid under this contract.

IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day and year first above written.

UNITED STATES OF AMERICA

UNITED STATES ATOMIC ENERGY COMMISSION

By _____
(Contracting Officer)

ATLANTIC RICHFIELD HANFORD COMPANY

By Lawrence M. Richards
(President)

I, R. G. Nelson, certify that I am the Secretary of the corporation named as Contractor herein; that Lawrence M. Richards who signed this Contract on behalf of the corporation, was then President of said corporation; that said contract was duly signed for and on behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

IN WITNESS WHEREOF, I have hereunto affixed my hand and the seal of said corporation, this First day of August, 1967.

R G Nelson
(Secretary)

(Corporate Seal)

AF(45-1)-2130
Appendix "A"

CONTRACT AT(45-1)-2130
APPENDIX "A"

PROCEDURES AND SCHEDULE
FOR NEGOTIATING ANNUAL FIXED FEE

(a) The annual fixed fee shall be determined in accordance with the procedures set forth below within the 30 day period immediately preceding June 30 of each year or within such other time as the parties may agree.

(1) The base for determining the fixed fee will include all costs subject to management effort under the contract. This includes all costs under the Commission's programs under the contract for which the Contractor is responsible, with the exception of:

(i) The estimated cost of major capital structures, capital facilities or capital equipment normally purchased or contracted for directly by the Commission.

(ii) The estimated costs of "nonfund" transfers, (cost transfers which do not affect cost ceilings as contained in financial plans issued by the Commission to the Contractor) such as depreciation and source and special nuclear materials.

(iii) Any fee to the Contractor included in the contract costs.

(iv) Services provided by the Commission or other contractors of the Commission at Richland, where the Contractor exercises no management control over the timing, costs or scope of the services rendered. Costs for these services are identifiable by the fact that they represent "assessments" out of a centrally controlled "bookkeeping pool" in contrast with costs for other services which are separately identified and billed to the Contractor.

(v) Other services accomplished by performer contractors as part of their assigned RL contractual responsibilities and which user contractors are required by the Commission to use without right of own performance or of obtaining such services from alternate suppliers--such as bus, motor pool, occupational health, etc.

(vi) Three-fourths of the estimated cost of services received from other on-site Commission contractors as follows:

Architect-Engineer Contractor - presently Vitro Engineering Company.

Minor Construction Contractor - presently J. A. Jones.

Electronic Data Processing Contractor - presently Computer Sciences Corporation.

Laboratory Contractor - presently Battelle Memorial Institute.

(vii) Three-fourths of the estimated cost of stores materials received from the on-site Support Services Contractor.

(2) The Contractor will be paid a fixed fee, with the exclusions listed above, on the annual estimated costs of work under the contract as follows:

(i)	On the first $20,000,000 of estimated cost	$725,000
(ii)	On the next $5,000,000 of estimated cost or portion thereof	2.75%
(iii)	On the next $15,000,000 of estimated cost or portion thereof	2.15%

(3) In the event the fee base provided for in (a) (1) above for any year is less than $20,000,000, the parties shall negotiate the fixed fee to be paid for that year independently of Paragraph (a) above.

(b) As a matter of convenience, the parties hereto may agree by letter upon estimated costs and fixed fee under this Procedures and Schedule, it being understood that, from time to time, such letter agreements will be consolidated into supplements to the contract setting forth the adjusted fixed fee and estimated costs.

(c) Neither party guarantees the accuracy of cost estimates on which the fixed fee is based and no adjustments will be made in the amount of fixed fee solely because the actual cost varies from the estimated cost for the period covered by the fixed fee.

CHEMICAL PROCESSING OPERATION
COST ESTIMATE FOR FEE CALCULATION
TEN-MONTH PERIOD ENDING JUNE 30, 1968
AMOUNTS IN THOUSANDS

Cost Category	Estimated Annual Cost	Percent Allowed	Fee Base
A. Directly Incurred Cost			
Salaries and Fringes	$ 16,115	100	$ 16,115
Materials and Supplies	3,789	100	3,789
Travel	150	100	150
Other - Taxes, etc.	293	100	293
Offsite Work for Others	600	100	600
B. Costs Transferred			
Materials from Stores	763	25	191
Electricity	397	100	397
Battelle-Northwest	1,993	25	498
Computer Sciences	313	25	78
J. A. Jones	720	25	180
Vitro	271	25	68
DUN and NRD	229	25	57
Other Onsite Services	2,616	-0-	-0-
Assessments	2,125	-0-	-0-
Cost Base for Fee Calculations			$ 22,416
Annual Fee Computed in Accordance with Appendix A (in dollars)			$791,440
Monthly Fee (in dollars) from take-over date to June 30, 1968			$ 65,953

FEE CALCULATION

	Annual Cost	%	Fee
1st	$20,000,000	-	$725,000
next	$ 2,416,000	2.75	$ 66,440
	$22,416,000		$791,440

OFFICE OF PUBLIC RELEASE JUN 26 1963 MGM PROCESS. DIV.

Atlantic Richfield Hanford Company
Cost Estimate for Fee Calculation
Twelve Month Period Ending June 30, 1969

Cost Category ($ in Thousands)	Estimate Total Cost	Percent Allowed	Fee Base
A. Directly Incurred Cost			
Salaries & Fringe Benefits	$ 17,546	100	$ 17,546
Materials & Supplies	4,395	100	4,395
Travel	187	100	187
Other - Taxes, etc.	470	100	470
Offsite Work for Others	872	100	872
B. Costs Transferred			
Materials from Stores	800	25	200
Electricity	410	100	410
Battelle Memorial Institute			
Pacific Northwest Laboratory	1,878	25	470
Computer Sciences Corporation	311	25	78
J. A. Jones Construction Co.	1,410	25	353
HES (Vitro)	145	25	36
Douglas United Nuclear, Inc.	213	25	53
Other Onsite Services	2,748	-0-	-0-
Assessments	2,100	-0-	-0-
Total	$ 33,485		$ 25,070
Annual Fee (In Dollars)			$364,005
Monthly Fee (In Dollars)			$ 72,000

Fee Calculation

First	$20,000,000		$725,000
Next	5,000,000	@2.75%	137,500
Next	70,000	@2.15%	1,505
			$364,005

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APPENDIX "B"

CONTRACT AT(45-1)-2130

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APPENDIX "B"

Contract AT(45-1)-2130

This Appendix "B" contains a statement of personnel policies, practices and programs which shall apply to employees of the Contractor engaged in work under the contract.

Amendments of the Appendix "B" may be made from time to time with the prior written approval of AEC.

I. WAGE AND SALARY ADMINISTRATION

A. General Policy

1. Administration of wages and salaries under this contract shall be carried out in accordance with sound wage and salary administration principles and in a manner which shall provide for equitable treatment of personnel on a definitive, systematic basis consistent with economic business practices and judicious expenditure of public funds and which shall result in payment of total compensation to individual employees conforming to the standards of reasonableness as contemplated by the Commission's Procurement Regulation 9-15.5010-14.

2. Salaries paid to employees shall be determined by the Contractor after full consideration of an employee's qualifications, work performance, potential for growth, conformance to area and market compensation levels or other appropriate criteria, and such other factors as may be pertinent to an individual case.

B. Definitions

1. Exempt Employee - An employee of the Contractor employed in a bona fide executive, administrative, or professional capacity who is determined to be exempt from the wage and hour provisions of the Fair Labor Standards Act of 1938, as amended.

2. Nonexempt Employee - An employee of the Contractor who is determined to be covered by the wage and hour provisions of the Fair Labor Standards Act of 1938, as amended.

C. Salary Plans

Employees of the Contractor shall be assigned to positions and compensated in accordance with the manuals entitled:

a. Exempt Salary Plan
b. Nonexempt Salary Plan
c. Bargaining Unit Wage Rate Plan

which will be furnished and subject to approval by the Commission and which, by this reference, will be incorporated in the Appendix "B" as though set forth herein in full. Revisions to the aforesaid manuals will require approval of the Commission prior to adoption.

D. Salary Increase Allotment

During the first quarter of each calendar year and subject to the approval of the Commission, the Contractor shall establish an annual noncumulative salary increase allotment which shall represent the maximum amount of funds to be expended for salary increases (merit, reclassification, market, economic, promotion) for exempt employees. The amount of salary increase granted to individual employees shall be left to the discretion of the Contractor except as provided in

Section E. below and in Article V., 1. (d) (8) (1) (A) of the Contract. The annual increase allotment shall be based on such factors as national and industry surveys, parent company experience, and area rates, and such other criteria as may be agreed upon by the Contractor and the Commission and shall be expressed as a percentage of base exempt payroll as of January 1 of each calendar year.

Any unused portion of the annual allotment will not be carried forward from year to year.

E. Limitations and Controls

1. The amount of salary increases granted to exempt employees in connection with merit promotion or reclassification shall be left to the discretion of the Contractor. The Contractor will limit individual merit increases and promotions or reclassification as follows:

   a. Upon reclassification to a higher salary grade as a result of a change in occupational assignment or promotion, an employee may receive an increase in his base monthly salary rate of up to fifteen percent (15%) or adjustment to the minimum of the salary grade, whichever is greater.

   b. New hires shall be employed at rates determined by the Contractor to be appropriate for the job classification to which assigned. Except in unusual circumstances, the rate offered to the new employee should not be in excess of ten percent (10%) above that which he is earning in his present employment when the work classification and responsibility in his new job is comparable to that of the job he is leaving.

c. No part of any salary in excess of the maximum of an established salary range will constitute an allowable cost without the approval of the Commission.

2. Formal compensation surveys conducted by the Contractor shall constitute allowable costs only if approved in advance by the Commission.

F. Salary Reports

The Contractor shall submit reports and information in connection with the administration of wages and salaries under this contract as the Commission may require from time to time to evaluate the reasonableness of the Contractor's wage and salary program.

II. RULES GOVERNING SALARY PAYMENTS

A. Definitions

1. Part-Time Employee - A part-time employee is one who is employed on the basis of a regular work schedule of less than forty (40) hours per week. The payment of benefits such as vacations, holidays, sick leave and pensions shall be reasonably related to the number of hours worked by such employees.

2. Temporary Employee - A temporary employee is one who is hired for a specific period of time (usually one year or less) in any job category. A temporary employee will receive no company benefits, other than those required by law.

3. Transferring Employee - A Transferring Employee is one who, on a date mutually agreeable to the Contractor and Isochem Inc., is terminated for transfer by Isochem Inc., and who immediately thereafter reports for duty with the Contractor to initially fill a job required in taking over work within the scope of this contract.

4. Service - Service with the Atlantic Richfield Hanford Company shall include employment with the Atlantic Richfield Company or its subsidiaries. For those employees transferring directly to the Contractor's rolls from Isochem Inc., as a result of the reassignment of functions by AEC from Isochem Inc. to the Contractor, "Service" shall mean continuous employment with Isochem Inc. or U. S. Rubber Company or Martin-Marietta Corp. or the subsidiaries of either of them and the General Electric Company, and in the case of those individuals who transferred from du Pont to General Electric, employment with the E. I. du Pont Company.

5. Salary Rate - The compensation paid to any employee for the basic 40-hour workweek, exclusive of any other payments, such as isolation pay, shift differential or overtime or any other premium payment.

6. Regular Hourly Rate - The salary rate defined in Paragraph 5. above, expressed as an hourly rate, plus shift differential and isolation pay, if applicable. The regular hourly rate for both exempt and nonexempt employees is calculated by dividing the weekly salary rate by forty (40).

B. Hours of Work

The basic workweek shall be forty (40) hours with not more than eight (8) working hours in any one day.

Prior approval of the Commission will be required for establishment of any extended workweek in excess of forty (40) hours and the assignment of personnel thereto whenever such extended workweek applies to an entire functional organizational unit of twenty (20) or more employees and is scheduled for a period in excess of four (4) consecutive weeks. The Contractor shall establish adequate controls to prevent excessive overtime work and to assure that overtime work is in the best interests of the Government.

C. Shift Work Payments

1. Nonexempt Employees - Nonexempt employees who are assigned to and work on a recognized shift which is scheduled to start before 6:00 A.M. or end after 6:00 P.M. may receive a shift differential of twenty-four cents (24¢) per hour while working such shift.

2. Exempt Employees - Exempt employees who are assigned to and work on a recognized shift which is scheduled to start before 6:00 A.M. or end after 6:00 P.M. may receive a shift differential of ten percent (10%) of earnings, excluding isolation pay, but including overtime where applicable.

D. Isolation Pay

1. Nonexempt employees who report to and begin their work days at work locations in or in the vicinity of the 100 or 200 Areas of the Hanford Project may be paid isolation pay in the amount of $10.99 per week.

2. Exempt employees who are required to report to work at locations in or in the vicinity of the 100 or 200 Areas may be paid isolation pay in the amount of $47.76 per month provided they report to work in the outer areas for sixteen (16) or more scheduled days. Exempt employees who report for work in or in the vicinity of the 100 or 200 Areas for less than sixteen (16) scheduled days within any month may be paid Isolation Pay for that month on a pro rata basis calculated at the monthly rate for the number of days worked in such areas.

3. Isolation Pay may also be paid to employees who are scheduled to report to work in or in the vicinity of the 100 or 200 Areas on those days on which they report, in accordance with their supervisor's

instructions, for periodic medical examinations at the beginning of their workday.

E. Leave Payments

1. Industrial Injury - An employee who is absent on account of compensable injury or occupational disease may be paid an amount equal to the difference between regular weekly pay for forty (40) hours, including isolation pay where applicable but excluding shift differential, and the payments received under Workmen's Compensation until the disability payments are terminated by an order of the Department of Labor and Industries, Appeal Board or court. If a decision of the Department of Labor and Industries, Appeal Board or court is appealed by either the Contractor or the employee, payment of such difference will not be made unless and until final determination is made in favor of the employee by the appropriate agency or court.

2. Court and Jury Leave

When an employee is called for service as juror or as a witness by court subpoena or is called as witness by the Contractor or the Commission, he may continue to receive his base weekly salary rate less shift differential but including isolation pay, whichever is applicable. The employee will be required to remit to the Contractor any jury or court fees, except travel allowances, paid by the court for such duty. Jury duty shall count as time worked in the computation of overtime.

3. Voting - In unusual circumstances where an employee cannot vote without interference with his working schedule, he will be allowed the necessary time off with pay not to exceed two (2) hours.

4. Blood Donation - Where, in unusual cases, because of work location or shift schedule, an employee cannot make a blood donation during nonworking hours, he may be allowed the necessary time off with pay.

5. Illness - Employees with one (1) or more years of service may be granted payment for up to twenty (20) working days of absence due to personal illness in any 12-month period.

An employee will accumulate an additional illness absence allowance of two (2) working days for each year of continuous service up to a maximum of thirty (30) additional working days in any 12-month period.

Employees with six (6) months but less than one (1) year of service may be granted payment for absences due to personal illness up to five (5) working days in any 12-month period.

6. Personal Reasons - Death of Immediate Relative - Employees with one (1) or more years of service may be allowed payments of up to five (5) working days in any 12-month period for absence due to personal reasons, and five (5) working days for absence due to death of an immediate relative.

Employees with six (6) months but less than one (1) year of service may be allowed a total of five (5) working days pay for personal reasons or death of an immediate relative.

"Immediate Relative" shall include only an employee's or spouse's parents (or any other person in the status of a parent), brother, sister, grandparent, or child, or the employee's spouse, son-in-law, daughter-in-law, or grandchild.

7. Amount of Payment - Absence payments will include isolation pay, if applicable, except in the case of extended absence payments. Shift differential will not be included.

8. Non-Bargaining Unit Employees - Leave with pay for non-bargaining unit employees, in addition to that specified above, may be granted only on the recommendation of the employee's supervisor and with the approval of the Vice President of Business Management. Requests for additional leave will be reviewed on an individual case basis and consideration will be given to such factors as length of continuous service, previous lost time, past work performance and future potential of the employee, the reason for the request and expected duration of the leave.

F. Holidays

1. The following nine (9) holidays shall be observed each year:

New Year's Day	Thanksgiving Day
Washington's Birthday*	Day After Thanksgiving
Memorial Day	December 24th
Independence Day	Christmas Day
Labor Day	

*Lincoln's Birthday may be observed instead of Washington's Birthday when Washington's Birthday falls on a Tuesday, Wednesday, or Thursday.

2. When a holiday falls on the first scheduled day of rest of an employee, the holiday will be observed by that employee on his last scheduled workday preceding the holiday. When a holiday falls on the second scheduled day of rest of an employee, the holiday will be observed by that employee on his next scheduled workday following the holiday.

If one or more holidays fall within a vacation period, the vacation period shall be extended accordingly or, at the discretion of management, the employee shall receive additional pay for the holiday or holidays.

3. Eligible employees who are not required to work on a holiday shall be paid at their regular rate of pay for the normal daily schedule including shift differential and isolation pay where applicable. Eligible employees who are required to work on a holiday shall receive additional pay in accordance with the Contractor's overtime and premium pay policies as set forth in Section G., below.

4. An exempt employee will be eligible for holiday pay provided he is being paid for the week in which the holiday occurs.
A nonexempt employee will be eligible for holiday pay unless he is on an unauthorized leave on his last scheduled workday immediately preceding or following his holiday.
Payment also may be made to an employee where his absence is due to a reduction in force which occurred not more than two (2) weeks prior to the week in which the holiday occurred.

G. <u>Overtime, Premium Pay, and Overtime Lunches</u>

1. <u>Payments to Nonexempt Employees</u>

a. Nonexempt employees shall be compensated at one and one-half (1 1/2) times their regular hourly rate of pay including shift differential and isolation pay if applicable for:

(1) hours worked in excess of eight (8) hours in any workday.

(2) hours worked in excess of forty (40) hours in any workweek.

(3) hours worked on the first scheduled day of rest within their regular workweek.

(4) hours worked within their regular schedule on any day observed by the employee as one of the nine (9) holidays listed in Section F. above in addition to any holiday allowance.

(5) hours worked on a non-established shift.

(6) hours worked during the period commencing at 7:48 A.M. and ending at 11:48 P.M. as a result of a call-in.

b. Nonexempt employees shall be compensated at two (2) times their regular hourly rate of pay including shift differential and isolation pay if applicable for:

(1) hours worked in excess of twelve (12) in a workday and for hours worked beyond that workday until they shall have been away from work for six (6) consecutive hours.

(2) hours worked on the second scheduled day of rest within their regular workweek.

(3) hours worked outside their regular schedule on any day observed by the employee as one of the nine (9) holidays listed in Section F. above, in addition to any holiday allowance.

(4) hours worked during the period commencing at 11:48 P.M. and ending at 7:48 A.M. as a result of a call-in.

c. For the purpose of determining overtime hours worked, a workday begins when the employee starts work and ends twenty-four (24) hours later. An employee's workweek begins at a fixed time each week based on the employee's assigned working schedule and ends one hundred sixty-eight (168) hours later.

d. Nonexempt employees who do not receive 48-hour notice of each change of shift assignment may be paid at the applicable overtime rate for all hours worked on the new shift during said 48-hour period.

e. In the event an employee is given less than 16 hours' notice of a requirement to work on a holiday, payment may be made for travel time in accordance with Paragraph f. below, and provision made for overtime lunches in accordance with Paragraph 3., below.

f. Call-in time shall include travel time to and from the work location and Richland or the perimeter barricade when special transportation is arranged by the Contractor. When regularly scheduled project bus service is utilized, travel time allowances will be provided as follows:

Area	Travel Time Allowance (one way)
100-B, 100-D, 100-DR, 100-C	1 hour, 15 minutes
100-H, 100-K, and White Bluffs	1 hour, 15 minutes
100-F, 200-E, and 200-W	1 hour, 10 minutes

g. Overtime scheduled in advance or overtime following the regular work schedule shall include the time spent waiting for special

transportation for return home when regular transportation is not available.

h. Nonexempt employees will receive not less than the equivalent of four (4) hours' pay at their regular hourly rate, including shift differential and isolation pay where applicable, under the following conditions:

(1) employees reporting as a result of a call-in.

(2) employees reporting on scheduled overtime who are sent home for lack of work.

(3) employees reporting on their regular schedule who are sent home for lack of work.

i. Nonexempt employees who are given notice to report for call-in or scheduled overtime shall receive an amount equivalent to two (2) hours' pay at their regular hourly rate, excluding shift differential and isolation pay, if such notice is cancelled after they have completed their last regular schedule prior to the starting time of each overtime assignment.

j. In computing overtime over forty (40) hours in any workweek, an observed holiday not worked but for which a nonexempt employee receives pay will be counted as time worked.

k. Overtime payments will be calculated in tenths of an hour in accordance with the following schedule:

Time Worked	Time Paid For
1 through 5 minutes	1/10th of an hour
6 through 11 minutes	2/10ths of an hour
12 through 17 minutes	3/10ths of an hour
18 through 23 minutes	4/10ths of an hour
24 through 29 minutes	5/10ths of an hour
30 through 35 minutes	6/10ths of an hour
36 through 41 minutes	7/10ths of an hour
42 through 47 minutes	8/10ths of an hour
48 through 53 minutes	9/10ths of an hour
54 through 59 minutes	One hour
60 through 65 minutes	One hour and 1/10th

2. Exempt Employees

a. Employees on the Executive Payroll will not be eligible for overtime payments.

b. Other exempt employees may receive overtime pay provided that the additional hours have been worked in accordance with an approved, predetermined, and definite work schedule. Non-scheduled overtime will be paid only in exceptional circumstances such as emergency maintenance work, when a supervisor is necessary to direct the work of others or when overtime is necessary for continuity of operations.

c. No payment will be made for overtime hours worked of less than four (4) hours a week (or less than one (1) hour in a day).

d. Overtime payments to eligible employees will be at the rate of time and one-half of the first $7,500 of annual base salary and at the rate of straight time on the remainder of the employee's annual base salary.

e. A special holiday premium pay may be paid to exempt employees required to work on a paid holiday. Such premium shall be at the rate of time and one-half.

3. Overtime Lunches

Employees may be provided with lunches, and an opportunity to eat such lunches on the Contractor's time, after completing approximately ten (10) consecutive hours of work (excluding the regular lunch period) and at approximately 6-hour intervals thereafter. Employees called in for emergency work may be provided lunches, and an opportunity to eat such lunches on the Contractor's time, at approximately 6-hour intervals. Notwithstanding the foregoing, lunches will not be provided for employees in cases where the expiration of a 6-hour period falls within one-half (1/2) hour of the time the employee is to be relieved from his work assignment

4. Payment for Emergency Release Time

In the event of an emergency situation or incident (such as a radiation incident, fire, or flood, etc.) involving the Contractor's operations and requiring the temporary release of personnel from their regular duties, the Contractor in such cases may release those employees who cannot be productively utilized or reassigned to other duties and compensate them at their normal rate of pay for the remainder of the workday or shift or for that time which would have normally been worked within the succeeding twenty-four (24) hours.

When such action is taken, the Contractor shall immediately notify the Commission and prior to authorizing a continuation of pay beyond the period specified herein shall obtain the concurrence of the Commission for such pay continuation.

H. Vacation Payments

1. Service Requirements

a. Vacation with pay on a calendar year basis will be in accordance with the following schedule:

Years of Service	Amount of Vacation
Less than 1 year	None
1 year but less than 10 years	2 weeks
10 years but less than 20 years	3 weeks
20 years or more	4 weeks

2. The vacation allowed in each calendar year under the above schedules shall be equal to the total of:

a. The vacation to which his continuous service as of December 31 or his last scheduled workday in the last week of the immediately preceding calendar year entitles him, and

b. Any additional vacation to which his continued accumulation of continuous service shall entitle him during the current year; provided that an employee shall not be entitled to any additional vacation in the vacation year unless he shall actually perform work as an active employee of the Contractor after having qualified for such additional vacation during such vacation year.

3. Transferring employees who received CY 1967 vacation payment from Isochem, Inc. will be required to take the full vacation to which their service entitles them in CY 1967 under the schedule set forth above. The amount of vacation time for which the employee was paid by Isochem Inc. must be taken off without pay during CY 1967.

4. General Vacation Requirements

a. Employees will be required to take all vacation due in any year except in special cases where deferral of vacation or pay in lieu of vacation is authorized by the Vice President of Business Management or his delegate.

b. Unearned vacation credits will not be advanced to employees.

c. Employees who terminate employment with the Contractor will be paid for any unused vacation to which they may be entitled upon separation from employment.

d. In the case of an employee who dies, unused vacation earned will be treated as wages and payment made accordingly.

e. The vacation period will be the calendar year.

5. Vacation Pay

Vacation pay will be based on the employee's straight time earnings rate either (1) when the vacation is taken or (2) for the last fiscal week worked by the employee during the year preceding the vacation year, whichever is greater, and may include shift differential and isolation pay where applicable.

The number of hours of vacation pay will be based on the average number of hours worked per week (including absences for which pay is granted) during the 12-month period ending with the last fiscal week of the calendar year immediately preceding the vacation year as follows:

a. The minimum payment (except in the case of part-time employees) will be forty (40) hours.

b. If the average is more than forty (40) but less than forty-two (42) hours, payment will be made for forty (40) hours.

c. If the average is more than forty-two (42) but less than forty-eight (48) hours, payment will be made for the average number of hours rounded off to the nearest hour.

d. If the average is forty-eight (48) or more, payment will be made for forty-eight (48) hours.

6. Payment in Lieu of Notice of Termination

In the event that the services of an employee cannot be productively utilized during a period of notice or if his presence in the Plant during a notice period is not desired, the Contractor is authorized, in specific cases where it is considered justifiable because of attendant circumstances, to pay the employee's salary at his regular rate of pay for the notice period and to release him forthwith. Payments in such cases will not exceed two (2) weeks in the case of nonexempt employees and one (1) month in the case of exempt employees. The Commission will be notified when such cases occur.

III. TRAVEL, TRANSPORTATION, AND MOVING EXPENSES

A. General Policy

Allowable costs for travel expenses of employees include actual reasonable transportation plus a fixed per diem allowance in lieu of actual expenses for lodging, meals, tips, and miscellaneous personal expenses; and other necessary business expenses as described in this article. Where applicable, as described below, allowable costs cover the incurred moving expenses of newly hired or transferred employees and their family members.

B. Regular Business Travel

1. Allowable costs for regular business travel include the use of

taxis, limousines, personal automobile, rent-a-car, rail, bus and commercial airline.

a. The allowance for the use of personal automobile on official business shall be at the rate of eight cents (8¢) per mile. Such allowance shall be based on the mileage between the authorized points of travel as listed in the Rand-McNally standard distance charts plus a variation of ten percent (10%). (Except when a longer route is necessitated by road or weather conditions.)

b. Additional allowances shall be made for daytime and overnight parking and for ferry, toll road, tunnel, and toll bridge charges. In the event two (2) or more persons travel in one (1) automobile, only one (1) mileage allowance will be paid.

c. The allowance for an employee on official travel who uses his privately owned automobile for his own convenience in lieu of commercial transportation will be air coach fare (jet fare where applicable) or eight cents (8¢) per mile whichever is less. In such instances, per diem reimbursement will be limited to the time required as if the employee had used air transportation.

d. Allowable costs for the rental of automobiles shall be limited to the extent that it is advantageous to conduct of work to be performed. Compact automobiles are to be used whenever they are available.

e. Allowable costs for rail travel will be actual expenditures for first-class fare, pullman, including the cost of accomodations in excess of roomette fares when no roomettes are available.

f. Less than first-class air accommodations will be used for all airline travel except when less than first-class accommodations

are not reasonably available to meet the necessary duty requirements. For example, less than first-class accommodations are considered not reasonably available where less than first-class would (a) require circuitous routing, (b) require travel during unreasonable hours, (c) greatly increase the duration of the flight, (d) result in additional costs which would offset the transportation saving, or (e) offer accommodations which are not reasonably adequate for the medical needs of the traveler.

g. In addition to those mentioned above, reasonable charges, if incurred in connection with the work under the Contract, will be allowed for limousine, taxi, bus, streetcar, sub-way fares, baggage (including excess baggage charges), telephone, telegraph costs, and such other charges as renting rooms, stenographic service, duplicating charges, and other similar items required for effective work performance. In addition to expenses incurred for telephone calls made by an employee for official business purposes, telephone expenses may also include calls required by such other circumstances as : (1) illness in the family, (2) bad weather conditions justifying concern by the employee's family as to his safe arrival, (3) last minute changes in plans, (4) arrangements for meeting the employee upon return, and (5) a reasonable number, but not to exceed two calls per week of five (5) minutes duration each, for long absences from home (more than two weeks).

2. <u>Per Diem Allowance</u>

a. For domestic travel, excluding Hawaii and Alaska, a per diem at the rate of $15.00 per day for each full day an employee is in official

travel status shall be an allowable cost in lieu of the payment of actual expenses for hotel rooms, meals, tips, and miscellaneous personal expenses. The fixed daily allowance will be paid at the rate of $3.75 for each one-quarter (1/4) of a calendar day or fraction thereof in which travel is performed.

b. For the purposes of the above, a day is defined as 12:01 A.M. to 12:00 midnight.

c. Foreign travel including travel to Hawaii and Alaska all reasonable actual expenses incurred by employees for hotel, rooms, meals, tips and miscellaneous personal expenses shall be allowable costs.

C. Exempt Personnel Permanent Transfers

Travel and relocation expenses incurred in transferring exempt employees to their assigned work location shall be allowable costs as prescribed below:

1. Shipment of Household Goods and Ordinary Personal Effects

Reasonable charges in connection with the shipment and temporary storage in transit of household goods and personal effects of employees moving to their assigned work locations. Such charges will include the cost of:

a. Packing, crating, and unpacking.

b. Charges for containers.

c. Insurance up to a reasonable value on household goods and personal effects while in transit and storage.

d. Shipping household pets.

e. Storage not to exceed thirty (30) days either at the point of origin or at the destination except as otherwise approved by the Commission.

f. Transportation between point of origin and destination including transportation to and from points of storage.

g. An allowance of up to $100.00 when substantiated by receipts to cover miscellaneous charges such as disconnecting and connecting usual household appliances (i.e., washer, dryer, stove, refrigerator), license plates, nonrefundable utilities charges, laying and refitting of carpeting and drapes and disconnecting and connecting TV antenna, but not including the cost of connecting to the community TV cable system.

h. Shipment of an automobile.

i. Shipment of a second automobile or a mileage allowance for a second automobile at the rate of eight cents (8¢) per mile whichever is less except in exceptional cases. Such mileage allowance shall be based on the miles between the authorized points of travel as listed in the Rand-McNally standard distance charts plus a variation up to ten percent (10%).

2. <u>Movement of Trailers</u>

a. The actual cost of moving personal and household effects in an auto trailer at a rate not to exceed the cost of moving such personal and household effects by common carrier based upon weight certification by the employee and approved by the Contractor. Weight of the trailer shall not be included in such weight certification.

b. The cost of moving a transferred employee's house trailer will be allowed in accordance with the following:

(1) When the employee elects to have his trailer relocated by a professional moving agency, the actual cost of transporting it will be allowed except for cost incurred for dismantling awnings and disconnecting water and sewer pipes. Allowance will be limited to $1,000 except as otherwise approved by the Commission

(2) If the employee elects to tow the trailer with his own car, he may be allowed twelve cents (12¢) per mile in addition to the eight cents (8¢) for driving his car.

(3) The allowances specified above will be made in lieu of any payment for movement of household goods or personal property.

3. Per Diem Allowances

a. Travel During Transfer and Relocation Periods

(1) The fixed daily allowance for living expenses incurred during travel and relocation of an employee's immediate family shall be allowable costs as provided below:

(i) The employee and spouse - $15.00 per diem each.

(ii) Other family members 12 years of age and over - $7.50 per diem.

(iii) Family members under 12 years of age - $3.75 per diem.

(2) The payment of the aforementioned fixed daily allowance for expenses in the case of transferred employees and their immediate family members may continue after arrival at their assigned work locations subject to the following:

(i) Where employee and dependents arrive at the assigned work location together, or when the dependents arrive

within a period of 14 days after the employee, payment of the fixed daily allowance for the employee and dependents will be limited to a period not to exceed 30 days after arrival of the employee at his assigned work location.

(ii) Where the time of arrival of dependents at the assigned work location occurs 15 or more days after arrival of the employee at the job site, payment of the fixed daily allowance will be limited to a period not to exceed 30 days after arrival of the employee and payment of the fixed daily allowance for dependents will be limited to a period not to exceed 14 days after their arrival.

(iii) Payment of the fixed daily allowance for the expenses for single employees shall be limited to five days.

(iv) The number of days, if any, compensated pursuant to Paragraph 6. below shall be deducted from the allowances provided in (i) and (ii) above.

(v) Exceptions to the limitations set forth in (i), (ii), and (iii), above, shall be made upon approval of the Commission, based upon a demonstration of unusual circumstances, or hardship on the part of the employee. The term "immediate family" shall include the employee's spouse, children (including step-children and adopted children), parents of the employee or spouse, and any other dependent of the employee living regularly as a member of his household as defined under Internal Revenue Service Regulations.

4. Transportation Allowances

Allowable costs will include the costs of transporting the employee and his immediate family by automobile, airline, railroad, or whatever means may be appropriate. In the event the employee drives his own car, mileage reimbursement will be in accordance with Paragraphs B. 1., a. and b. above.

5. Computation of Travel Days

For the purposes of computing the number of days in travel status, standard driving is considered to average 350 miles per day. Except when a slower rate of travel is justified because of extenuating circumstances, such as road or weather conditions, the fixed daily allowances provided for in this section will not be allowed for days of travel in excess of those which would have been consumed by standard driving.

6. Advance Trip

Allowable costs will include the costs of one advance trip for employees who are to be transferred in order to search for suitable housing, and the reasonable cost of transportation for the employee and his spouse and for expenses enroute and at the new location not to exceed a total of five (5) days in accordance with the policies set forth in Sections B. above and this Section C.

7. Sale of Home

For costs actually incurred by transferred exempt employees who own a residence at their previous location in the sale of a home, including brokerage fees and closing costs (legal fees, appraisal fees, etc.), allowable costs shall not exceed eight percent (8%) of the selling price or eight percent (8%) of two and one-half (2 1/2) times the employee's annual salary whichever is less. In the event the employee sells his residence himself, allowable costs shall not exceed the costs actually incurred up to a maximum of three percent (3%) of sale price attendant to such sale as follows: advertising, legal fees and closing costs. All other costs incurred by the employee in sale of the home will be unallowable costs. The costs incurred by employees in purchasing, renting, or leasing a home at the new location are not allowable.

8. Lease Agreements

Payments to employees who have leased a home for their residence at their previous location are allowable for that portion of the unexpired lease up to a maximum of three (3) months' rent payments which they are required to pay in order to terminate the lease, except as otherwise approved by the Commission.

D. Newly Hired Exempt Employees

Except as otherwise approved by the Commission in special cases, allowable costs for expenses incurred by newly hired exempt employees in connection with the relocation of themselves, their dependents, and their household goods and personal effects to their assigned work location shall be limited as follows:

1. Shipment of household goods and ordinary personal effects as outlined in Section C. above, limited to a maximum of 9,000 pounds for employees with dependents and 4,000 pounds for employees without dependents. Shipment of only one automobile will be allowed.
2. Per diem allowances as provided in Section C. above.
3. Transportation allowances as provided in Section C. above.

E. Refund of Travel and Moving Expenses

The Contractor will be required to take reasonable steps to recover from a newly hired employee allowable costs from the Commission for such newly hired employee's travel and moving expenses if such employee's employment is terminated voluntarily except for bona fide medical reasons or military duty requirements, within one year from the date of hire.

F. Travel of Temporary Exempt Employees

Professors, graduate students and others employed in exempt positions for full time temporary employment (usually summer months) may be

paid transportation and travel expenses for themselves in accordance with the Contractor's established policy. Allowable costs for such expenses shall be as follows:

1. Cost of transportation not to exceed the cost of less than first-class travel for one round trip from their place of residence to their assigned work location in accordance with Section B. above.
2. Travel expenses while the employee is actually enroute as specified in Section B. above.

G. Prospective Exempt Employees

Transportation and per diem expenses in accordance with Sections B. and C. above paid by the Contractor for expenses incurred by prospective employees under consideration for critical exempt positions at the assigned work location in traveling from their place of residence to the point of interview and return home or to a location equidistant to the point of origin for the purpose of employment interview shall be allowable costs.

H. Nonexempt Employees

For nonexempt employees in critical occupations shipment of a minimum amount of household goods and personal effects and other relocation costs to the assigned work location may be authorized with the prior approval of the Commission.

I. Expenses in Connection With Off-Plant Assignments - Resident and Temporary

Assignments of employees for work at off-Plant locations fall into

categories - resident and temporary. Resident assignments are those designated as such by the Contractor, in which an employee will be at a location other than Richland for an extended period, generally one year or more. The headquarters of these employees are their assigned locations. Temporary assignments are those in which an employee is assigned temporarily to a location other than his headquarters. When an employee in a resident assignment is assigned temporarily to another location as work requirements demand, his headquarters continues to be his resident location.

The Contractor will be allowed the following costs for such employees:

1. Resident Assignments

   a. Travel Expense

      Traveling expenses for the employee and his family in accordance with Section C. Paragraphs 4. and 5. of Article III.

   b. Living Expense

      Living expenses for the employee and his family while in travel status and while awaiting the arrival of household goods, availability of housing and installation of utilities, not to exceed a period of 30 days after arrival at the new location. The per diem allowed to the Contractor by the Commission shall be at the rate specified in Section C. Subparagraph 3. (a) of Article III.

c. Moving Expense

Moving expenses in accordance with Section C. Paragraph 1. and 2. of Article III.

d. Other Transfer Expenses

(1) Canceled Leases

Actual cost of obtaining a release from a house or apartment lease, limited to 3 months' payments if the employee receives no advance notice of a required change of location. When advance notice is provided, the three months will be reduced by the period of notice.

(2) Expenses in Connection with Housing

Expenses as stated in Subparagraph 7. of Section C. of Article III.

e. Side Business Trips

Transportation costs plus per diem allowances incurred in connection with business trips away from the assigned location, including trips to Richland.

f. Other Business Expenses

Other appropriate expenses relating to the employee's official duties will be allowed such as telephone toll charges, telephone service charges, including installation costs, telephone answering service, telegrams, stenographic service, postage,

and minor expenses for expendable stationery and office supplies. When the use of a privately-owned automobile has been authorized and the employee is required to move to another state, the cost of automobile license fees will be allowed provided the employee has purchased a license for the current year.

2. Temporary Assignments

a. Travel Expenses

Transportation costs for the employee only, to the point of his new assignment, in accordance with Section B. Paragraph 1 of Article III.

b. Interim Living Expenses

Living expenses for the employee only while in travel status and for the first 30 days at the new location at the per diem rate specified in Section B. Subparagraph 2.a. of Article III.

c. Moving Expenses

Moving expenses will be limited to a maximum weight of 175 pounds, as excess baggage, with shipment to be made by railway express or parcel post.

d. Canceled Leases

On official change in assigned location, the cost of a canceled rental lease not exceeding a reasonable month's rent

provided at least one month's notice (from anniversary date when lease so specified) of an impending move has not been given.

e. Living Allowances

(1) After First 30 Days and for Next 5 Months

After the first 30 days and through the next 5 months at assigned location, a per diem amount of $1.00 less than the rate specified in Article III, Section B. Subparagraph 2. a.

(2) For Second 6 Months

After the first 6 months and through the next 6 months at assigned location, a per diem amount of $3.00 less than the rate specified in Article III, Section B. Subparagraph 2.a.

(3) After 1 Year

After one year at the same location (away from headquarters), a negotiated per diem amount less than the amount under (2) above if, at that time it is determined that the assignment will probably continue for an extended period. Otherwise, the arrangement described in (2) will continue. The amount negotiated will be based on estimated living costs in excess of those normally incurred at Headquarters.

If and when it can be determined that an assignment will continue for an additional year or more at the same location, the employee will be considered on a resident assignment and allowances made for such assignments will apply.

f. Side Business Trips

Transportation costs plus per diem allowances at the rate specified in Article III, Section B. Subparagraph 2.a. for days away from assigned locations. Continuing lodging costs at assigned location (at 1/2 the amount) under e. (1), e. (2), or e. (3) above, whichever may be applicable.

g. Other Business Expenses

As described in subparagraph 1.f. above.

IV. EMPLOYEE BENEFIT PLANS

The costs of the following will be allowable subject to the conditions specified:

A. Group Insurance, Savings and Pension Plans

1. General

a. The Contractor will exert its best efforts to effect such assignments, transfers or other agreements as may be necessary to take over, implement and administer the existing Isochem Inc. Pension and Group Insurance Plans; these Plans and their related insuring contracts and policies are as follows:

(1) Isochem Pension Plan and related Connecticut General Life Insurance Company Contract No. GR-1738;

(2) Group Life Insurance as implemented by Connecticut General Policy No. 22090-80;

(3) Group Medical Expense Insurance for Retired Employees (provided by Rider to Policy No. 22090-80);

(4) Group Accidental Death and Dismemberment Insurance as implemented by Connecticut General Policy No. 22090-81;

(5) Group Disability Income Insurance as provided under Connecticut General Policy No. 22090-82;

(6) Group Comprehensive Medical Expense Benefits Insurance as provided under Connecticut General Policy No. 22090-83;

(7) Group Comprehensive Medical Expense Benefits for Retired Employees (provided by Rider to Policy No. 22090-83);

(8) Group Long Term Disability Insurance as implemented by Union Mutual Life Insurance Company Policy No. 11482;

(9) Travel Accident Plan, provided under Bankers Insurance Company Policy No. SR50.705.

b. The Contractor agrees that in taking over the above plans and insurance coverages it will also assume as of the date the Contractor assumes operation of the Commission's 200 Area Chemical Processing Operations such obligations and liabilities, if any, as remain unpaid or unfunded with respect to and in consequence of the extension of such plans and coverages by Isochem to its employees engaged in work under Contract No. AT(45-1)-1851.

2. Equivalent Plans and Coverages

In the event the Contractor for any reason is unable to take over any one or more of the pension and insurance plans identified in Section 1. of this Article IV, the Contractor shall undertake immediately to effect arrangements and agreements for coverages and plans in lieu thereof, such other coverages and plans to be as nearly comparable as reasonably possible to the benefits, terms and conditions of the plans which they are intended to replace. It is intended that costs of such coverages and plans will be no greater than those of the Isochem Plans and will be submitted for review and prior approval of the Commission.

3. Savings Plans

In the event the Contractor for any reason is unable to take over existing savings plans, savings plans generally similar to but no more costly than that currently available to Isochem employees may be placed in effect. The details of such plans will be submitted to the Commission for review and prior approval.

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4. Recapture

The Contractor agrees that the Commission is entitled to recover or be credited with the equivalent of the value of any pension, savings or insurance plan released liabilities, payment of credits, including dividends due the Contractor, arising as result of the operation or termination of any plan or plans under Section 1., 2. or 3. of this Article. The method by which the Commission shall recover or be credited with the equivalent of such values which may accrue in any way, including employee turnover, contract expiration or termination or for any other reason shall be in accordance with the provision of a separate agreement between the parties.

5. Vesting and Eligibility for Enrollment ("Eligibility")

a. All Transferring Employees will accrue vesting and eligibility rights in the pension plan maintained by the Contractor in accordance with Section 1. or 2. of this Article using the combination of all periods of General Electric, Isochem Inc., or U. S. Rubber Company or Martin-Marietta Corporation or subsidiaries of either of them, and Contractor pension-participating service to acquire such rights except:

(1) Those employees who have vested under the terms of the GE Pension Plan who withdrew their contributions and interest from the GE Plan at any time prior to service with the Contractor; such employees will receive credit toward eligibility and vesting only for participating service with Isochem Inc. and/or the Contractor;

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(2) Those employees who were General Electric employees prior to their transfers to Isochem Inc. who were participants in but were not vested under the GE Pension Plan and who elected not to participate in the AEC-The Travelers Annuity Plan for non-vested GE transferees; such employees will receive credit toward eligibility and vesting only for participating service with Isochem and/or the Contractor;

(3) Those employees who did not participate in the Isochem Plan during service with that Contractor; such employees will receive vesting and eligibility credit only for participating service with the Contractor.

b. Employees of Atlantic Richfield or its subsidiaries transferred to work under this contract, electing to participate in the pension plan maintained by the Contractor in accordance with Section 1. or 2. of this Article, will be credited for vesting and eligibility purposes with all prior pension-participating service with Atlantic Richfield or its subsidiaries; employees may not make such election if they continue to participate actively in any pension plan maintained by Atlantic Richfield or its subsidiaries.

c. All other employees will be treated as new employees for purposes of establishing eligibility and vesting rights under the pension plan maintained by the Contractor under Section 1. or 2. of this Article.

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B. Suggestion Award Plan

Cash awards may be granted to employees for suggestions submitted and adopted pursuant to a Suggestion Award Plan to be established by the Contractor. Details of the Suggestion Award Plan, including the conditions of participation and rules for administration, will be furnished to and shall be subject to approval by the Commission prior to establishment by the Contractor. An individual suggestion award of $1,000 or more shall be subject to the prior approval of the Commission.

C. Physical Examinations

1. The Contractor will obtain periodic physical examinations and industrial medical and hygiene services for its employees from the Hanford Occupational Health Foundation.

2. An offsite physical examination for a prospective employee may be authorized by the Contractor when it would be sound business practice to do so.

D. Separation Pay Plan

1. General

A separation pay allowance in event of layoff for lack of work for employees of the Contractor with one (1) or more

years of continuous service will be in accordance with the provisions hereinafter set forth.

2. Computation of Separation Pay Allowance

The allowance shall be computed on the basis of one (1) week's pay excluding shift differential and isolation pay, for each of the employee's full years of continuous service plus one-quarter (1/4) of a week's pay for each additional three (3) months of continuous service at time of layoff.

3. Accrual of Separation Pay Credits

a. Transferring Employees who had less than ten (10) years of continuous service with General Electric and Isochem Inc. at the time of their transfer will retain prior separation pay credits and continue to accrue additional credits as Contractor employees on the basis set forth in 2. above up to a maximum of ten (10) weeks' total separation pay credits.

b. Transferring Employees who had more than ten (10) years of continuous service with General Electric at the time of their transfer to Isochem Inc. will retain eligibility for separation pay credits for their continuous service with General Electric on the basis set forth in 2. above. They will not accrue additional separation pay credits as Contractor employees.

c. All other employees hired by the Contractor will begin accruing separation pay credits upon completion of one (1) year of continuous service with the Contractor. Upon completion of this minimum service period, separation pay credits will accrue on the same basis as set forth in 2.

above, up to a maximum of ten (10) weeks' total separation pay credits which includes credit for the one (1) year minimum service period.

d. Eligibility for separation pay allowances will automatically expire for employees at any time service is broken in accordance with Article VII below. Should continuity of service be restored, prior eligibility for separation pay allowance will likewise be restored.

4. Conditions of Payment

An eligible employee laid off for lack of work by the Contractor will be paid the separation pay allowances for which he is eligible subject to the following conditions:

a. A permanent layoff will be considered as one which the Contractor determines at the time of separation will exceed six (6) months.

b. At the time of permanent layoff, an employee will be given the option of (a) receiving his separation pay allowance in a lump sum, or (b) delaying receipt of the separation pay allowance until six (6) months have elapsed, after which time the allowance will be paid him in a lump sum.

c. Where the layoff period has not been determined or has been determined to be six (6) months or less, an employee may elect (a) to receive, after one month in layoff status, one-sixth (1/6) of the separation pay allowance for which he is eligible, and one-sixth (1/6) each month thereafter until he has been offered re-employment in his former job classification, or

until the full allowance has been paid: or (b) to delay receipt of the separation pay allowance until six (6) months have elapsed, after which time the total allowance will be paid him in a lump sum.

d. In the event an employee elects option (a) in Paragraph 2.b. or 2.c. above, and he is offered re-employment in his former job classification within six (6) months after layoff, he will be expected to repay to the Contractor within one (1) year from the date of the offer, or the date of re-employment, the total amount of the separation allowance paid him. If the employee fails to repay the total allowance during the specified time period, (a) all service and seniority credits previously accumulated and continuity of service (excluding pension credited service) will be extinguished, (b) the employee will not be eligible to accrue new separation pay credits until he shall have worked for the Contractor from the date of his re-employment for a period equal to the period he had previously worked to accumulate the separation pay credits for which he was eligible at the time of his layoff, and (c) will otherwise be considered a newly-hired employee.

e. An employee who has received the total separation pay allowance for which he was eligible in accordance with Paragraph 2.b. or 2.c. above, and who is re-employed in his former job classification after having been in layoff status in excess of six (6) months will not be required to repay the separation pay allowance and will be eligible to accrue new separation pay credits upon

completion of one (1) year of continuous service from the date of his re-employment. Upon completion of this minimum service period, new separation pay credits will accrue on the same basis as set forth in Paragraph b. above, up to a maximum of ten (10) weeks' total separation pay credits which includes credit for the one (1) year minimum service period.

f. An employee will not be entitled to receive any separation pay allowance if he has reached normal retirement age (65) at the time he is laid off.

g. Eligibility for separation pay allowance will expire for employees permanently transferred to work not within the scope of this contract except to the extent provided in Paragraph 5.b. below.

h. In the event that responsibility for operation of part or all of the Government owned facilities under this contract (including standby protection and maintenance functions) is assumed by another Contractor or Government agency, employees who are transferred to the employ of, or who are offered employment within their same classification or at positions of comparable responsibility by such Contractor or Government agency, which employment will commence within thirty (30) days after being laid off by the Contractor shall not be paid any separation pay allowance.

5. <u>Transfers</u>

a. If an employee of the Contractor or its parent Company(ies) is transferred to work covered by this contract and is subsequently laid off, the allowable costs shall include only that portion

of the separation pay allowance which was accrued as a result of work performed by such employee under this contract.

b. If an employee performing work under this contract is transferred by the Contractor to work which is not covered by this contract and is subsequently laid off, the allowable costs shall include only that portion of the separation pay allowance which was accrued as a result of work performed under this contract, provided payment of separation pay allowances to the employee is made under a separation pay plan comparable to that outlined herein and provided further that the employee is employed in a segment of the Contractor's operations located within the vicinity of the Hanford Project.

E. Membership in and Attendance at Meetings of Professional and Technical Societies

The cost of membership in and attendance at national and regional meetings of appropriate societies, including transportation and travel expenses, shall be administered by the office of the Vice President of Business Management from an approved budget which shall be subject to approval on an annual basis by the Commission.

F. Education and Training

1. In order to provide for an efficient, well-trained, and competent work force, the Contractor may establish programs directed toward the continuing education, training, and professional development of its personnel. These activities may include but will not necessarily be limited to such programs as tuition refund, educational leave-of-absence, job related and apprenticeship training, and attendance at off-site courses and seminars.

2. The character and extent of the various education and training programs to be utilized by the Contractor under this contract will be subject to the approval of the Commission.

G. Damaged Personal Property of Employees

1. If an employee sustains damage, including radioactive contamination, to personal property when in the course of his employment, not due in whole or in part to his own negligence or to the negligence of a third party, and such damage is sustained when the employee is complying with established Contractor policies regarding employee conduct, he may be fully paid or have the personal property replaced, decontaminated or repaired, at the discretion of the Contractor. In the case of personal clothing, payment will be limited to loss or damage as the result of radioactive contamination, fire, chemical and water damage. Approval of the Commission will be required in those instances in which loss or damage exceed $100 per occurrence.

2. Personal property as used in the Section includes tools and equipment when needed in the work and when not made available by the Contractor; and when reasonably appropriate considering the circumstances (including the area in which he is working, needs of the job, and other factors), private automobiles and personal effects worn by or carried on the person such as wallets, watches, jewelry and prosthetic appliances.

H. Patent Application Payments

An award of up to $125 may be made to employees or former employees of the Contractor for patent applications signed at the request of the

Commission covering inventions and discoveries made during their employment at or for the Plant. Payment of such awards may be made in accordance with the established Patent Plan of the Contractor, a copy of which will be furnished to the Commission. Modification or amendments of the Patent Plan will require the prior approval of the Commission.

I. Benefits for Employees Entering and Returning from the Armed Forces

The Contractor shall abide by and comply with all legal requirements applying to an employee who terminates to enter the Armed Services of the United States, voluntary or otherwise, or who applies for rehire following service with the Armed Forces in accordance with the Universal Military Training and Service Act as amended. In addition, the Contractor may allow time off and military pay differential for attendance at annual encampments, National Guard emergency duty, Armed Forces refresher courses and other similar types of duty. An employee may not receive a vacation pay allowance and a military pay differential for the same period.

V. COLLECTIVE BARGAINING AGREEMENTS

A. Whenever changes in provisions of the labor agreement are reached through collective bargaining between the Contractor and a bargaining representative, the Contractor and the Commission will expeditiously enter into discussions concerning amendment of this Appendix "B".

B. Reasonable costs not covered in other sections of this Appendix or the contract, which arise from administration of or pursuant to collective bargaining agreements including but not limited to such items as time-off granted to union representatives for conduct

of union business or negotiations, cost of negotiations, employer costs of grievance and arbitration or similar proceedings shall constitute allowable costs. The specific approval of the Commission will be obtained in the case of unusual items.

VI. SURPLUS PERSONNEL

The Contractor, to the maximum extent practical, will utilize Project surplus personnel as a first source of recruitment. The procedures to be followed in utilizing such personnel shall be agreed upon by the Contractor and the Commission.

VII. SERVICE CREDITS

The Contractor will develop and submit to the Commission for its concurrence procedures to cover continuity of service.

VIII. EMPLOYEE AND COMMUNITY RELATIONS PROGRAMS

The cost of Employee and Community relations programs including safety programs, awards for continuous service or perfect attendance, and management awards shall be allowable. The nature and extent of such programs shall be discussed in advance with the Commission and total amount budgeted for such programs shall be subject to the approval of the Commission.

IX. TRAVEL ACCIDENT INSURANCE

A travel accident plan generally similar to that currently in effect may be placed in effect. The details of the plan will be submitted to the Commission.

X. MISCELLANEOUS PERSONNEL ITEMS

A. Legally required contributions to old age and survivors' insurance and unemployment compensation and cost of workmen's compensation plans shall be allowable.

B. The Contractor may publish an employee house organ and may issue on an "as needed" basis management newsletters and bulletins to adequately communicate in a timely fashion to its employees those matters affecting the employer-employee relationship.

C. Reasonable and necessary expenses incurred in the recruitment of personnel including but not necessarily limited to help wanted advertising, employment office, travel of employees on recruiting assignments, preparation of booklets and other recruitment material, and with the prior approval of the Commission, use of employment agencies at rates not in excess of standard commercial rates shall be allowable.

SPECIAL BANK ACCOUNT AGREEMENT

CONTRACT NO. AT(45-1)- 2130

Agreement entered into this 1st day of August, 1967, between the United States of America (hereinafter called the "Government"), represented herein by the United States Atomic Energy Commission (hereinafter referred to as the "Commission"), **Atlantic Richfield Hanford Company**, hereinafter called the "Contractor", a corporation under the laws of the State of **Delaware**, and **National Bank of Commerce**, hereinafter called the Bank, a banking corporation under the laws of **Washington**, located at **Richland, Washington**.

RECITALS

(a) Under date of **August 1**, 1967, the Commission and the Contractor entered into Contract(s) No. **AT(45-1)-2130**, or a Supplemental Agreement thereto, providing for the making of advances of Government funds to the Contractor. Copy of such advance provisions has been furnished to the Bank.

(b) The Commission requires that amounts advanced to the Contractor under said contract or Supplemental Agreement be deposited in a Special Bank Account or accounts with a bank designated by the Treasury Department as a depositary and financial agent of the government (Section 10 of the Act of June 11, 1942, 56 Stat. 356; 12 U. S. C. 265), separate from any of the Contractor's general or other funds; and, the Bank being such a bank, the parties are agreeable to so depositing said amounts with the Bank.

(c) This Special Bank Account shall be designated "**Atlantic Richfield Hanford Company Payroll Bank Account - AT(45-1)-2130**,
(Name of Contractor) (Contract No.)
United States Atomic Energy Commission Special Bank Account."

COVENANTS

In consideration of the foregoing and for other good and valuable considerations, it is agreed that:

(1) The Government shall have title to the credit balance in said account to secure the return of all advances made to the Contractor, which title shall be superior to any lien or claim of the Bank or others with respect to such account.

(2) The Bank will be bound by the provisions of said contract or contracts relating to the deposit and withdrawal of funds in the above Special Bank Account, but shall not be responsible for the application of funds properly withdrawn from said account. After receipt by the Bank of written directions from the Contracting Officer, or from the duly authorized representative of the Contracting Officer or the Manager of the Richland Operations Office of the Commission, the Bank shall act thereon and shall be under no liability to any party hereto for any action taken in accordance with the said written directions.

(3) The Government, or its authorized representatives, shall have access to the books and records maintained by the Bank with respect to such Special Bank Account at all reasonable times and for all reasonable purposes, including, without limitation, the inspection or copying of such books and records and any and all memoranda, checks, correspondence or documents appertaining thereto. Such books and records shall be preserved by the Bank for a period of six (6) years after the closing of this Special Bank Account.

(4) In the event of the service of any writ of attachment, levy of execution, or commencement of garnishment proceedings with respect to the Special Bank Account, the Bank will promptly notify the Manager, Richland Operations Office, United States Atomic Energy Commission. In witness whereof the parties hereto have caused this Agreement to be executed as of the day and year first above written.

United States Atomic Energy Commission

By G. M. Waggoner

Atlantic Richfield Hanford Company
(Contractor)

By John M. Schultz

National Bank of Commerce
Richland, Washington
(Bank)

By James C. Robinson
Manager

SPECIAL BANK ACCOUNT AGREEMENT

CONTRACT NO. AT(45-1)-2130

Agreement entered into this 1st day of August, 1967, between the United States of America (hereinafter called the "Government"), represented herein by the United States Atomic Energy Commission (hereinafter referred to as the "Commission"), Atlantic Richfield Hanford Company, hereinafter called the "Contractor", a corporation under the laws of the State of Delaware, and Seattle-First National Bank, hereinafter called the Bank, a banking corporation under the laws of Washington, located at Richland, Washington.

RECITALS

(a) Under date of August 1, 1967, the Commission and the Contractor entered into Contract(s) No. AT(45-1)-2130, or a Supplemental Agreement thereto, providing for the making of advances of Government funds to the Contractor. Copy of such advance provisions has been furnished to the Bank.

(b) The Commission requires that amounts advanced to the Contractor under said contract or Supplemental Agreement be deposited in a Special Bank Account or accounts with a bank designated by the Treasury Department as a depositary and financial agent of the government (Section 10 of the Act of June 11, 1942, 56 Stat. 356; 12 U. S. C. 265), separate from any of the Contractor's general or other funds; and, the Bank being such a bank, the parties are agreeable to so depositing said amounts with the Bank.

(c) This Special Bank Account shall be designated "Atlantic Richfield Hanford Company Contract Fund Account - AT(45-1)-2130,
(Name of Contractor) (Contract No.)
United States Atomic Energy Commission Special Bank Account."

COVENANTS

In consideration of the foregoing and for other good and valuable considerations, it is agreed that:

(1) The Government shall have title to the credit balance in said account to secure the return of all advances made to the Contractor, which title shall be superior to any lien or claim of the Bank or others with respect to such account.

(2) The Bank will be bound by the provisions of said contract or contracts relating to the deposit and withdrawal of funds in the above Special Bank Account, but shall not be responsible for the application of funds properly withdrawn from said account. After receipt by the Bank of written directions from the Contracting Officer, or from the duly authorized representative of the Contracting Officer or the Manager of the Richland Operations Office of the Commission, the Bank shall act thereon and shall be under no liability to any party hereto for any action taken in accordance with the said written directions.

(3) The Government, or its authorized representatives, shall have access to the books and records maintained by the Bank with respect to such Special Bank Account at all reasonable times and for all reasonable purposes, including, without limitation, the inspection or copying of such books and records and any and all memoranda, checks, correspondence or documents appertaining thereto. Such books and records shall be preserved by the Bank for a period of six (6) years after the closing of this Special Bank Account.

(4) In the event of the service of any writ of attachment, levy of execution, or commencement of garnishment proceedings with respect to the Special Bank Account, the Bank will promptly notify the Manager, Richland Operations Office, United States Atomic Energy Commission. In witness whereof the parties hereto have caused this Agreement to be executed as of the day and year first above written.

United States Atomic Energy Commission

By A M Wiggonn

Atlantic Richfield Hanford Company
(Contractor)

By John M. Schultz

Seattle-First National Bank
Richland, Washington
(Bank)

By Lyle C. Fisher

I, NANCY L. WYLIE, Assistant Secretary of ATLANTIC RICHFIELD HANFORD COMPANY, do hereby certify that at the First Meeting of the Board of Directors of said Company held at 260 South Broad Street, Philadelphia, Pennsylvania, on July 5, 1967, at which a quorum was present and voting throughout, the following resolution was duly adopted:

> RESOLVED, That any two of the following officers of this Company, namely, the President, any Vice President, the Treasurer, and any Assistant Treasurer, are hereby authorized to open, maintain and close accounts for and in the name of this Company in any bank or trust company and to authorize signatures on checks, drafts, orders or other instruments relating to such accounts, provided that at least one of the authorizing officers shall be the Treasurer or an Assistant Treasurer but not more than one shall be an Assistant Treasurer; and be it further
>
> RESOLVED, That funds deposited in such accounts shall be subject to withdrawal by checks, drafts, orders, or other instruments of this Company bearing the manual or facsimile signature of such person or persons as shall from time to time be authorized by such officers, subject to any dollar limits which may be prescribed; and be it further
>
> RESOLVED, That the responsibility of any bank or trust company and this Company for honoring forged or unauthorized checks, drafts, orders or other instruments containing facsimile signatures shall be the same as in the case of checks, drafts, orders or other instruments issued under similar circumstances and purporting to bear the manual signatures of persons designated to sign such documents.

I do further certify that such resolution has not been modified or rescinded and is in full force and effect and that the persons named below hold the office shown opposite their respective names.

President	L. M. Richards
Vice President	R. P. Corlew
Vice President	J. M. Schultz
Treasurer	P. E. Cundey
Assistant Treasurer	H. H. Hinds
Assistant Treasurer	R. C. Lepley

WITNESS my hand and the seal of ATLANTIC RICHFIELD HANFORD COMPANY this 12th day of July, 1967.

Nancy K. Wylie

Assistant Secretary

Contract AT(45-1)-2130
Appendix "D"

KEY PERSONNEL

The employees whose names appear below are the Key Personnel referred to in Article XXII of Contract AT(45-1)-2130.

Lawrence M. Richards, President

Ralph P. Corlew, Vice President Operations

J. M. Schultz, Vice President Business Management

H. Barton Off, Counsel

J. H. Warren, Manager, Manufacturing

H. P. Shaw, Manager, Facilities Engineering

R. E. Tomlinson, Manager, Research and Engineering

AT(45-1)-2130
Guarantee of Performance

Contract No. AT(45-1)-2130

CONFORMED COPY

GUARANTEE OF PERFORMANCE

For and In Consideration of the execution by the United States Atomic Energy Commission of Contract No. AT(45-1)-2130, the Atlantic Richfield Company does hereby unconditionally guarantee to the United States of America the full, prompt and faithful performance by the Atlantic Richfield Hanford Company of each of the provisions and conditions of said Contract No. AT(45-1)-2130 and any modifications which may be executed in connection therewith.

This Guarantee shall inure solely to the benefit of the United States of America.

The Atlantic Richfield Company hereby waives notice by the United States of America of acceptance of this Guarantee.

IN WITNESS WHEREOF, said Atlantic Richfield Company has executed this Guarantee of Performance as of this First day of August, 1967.

ATLANTIC RICHFIELD COMPANY

By R. D. Bent

(Senior Vice President)

I, R. G. Nelson, certify that I am the Secretary of the Atlantic Richfield Company, that R. D. Bent, who signed the above Guarantee of Performance was then Senior Vice President of said corporation; that said Guarantee of Performance was duly signed by it on behalf of said corporation by authority of its governing body; and is within the scope of its corporate powers.

IN WITNESS WHEREOF, I have hereunto affixed my hand and the seal of said corporation this First day of August, 1967.

R G Nelson

(Secretary)

(Corporate Seal)

[redacted]

AT(45-1)-2131
Diversification Agreement

CONFORMED COPY

Contract No. AT(45-1)-2131

AGREEMENT BETWEEN
ATLANTIC RICHFIELD HANFORD COMPANY
AND
ATOMIC ENERGY COMMISSION

This Agreement made this 1st day of August, 1967, by and between ATLANTIC RICHFIELD HANFORD COMPANY, a Delaware corporation, qualified to do business in the State of Washington (COMPANY) and the ATOMIC ENERGY COMMISSION (AEC); and

WHEREAS, COMPANY is a wholly owned subsidiary of ATLANTIC RICHFIELD COMPANY, a Pennsylvania Corporation (ATLANTIC); and

WHEREAS, as of this date COMPANY and AEC are simultaneously entering into a cost-type contract for the management, operation, and maintenance by COMPANY of certain facilities known as the 200 Chemical Separations Area and for the standby maintenance and surveillance of certain other facilities, for AEC at Richland, Washington (Operating Contract); and

WHEREAS, in ATLANTIC's proposal to AEC with respect to the Operating Contract, an offer was made to undertake certain projects and activities, not directly related to the contract work, for the purpose of diversifying the economy of the area around Richland, Washington (the "Tri-Cities Area"); and

WHEREAS, such undertakings will serve to prevent or reduce the adverse economic impact of actual or anticipated reductions in AEC programs in that area, and thereby contribute to the retention and recruitment of personnel essential to continuing AEC programs; and

WHEREAS, the parties desire to expressly recognize and define the scope and the extent of such undertakings.

NOW, THEREFORE, in consideration of these circumstances the parties agree as follows:

1. COMPANY hereby acknowledges and agrees that it will undertake, at no cost to AEC, the projects and activities set forth in Appendix "A" hereto, which is made a part hereof to the same extent as if copied in full herein; provided that nothing herein shall affect COMPANY in the operation of such projects or activities in selling or pricing services, materials or supplies to AEC or others.

2. It is expressly agreed and understood that a failure of COMPANY to fully and faithfully carry out the commitments herein enumerated can cause AEC to suffer and incur injuries in the accomplishment of its purposes, and other adverse consequences, which may not be susceptible to adequate compensation in the form of money damages. Accordingly, in the event of a breach of any or all of the undertakings set forth herein, AEC shall be entitled to sue for specific performance of such commitments by COMPANY, and for such other equitable relief as may be appropriate. Nothing herein shall be deemed to relieve in any way AEC's burden of establishing, independent of the provisions of this Agreement, that it is entitled, in any such equitable suit, to specific performance or such other equitable relief as may be appropriate nor shall anything herein be deemed to limit any other legal rights AEC may have under or pursuant to the Operating Contract or under applicable law.

3. COMPANY shall, for the initial term of the Operating Contract, furnish to AEC on or before the 1st day of January, 1968, and on or before the 1st day of every third calendar month thereafter, a written progress report showing expenditure of funds during the three-month period immediately preceding the reporting date in connection with the activities identified in Appendix "A"

hereto. The report shall further describe general progress in connection with such activities including, where appropriate, status of construction, number of personnel assigned to the activity, general character of operations being conducted, schedules, further projections, etc.

4. Notwithstanding anything to the contrary contained or implied herein or in the Operating Contract, a default by COMPANY in the performance of any of its obligations hereunder shall not constitute a default by COMPANY under the Operating Contract.

5. This Agreement shall be binding upon, and inure solely to the benefit of AEC and COMPANY, and its successors. No other corporation, State or local governmental unit or agency, or other person or entity whatsoever (even though named or described herein) shall acquire or have any legal or equitable right, remedy, or claim under or in respect of this Agreement or any provision herein contained, this Agreement and all conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and for the benefit of no other person or entity whatsoever, nor shall any such right, remedy or claim granted herein to AEC be assigned by it to any third party; provided that nothing herein shall limit the authority of the United States acting through its officers or agents to enforce the provisions of this Agreement on behalf of AEC or its successors.

6. The undertakings set forth herein and in Appendix "A" attached hereto shall continue unless otherwise expressly stated in Appendix "A", for so long as COMPANY is performing any services for AEC at Richland during the initial term of the Operating Contract. In the event of a major change in scope of such Operating Contract, the parties agree that Appendix "A" shall be subject to review and to such revision as may be mutually agreed upon.

CONTRACT NO. AT(45-1)-2131

IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day and year first above written.

UNITED STATES OF AMERICA

UNITED STATES ATOMIC ENERGY COMMISSION

By _____
(Contracting Officer)

ATLANTIC RICHFIELD HANFORD COMPANY

By Lawrence M. Richards
(President)

I, R. G. Nelson, certify that I am the Secretary of the corporation named as Contractor herein; that Lawrence M. Richards who signed this Contract on behalf of the corporation, was then President of said corporation; that said contract was duly signed for and on behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

IN WITNESS WHEREOF, I have hereunto affixed my hand and the seal of said corporation, this First day of August, 1967.

R G Nelson
(Secretary)

(Corporate Seal)

[redacted]

AT(45-1)-2131
Appendix "A"

Contract No. AT(45-1)-2131

APPENDIX "A"

DIVERSIFICATION COMMITMENTS

I. Hotel-Convention-Resort Facility

Company will, by itself or by lessee or contractor or otherwise, construct and operate a hotel-convention-resort facility provided it is determined that such a facility is in the best interest of the Tri-Cities community; otherwise, Company will, construct and operate other suitable equivalent facility or facilities mutually agreeable to Company and to AEC. The decision with reference to the hotel-convention-resort facility will be reached by Company within six (6) months following the effective date of the Operating Contract. If it is decided to construct the hotel-convention-resort facility, such facility is estimated to cost approximately $3 million, and will include approximately 150 rooms, banquet facilities for approximately 500 persons, a restaurant, coffee shop and cocktail lounge. The potential employment will be 100 persons by the end of Calendar Year 1970. Construction of the facility will be commenced promptly upon the making of the decision and every effort will be made to have it completed and in operation within approximately eighteen (18) months following the date of commencement of construction.

If it is decided not to construct the above described hotel-convention-resort facility, decision with reference to the other suitable equivalent facility or facilities will be made within six (6) months thereafter.

II. Cattle Feeding Yard

Company will, by itself or by a lessee or contractor or otherwise, construct and operate a cattle feeding yard in the Tri-Cities Area; said facility is anticipated to cost approximately $750,000 and to operate to process at least

60,000 head of cattle annually. The facility should commence operation within twelve (12) months from the effective date of the Operating Contract. The potential employment of the cattle feed lot will be approximately 30 by the end of Calendar Year 1968 and will rise to approximately 45 by the end of Calendar Year 1969.

Company will use its best efforts to purchase required cattle, grain and feed in the Tri-Cities Area to the extent that it is consistent with prudent business practices and established procurement patterns of competing cattle feed lots.

III. Meat Packing Plant

Company will, by itself or by a lessee or contractor or otherwise, construct and operate a meat packing plant in the Tri-Cities Area in conjunction with the cattle feeding yard. The plant is estimated to cost $1.25 million and to have an estimated annual capacity to process 35 million pounds of beef. The plant will be capable of full capacity operation within twenty-four (24) months from the effective date of the Operating Contract and will employ approximately 150 persons.

IV. Seminar Program

Company shall support at the Center for Graduate Study in Richland, Washington, a seminar program in the Arts and Sciences. Such program shall be funded at the rate of $75,000 per annum unless Company and AEC mutually agree upon a different utilization of these monies.

V. Tri-Cities Equity Corporation

Company shall, promptly following the effective date of the Operating Contract, organize an Equity Corporation in the Tri-Cities Area to invest approximately $200,000 annually to a maximum of $1 million in existing and new business

ventures in the area. Such program will be carried on a "best efforts" basis for a two-year period. The progress reports of this project will include a statement of the extent of these best efforts. If, after two years of operation, Company is unable to make sufficient investments and AEC after examining the corporation's books and records agrees that Company, through the corporation has exercised its best efforts to meet the needs of the Tri-Cities Area, Company will be relieved of the commitment.

VI. Further Diversification Studies

Company shall promptly following the effective date of the Operating Contract, undertake to investigate the potential for establishing civilian oriented nuclear businesses in the Tri-Cities Area. Such investigation contemplates studies, by way of example, to determine the need or desirability of plants for the separation of isotopes, the recovery of technicium, and the hot reprocessing of civilian fuels. A sum not less than $300,000 will be devoted to the making of these studies. The results of each study shall remain the sole property of Company.

[redacted]

AT(45-1)-2131
Guarantee of Performance

Contract No. AT(45-1)-2131

GUARANTEE OF PERFORMANCE **CONFORMED COPY**

For and In Consideration of the execution by the United States Atomic Energy Commission of Contract No. AT(45-1)-2131, the Atlantic Richfield Company does hereby unconditionally guarantee to the United States of America the full, prompt and faithful performance by the Atlantic Richfield Hanford Company of each of the provisions and conditions of said Contract No. AT(45-1)-2131 and any modifications which may be executed in connection therewith.

This Guarantee shall inure solely to the benefit of the United States of America.

The Atlantic Richfield Company hereby waives notice by the United States of America of acceptance of this Guarantee.

IN WITNESS WHEREOF, said Atlantic Richfield Company has executed this Guarantee of Performance as of this First day of August, 1967.

ATLANTIC RICHFIELD COMPANY

By _____

(Senior Vice President)

I, R. G. Nelson, certify that I am the Secretary of the Atlantic Richfield Company, that R. D. Bent, who signed the above Guarantee of Performance was then Senior Vice President of said corporation; that said Guarantee of Performance was duly signed by it on behalf of said corporation by authority of its governing body; and is within the scope of its corporate powers.

IN WITNESS WHEREOF, I have hereunto affixed my hand and the seal of said corporation this First day of August, 1967.

_____

(Secretary)

(Corporate Seal)

[redacted]

SUMMARY OF CHEMI-
CAL PROCESSING CON-
TRACTS NEGOTIATIONS

SUMMARY OF CHEMICAL PROCESSING CONTRACT NEGOTIATIONS

Prepared By: Russell Ritchie
Chemical Processing Division

and

Clyde Fitz
Office of the Chief Counsel

I N D E X

July 6, 1967	RL - ARHO Initial Discussion
July 26, 1967 (AM Session)	Negotiation Summary - Diversification Agreement, Contract AT(45-1)-2131
July 26, 1967 (PM Session)	Negotiation Summary - Appendix B of the Operating Contract AT(45-1)-2130
July 27, 1967 (AM Session)	Negotiation Summary - Guarantee of Performance Contract AT(45-1)-2130, Appendix D
July 27, 1967 (PM Session)	Fee and Salary Negotiation
July 28, 1967 (AM Session)	Proofreading of Contracts
July 28, 1967 (PM Session)	Proofreading of Contracts
	Approval Page

FINAL
AM:AMW

OFFICIAL USE ONLY

ATLANTIC RICHFIELD HANFORD COMPANY NEGOTIATIONS

Don Williams went to Seattle on the afternoon of July 5, 1967, to meet with Commissioner Johnson and the representatives from Atlantic Richfield to plan the agenda for the next two days. Atlantic Richfield representatives were:

R. D. Bent, Senior Vice President
L. M. Richards, Vice President
J. M. Schultz, Controller
R. P. Corlew, Manager of Coordination, Richfield Division
H. B. Off, Senior Counsel, Labor Relations
D. R. Gerner, Manager, Employee Relations
L. W. Cook, Labor Relations
N. E. Birch, Patent Counsel
D. W. McPhail, Manager, Evaluation

The first contract discussion took place on the afternoon of July 6, 1967, in the Federal Building with the Atlantic Richfield representatives, Commissioner W. E. Johnson, D. G. Williams, B. P. Helgeson, H. E. Parker, A. M. Waggoner and O. J. Elgert. RL representatives stressed the need for Atlantic Richfield to take over existing procedures, personnel, salaries and fringe benefits. Atlantic Richfield agreed to do this in the interest of a speedy, orderly takeover of the operations of the 200 Area.

Commissioner Johnson stressed the need for proper emphasis on nuclear materials management. He pointed out the recent interest that the Joint Committee had shown, the Headquarters recent reorganization of nuclear materials and the troubles NUMEC had encountered. Mr. Schultz stated that prior to takeover they would hire a consultant specialist in the nuclear material management field to review the inventory procedures for transfer of material. Waggoner pointed out that the RL situation was different from NUMEC's as under the terms of our operating contract Atlantic Richfield had no financial liability unless due to willful misconduct. It was Atlantic Richfield's position that recognizing the lack of liability their public image could be tarnished if provision was not made for a prudent review of procedures and testing of physical inventories of plant, equipment, stores material and nuclear materials. In addition to the nuclear materials consultant, Atlantic Richfield proposed to have Lybrand, their outside public accountants, furnish one or two men to participate in the inventory procedures review and physical inventory. It was pointed out that to assure an early takeover only a minimum inventory of plant, equipment and stores material would be made. Reliance will be placed on individual custodians, not the corporation.

It was agreed that Purex would be shut down, cleaned out, and the inventory taken. The plant would not start back into operation until after takeover by Atlantic Richfield.

OFFICIAL USE ONLY

FINAL:lmj
D:RR
8-8-67

SUMMARY OF CHEMICAL PROCESSING CONTRACT
NEGOTIATIONS (7-26-67, 11:00 A.M. - 1:20 P.M. SESSION)

The negotiations began at 11:00 a.m.

In attendance for AEC were R. A. Kohler, Division of Contracts, HQ, H. E. Parker, Assistant Manager for Technical Operations, RL, A. M. Waggoner, Assistant Manager for Administration, RL, R. L. Hooper, Director, Organization and Personnel Division, RL, L. F. Perkins, Director, Contracts and Procurement Division, RL, C. G. Brinck, Chief Councel, RL, Clyde Fitz, Office of the Chief Counsel, RL, P. W. Gottschalk, Chemical Processing Division, RL, and Russell Ritchie, Chemical Processing Division, RL.

In attendance for Atlantic Richfield were J. M. Schultz, Vice President Business Management (ARHCO), Norbert E. Birch, Patent Counsel, Legal Division, H. Barton Off, Counsel (ARHCO), and Donald W. McPhail, Manager, Evaluation.

Negotiations began with the diversification Agreement, Contract AT(45-1)-2131.

DISCUSSION OF THE DIVERSIFICATION AGREEMENT

1. The initial discussion was whether the commitments in Appendix A were to be carried out by Atlantic Richfield Company or by Atlantic Richfield Hanford Company (ARHCO). Atlantic Richfield advised that it

has proceeded on the basis that the diversification commitments will be accomplished by ARHCO with performance guaranteed by the parent company, Atlantic Richfield Company. Atlantic Richfield presented a proposed diversification agreement that reflected this approach. AEC had prepared a proposed agreement which provided that the commitments would be carried out by the Atlantic Richfield Company. The AEC agreed to Atlantic Richfield's approach with a guarantee by the parent company and language in the diversification agreement was revised to mutual satisfaction of the parties.

2. The AEC questioned the part the President of ARHCO and other key personnel will play in the administration of the diversification commitments. Atlantic Richfield expressed the view that it would be mutually advantageous to have one man responsible for administration of ARHCO's diversification commitments and that he should be readily accessible to RL. L. R. Richards has been selected as the responsible individual. AEC had no objection.

   It was understood that the time spent by Richards and other ARHCO personnel on administration of diversification activities will not be reimburseable under the operating contract.

3. A question was raised by Atlantic Richfield regarding the length of time that quarterly reports must be submitted as provided in item 3 of the diversification agreement. It was agreed that reports will be required only for the initial term of the operating contract.

4. The reference to "a major change in scope of such Operating Contract" in item 6 of the Agreement was discussed. Atlantic Richfield was concerned that if a major increase in work occurred it might be expected to commit itself to additional diversification projects. It was understood that the language in the Agreement precludes change in the diversification commitments under such circumstances without mutual agreement of the parties and the provision was left unchanged.

DISCUSSION OF DIVERSIFICATION COMMITMENTS

1. Hotel-Convention-Resort Facility

Atlantic Richfield expressed strong reservations about providing for the possibility of meeting the monetary commitment ($3 million) with more than one project in lieu of the hotel-convention-resort facility. After discussion, the desirability of providing for such a contingency was acknowledged and the commitment was rephrased to provide for construction and operation of "other suitable equivalent facility or facilities mutually agreeable to Company and to AEC". The commitment was further expanded to provide that the facility would include a restaurant, coffee shop, cocktail lounge and that potential employment will be 100 persons by the end of Calendar Year 1970.

2. Cattle Feeding Yard

It was agreed that the commitment should be expanded to provide that (a) potential employment will be approximately 30 by the end of Calendar Year 1968 and will rise to approximately 45 by the end of Calendar Year

1969, and (b) ARHCO will use its best efforts to purchase required cattle, grain and feed in the Tri-Cities areas to the extent that it is consistent with prudent business practices and established procurement patterns of competing cattle feed lots.

3. Meat Packing Plant

After considerable discussion, which was directed primarily toward the time when the plant would be operable, Atlantic Richfield advised AEC that the plant will probably be larger than described in its proposal to the AEC. As a result it is encountering complications in programming the project. McPhail stated that Atlantic Richfield's consultants advised them that a 60,000 head/yr. feed lot is economically borderline. Hence a figure closer to a 100,000 head/yr. feed lot with a corresponding increase in processing capacity (from 35 million pounds to approximately 65 million pounds) is being considered. At AEC's request Atlantic Richfield considered increasing the meat packing plant commitment to $2 million with the provision that the time for operation would be extended to 36 months. After contacting Atlantic Richfield's home office (Mr. Bent), the Atlantic Richfield representatives advised that they preferred to keep the dollar amount in the commitment to $1.25 million and the estimated time for operation at 24 months. At AEC's request the commitment was rephrased to provide that the plant will be capable of full capacity (35 million pounds annually) operation within 24 months from the date of the Operating Contract and that it will employ approximately 150 persons.

4. Seminar Program

The commitment was revised to provide that the program will be funded at the rate of $75,000 per annum. It was understood that Atlantic Richfield will spend a total of $375,000 over a 5-year period, but will fund at the rate of $75,000 per year. It was further understood that the $75,000 per year does not necessarily have to be spent during the year in which it is funded.

Concern was expressed by Atlantic Richfield that the money may not be satisfactorily utilized in connection with the seminar program so the commitment was expanded to provide for different utilization of the monies by mutual agreement of the parties.

5. Equity Corporation

Atlantic Richfield's draft commitment provided that the corporation could be terminated at the end of two years if the program does not appear to meet the community's needs. This language was discarded in favor of AEC language which provides that "If, after two years of operation, Company is unable to make sufficient investments and AEC after examining the corporation's books and records agrees that Company, through the corporation has exercised its best efforts to meet the needs of the Tri-Cities area, Company will be relieved of the commitment."

6. Further Diversification Studies

The words "in the Tri-Cities area" were added following the description of the undertaking.

A question was raised by AEC whether the $300,000 would or would not be spent in the Tri-Cities area. Atlantic Richfield resisted commiting itself to spending a major portion of the money in the Tri-Cities area as proposed by AEC. After discussion it was felt that the inclusion of the language "in the Tri-Cities area" was acceptable to AEC.

The negotiations were adjourned at 1:20 p.m. and scheduled to reconvene at 3:00 p.m.

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8-8-67

SUMMARY OF CHEMICAL PROCESSING CONTRACT
NEGOTIATIONS (7-26-67, 3:00 P.M. - 6:00 P.M. SESSION)

The negotiations began at 3:00 p.m. and adjourned at 6:00 p.m.

In attendance for AEC were R. A. Kohler, Division of Contracts, HQ, A. M. Waggoner, Assistant Manager for Administration, RL, H. E. Parker, Assistant Manager for Technical Operations, RL, R. L. Hooper, Director, Organization and Personnel Division, RL, L. F. Perkins, Director, Contracts and Procurement Division, RL, C. G. Brinck, Chief Counsel, RL, Clyde Fitz, Office of the Chief Counsel, RL, J. B. Warner, Insurance Representative, RL, P. W. Gottschalk, Chemical Processing Division, RL, C. F. Chandler, Labor Relations Specialist, RL, Russell Ritchie, Chemical Processing Division, RL.

In attendance for Atlantic Richfield were J. M. Schultz, Vice President Business Management (ARHCO), Norbert E. Birch, Patent Counsel, Legal Division, H. Barton Off, Counsel (ARHCO), and Donald W. McPhail, Manager, Evaluation.

The negotiations conducted during this session were for the most part a continuation of negotiations on Appendix B, which took place over a period of several weeks. The official record of Appendix B negotiations including this particular session was prepared by C. F. Chandler and is presently located in the files of RL's Labor Relation Branch, Organization and Personnel Division.

2. Atlantic Richfield requested that separate Guarantees of Performance be attached to the operating contract and to the diversification agreement. AEC agreed.

DISCUSSION OF APPENDIX D

Atlantic Richfield requested that H. Barton Off, Counsel for ARHCO, be added to the list of Key Personnel. AEC agreed.

DISCUSSION OF OPERATING CONTRACT AT(45-1)-2130

Preamble

1. Atlantic Richfield expressed ARHCO's willingness to effect the takeover of the Chemical Processing Operations as soon as possible. AEC mentioned the advisability of giving thirty days termination notice to Isochem. By mutual agreement it was decided that September 1, 1967 would be the effective date of the contract. It was agreed that if this date cannot be met the date will be changed by contract modification. (The next day it was agreed that the effective date of the contract will be September 4, 1967 at 12:01 a.m.)

2. AEC asked who would execute the contract and when would it be executed. Atlantic Richfield said L. M. Richards will sign the contract in Richland. AEC asked for a resolution from the ARHCO governing body to show Richard's authority to sign the contract. Atlantic Richfield said it was unaware that such evidence of authority would be required. While a general resolution is available it had no specific resolution. AEC was assured that the necessary evidence of authority would be provided. AEC then brought out that evidence of R. D. Bent's authority to sign the

Guarantee of Performance is also required. Atlantic Richfield agreed to check it out and comply with the request.

Article I - Definitions

No discussion.

Article II - Engagement of Contractor - Designation of Facilities

1. Atlantic Richfield questioned whether the letter of July 20, 1967, from RL to L. M. Richards regarding facilities to be assigned to ARHCO is related to this Article. Their initial observation was that the exact facilities to be managed, operated and maintained should be described and the description related to Article II. After discussion Atlantic Richfield agreed that the second paragraph of the letter which refers to Article II makes the letter satisfactory.

2. AEC advised Atlantic Richfield that under certain emergency situations it may be necessary for AEC to give ARHCO oral directions and instructions. It was agreed by the AEC that such directions and instructions will be confirmed in writing. This agreement will be included in the letter of understanding.

Article III - Description of Work and Services

1. Atlantic Richfield said it has a copy of the Isochem contract which includes a reference to fabrication of weapons. AEC pointed out that the language was deleted from the ARHCO contract because the activity has been discontinued.

2. Atlantic Richfield asked whether reactivation of Redox would be considered an increase in the scope of the work. AEC agreed that it would be so regarded.

3. ARCHO requested that the word "Washington" appear after "Richland" in this Article. AEC agreed.

4. Under Section (c) (2), Mr. Kohler stated that Atlantic Richfield's requested additional language to the effect that the costs incurred by the contractor shall be allowable costs as determined by the criteria in Article V, had been disapproved at AEC Headquarters. It was agreed that the proposed addition would not be included.

Article IV - Obligation of Funds

RL stated that the amount presently obligated by the Government with respect to this contract is $200,000. Atlantic Richfield asked about the duration of the obligation. It was understood that it is for 45 days as indicated in paragraph (c). Atlantic Richfield agreed that the amount obligated is sufficient.

Article V - Allowable Costs and Fixed Fee

1. Atlantic Richfield did not agree on the indicated fixed fee to be paid after the takeover date. Mr. Waggoner suggested that discussions on the fee should be conducted privately later in the day. Atlantic Richfield agreed.

2. Atlantic Richfield asked if the word "separation" in V, (d) (8) (B) applied to mass separations or only to intermittent separations. AEC

(Bob Hooper) said the word relates to the provisions in Appendix "B". It is intended to apply to an individual who terminates from ARHCO and not to one who transfers to a successor contractor.

3. Atlantic Richfield questioned the AEC's intent regarding (e) (22) which provides that storage of records pertaining to the contract after completion of operations is an example of an item of unallowable case. AEC advised that (e) (22) pertains to ARHCO's own records as distinguished from records that are the property of the Government.

4. Item 11 in RL's checklist was discussed. It provides for the addition of words ". . . or as approved by the Contracting Officer" at the end of Article V (e) (5) and a provision in a letter of understanding to the effect that AEC recognizes the Contractor's central office is in Richland, that certain central office costs will be incurred in connection with work under the contract and therefore a properly allocable portion of such costs (including travel) will be allowable, subject to the test of allowability set forth in Article V (c). It was agreed that the addition should be made and that the letter of understanding should include the provision regarding central office costs.

Article VI - Payments and Advances

1. Atlantic Richfield suggested that checks be advanced by the AEC on a weekly basis. RL pointed out that the frequency of advances is covered in the contract.

2. AEC advised that it cannot add a provision (as requested by Atlantic Richfield) that failure of the parties to reach agreement on allowable costs in the annual voucher of expenditures described in VI (e) shall constitute a dispute. Atlantic Richfield raised the question whether the disputes article is applicable only to the portions of the contract which specifically provide that failure of the parties to agree shall constitute a dispute. AEC explained its position which has been that the scope of the disputes article is not so restricted, that it is applicable to any dispute arising under the contract unless the pertinent portion of the contract provides that it is not subject to dispute and provided the dispute involves a question of fact. Paragraph (b) of the disputes article which provides that the article does not preclude consideration of law questions in connection with decisions in paragraph (a) was also called to Atlantic Richfield's attention. After the explanation Atlantic Richfield agreed that the requested addition is unnecessary.

Article VII - Assignment

No discussion.

Article VIII - Accounts, Records and Inspection

In accordance with item 14 in RL's checklist, a few words will be added to paragraph (d) to enable the contractor to retain a copy of said material for its own use, subject to the security and patents articles in the contract.

Article IX - Examination of Records

No discussion.

Article X - Required Bonds and Insurance - Exclusive of Government Property

Atlantic Richfield said it would arrange for workmen's compensation coverage for its employees. AEC advised that such arrangements are unnecessary as coverage will be provided under AEC's contract with the state. AEC added that it handles all workmen's compensation matters including administration and litigation of claims. After AEC pointed out Article XLIV - Workmen's Compensation, Atlantic Richfield said it was pleased with the described arrangements and would forget about making its own arrangements for coverage.

Article XI - Property

With respect to steps to be taken in event of loss (paragraph (f)) Atlantic Richfield assured AEC that it will follow established Isochem procedures. Atlantic Richfield said it would determine whether it wants to include the point in the letter of understanding. (Such a request was not made.)

Article XII - State and Local Taxes

No discussion.

Article XIII - Contractor Procurement

Atlantic Richfield took exception to the language in paragraph (c) and suggested that its proposed language be used. AEC preferred to leave the paragraph unchanged, with the exception of deleting the word "prime" and capitalizing the word "contractor" in the third line of the paragraph.

Article XIV - By-American Act

No discussion.

Article XV - Priorities Allocations and Allotments

No discussion.

Article XVI - Litigation and Claims

No discussion.

Article XVII - Disputes

It was agreed that disputes had been sufficiently discussed in connection with Article VI.

Article XVIII - Safety, Health and Accident Protection

Atlantic Richfield questioned if the fee would continue in the event of a shutdown necessitated by a hazard such as contamination. AEC said the fee of other contractors has never been stopped under such circumstances but it doesn't want the contract to provide that the fee will not be stopped. The language in the contract is to enable AEC to enforce its health, safety and fire protection regulations.

Article XIX - Permits

No discussion.

Article XX - Security

No discussion.

Article XXI - Contractors Organization

Atlantic Richfield said it will provide the organization chart required under (a) as promptly as possible after execution of the contract.

Article XXII - Key Personnel

No discussion.

Article XXIII - Consultant Employment

No discussion.

Article XXIV - Notice of Labor Disputes

No discussion.

Article XXV - Contract Work Hours, Standards Act - Overtime Compensation

Atlantic Richfield had some notes that gave rise to the question whether paragraph (e) should remain in the contract. It was checked out by the Chief Counsel and agreed that it should remain in the contract.

Article XXVI - Walsh-Healey Public Contracts Act

No discussion.

Article XXVII - Equal Opportunity

No discussion.

Article XXVIII - Convict Labor

No discussion.

Article XXIX - Covenant Against Contingent Fees

No discussion.

Article XXX - Officials Not to Benefit

No discussion.

Article XXXI - Renegotiation

No discussion.

Article XXXII - Utilization of Small Business Concerns

No discussion.

Article XXXIII - Small Business Subcontracting Program

No discussion.

Article XXXIV - Utilization of Concerns in Labor Surplus Areas

No discussion.

Article XXXV - Labor Surplus Area Subcontracting Program

No discussion.

Article XXXVI - Term and Termination

October 1, 1972 is to be the contract termination date.

Article XXXVII - Patents

Atlantic Richfield said it wants to be able to file applications for patents in foreign countries for inventions or discoveries made or conceived in the course of the contract if the AEC doesn't intend to file in such countries. Appropriate language was developed for inclusion in the letter of understanding to be prepared by AEC.

The language in item 20 of RL's checklist was satisfactory to Atlantic Richfield. Item 20 provides that AEC will state in a letter of understanding that ARHCO is under no obligation to utilize or embody in the work under the contract or in the facilities in which the work is conducted, any specific background inventions or discoveries of the type described in Article XXXVII (g

Article XXXVIII - Copyright

No discussion.

Article XXXIX - Drawings, Designs, Specifications

No discussion.

Article XL - Background Technical Data

It was agreed that the letter of understanding would include a provision that ARHCO is under no obligation to utilize or embody in the work under the contract or in the facilities in which the work is conducted, any background technical data of the type described in Article XL (a).

Article XLI - Classification

No discussion.

Article XLII - Nuclear Hazards Indemnity

No discussion.

Article XLIII - Source and Special Nuclear Materials

No discussion.

The negotiations were adjourned at 12:00 noon and scheduled to reconvene at 1:00 p.m. with attendance limited to AEC - A. M. Waggoner, R. A. Kohler, and R. L. Hooper. ARHCO - N. E. Birch and D. R. Gerner.

FINAL:lmj
D:RR
8-8-67

SUMMARY OF CHEMICAL PROCESSING
CONTRACT NEGOTIATIONS (7-27-67, 8:30 A.M.
12:00 NOON SESSION)

Continued negotiations began at 8:30 a.m. In attendance for AEC were R. A. Kohler, HQ, A. M. Waggoner, Assistant Manager for Administration, RL, H. E. Parker, Assistant Manager for Technical Operations, RL, L. F. Perkins, Director, Contracts and Procurement Division, RL, C. G. Brinck, Chief Counsel, RL, P. W. Gottschalk, Chemical Processing Division, RL, Clyde Fitz, Office of the Chief Counsel, RL, and Russell Ritchie, Chemical Processing Division, RL. In attendance for Atlantic Richfield were Norbert E. Birch, Patent Counsel, Legal Division, J. M. Schultz, Vice President Business Management (ARHCO), and H. Barton Off, Counsel (ARHCO).

DISCUSSION OF GUARANTEE OF PERFORMANCE

1. Discussions began with ARHCO taking exception to the word "unconditionally" in the Guarantee of Performance. The point was not immediately resolved. It was finally decided that if the word "unconditionally" is in the NUMEC contract Atlantic Richfield would agree to include it in the Guarantee of Performance. The Chief Counsel checked with Headquarters and determined that the NUMEC contract does include the word. Atlantic Richfield thereupon agreed to include it in the Guarantee of Performance.

exceeded and that the RFP stated a fee of approximately $750,000 would be paid. The Commission believes that the $791,440 is reasonable because even with the salary deductions and unallowable costs such as memberships in Chamber of Commerce and Tri-City Nuclear Industrial Council, and use of outside public accountants for audit purposes, the take-home fee would exceed the $750,000 set forth in the RFP.

Birch stated that Robert Bent, Vice President of Atlantic Richfield, wanted $800,000 as a minimum and if ARHCO could not get this amount we would be at an impasse. Waggoner stated that the fee offered was our top fee and neither the negotiating committee nor our Headquarters staff had authority to exceed the amount offered. Any increase would require approval of the Commission and undoubtedly would delay execution of the contract to a substantial degree. Birch then agreed to accept the fee offered by the AEC negotiators.

Guy Waggoner
8-1-67

FINAL:lmj
D:RR
8-9-67

SUMMARY OF CHEMICAL PROCESSING
CONTRACT NEGOTIATIONS (7-28-67, 10:00 A.M.
12:10 P.M. SESSION)

The meeting began at 10:00 a.m. In attendance for the AEC were A. M. Waggoner, Assistant Manager for Administration, RL, L. F. Perkins, Director, Contracts and Procurement Division, RL, P. W. Gottschalk, Chemical Processing Division, RL, Clyde Fitz, Office of the Chief Counsel, RL, and Russell Ritchie, Chemical Processing Division, RL.

In attendance for Atlantic Richfield were Norbert E. Birch, Patent Attorney, and H. Barton Off, Counsel.

PRELIMINARY DISCUSSION

1. At the request of the AEC it was agreed that the effective date for take-over was to be changed from September 1, 1967 to 12:01 a.m., September 4, 1967. The reason is to facilitate payroll changeover.

2. The time for formal execution of the contract will be 9:30 a.m., Tuesday, August 1, 1967.

DIVERSIFICATION AGREEMENT - CONTRACT NO. AT(45-1)-2131

1. Signature pages for the diversification agreement, operating contract and parent company guarantees are being prepared and signed at Atlantic Richfield's home office. They will be mailed to Richland.

2. The contract was proofread and one minor editorial change was made.

APPENDIX "A" TO CONTRACT AT(45-1)-2131 - DIVERSIFICATION COMMITMENTS

1. The diversification commitments were proofread and mutually approved.

LETTER OF UNDERSTANDING ON CONTRACT AT(45-1)-2130

1. Perkins questioned whether or not item 4 would limit ARHCO from giving their best efforts to work. ARHCO replied that it wouldn't.

2. The question was raised by Atlantic Richfield whether the provision that was discussed by Gerner concerning budgeting for promotions and merit increases is to be included in the letter of understanding. Bob Hooper was called in to the meeting and pointed out to Birch that in private session the previous day, Birch, Hooper and Gerner had agreed to exclude this provision from the letter of understanding. It was agreed it would be excluded.

CONTRACT NO. AT (45-1)-2130

1. 12:01 a.m., September 4, 1967, was inserted as the effective date of the contract.

Article I - Definitions

No discussion.

Article II - Engagement of Contractor and Designation of Facilities

Atlantic Richfield questioned whether the word "written" should precede the provision concerning issuance of directions and instructions by the AEC to

ARHCO. The question was withdrawn when AEC pointed out that the letter of understanding will provide for written confirmation of oral direction and instructions.

Article III - Description of Work and Services

1. Atlantic Richfield questioned if the description of the work in paragraph (a) was in the original draft. After comparison it was determined that the provision was included in the draft.

2. An editorial omission in (d) (5) was noted and corrected.

3. Atlantic Richfield questioned whether all of paragraph (d) (6) was included in the original draft. It must be checked out before Atlantic Richfield will agree to include it in the contract.

Article IV - Obligation of Funds

1. The word "cost" was changed to "costs" in paragraph (a).

2. ARHCO's Counsel, mentioned that a number of changes have been made in the model contract since the first version received by Atlantic Richfield. However, he was satisfied that they were not substantive changes but instead editorial in nature.

Article V - Allowable Costs and Fixed Fee

1. An editorial correction was made in paragraph (d) (5) to change the word "allowable" to "unallowable".

2. It was agreed that the addition of the words "or as approved by the Contracting Officer" in paragraph (e) (5) is consistent with checklist prepared by RL and the agreement of the parties.

The meeting was adjourned at 12:10 and scheduled to reconvene at 1:00 p.m. to continue proofreading of the contract.

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8-9-67

SUMMARY OF CHEMICAL PROCESSING
CONTRACT NEGOTIATIONS (7-28-67, 1:30 P.M.
4:00 P.M. SESSION)

The meeting began at 1:30 p.m. In attendance for the AEC were A. M. Waggoner, Assistant Manager for Administration, RL, L. F. Perkins, Director, Contracts and Procurement Division, RL, P. W. Gottschalk, Chemical Processing Division, RL, Clyde Fitz, Office of the Chief Counsel, RL.

In attendance for Atlantic Richfield were Norbert E. Birch, Patent Counsel, Legal Division, and H. Barton Off, Counsel (ARHCO).

The purpose of this meeting was to finish proofreading the operating contract. Selected contract articles were proofread to the satisfaction of those present. A list of the articles that were not proofread at this time is contained in the Chemical Processing Division file.

The meetings were adjourned at 4:00 p.m.

In an AEC Headquarters memorandum of July 7, 1967, W. B. McCool, Secretary, advised Joseph L. Smith, Director, Division of contracts, that "the Commissioners agreed staff may proceed with discussions with Atlantic Richfield leading to the selection of that Company as operating contractor for the Chemical Separations Areas (200 Areas) at Richland." The memorandum also included the information that the Manager, RL, had been authorized by the Commissioners "to negotiate and execute a contract substantially similar to the form furnished with the request for proposals."

Contract AT(45-1)-2130 which was executed on behalf of the Atomic Energy Commission and the Atlantic Richfield Hanford Company on August 1, 1967, is substantially similar to the form of the contract furnished with the request for proposals and therefore in accordance with the Commissioner's authorization.

CHEMICAL PROCESSING CONTRACT
NEGOTIATION COMMITTEE

Read and Approved:

A. M. Waggoner
Assistant Manager for Administration, RL, Chairman

H. E. Parker
Assistant Manager for Technical Operations, RL, Member

R. A. Kohler
Division of Contracts, Headquarters, Member

L. F. Perkins
Director, Contracts and Procurement Division, RL, Member

P. W. Gottschalk
FPCE Coordinator, Chemical Processing Division, RL, Member

Russell Ritchie
Contract Administration Assistant
Chemical Processing Division, RL, Secretary

C. G. Brinck
Chief Counsel, RL, Legal Adviser

R. L. Hooper
Director, Organization and Personnel Division, RL
Adviser

P. K. Bushnell
Director, Finance Division, RL, Adviser

[redacted]

JUSTIFICATION OF
NEGOTIATED CONTRACT

A. L. Waggoner, Asst Mgr Adm and
H. E. Parker, Asst Mgr Tech Oper

OCT 1 3 1967

O. J. Elgert, Director
Chemical Processing Division

ORIGINAL SIGNED BY
O. J. ELGERT

JUSTIFICATION OF NEGOTIATED CONTRACT

D:RR

Attached for your review and approval is a draft of the Justification of Negotiated Contract as required by AEC Procurement Regulations 9-55.1. Comments should be made directly on the draft. Approval may be indicated by signing the final page of the document.

Attachment:
Justification of
Negotiated Contract

Since this division did not participate in these negotiations I am uncertain in what capacity you request Bushnell's concurrence. For whatever value it may have I attach Concurrence's comment and concur below.

cc: CPD Off File
CPD Rdg File
CPD Chron File

OFFICE ▶	CPD	FINANCE	BUDGET	O&P	C&P	CHIEF COU
SURNAME ▶	RITCHIE:dmh GOTTSCHALK ELGERT	BUSHNELL	HATTMAN	COOPER	PERKINS	BRINCK
DATE ▶	9/22/67		10/4/67	10/6/67	10/10	

Form AEC-318 (Rev. 9-53)

U.S. GOVERNMENT PRINTING OFFICE : 1966—O-214-629

JUSTIFICATION OF NEGOTIATED CONTRACT

Prepared By: Russell Ritchie
Chemical Processing
Division

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FINAL
D:RR:dmh
9/15/67

JUSTIFICATION OF NEGOTIATED CONTRACT

Pursuant to AECPR 9-55.102-2 the following information is set forth:

(a) NAME AND ADDRESS OF PROPOSED CONTRACTOR:

Atlantic Richfield Hanford Company
260 South Broad Street
Philadelphia, Pennsylvania

(b) LOCATION:

Richland Operations Office
Richland, Washington

(c) CONTRACT NO.:

(1) AT(45-1)-2130 - Operating Contract

(2) AT(45-1)-2131 - Diversification Agreement

(d) As these contracts do not pertain to a subcontract the requirements of this section are not considered applicable.

(e) NATURE OF CONTRACT ACTION:

(1) AT(45-1)-2130 - New contract, Cost-Plus-Fixed-Fee-Type

(2) AT(45-1)-2131 - New contract, Diversification Agreement

(f) PROGRAM BASIS FOR THE CONTRACT AND SCOPE OF WORK:

(1) Contract AT(45-1)-2130 encompasses the management, operation and maintenance of the facilities in the Hanford Chemical Separation Area (200 Areas). The principle objective of the chemical separations facilities is to separate and purify uranium and plutonium from irradiated fuel, to manage the radioactive waste engendered by this operation, and to convert recovered uranium and plutonium into suitable forms for shipment.

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Oral clarifications of contract intent, not resulting in changes to contract language, are documented in the official summary recordings of the negotiations located in the Chemical Processing Division file.

1 Appendix A - Procedures and Schedule for Negotiating Annual Fixed Fee

Atlantic Richfield stated that it had established $800,000 as a minimum acceptable fee. This fee was considered necessary in view of the $20,000 minimum for salary costs that would be charged against corporate funds. AEC pointed out that the request for proposal indicated a fee of $750,000 would be paid. In view of this the Commission fee offer of $791,440 was considered reasonable because even taking into account salary deductions and unallowable costs such as membership in Chamber of Commerce and Tri-City Nuclear Industrial Council, and use of outside public accountants for audit purposes, the take home fee would still exceed the $750,000 set forth in the request for proposals. It was further pointed out that $791,440 was AEC top fee and neither the negotiating committee or Headquarters staff had authority to exceed this offer. Atlantic Richfield then agreed to accept the $791,440 fee offered by the AEC negotiators.

2 Appendix B - Personnel Policies, Practices and Programs

These negotiations primarily consisted of adapting the personnel practices and policies authorized for Isochem Inc. (Appendix B to Contract No. AT(45-1)-1851) to fit the Atlantic Richfield Hanford Company's operations. This involved effectuating agreement on appropriate transitory language, particularly with respect to the major benefit programs (pension, insurance, savings, etc.), inclusion of clarifying wording where intent was not clear, and minor additions or revisions in those provisions where administrative experience under the Isochem Contract had demonstrated a need for clarity and ease of administration.

A record of the changes to the Headquarters' draft and the justification for each is filed in the Labor Relations Branch, Organization and Personnel Division, RL.

3 Appendix C - Special Bank Account Agreement

This agreement as prescribed in AECPR 9-7.5006-24 was acceptable in the form presented to Atlantic Richfield.

4 Appendix D - Key Personnel

The list of key personnel as drawn up by AEC was acceptable to Atlantic Richfield with one exception. Atlantic Richfield requested that H. Barton Off, Counsel, be added to the list of key personnel. AEC agreed.

b Contract No. AT(45-1)-2131 - Agreement Between Atlantic Richfield Hanford Company and Atomic Energy Commission

Discussion involved whether the commitments in Appendix A were to be carried out by Atlantic Richfield Company or by Atlantic Richfield Hanford Company (ARHCO). Atlantic Richfield advised that it had proceeded on the basis that the diversification commitments will be accomplished by ARHCO with performance guarantee by the parent company, Atlantic Richfield Company. Atlantic Richfield presented a proposed diversification agreement that reflected this approach, AEC had prepared a proposed agreement which provided that the commitments would be carried out by the Atlantic Richfield Company.

The AEC agreed to Atlantic Richfield's approach with a guarantee by the parent company. Language in the diversification agreement was revised to mutual satisfaction of the parties.

A question was raised by Atlantic Richfield regarding the length of time that quarterly reports must be submitted as provided in item 3 of the diversification agreement. It was agreed that reports will be required only for the initial term of the operating contract. Language in the diversification agreement was revised to mutual satisfaction of the parties.

Several oral clarifications of contract intent were made which did not result in changes to the language of the contract. Documentation of these points is contained in the official summary recordings of the contract negotiations filed in the Chemical Processing Division, RL.

Appendix A - Diversification Commitments

1 Hotel-Convention-Resort Facility

Atlantic Richfield expressed strong reservations about providing for the possibility of meeting the monetary commitment ($3 million) with more than one project in lieu of the hotel-convention-resort facility. After discussion, the desirability of providing for such a contingency was acknowledged and the commitment was rephrased to provide for construction and

operation of "....other suitable equivalent facility or facilities mutually agreeable to Company and to AEC". The commitment was further expanded to provide that the facility would include a restaurant, coffee shop, cocktail lounge, and that potential employment will be 100 persons by the end of Calendar Year 1970.

2. Cattle Feeding Yard

It was agreed that the commitment should be expanded to provide that:

a. Potential employment will be approximately 30 by the end of Calendar Year 1968 and will rise to approximately 45 by the end of Calendar Year 1969, and;

b. ARHCO will use its best efforts to purchase required cattle, grain and feed in the Tri-Cities Areas to the extent that it is consistent with prudent business practices and established procurement patterns of competing cattle feed lots.

3 Meat Packing Plant

After considerable discussion, which was directed primarily toward the time when the plant would be

operable, Atlantic Richfield advised AEC that the plant will probably be larger than described in its proposal to the AEC. As a result it is encountering complications in programming the project. Atlantic Richfield stated that its consultants advised that a 60,000 head/yr. feed lot is economically borderline. Hence a figure closer to a 100,000 head/yr. feed lot with a corresponding increase in processing capacity (from 35 million pounds to approximately 65 million pounds) is being considered. At AEC's request Atlantic Richfield considered increasing the meat packing plant commitment to $2 million with the provision that the time for operation would be extended to 36 months. After contacting Atlantic Richfield's home office, the Atlantic Richfield representatives advised that they preferred to keep the dollar amount in the commitment to $1.25 million and the estimated time for operation at 24 months. At AEC's request the commitment was rephased to provide that the plant will be capable of full capacity (35 million pounds annually) operation within 24 months from the date of the operating contract and that it will employ approximately 150 persons.

4 Seminar Program

The commitment was revised to provide that the program will be funded at the rate of $75,000 per annum. It was understood that Atlantic Richfield will spend a total of $375,000 over a 5-year period, but will fund at the rate of $75,000 per year. It was further understood that the $75,000 per year does not necessarily have to be spent during the year in which it is funded.

Concern was expressed by Atlantic Richfield that the money may not be satisfactorily utilized in connection with the seminar program so the commitment was expanded to provide for different utilization of the monies by mutual agreement of the parties.

5 Equity Corporation

Atlantic Richfield's draft commitment provided that the corporation could be terminated at the end of two years if the program does not appear to meet the community's needs. This language was discarded in favor of AEC language which provides that "If, after two years of operation, Company is unable to make sufficient investments and AEC after examining the corporation's books and records agrees that Company, through the corporation has exercised its best efforts to meet

the needs of the Tri-Cities area, Company will be relieved of the commitment."

6 Further Diversification Studies

The words "in the Tri-Cities area" were added following the description of the undertaking.

A question was raised by AEC whether the $300,000 would or would not be spent in the Tri-Cities Area. Atlantic Richfield resisted committing itself to spending a major portion of the money in the Tri-Cities Area as proposed by AEC. After discussion it was agreed that the funds for the study need not be spent in the Tri-Cities but that any resultant civilian oriented nuclear business would be located in the Tri-Cities.

c Pre-Takeover Costs

On July 21, 1967, by letter agreement, parties mutually agreed that costs of performing preparatory activities leading to the orderly takeover of the operation and management of the RL chemical processing operation would not exceed $125,000 for the period July 5, through August 31, 1967 and would be subject to the following conditions:

1 Payment or reimbursement will be made only after execution of a definitive contract.

2 The Commission will not be liable for any costs if a definitive contract is not negotiated and executed.

3 All preparatory activities performed under the letter agreement will be in accordance with all applicable provisions of law and of the proposed form of operating contract.

4 Precontract cost will be incurred and their allowability will be determined in accordance with the provisions of AECPR 9-15.5010-9 and of Article V of the proposed form of operating contract.

d Summary of the Cost Estimate for Fee Calculation for the Ten-Month Period Ending June 30, 1968 (Amounts in Thousands) is as follows:

	Estimated Annual Cost	Percent Allowed	Fee Base
Directly Incurred Cost:	$		$
Salaries and Fringes	16,115	100	16,115
Materials and Supplies	3,789	100	3,789
Travel	150	100	150
Other - Taxes, etc.	293	100	293
Offsite Work for Others	600	100	600
Costs Transferred:			
Materials from Stores	763	25	191
Electricity	397	100	397
Battelle-Northwest	1,993	25	498

	Estimated Annual Cost	Percent Allowed	Fee Base
Computer Sciences	$ 313	25	78
J. A. Jones	720	25	180
Vitro	271	25	68
DUN and NRD	229	25	57
Other On-Site Services	2,616	-0-	-0-
Assessments	2,125	-0-	-0-
Estimated Annual Cost	$ 30,374		
Cost Base For Fee Calculations			$ 22,416
Annual Fee Computed in Accordance With Appendix A (in dollars)			$791,440
Monthly Fee (in dollars) From Takeover Date to June 30, 1968			$ 65,953

Fee Calculation

Annual Cost	Percent	Fee
$20,000,000	-	$725,000
2,416,000	2.75	66,440
$22,416,000		$791,440

e Maximum allowable for computation pursuant to AECPI 9-3.808-51 (g) is $791,440. The negotiated fee as described in (i) (1) a 1 is within the limit of the maximum allowable fee of $791,440.

(2) A comparison of the request for proposal which led to the negotiation of the subject contracts and the request for proposal issued in 1964 which led to the

AEC - Isochem Inc. Contract is discussed in (h) (3).

(3) Since construction and related engineering services were not factors in contract negotiations the requirements of this provision are not considered applicable to this justification.

(4) With respect to reimbursement of costs generated elsewhere then at the project site, it was agreed that a properly allowable portion of central office costs (including travel by officials, executives, administrative heads, and other employees) will be allowable. The test of allowability of such costs is set forth in Article V (c).

(5) The detailed production cost analysis reflecting final negotiation is detailed in (i) (1) d . This review and evaluation of major cost elements was prepared by Budget Division, RL.

(6) There are no known subcontracts required under this operating contract.

(7) Contract AT(45-1)-2130 did not contain any form of cost redetermination or escalation. This is not required for cost type operating contracts (AECPR 9-3.807-3).

(8) The chemical separations facilities to be assigned to the Atlantic Richfield Hanford Company are listed in a letter from O. J. Elgert to L. M. Richards, dated July 20, 1967. These facilities represent an investment of approximately

$270 million. Other properties and investments assigned to ARHCO are similarly detailed in letters to ARHCO.

(9) The financial condition of the proposed contractor, Atlantic Richfield Hanford Company, has been investigated and is considered satisfactory. The work under this contract will be financed by government funds. The contractors' accounting system will be satisfactory and adequate to furnish information required by AEC under the contract. Accounts under this contract will be integrated with AEC accounts.

Atlantic Richfield Company unconditionally guarantees the full, prompt and faithful performance by the Atlantic Richfield Hanford Company of the provisions and conditions of Contracts No. AT(45-1)-2130 and AT(45-1)-2131.

(10) The technical ability of Atlantic Richfield is considered outstanding and satisfies the requirements of the contract. Atlantic Richfield has not had a previous contract with AEC. However it recently entered the nuclear energy field by its acquisition of NUMEC. NUMEC's performance as operator of the Boron - 10 Plant at Niagara Falls, N.Y., is considered sufficiently satisfactory to warrant requesting an extension of that contract.

(11) The initial obligation of funds for the first 45 days of the contract term commencing 12:01 a.m. September 4, 1967 is in the amount of $200,000 from appropriation 89Y0101.91, allotment No. 23-81-91.25.

(12) The effective date of the contracts is 12:01 a.m. the fourth day of September, 1967. The term of the contract is for approximately five years thereafter, ending October 1, 1972, unless sooner terminated in accordance with contract provisions. The takeover date of operations is consistent with the scheduled and orderly transfer of operations from the present contractor to Atlantic Richfield Hanford Company.

(13) No additional comments are deemed appropriate.

(14) The Commission representative in charge of contract negotiations was A. M. Waggoner, Assistant Manager for Administration, RL, telephone No. 509-942-1111, extension 6-4838.

Submitted by: Russell Ritchie, Secretary, Chemical Processing Contract Negotiation Committee

Read and Approved by: A. M. Waggoner, Assistant Manager for Administration, RL, Chairman

H. E. Parker, Assistant Manager for Technical Operations, RL, Member

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Justification

A. L. Waggoner, Asst Mgr Adm and
H. E. Parker, Asst Mgr Tech Oper

OCT 1 3 1967

O. J. Elgert, Director
Chemical Processing Division

OFFICIAL SIGNED BY
O. J. ELGERT

JUSTIFICATION OF NEGOTIATED CONTRACT

D:HR

Attached for your review and approval is a draft of the Justification of Negotiated Contract as required by AEC Procurement Regulations 9-55.1. Comments should be made directly on the draft. Approval may be indicated by signing the final page of the document.

Attachment:
Justification of
Negotiated Contract

Since this division did not participate in these negotiations I am uncertain in what capacity you request Bushnell's concurrence. For whatever value it may have I attach Corcoran's comment and concur below.

cc: CPD Off File
CPD Rdg File
CPD Chron File

OFFICE ▶	CPD	FINANCE	BUDGET	O&P	C&P	CHIEF COUN
SURNAME ▶	RITCHIE:dmh GOTUSCHALK ELGERT	BUSHNELL	HARTMAN	HOOPER	PETTING	BRINCK
DATE ▶	9/22/67		10/4/67	10/6/67	10/10	

Form AEC-318 (Rev. 9-53)

U.S. GOVERNMENT PRINTING OFFICE : 1966—O—214-629

ORIGINAL SIGNED BY
O. J. ELGERT

November 17, 1967

Those listed below

O. J. Elgert, Director
Chemical Processing Division

Pursuant to ASCPR 9.55.1 Justification of Negotiated Contract has been prepared, approved and is provided to you for your needs.

Addressees:
L. F. Perkins, RL Contracts & Procurement w/attachment
Robert A. Kohler, Division of Contracts, Headquarters, w/attachment
C. G. Brinck, Office of General Counsel, RL w/attachment

bcc: Chem.Proc.Div. - YFC
CPD Rdg File

OFFICE ▶	Chem.Proc.	Chem.Proc.				
SURNAME ▶	RITCHIE:gb	Elgert				
DATE ▶	11-17-67					

Form AEC-318 (Rev. 9-53)

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JUSTIFICATION OF NEGOTIATED CONTRACT

Prepared By: Russell Ritchie
Chemical Processing
Division

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(b) LOCATION ---------- PAGE 1

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(f) PROGRAM BASIS FOR THE CONTRACT AND SCOPE OF WORK --- PAGE 1

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(h) SOLICITATIONS FOR PROPOSALS ---------- PAGE 2

(i) HISTORY OF NEGOTIATIONS ---------- PAGE 8

FINAL
D:RR:dmh
9/15/67

JUSTIFICATION OF NEGOTIATED CONTRACT

Pursuant to AECPR 9-55.102-2 the following information is set forth:

(a) NAME AND ADDRESS OF PROPOSED CONTRACTOR:

Atlantic Richfield Hanford Company
260 South Broad Street
Philadelphia, Pennsylvania

(b) LOCATION:

Richland Operations Office
Richland, Washington

(c) CONTRACT NO.:

(1) AT(45-1)-2130 - Operating Contract

(2) AT(45-1)-2131 - Diversification Agreement

(d) As these contracts do not pertain to a subcontract the requirements of this section are not considered applicable.

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(1) AT(45-1)-2130 - New contract, Cost-Plus-Fixed-Fee-Type

(2) AT(45-1)-2131 - New contract, Diversification Agreement

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Oral clarifications of contract intent, not resulting in changes to contract language, are documented in the official summary recordings of the negotiations located in the Chemical Processing Division file.

1 Appendix A - Procedures and Schedule for Negotiating Annual Fixed Fee

Atlantic Richfield stated that it had established $800,000 as a minimum acceptable fee. This fee was considered necessary in view of the $20,000 minimum for salary costs that would be charged against corporate funds. AEC pointed out that the request for proposal indicated a fee of $750,000 would be paid. In view of this the Commission fee offer of $791,440 was considered reasonable because even taking into account salary deductions and unallowable costs such as membership in Chamber of Commerce and Tri-City Nuclear Industrial Council, and use of outside public accountants for audit purposes, the take home fee would still exceed the $750,000 set forth in the request for proposals. It was further pointed out that $791,440 was AEC top fee and neither the negotiating committee or Headquarters staff had authority to exceed this offer. Atlantic Richfield then agreed to accept the $791,440 fee offered by the AEC negotiators.

2 Appendix B - Personnel Policies, Practices and Programs

These negotiations primarily consisted of adapting the personnel practices and policies authorized for Isochem Inc. (Appendix B to Contract No. AT(45-1)-1851) to fit the Atlantic Richfield Hanford Company's operations. This involved effectuating agreement on appropriate transitory language, particularly with respect to the major benefit programs (pension, insurance, savings, etc.), inclusion of clarifying wording where intent was not clear, and minor additions or revisions in those provisions where administrative experience under the Isochem Contract had demonstrated a need for clarity and ease of administration.

A record of the changes to the Headquarters' draft and the justification for each is filed in the Labor Relations Branch, Organization and Personnel Division, RL.

3 Appendix C - Special Bank Account Agreement

This agreement as prescribed in AECPR 9-7.5006-24 was acceptable in the form presented to Atlantic Richfield.

4 Appendix D - Key Personnel

The list of key personnel as drawn up by AEC was acceptable to Atlantic Richfield with one exception. Atlantic Richfield requested that H. Barton Off, Counsel, be added to the list of key personnel. AEC agreed.

b Contract No. AT(45-1)-2131 - Agreement Between Atlantic Richfield Hanford Company and Atomic Energy Commission

Discussion involved whether the commitments in Appendix A were to be carried out by Atlantic Richfield Company or by Atlantic Richfield Hanford Company (ARHCO). Atlantic Richfield advised that it had proceeded on the basis that the diversification commitments will be accomplished by ARHCO with performance guarantee by the parent company, Atlantic Richfield Company. Atlantic Richfield presented a proposed diversification agreement that reflected this approach, AEC had prepared a proposed agreement which provided that the commitments would be carried out by the Atlantic Richfield Company.

The AEC agreed to Atlantic Richfield's approach with a guarantee by the parent company. Language in the diversification agreement was revised to mutual satisfaction of the parties.

A question was raised by Atlantic Richfield regarding the length of time that quarterly reports must be submitted as provided in item 3 of the diversification agreement. It was agreed that reports will be required only for the initial term of the operating contract. Language in the diversification agreement was revised to mutual satisfaction of the parties.

Several oral clarifications of contract intent were made which did not result in changes to the language of the contract. Documentation of these points is contained in the official summary recordings of the contract negotiations filed in the Chemical Processing Division, RL.

Appendix A - Diversification Commitments

1 Hotel-Convention-Resort Facility

Atlantic Richfield expressed strong reservations about providing for the possibility of meeting the monetary commitment ($3 million) with more than one project in lieu of the hotel-convention-resort facility. After discussion, the desirability of providing for such a contingency was acknowledged and the commitment was rephrased to provide for construction and

operation of "....other suitable equivalent facility or facilities mutually agreeable to Company and to AEC". The commitment was further expanded to provide that the facility would include a restaurant, coffee shop, cocktail lounge, and that potential employment will be 100 persons by the end of Calendar Year 1970.

2 Cattle Feeding Yard

It was agreed that the commitment should be expanded to provide that:

a. Potential employment will be approximately 30 by the end of Calendar Year 1968 and will rise to approximately 45 by the end of Calendar Year 1969, and;

b. ARHCO will use its best efforts to purchase required cattle, grain and feed in the Tri-Cities Areas to the extent that it is consistent with prudent business practices and established procurement patterns of competing cattle feed lots.

3 Meat Packing Plant

After considerable discussion, which was directed primarily toward the time when the plant would be

operable, Atlantic Richfield advised AEC that the plant will probably be larger than described in its proposal to the AEC. As a result it is encountering complications in programming the project. Atlantic Richfield stated that its consultants advised that a 60,000 head/yr. feed lot is economically borderline. Hence a figure closer to a 100,000 head/yr. feed lot with a corresponding increase in processing capacity (from 35 million pounds to approximately 65 million pounds) is being considered. At AEC's request Atlantic Richfield considered increasing the meat packing plant commitment to $2 million with the provision that the time for operation would be extended to 36 months. After contacting Atlantic Richfield's home office, the Atlantic Richfield representatives advised that they preferred to keep the dollar amount in the commitment to $1.25 million and the estimated time for operation at 24 months. At AEC's request the commitment was rephased to provide that the plant will be capable of full capacity (35 million pounds annually) operation within 24 months from the date of the operating contract and that it will employ approximately 150 persons.

4 Seminar Program

The commitment was revised to provide that the program will be funded at the rate of $75,000 per annum. It was understood that Atlantic Richfield will spend a total of $375,000 over a 5-year period, but will fund at the rate of $75,000 per year. It was further understood that the $75,000 per year does not necessarily have to be spent during the year in which it is funded.

Concern was expressed by Atlantic Richfield that the money may not be satisfactorily utilized in connection with the seminar program so the commitment was expanded to provide for different utilization of the monies by mutual agreement of the parties.

5 Equity Corporation

Atlantic Richfield's draft commitment provided that the corporation could be terminated at the end of two years if the program does not appear to meet the community's needs. This language was discarded in favor of AEC language which provides that "If, after two years of operation, Company is unable to make sufficient investments and AEC after examining the corporation's books and records agrees that Company, through the corporation has exercised its best efforts to meet

the needs of the Tri-Cities area, Company will be relieved of the commitment."

6 Further Diversification Studies

The words "in the Tri-Cities area" were added following the description of the undertaking.

A question was raised by AEC whether the $300,000 would or would not be spent in the Tri-Cities Area. Atlantic Richfield resisted committing itself to spending a major portion of the money in the Tri-Cities Area as proposed by AEC. After discussion it was agreed that the funds for the study need not be spent in the Tri-Cities but that any resultant civilian oriented nuclear business would be located in the Tri-Cities.

c Pre-Takeover Costs

On July 21, 1967, by letter agreement, parties mutually agreed that costs of performing preparatory activities leading to the orderly takeover of the operation and management of the RL chemical processing operation would not exceed $125,000 for the period July 5, through August 31, 1967 and would be subject to the following conditions:

1 Payment or reimbursement will be made only after execution of a definitive contract.

2 The Commission will not be liable for any costs if a definitive contract is not negotiated and executed.

3 All preparatory activities performed under the letter agreement will be in accordance with all applicable provisions of law and of the proposed form of operating contract.

4 Precontract cost will be incurred and their allowability will be determined in accordance with the provisions of AECPR 9-15.5010-9 and of Article V of the proposed form of operating contract.

d Summary of the Cost Estimate for Fee Calculation for the Ten-Month Period Ending June 30, 1968 (Amounts in Thousands) is as follows:

	Estimated Annual Cost	Percent Allowed	Fee Base
Directly Incurred Cost:	$		$
Salaries and Fringes	16,115	100	16,115
Materials and Supplies	3,789	100	3,789
Travel	150	100	150
Other - Taxes, etc.	293	100	293
Offsite Work for Others	600	100	600
Costs Transferred:			
Materials from Stores	763	25	191
Electricity	397	100	397
Battelle-Northwest	1,993	25	498

	Estimated Annual Cost	Percent Allowed	Fee Base
Computer Sciences	$ 313	25	78
J. A. Jones	720	25	180
Vitro	271	25	68
DUN and NRD	229	25	57
Other On-Site Services	2,616	-0-	-0-
Assessments	2,125	-0-	-0-
Estimated Annual Cost	$ 30,374		

Cost Base For Fee Calculations	$ 22,416
Annual Fee Computed in Accordance With Appendix A (in dollars)	$791,440
Monthly Fee (in dollars) From Takeover Date to June 30, 1968	$ 65,953

Fee Calculation

Annual Cost	Percent	Fee
$20,000,000	-	$725,000
2,416,000	2.75	66,440
$22,416,000		$791,440

e Maximum allowable for computation pursuant to AECPI 9-3.808-51 (g) is $791,440. The negotiated fee as described in (i) (1) a 1 is within the limit of the maximum allowable fee of $791,440.

(2) A comparison of the request for proposal which led to the negotiation of the subject contracts and the request for proposal issued in 1964 which led to the

AEC - Isochem Inc. Contract is discussed in (h) (3).

(3) Since construction and related engineering services were not factors in contract negotiations the requirements of this provision are not considered applicable to this justification.

(4) With respect to reimbursement of costs generated elsewhere then at the project site, it was agreed that a properly allowable portion of central office costs (including travel by officials, executives, administrative heads, and other employees) will be allowable. The test of allowability of such costs is set forth in Article V (c).

(5) The detailed production cost analysis reflecting final negotiation is detailed in (i) (1) d . This review and evaluation of major cost elements was prepared by Budget Division, RL.

(6) There are no known subcontracts required under this operating contract.

(7) Contract AT(45-1)-2130 did not contain any form of cost redetermination or escalation. This is not required for cost type operating contracts (AECPR 9-3.807-3).

(8) The chemical separations facilities to be assigned to the Atlantic Richfield Hanford Company are listed in a letter from O. J. Elgert to L. M. Richards, dated July 20, 1967. These facilities represent an investment of approximately

$270 million. Other properties and investments assigned to ARHCO are similarly detailed in letters to ARHCO.

(9) The financial condition of the proposed contractor, Atlantic Richfield Hanford Company, has been investigated and is considered satisfactory. The work under this contract will be financed by government funds. The contractors' accounting system will be satisfactory and adequate to furnish information required by AEC under the contract. Accounts under this contract will be integrated with AEC accounts.

Atlantic Richfield Company unconditionally guarantees the full, prompt and faithful performance by the Atlantic Richfield Hanford Company of the provisions and conditions of Contracts No. AT(45-1)-2130 and AT(45-1)-2131.

(10) The technical ability of Atlantic Richfield is considered outstanding and satisfies the requirements of the contract. Atlantic Richfield has not had a previous contract with AEC. However it recently entered the nuclear energy field by its acquisition of NUMEC. NUMEC's performance as operator of the Boron - 10 Plant at Niagara Falls, N.Y., is considered sufficiently satisfactory to warrant requesting an extension of that contract.

(11) The initial obligation of funds for the first 45 days of the contract term commencing 12:01 a.m. September 4, 1967 is in the amount of $200,000 from appropriation 89Y0101.91, allotment No. 23-81-91.25.

(12) The effective date of the contracts is 12:01 a.m. the fourth day of September, 1967. The term of the contract is for approximately five years thereafter, ending October 1, 1972, unless sooner terminated in accordance with contract provisions. The takeover date of operations is consistent with the scheduled and orderly transfer of operations from the present contractor to Atlantic Richfield Hanford Company.

(13) No additional comments are deemed appropriate.

(14) The Commission representative in charge of contract negotiations was A. M. Waggoner, Assistant Manager for Administration, RL, telephone No. 509-942-1111, extension 6-4838.

Submitted by: Russell Ritchie, Secretary, Chemical Processing Contract Negotiation Committee

Read and Approved by: A. M. Waggoner, Assistant Manager for Administration, RL, Chairman

H. E. Parker, Assistant Manager for Technical Operations, RL, Member

Addressees below in order

AUG 15 1967

A. M. Waggoner, Assistant Manager for
Administration, Chairman

SUMMARY OF CHEMICAL PROCESSING CONTRACT NEGOTIATIONS

D:RR

Attached for your comment or approval is a draft of the "Summary of Chemical Processing Contract Negotiations". Comments should be made directly on the draft. Approval may be indicated by signing in the appropriate space on the final page.

Attachment:
Summary of Chemical Processing Contract Negotiations

Addressees In Order:
8-15 H. E. Parker, Assistant Manager for Technical Operations, Member
8-15 C. G. Brinck, Chief Counsel, Legal Adviser
8-15 L. F. Perkins, Director, Contracts and Procurement Division, Member
R. L. Hooper, Director, Organization and Personnel Division, Adviser
P. K. Bushnell, Director, Finance Division, Adviser
P. W. Gottschalk, FPCE Coordinator, Chemical Processing Division, Member
R. Ritchie, Contract Administration Assistant, Chemical Processing Division, Member

cc: Asst Mgr Adm Off File

CPD	Counsel	Asst Mgr Adm
RITCHIE: DMH		
ELGERT	FITZ	WAGGONER
8-10-67		

SUMMARY OF CHEMICAL PROCESSING CONTRACT NEGOTIATIONS

Prepared By: Russell Ritchie
Chemical Processing Division

and

Clyde Fitz
Office of the Chief Counsel

I N D E X

July 6, 1967----------RL - ARHO Initial Discussion

July 26, 1967 (AM Session)----------Negotiation Summary - Diversification Agreement, Contract AT(45-1)-2131

July 26, 1967 (PM Session)----------Negotiation Summary - Appendix B of the Operating Contract AT(45-1)-2130

July 27, 1967 (AM Session)----------Negotiation Summary - Guarantee of Performance Contract AT(45-1)-2130, Appendix D

July 27, 1967 (PM Session)----------Fee and Salary Negotiation

July 28, 1967 (AM Session)----------Proofreading of Contracts

July 28, 1967 (PM Session)----------Proofreading of Contracts

----------Approval Page

FINAL
AM:AMW

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ATLANTIC RICHFIELD HANFORD COMPANY NEGOTIATIONS

Don Williams went to Seattle on the afternoon of July 5, 1967, to meet with Commissioner Johnson and the representatives from Atlantic Richfield to plan the agenda for the next two days. Atlantic Richfield representatives were:

R. D. Bent, Senior Vice President
L. M. Richards, Vice President
J. M. Schultz, Controller
R. P. Corlew, Manager of Coordination, Richfield Division
H. B. Off, Senior Counsel, Labor Relations
D. R. Gerner, Manager, Employee Relations
L. W. Cook, Labor Relations
N. E. Birch, Patent Counsel
D. W. McPhail, Manager, Evaluation

The first contract discussion took place on the afternoon of July 6, 1967, in the Federal Building with the Atlantic Richfield representatives, Commissioner W. E. Johnson, D. G. Williams, B. P. Helgeson, H. E. Parker, A. M. Waggoner and O. J. Elgert. RL representatives stressed the need for Atlantic Richfield to take over existing procedures, personnel, salaries and fringe benefits. Atlantic Richfield agreed to do this in the interest of a speedy, orderly takeover of the operations of the 200 Area.

Commissioner Johnson stressed the need for proper emphasis on nuclear materials management. He pointed out the recent interest that the Joint Committee had shown, the Headquarters recent reorganization of nuclear materials and the troubles NUMEC had encountered. Mr. Schultz stated that prior to takeover they would hire a consultant specialist in the nuclear material management field to review the inventory procedures for transfer of material. Waggoner pointed out that the RL situation was different from NUMEC's as under the terms of our operating contract Atlantic Richfield had no financial liability unless due to willful misconduct. It was Atlantic Richfield's position that recognizing the lack of liability their public image could be tarnished if provision was not made for a prudent review of procedures and testing of physical inventories of plant, equipment, stores material and nuclear materials. In addition to the nuclear materials consultant, Atlantic Richfield proposed to have Lybrand, their outside public accountants, furnish one or two men to participate in the inventory procedures review and physical inventory. It was pointed out that to assure an early takeover only a minimum inventory of plant, equipment and stores material would be made. Reliance will be placed on individual custodians, not the corporation.

It was agreed that Purex would be shut down, cleaned out, and the inventory taken. The plant would not start back into operation until after takeover by Atlantic Richfield.

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FINAL:lmj
D:RR
8-8-67

SUMMARY OF CHEMICAL PROCESSING CONTRACT
NEGOTIATIONS (7-26-67, 11:00 A.M. - 1:20 P.M. SESSION)

The negotiations began at 11:00 a.m.

In attendance for AEC were R. A. Kohler, Division of Contracts, HQ, H. E. Parker, Assistant Manager for Technical Operations, RL, A. M. Waggoner, Assistant Manager for Administration, RL, R. L. Hooper, Director, Organization and Personnel Division, RL, L. F. Perkins, Director, Contracts and Procurement Division, RL, C. G. Brinck, Chief Councel, RL, Clyde Fitz, Office of the Chief Counsel, RL, P. W. Gottschalk, Chemical Processing Division, RL, and Russell Ritchie, Chemical Processing Division, RL.

In attendance for Atlantic Richfield were J. M. Schultz, Vice President Business Management (ARHCO), Norbert E. Birch, Patent Counsel, Legal Division, H. Barton Off, Counsel (ARHCO), and Donald W. McPhail, Manager, Evaluation.

Negotiations began with the diversification Agreement, Contract AT(45-1)-2131.

DISCUSSION OF THE DIVERSIFICATION AGREEMENT

1. The initial discussion was whether the commitments in Appendix A were to be carried out by Atlantic Richfield Company or by Atlantic Richfield Hanford Company (ARHCO). Atlantic Richfield advised that it

has proceeded on the basis that the diversification commitments will be accomplished by ARHCO with performance guaranteed by the parent company, Atlantic Richfield Company. Atlantic Richfield presented a proposed diversification agreement that reflected this approach. AEC had prepared a proposed agreement which provided that the commitments would be carried out by the Atlantic Richfield Company. The AEC agreed to Atlantic Richfield's approach with a guarantee by the parent company and language in the diversification agreement was revised to mutual satisfaction of the parties.

2. The AEC questioned the part the President of ARHCO and other key personnel will play in the administration of the diversification commitments. Atlantic Richfield expressed the view that it would be mutually advantageous to have one man responsible for administration of ARHCO's diversification commitments and that he should be readily accessible to RL. L. R. Richards has been selected as the responsible individual. AEC had no objection.

   It was understood that the time spent by Richards and other ARHCO personnel on administration of diversification activities will not be reimburseable under the operating contract.

3. A question was raised by Atlantic Richfield regarding the length of time that quarterly reports must be submitted as provided in item 3 of the diversification agreement. It was agreed that reports will be required only for the initial term of the operating contract.

4. The reference to "a major change in scope of such Operating Contract" in item 6 of the Agreement was discussed. Atlantic Richfield was concerned that if a major increase in work occurred it might be expected to commit itself to additional diversification projects. It was understood that the language in the Agreement precludes change in the diversification commitments under such circumstances without mutual agreement of the parties and the provision was left unchanged.

DISCUSSION OF DIVERSIFICATION COMMITMENTS

1. Hotel-Convention-Resort Facility

Atlantic Richfield expressed strong reservations about providing for the possibility of meeting the monetary commitment ($3 million) with more than one project in lieu of the hotel-convention-resort facility. After discussion, the desirability of providing for such a contingency was acknowledged and the commitment was rephrased to provide for construction and operation of "other suitable equivalent facility or facilities mutually agreeable to Company and to AEC". The commitment was further expanded to provide that the facility would include a restaurant, coffee shop, cocktail lounge and that potential employment will be 100 persons by the end of Calendar Year 1970.

2. Cattle Feeding Yard

It was agreed that the commitment should be expanded to provide that (a) potential employment will be approximately 30 by the end of Calendar Year 1968 and will rise to approximately 45 by the end of Calendar Year

1969, and (b) ARHCO will use its best efforts to purchase required cattle, grain and feed in the Tri-Cities areas to the extent that it is consistent with prudent business practices and established procurement patterns of competing cattle feed lots.

3. Meat Packing Plant

After considerable discussion, which was directed primarily toward the time when the plant would be operable, Atlantic Richfield advised AEC that the plant will probably be larger than described in its proposal to the AEC. As a result it is encountering complications in programming the project. McPhail stated that Atlantic Richfield's consultants advised them that a 60,000 head/yr. feed lot is economically borderline. Hence a figure closer to a 100,000 head/yr. feed lot with a corresponding increase in processing capacity (from 35 million pounds to approximately 65 million pounds) is being considered. At AEC's request Atlantic Richfield considered increasing the meat packing plant commitment to $2 million with the provision that the time for operation would be extended to 36 months. After contacting Atlantic Richfield's home office (Mr. Bent), the Atlantic Richfield representatives advised that they preferred to keep the dollar amount in the commitment to $1.25 million and the estimated time for operation at 24 months. At AEC's request the commitment was rephrased to provide that the plant will be capable of full capacity (35 million pounds annually) operation within 24 months from the date of the Operating Contract and that it will employ approximately 150 persons.

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The commitment was revised to provide that the program will be funded at the rate of $75,000 per annum. It was understood that Atlantic Richfield will spend a total of $375,000 over a 5-year period, but will fund at the rate of $75,000 per year. It was further understood that the $75,000 per year does not necessarily have to be spent during the year in which it is funded.

Concern was expressed by Atlantic Richfield that the money may not be satisfactorily utilized in connection with the seminar program so the commitment was expanded to provide for different utilization of the monies by mutual agreement of the parties.

5. Equity Corporation

Atlantic Richfield's draft commitment provided that the corporation could be terminated at the end of two years if the program does not appear to meet the community's needs. This language was discarded in favor of AEC language which provides that "If, after two years of operation, Company is unable to make sufficient investments and AEC after examining the corporation's books and records agrees that Company, through the corporation has exercised its best efforts to meet the needs of the Tri-Cities area, Company will be relieved of the commitment."

6. Further Diversification Studies

The words "in the Tri-Cities area" were added following the description of the undertaking.

A question was raised by AEC whether the $300,000 would or would not be spent in the Tri-Cities area. Atlantic Richfield resisted commiting itself to spending a major portion of the money in the Tri-Cities area as proposed by AEC. After discussion it was felt that the inclusion of the language "in the Tri-Cities area" was acceptable to AEC.

The negotiations were adjourned at 1:20 p.m. and scheduled to reconvene at 3:00 p.m.

FINAL:lmj
D:RR
8-8-67

SUMMARY OF CHEMICAL PROCESSING CONTRACT
NEGOTIATIONS (7-26-67, 3:00 P.M. - 6:00 P.M. SESSION)

The negotiations began at 3:00 p.m. and adjourned at 6:00 p.m.

In attendance for AEC were R. A. Kohler, Division of Contracts, HQ, A. M. Waggoner, Assistant Manager for Administration, RL, H. E. Parker, Assistant Manager for Technical Operations, RL, R. L. Hooper, Director, Organization and Personnel Division, RL, L. F. Perkins, Director, Contracts and Procurement Division, RL, C. G. Brinck, Chief Counsel, RL, Clyde Fitz, Office of the Chief Counsel, RL, J. B. Warner, Insurance Representative, RL, P. W. Gottschalk, Chemical Processing Division, RL, C. F. Chandler, Labor Relations Specialist, RL, Russell Ritchie, Chemical Processing Division, RL.

In attendance for Atlantic Richfield were J. M. Schultz, Vice President Business Management (ARHCO), Norbert E. Birch, Patent Counsel, Legal Division, H. Barton Off, Counsel (ARHCO), and Donald W. McPhail, Manager, Evaluation.

The negotiations conducted during this session were for the most part a continuation of negotiations on Appendix B, which took place over a period of several weeks. The official record of Appendix B negotiations including this particular session was prepared by C. F. Chandler and is presently located in the files of RL's Labor Relation Branch, Organization and Personnel Division.

FINAL:lmj
D:RR
8-8-67

SUMMARY OF CHEMICAL PROCESSING
CONTRACT NEGOTIATIONS (7-27-67, 8:30 A.M.
12:00 NOON SESSION)

Continued negotiations began at 8:30 a.m. In attendance for AEC were R. A. Kohler, HQ, A. M. Waggoner, Assistant Manager for Administration, RL, H. E. Parker, Assistant Manager for Technical Operations, RL, L. F. Perkins, Director, Contracts and Procurement Division, RL, C. G. Brinck, Chief Counsel, RL, P. W. Gottschalk, Chemical Processing Division, RL, Clyde Fitz, Office of the Chief Counsel, RL, and Russell Ritchie, Chemical Processing Division, RL. In attendance for Atlantic Richfield were Norbert E. Birch, Patent Counsel, Legal Division, J. M. Schultz, Vice President Business Management (ARHCO), and H. Barton Off, Counsel (ARHCO).

DISCUSSION OF GUARANTEE OF PERFORMANCE

1. Discussions began with ARHCO taking exception to the word "unconditionally" in the Guarantee of Performance. The point was not immediately resolved. It was finally decided that if the word "unconditionally" is in the NUMEC contract Atlantic Richfield would agree to include it in the Guarantee of Performance. The Chief Counsel checked with Headquarters and determined that the NUMEC contract does include the word. Atlantic Richfield thereupon agreed to include it in the Guarantee of Performance.

2. Atlantic Richfield requested that separate Guarantees of Performance be attached to the operating contract and to the diversification agreement. AEC agreed.

DISCUSSION OF APPENDIX D

Atlantic Richfield requested that H. Barton Off, Counsel for ARHCO, be added to the list of Key Personnel. AEC agreed.

DISCUSSION OF OPERATING CONTRACT AT(45-1)-2130

Preamble

1. Atlantic Richfield expressed ARHCO's willingness to effect the takeover of the Chemical Processing Operations as soon as possible. AEC mentioned the advisability of giving thirty days termination notice to Isochem. By mutual agreement it was decided that September 1, 1967 would be the effective date of the contract. It was agreed that if this date cannot be met the date will be changed by contract modification. (The next day it was agreed that the effective date of the contract will be September 4, 1967 at 12:01 a.m.)

2. AEC asked who would execute the contract and when would it be executed. Atlantic Richfield said L. M. Richards will sign the contract in Richland. AEC asked for a resolution from the ARHCO governing body to show Richard's authority to sign the contract. Atlantic Richfield said it was unaware that such evidence of authority would be required. While a general resolution is available it had no specific resolution. AEC was assured that the necessary evidence of authority would be provided. AEC then brought out that evidence of R. D. Bent's authority to sign the

Guarantee of Performance is also required. Atlantic Richfield agreed to check it out and comply with the request.

Article I - Definitions

No discussion.

Article II - Engagement of Contractor - Designation of Facilities

1. Atlantic Richfield questioned whether the letter of July 20, 1967, from RL to L. M. Richards regarding facilities to be assigned to ARHCO is related to this Article. Their initial observation was that the exact facilities to be managed, operated and maintained should be described and the description related to Article II. After discussion Atlantic Richfield agreed that the second paragraph of the letter which refers to Article II makes the letter satisfactory.

2. AEC advised Atlantic Richfield that under certain emergency situations it may be necessary for AEC to give ARHCO oral directions and instructions. It was agreed by the AEC that such directions and instructions will be confirmed in writing. This agreement will be included in the letter of understanding.

Article III - Description of Work and Services

1. Atlantic Richfield said it has a copy of the Isochem contract which includes a reference to fabrication of weapons. AEC pointed out that the language was deleted from the ARHCO contract because the activity has been discontinued.

2. Atlantic Richfield asked whether reactivation of Redox would be considered an increase in the scope of the work. AEC agreed that it would be so regarded.

3. ARCHO requested that the word "Washington" appear after "Richland" in this Article. AEC agreed.

4. Under Section (c) (2), Mr. Kohler stated that Atlantic Richfield's requested additional language to the effect that the costs incurred by the contractor shall be allowable costs as determined by the criteria in Article V, had been disapproved at AEC Headquarters. It was agreed that the proposed addition would not be included.

Article IV - Obligation of Funds

RL stated that the amount presently obligated by the Government with respect to this contract is $200,000. Atlantic Richfield asked about the duration of the obligation. It was understood that it is for 45 days as indicated in paragraph (c). Atlantic Richfield agreed that the amount obligated is sufficient.

Article V - Allowable Costs and Fixed Fee

1. Atlantic Richfield did not agree on the indicated fixed fee to be paid after the takeover date. Mr. Waggoner suggested that discussions on the fee should be conducted privately later in the day. Atlantic Richfield agreed.

2. Atlantic Richfield asked if the word "separation" in V, (d) (8) (B) applied to mass separations or only to intermittent separations. AEC

(Bob Hooper) said the word relates to the provisions in Appendix "B". It is intended to apply to an individual who terminates from ARHCO and not to one who transfers to a successor contractor.

3. Atlantic Richfield questioned the AEC's intent regarding (e) (22) which provides that storage of records pertaining to the contract after completion of operations is an example of an item of unallowable case. AEC advised that (e) (22) pertains to ARHCO's own records as distinguished from records that are the property of the Government.

4. Item 11 in RL's checklist was discussed. It provides for the addition of words ". . . or as approved by the Contracting Officer" at the end of Article V (e) (5) and a provision in a letter of understanding to the effect that AEC recognizes the Contractor's central office is in Richland, that certain central office costs will be incurred in connection with work under the contract and therefore a properly allocable portion of such costs (including travel) will be allowable, subject to the test of allowability set forth in Article V (c). It was agreed that the addition should be made and that the letter of understanding should include the provision regarding central office costs.

Article VI - Payments and Advances

1. Atlantic Richfield suggested that checks be advanced by the AEC on a weekly basis. RL pointed out that the frequency of advances is covered in the contract.

2. AEC advised that it cannot add a provision (as requested by Atlantic Richfield) that failure of the parties to reach agreement on allowable costs in the annual voucher of expenditures described in VI (e) shall constitute a dispute. Atlantic Richfield raised the question whether the disputes article is applicable only to the portions of the contract which specifically provide that failure of the parties to agree shall constitute a dispute. AEC explained its position which has been that the scope of the disputes article is not so restricted, that it is applicable to any dispute arising under the contract unless the pertinent portion of the contract provides that it is not subject to dispute and provided the dispute involves a question of fact. Paragraph (b) of the disputes article which provides that the article does not preclude consideration of law questions in connection with decisions in paragraph (a) was also called to Atlantic Richfield's attention. After the explanation Atlantic Richfield agreed that the requested addition is unnecessary.

Article VII - Assignment

No discussion.

Article VIII - Accounts, Records and Inspection

In accordance with item 14 in RL's checklist, a few words will be added to paragraph (d) to enable the contractor to retain a copy of said material for its own use, subject to the security and patents articles in the contract.

Article IX - Examination of Records

No discussion.

Article X - Required Bonds and Insurance - Exclusive of Government Property

Atlantic Richfield said it would arrange for workmen's compensation coverage for its employees. AEC advised that such arrangements are unnecessary as coverage will be provided under AEC's contract with the state. AEC added that it handles all workmen's compensation matters including administration and litigation of claims. After AEC pointed out Article XLIV - Workmen's Compensation, Atlantic Richfield said it was pleased with the described arrangements and would forget about making its own arrangements for coverage.

Article XI - Property

With respect to steps to be taken in event of loss (paragraph (f)) Atlantic Richfield assured AEC that it will follow established Isochem procedures. Atlantic Richfield said it would determine whether it wants to include the point in the letter of understanding. (Such a request was not made.)

Article XII - State and Local Taxes

No discussion.

Article XIII - Contractor Procurement

Atlantic Richfield took exception to the language in paragraph (c) and suggested that its proposed language be used. AEC preferred to leave the paragraph unchanged, with the exception of deleting the word "prime" and capitalizing the word "contractor" in the third line of the paragraph.

Article XIV - By-American Act

No discussion.

Article XV - Priorities Allocations and Allotments

No discussion.

Article XVI - Litigation and Claims

No discussion.

Article XVII - Disputes

It was agreed that disputes had been sufficiently discussed in connection with Article VI.

Article XVIII - Safety, Health and Accident Protection

Atlantic Richfield questioned if the fee would continue in the event of a shutdown necessitated by a hazard such as contamination. AEC said the fee of other contractors has never been stopped under such circumstances but it doesn't want the contract to provide that the fee will not be stopped. The language in the contract is to enable AEC to enforce its health, safety and fire protection regulations.

Article XIX - Permits

No discussion.

Article XX - Security

No discussion.

Article XXI - Contractors Organization

Atlantic Richfield said it will provide the organization chart required under (a) as promptly as possible after execution of the contract.

Article XXII - Key Personnel

No discussion.

Article XXIII - Consultant Employment

No discussion.

Article XXIV - Notice of Labor Disputes

No discussion.

Article XXV - Contract Work Hours, Standards Act - Overtime Compensation

Atlantic Richfield had some notes that gave rise to the question whether paragraph (e) should remain in the contract. It was checked out by the Chief Counsel and agreed that it should remain in the contract.

Article XXVI - Walsh-Healey Public Contracts Act

No discussion.

Article XXVII - Equal Opportunity

No discussion.

Article XXVIII - Convict Labor

No discussion.

Article XXIX - Covenant Against Contingent Fees

No discussion.

Article XXX - Officials Not to Benefit

No discussion.

Article XXXI - Renegotiation

No discussion.

Article XXXII - Utilization of Small Business Concerns

No discussion.

Article XXXIII - Small Business Subcontracting Program

No discussion.

Article XXXIV - Utilization of Concerns in Labor Surplus Areas

No discussion.

Article XXXV - Labor Surplus Area Subcontracting Program

No discussion.

Article XXXVI - Term and Termination

October 1, 1972 is to be the contract termination date.

Article XXXVII - Patents

Atlantic Richfield said it wants to be able to file applications for patents in foreign countries for inventions or discoveries made or conceived in the course of the contract if the AEC doesn't intend to file in such countries. Appropriate language was developed for inclusion in the letter of understanding to be prepared by AEC.

The language in item 20 of RL's checklist was satisfactory to Atlantic Richfield. Item 20 provides that AEC will state in a letter of understanding that ARHCO is under no obligation to utilize or embody in the work under the contract or in the facilities in which the work is conducted, any specific background inventions or discoveries of the type described in Article XXXVII (g)

Article XXXVIII - Copyright

No discussion.

Article XXXIX - Drawings, Designs, Specifications

No discussion.

Article XL - Background Technical Data

It was agreed that the letter of understanding would include a provision that ARHCO is under no obligation to utilize or embody in the work under the contract or in the facilities in which the work is conducted, any background technical data of the type described in Article XL (a).

Article XLI - Classification

No discussion.

Article XLII - Nuclear Hazards Indemnity

No discussion.

Article XLIII - Source and Special Nuclear Materials

No discussion.

The negotiations were adjourned at 12:00 noon and scheduled to reconvene at 1:00 p.m. with attendance limited to AEC - A. M. Waggoner, R. A. Kohler, and R. L. Hooper. ARHCO - N. E. Birch and D. R. Gerner.

August 1, 1967 FINAL
AM:AMW

OFFICIAL USE ONLY

FEE NEGOTIATIONS - ARHCO CONTRACT AT(45-1)2130

Negotiations were conducted on Thursday afternoon, July 27, 1967, with Norbert E. Birch and D. R. Gerner of ARHCO and A. M. Waggoner, Robert Kohler and Robert Hooper of the AEC.

At this time the fee and salaries of key personnel were the only unresolved contractual items. Headquarters had been notified of the salary problem by Williams' July 14, 1967 teletype to G. J. Keto.

D. R. Gerner stated that in order to get the key people to sell their homes and move to Richland, substantial salary adjustments were made. The annual salaries ARHCO would pay are:

Richards	$45,000
Schultz	$35,000
Corlew	$35,000
Off	$25,000

Kohler pointed out that during selection procedures, Robert Bent, Vice President of Atlantic Richfield Company, was informed that the top reimbursable salary could not exceed $35,000 and the salaries of the other transferred executives would have to bear a reasonable relationship to the top salary. The AEC representatives agreed to recommend to Headquarters the following reimbursable salaries:

Richards	$35,000
Schultz	$30,000
Corlew	$30,000
Off	$25,000

The first three salaries are those approved for counterpart Isochem personnel, and Off's salary is slightly below the Isochem attorney's salary. ARHCO agreed to submit the salary forms. The Commission's representatives pointed out that although we would support the above reimbursable salaries we could not give any firm guarantee of approval as Headquarters concurrence must be obtained.

Norbert Birch stated that in view of the minimum of $20,000 for salary costs that would be charged against corporate funds, they wanted more fee. The Commission's fee offer of $791,440 is the same amount as is being paid Isochem. Birch was informed that this amount could not be

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exceeded and that the RFP stated a fee of approximately $750,000 would be paid. The Commission believes that the $791,440 is reasonable because even with the salary deductions and unallowable costs such as memberships in Chamber of Commerce and Tri-City Nuclear Industrial Council, and use of outside public accountants for audit purposes, the take-home fee would exceed the $750,000 set forth in the RFP.

Birch stated that Robert Bent, Vice President of Atlantic Richfield, wanted $900,000 as a minimum and if ARHCO could not get this amount we would be at an impasse. Waggoner stated that the fee offered was our top fee and neither the negotiating committee nor our Headquarters staff had authority to exceed the amount offered. Any increase would require approval of the Commission and undoubtedly would delay execution of the contract to a substantial degree. Birch then agreed to accept the fee offered by the AEC negotiators.

W. M. Waggoner
8-1-67

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FINAL:lmj
D:RR
8-9-67

SUMMARY OF CHEMICAL PROCESSING
CONTRACT NEGOTIATIONS (7-28-67, 10:00 A.M.
12:10 P.M. SESSION)

The meeting began at 10:00 a.m. In attendance for the AEC were A. M. Waggoner, Assistant Manager for Administration, RL, L. F. Perkins, Director, Contracts and Procurement Division, RL, P. W. Gottschalk, Chemical Processing Division, RL, Clyde Fitz, Office of the Chief Counsel, RL, and Russell Ritchie, Chemical Processing Division, RL.

In attendance for Atlantic Richfield were Norbert E. Birch, Patent Attorney, and H. Barton Off, Counsel.

PRELIMINARY DISCUSSION

1. At the request of the AEC it was agreed that the effective date for take-over was to be changed from September 1, 1967 to 12:01 a.m., September 4, 1967. The reason is to facilitate payroll changeover.

2. The time for formal execution of the contract will be 9:30 a.m., Tuesday, August 1, 1967.

DIVERSIFICATION AGREEMENT - CONTRACT NO. AT(45-1)-2131

1. Signature pages for the diversification agreement, operating contract and parent company guarantees are being prepared and signed at Atlantic Richfield's home office. They will be mailed to Richland.

2. The contract was proofread and one minor editorial change was made.

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APPENDIX "A" TO CONTRACT AT(45-1)-2131 - DIVERSIFICATION COMMITMENTS

1. The diversification commitments were proofread and mutually approved.

LETTER OF UNDERSTANDING ON CONTRACT AT(45-1)-2130

1. Perkins questioned whether or not item 4 would limit ARHCO from giving their best efforts to work. ARHCO replied that it wouldn't.

2. The question was raised by Atlantic Richfield whether the provision that was discussed by Gerner concerning budgeting for promotions and merit increases is to be included in the letter of understanding. Bob Hooper was called in to the meeting and pointed out to Birch that in private session the previous day, Birch, Hooper and Gerner had agreed to exclude this provision from the letter of understanding. It was agreed it would be excluded.

CONTRACT NO. AT (45-1)-2130

1. 12:01 a.m., September 4, 1967, was inserted as the effective date of the contract.

Article I - Definitions

No discussion.

Article II - Engagement of Contractor and Designation of Facilities

Atlantic Richfield questioned whether the word "written" should precede the provision concerning issuance of directions and instructions by the AEC to

ARHCO. The question was withdrawn when AEC pointed out that the letter of understanding will provide for written confirmation of oral direction and instructions.

Article III - Description of Work and Services

1. Atlantic Richfield questioned if the description of the work in paragraph (a) was in the original draft. After comparison it was determined that the provision was included in the draft.

2. An editorial omission in (d) (5) was noted and corrected.

3. Atlantic Richfield questioned whether all of paragraph (d) (6) was included in the original draft. It must be checked out before Atlantic Richfield will agree to include it in the contract.

Article IV - Obligation of Funds

1. The word "cost" was changed to "costs" in paragraph (a).

2. ARHCO's Counsel, mentioned that a number of changes have been made in the model contract since the first version received by Atlantic Richfield. However, he was satisfied that they were not substantive changes but instead editorial in nature.

Article V - Allowable Costs and Fixed Fee

1. An editorial correction was made in paragraph (d) (5) to change the word "allowable" to "unallowable".

2. It was agreed that the addition of the words "or as approved by the Contracting Officer" in paragraph (e) (5) is consistent with checklist prepared by RL and the agreement of the parties.

The meeting was adjourned at 12:10 and scheduled to reconvene at 1:00 p.m. to continue proofreading of the contract.

FINAL:lmj
D:RER
8-9-67

SUMMARY OF CHEMICAL PROCESSING
CONTRACT NEGOTIATIONS (7-28-67, 1:30 P.M.
4:00 P.M. SESSION)

The meeting began at 1:30 p.m. In attendance for the AEC were A. M. Waggoner, Assistant Manager for Administration, RL, L. F. Perkins, Director, Contracts and Procurement Division, RL, P. W. Gottschalk, Chemical Processing Division, RL, Clyde Fitz, Office of the Chief Counsel, RL.

In attendance for Atlantic Richfield were Norbert E. Birch, Patent Counsel, Legal Division, and H. Barton Off, Counsel (ARHCO).

The purpose of this meeting was to finish proofreading the operating contract. Selected contract articles were proofread to the satisfaction of those present. A list of the articles that were not proofread at this time is contained in the Chemical Processing Division file.

The meetings were adjourned at 4:00 p.m.

CHEMICAL PROCESSING CONTRACT
NEGOTIATION COMMITTEE

Read and Approved:

A. M. Waggoner
Assistant Manager for Administration, RL, Chairman

H. E. Parker
Assistant Manager for Technical Operations, RL, Member

R. A. Kohler
Division of Contracts, Headquarters, Member

L. F. Perkins
Director, Contracts and Procurement Division, RL, Member

P. W. Gottschalk
FPCE Coordinator, Chemical Processing Division, RL, Member

Russell Ritchie
Contract Administration Assistant
Chemical Processing Division, RL, Secretary

C. G. Brinck
Chief Counsel, RL, Legal Adviser

R. L. Hooper
Director, Organization and Personnel Division, RL
Adviser

P. K. Bushnell
Director, Finance Division, RL, Adviser

In an AEC Headquarters memorandum of July 7, 1967, W. B. McCool, Secretary, advised Joseph L. Smith, Director, Division of contracts, that "the Commissioners agreed staff may proceed with discussions with Atlantic Richfield leading to the selection of that Company as operating contractor for the Chemical Separations Areas (200 Areas) at Richland." The memorandum also included the information that the Manager, RL, had been authorized by the Commissioners "to negotiate and execute a contract substantially similar to the form furnished with the request for proposals."

Contract AT(45-1)-2130 which was executed on behalf of the Atomic Energy Commission and the Atlantic Richfield Hanford Company on August 1, 1967, is substantially similar to the form of the contract furnished with the request for proposals and therefore in accordance with the Commissioner's authorization.

SUMMARY OF NEGOTIATIONS
AT(45-1)-2130 (ARHCO)

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CONFORMED COPY

MODIFICATION NO. 1
SUPPLEMENTAL AGREEMENT TO
CONTRACT NO. AT(45-1)-2130

SUPPLEMENTAL AGREEMENT

THIS SUPPLEMENTAL AGREEMENT, entered into this 21st day of May, 1971, effective as hereinafter provided, between the UNITED STATES OF AMERICA, (hereinafter called the "Government"), represented by the UNITED STATES ATOMIC ENERGY COMMISSION (hereinafter called the "Commission", and ATLANTIC RICHFIELD HANFORD COMPANY (hereinafter called the "Contractor"), a corporation organized and existing under the laws of the State of Delaware, with its principal place of business at Richland, Washington;

WITNESSETH THAT:

WHEREAS, there is now in full force and effect between the parties hereto Contract No. AT(45-1)-2130, entered into for the period from October 1, 1967, through September 30, 1972, for the performance by the Contractor of certain functions for the Commission involved in and associated with the Commission's Chemical Processing Operations in facilities of the Commission; and

WHEREAS, the Commission has elected to enter into this Supplemental Agreement with the Contractor under which the Contractor will perform certain support services for the Commission and its designated contractors relating to the operation of the Hanford project; and

WHEREAS, the Contractor recognizes that this action is being taken to effect economies and efficiencies in the conduct of the support services program, and further recognizes its responsibilities under the contract to use its best judgment, skill and care to perform such services; and

WHEREAS, this Supplemental Agreement is executed pursuant to applicable laws, including the Atomic Energy Act of 1954, as amended, and is in the interest of common defense and security.

NOW, THEREFORE, the parties do agree as follows:

1. ARTICLE III - Description of Work and Services - is amended by adding a new subparagraph (b) and redesignating Article III (b), (c) and (d) as Article III (c), (d) and (e) respectively:

"(b) Support Services. The Contractor shall perform support services for the Commission and its designated contractors, related to the operation of the Hanford project and to the extent requested by the Commission from time to time, which services may include, but are not necessarily limited to, the following:

(1) Operate and maintain the project rail and automotive transportation systems; electric power transmission and distribution systems; maintenance and repair shops; communication systems; fire department; export water system; and related utilities and services.

(2) Operate the project General Stores, warehouses and related services; laundry and related services; Hanford Visitor's Center; Plant Records Center; and project newspaper, printing and reproduction facilities.

(3) Perform miscellaneous area roads, building and utility maintenance; and operate the engineering files, reproduction, and office equipment repair service facilities.

(4) Furnish plant protection, industrial safety, property accounting and other administrative services.

(5) Performance of support services which the Contractor is particularly qualified to perform for the Commission or other contractors of the

Commission at Richland. Such services shall be designated by the Commission in writing from time to time."

2. ARTICLE III (d) - Related Services - is modified as follows:

"(d) Related Services.

(1) In addition to the services specifically described in other provisions of this Article III, the Contractor shall perform other services, incidental or related to the services described in this Article III (a), (b) or (c) or to the programs of the Commission as the Commission and the Contractor shall agree in writing from time to time will be performed under this contract either for the Commission or its contractors."

3. The fixed fee for the management effort required by this Supplemental Agreement shall be negotiated and determined in accordance with Article V of this contract.

4. Appendix "A" to the contract is amended by deleting subparagraph (a) (1) (vii) therefrom.

5. Except as otherwise agreed by the parties, the effective date of this Supplemental Agreement shall be midnight, June 30, 1971.

IN WITNESS WHEREOF, the parties hereto have executed this Supplemental Agreement as of the day and year first above written.

UNITED STATES OF AMERICA
UNITED STATES ATOMIC ENERGY COMMISSION

By _____
(Contracting Officer)

ATLANTIC RICHFIELD HANFORD COMPANY

By _____
(President

MODIFICATION NO. 1
SUPPLEMENTAL AGREEMENT TO
CONTRACT NO. AT(45-1)-2130

I, W. R. Dotson, certify that I am the Assistant Secretary of the Corporation named as Contractor herein; that L. M. Richards who signed this Supplemental Agreement on behalf of the Corporation, was then the President of the Corporation; that said Supplemental Agreement was duly signed for and on behalf of said Corporation by authority of its governing body, and is within the scope of its corporate powers.

IN WITNESS WHEREOF, I have hereunto affixed my hand and the seal of said Corporation this 27th day of May, 1971.

W. R. Dotson

Title Assistant Secretary

(Corporate Seal)

CONFORMED COPY

MODIFICATION NO 1
SUPPLEMENTAL AGREEMENT TO
CONTRACT AT(45-1)-2131

THIS SUPPLEMENTAL AGREEMENT, entered into effective October 1, 1972, by and between ATLANTIC RICHFIELD HANFORD COMPANY, a Delaware Corporation, qualified to do business in the State of Washington (Company), and the ATOMIC ENERGY COMMISSION (AEC),

WITNESSETH THAT:

WHEREAS, the parties entered into Contract AT(45-1)-2131 (Agreement) for the performance by the Company of certain diversification activities during the initial term of Contract AT(45-1)-2130 (Operating Contract); and

WHEREAS, the term of the Operating Contract has been extended for an additional period of five years; and

WHEREAS, the parties wish to extend the Agreement for a period of time co-extensive with the term of the Operating Contract and to agree upon the Company's diversification activities during the extended period.

NOW, THEREFORE, in consideration of these circumstances, the parties agree as follows:

1. The Company has completed the diversification projects contained in Appendix "A" to the Agreement in accordance with the terms thereof.

2. Notwithstanding paragraph 1. above, during the extended term of the Operating Contract, the Company shall continue to operate the activities specified under paragraphs I, II, and III of Appendix "A" to the Agreement in accordance with good business practice; provided, however, if the Company intends to discontinue or otherwise divest itself of any such activities, it will give the Commission notice in writing of such intent at least 90 days prior to such action.

3. The Company shall report to the Commission semi-annually on the general progress of the activities covered by paragraph 2. above, including expenditure of funds and, where appropriate, status of any new construction, number of personnel assigned to the activity, general character and level of operations

being conducted, schedules, further projections, etc. Such reports shall be submitted to the Commission on or before June 30 and December 31 of each calendar year.

4. The provisions of paragraphs 2, 4, and 5 of the Agreement shall remain in full force and effect during the term of this Modification No. 1 to the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Modification as of the day and year first above written.

UNITED STATES OF AMERICA

UNITED STATES ATOMIC ENERGY COMMISSION

BY _____
(Contracting Officer)

ATLANTIC RICHFIELD HANFORD COMPANY

BY Lawrence M. Richards

I, W. R. Dotson, certify that I am the Assistant Secretary of the corporation named as Contractor herein; that LAWRENCE M. RICHARDS who signed this Modification on behalf of the corporation, was then PRESIDENT of said corporation; that said modification was duly signed for and on behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

IN WITNESS WHEREOF, I have hereunto affixed my hand and the seal of said corporation, this 8th day of MAY, 1972.

W R Dotson
Assistant (Secretary)

(Corporate Seal)

CONFORMED COPY

Contract No. AT(45-1)-2131

AGREEMENT BETWEEN
ATLANTIC RICHFIELD HANFORD COMPANY
AND
ATOMIC ENERGY COMMISSION

This Agreement made this 1st day of August, 1967, by and between ATLANTIC RICHFIELD HANFORD COMPANY, a Delaware corporation, qualified to do business in the State of Washington (COMPANY) and the ATOMIC ENERGY COMMISSION (AEC); and

WHEREAS, COMPANY is a wholly owned subsidiary of ATLANTIC RICHFIELD COMPANY, a Pennsylvania Corporation (ATLANTIC); and

WHEREAS, as of this date COMPANY and AEC are simultaneously entering into a cost-type contract for the management, operation, and maintenance by COMPANY of certain facilities known as the 200 Chemical Separations Area and for the standby maintenance and surveillance of certain other facilities, for AEC at Richland, Washington (Operating Contract); and

WHEREAS, in ATLANTIC's proposal to AEC with respect to the Operating Contract, an offer was made to undertake certain projects and activities, not directly related to the contract work, for the purpose of diversifying the economy of the area around Richland, Washington (the "Tri-Cities Area"); and

WHEREAS, such undertakings will serve to prevent or reduce the adverse economic impact of actual or anticipated reductions in AEC programs in that area, and thereby contribute to the retention and recruitment of personnel essential to continuing AEC programs; and

WHEREAS, the parties desire to expressly recognize and define the scope and the extent of such undertakings.

NOW, THEREFORE, in consideration of these circumstances the parties agree as follows:

1. COMPANY hereby acknowledges and agrees that it will undertake, at no cost to AEC, the projects and activities set forth in Appendix "A" hereto, which is made a part hereof to the same extent as if copied in full herein; provided that nothing herein shall affect COMPANY in the operation of such projects or activities in selling or pricing services, materials or supplies to AEC or others.

2. It is expressly agreed and understood that a failure of COMPANY to fully and faithfully carry out the commitments herein enumerated can cause AEC to suffer and incur injuries in the accomplishment of its purposes, and other adverse consequences, which may not be susceptible to adequate compensation in the form of money damages. Accordingly, in the event of a breach of any or all of the undertakings set forth herein, AEC shall be entitled to sue for specific performance of such commitments by COMPANY, and for such other equitable relief as may be appropriate. Nothing herein shall be deemed to relieve in any way AEC's burden of establishing, independent of the provisions of this Agreement, that it is entitled, in any such equitable suit, to specific performance or such other equitable relief as may be appropriate nor shall anything herein be deemed to limit any other legal rights AEC may have under or pursuant to the Operating Contract or under applicable law.

3. COMPANY shall, for the initial term of the Operating Contract, furnish to AEC on or before the 1st day of January, 1968, and on or before the 1st day of every third calendar month thereafter, a written progress report showing expenditure of funds during the three-month period immediately preceding the reporting date in connection with the activities identified in Appendix "A"

hereto. The report shall further describe general progress in connection with such activities including, where appropriate, status of construction, number of personnel assigned to the activity, general character of operations being conducted, schedules, further projections, etc.

4. Notwithstanding anything to the contrary contained or implied herein or in the Operating Contract, a default by COMPANY in the performance of any of its obligations hereunder shall not constitute a default by COMPANY under the Operating Contract.

5. This Agreement shall be binding upon, and inure solely to the benefit of AEC and COMPANY, and its successors. No other corporation, State or local governmental unit or agency, or other person or entity whatsoever (even though named or described herein) shall acquire or have any legal or equitable right, remedy, or claim under or in respect of this Agreement or any provision herein contained, this Agreement and all conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and for the benefit of no other person or entity whatsoever, nor shall any such right, remedy or claim granted herein to AEC be assigned by it to any third party; provided that nothing herein shall limit the authority of the United States acting through its officers or agents to enforce the provisions of this Agreement on behalf of AEC or its successors.

6. The undertakings set forth herein and in Appendix "A" attached hereto shall continue unless otherwise expressly stated in Appendix "A", for so long as COMPANY is performing any services for AEC at Richland during the initial term of the Operating Contract. In the event of a major change in scope of such Operating Contract, the parties agree that Appendix "A" shall be subject to review and to such revision as may be mutually agreed upon.

CONTRACT NO. AT(45-1)-2131

IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day and year first above written.

UNITED STATES OF AMERICA

UNITED STATES ATOMIC ENERGY COMMISSION

By _____
(Contracting Officer)

ATLANTIC RICHFIELD HANFORD COMPANY

By Lawrence M. Richards
(President)

I, R. G. Nelson, certify that I am the Secretary of the corporation named as Contractor herein; that Lawrence M. Richards who signed this Contract on behalf of the corporation, was then President of said corporation; that said contract was duly signed for and on behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

IN WITNESS WHEREOF, I have hereunto affixed my hand and the seal of said corporation, this First day of August, 1967.

R G Nelson
(Secretary)

(Corporate Seal)

CONFORMED COPY

MODIFICATION NO 1
SUPPLEMENTAL AGREEMENT TO
CONTRACT AT(45-1)-2131

THIS SUPPLEMENTAL AGREEMENT, entered into effective October 1, 1972, by and between ATLANTIC RICHFIELD HANFORD COMPANY, a Delaware Corporation, qualified to do business in the State of Washington (Company), and the ATOMIC ENERGY COMMISSION (AEC),

WITNESSETH THAT:

WHEREAS, the parties entered into Contract AT(45-1)-2131 (Agreement) for the performance by the Company of certain diversification activities during the initial term of Contract AT(45-1)-2130 (Operating Contract); and

WHEREAS, the term of the Operating Contract has been extended for an additional period of five years; and

WHEREAS, the parties wish to extend the Agreement for a period of time co-extensive with the term of the Operating Contract and to agree upon the Company's diversification activities during the extended period.

NOW, THEREFORE, in consideration of these circumstances, the parties agree as follows:

1. The Company has completed the diversification projects contained in Appendix "A" to the Agreement in accordance with the terms thereof.

2. Notwithstanding paragraph 1. above, during the extended term of the Operating Contract, the Company shall continue to operate the activities specified under paragraphs I, II, and III of Appendix "A" to the Agreement in accordance with good business practice; provided, however, if the Company intends to discontinue or otherwise divest itself of any such activities, it will give the Commission notice in writing of such intent at least 90 days prior to such action.

3. The Company shall report to the Commission semi-annually on the general progress of the activities covered by paragraph 2. above, including expenditure of funds and, where appropriate, status of any new construction, number of personnel assigned to the activity, general character and level of operations

being conducted, schedules, further projections, etc. Such reports shall be submitted to the Commission on or before June 30 and December 31 of each calendar year.

4. The provisions of paragraphs 2, 4, and 5 of the Agreement shall remain in full force and effect during the term of this Modification No. 1 to the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Modification as of the day and year first above written.

UNITED STATES OF AMERICA

UNITED STATES ATOMIC ENERGY COMMISSION

BY _____
(Contracting Officer)

ATLANTIC RICHFIELD HANFORD COMPANY

BY Lawrence M. Richards

I, W. R. Dotson, certify that I am the Assistant Secretary of the corporation named as Contractor herein; that LAWRENCE M. RICHARDS who signed this Modification on behalf of the corporation, was then PRESIDENT of said corporation; that said modification was duly signed for and on behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

IN WITNESS WHEREOF, I have hereunto affixed my hand and the seal of said corporation, this 8th day of MAY, 1972.

W R Dotson
Assistant (Secretary)

(Corporate Seal)

CONFORMED COPY

SPECIAL BANK ACCOUNT AGREEMENT APPENDIX "C"

CONTRACT NO. AT(45-1)-2130

Agreement entered into this 30th day of June, 1972, between the United States of America (hereinafter called the "Government"), represented herein by the United States Atomic Energy Commission (hereinafter called the "Commission"), Atlantic Richfield Hanford Company, hereinafter called the "Contractor", a corporation under the laws of the State of Delaware, and National Bank of Commerce, hereinafter called the Bank, a banking corporation under the laws of Washington, located at Richland, Washington.

RECITALS

(a) Under date of August 1, 1967, the Commission and the Contractor entered into Contract(s) No. AT(45-1)-2130, or a Supplemental Agreement thereto, providing for the making of advances of Government funds to the Contractor. Copy of such advance provisions has been furnished to the Bank.

(b) The Commission requires that amounts advanced to the Contractor under said contract or Supplemental Agreement be deposited in a Special Bank Account or accounts with a bank designated by the Treasury Department as a depositary and financial agent of the Government (Section 10 of the Act of June 11, 1942, 56 Stat. 356; 12 U. S. C. 265), separate from any of the Contractor's general or other funds; and, the Bank being such a bank, the parties are agreeable to so depositing said amounts with the Bank.

(c) This Special Bank Account shall be designated "Time Deposit Account" " Atlantic Richfield Hanford Company, AT(45-1)-2130,
(Name of Contractor) (Contract No.)
United States Atomic Energy Commission Special Bank Account."

COVENANTS

In consideration of the foregoing and for other good and valuable considerations, it is agreed that:

(1) The Government shall have title to the credit balance in said account to secure the return of all advances made to the Contractor, which title shall be superior to any lien or claim of the Bank or others with respect to such account.

(2) The Bank will be bound by the provisions of said contract or contracts relating to the deposit and withdrawal of funds in the above Special Bank Account, but shall not be responsible for the application of funds properly withdrawn from said account. After receipt by the Bank of written directions from the Contracting Officer, or from the duly authorized representative of the Contracting Officer or the Manager of the Richland Operations Office of the Commission, the Bank shall act thereon and shall be under no liability to any party hereto for any action taken in accordance with the said written directions.

(3) The Government, or its authorized representatives, shall have access to the books and records maintained by the Bank with respect to such Special Bank Account at all reasonable times and for all reasonable purposes, including, without limitation, the inspection or copying of such books and records and any and all memoranda, checks, correspondence or documents appertaining thereto. Except as agreed upon by the Government and the Bank, all books and records pertaining to the Special Bank Account in the possession of the Bank relating to the Special Bank Account agreement shall be preserved by the Bank for a period of three (3) years after final payment under the contract to which the Special Bank Account agreement pertains or otherwise disposed of in such manner as may be agreed upon by the Government and the Bank.

(4) In the event of the service of any writ of attachment, levy of execution, or commencement of garnishment proceedings with respect to the Special Bank Account, the Bank will promptly notify the Manager, Richland Operations Office, United States Atomic Energy Commission. In witness whereof the parties hereto have caused this Agreement to be executed as of the day and year first above written.

United States Atomic Energy Commission

By P R Bushell

Director, Finance Division
(Title)

Atlantic Richfield Hanford Company
(Contractor)

By E. T. McIntyre E. T. McIntyre

Vice President - Business Management Division
(Title)

National Bank of Commerce
(Bank)

By K. R. Burrill K. R. Burrill

Manager
(Title)

CONFORMED COPY

UNITED STATES
ATOMIC ENERGY COMMISSION
RICHLAND OPERATIONS OFFICE
P. O. BOX 550
RICHLAND, WASHINGTON 99352

MAY 8 1972

Atlantic Richfield Hanford Company
ATTN: Dr. Lawrence M. Richards, President
Richland, Washington

Gentlemen:

UNDERSTANDINGS ON CONTRACT AT(45-1)-2130

I wish to confirm that the following understandings reached between us during the negotiation of Contract No. AT(45-1)-2130 ("the Contract") relating to the interpretation, implementation and administration of certain provisions of the Contract will continue during the extension period covered by Modification No. 2:

1. ARTICLE II - Engagement of Contractor - Designation of Facilities

   Any oral "directions and instructions" to the Contractor pursuant to Article II will be confirmed in writing.

2. ARTICLE V. E.5 and ARTICLE V.E.25 - Examples of Items of Unallowable Costs

   It is recognized that the Contractor's central office is located in Richland, Washington, and, therefore, certain of the central office costs will be incurred in connection with the work to be performed under the Contract. Consequently, it is agreed that a properly allocable portion of such central office costs (including travel by officers, executives, administrative heads, and other employees) will be allowable under this Contract. The test of allowability of such costs is set forth in Article V.C.

3. ARTICLE XXXVII - Patents

   In the event it is determined pursuant to Article XXXVII, Patents, that the title to a particular invention or discovery shall vest in the Commission, the Commission shall, as promptly as is practicable but not later than six months after the filing of the application or applications for patent in the United States, inform the Contractor in writing of the foreign countries in which the Commission has filed or intends to file correspondence applications for patent. As to any and all other foreign countries

the Commission agrees at the request of the Contractor to give consideration to the reassignment of the title to such invention or discovery to the Contractor and if such reassignment is made, to give to the Contractor such assistance, to the extent that such assistance does not involve any security violation, as may be necessary to enable the Contractor to file corresponding applications for patent in any such other foreign country.

4. ARTICLE XXXVII H. - Patents and ARTICLE XL.A. - Background Technical Data

The Contractor shall be under no obligation in any way to utilize or embody in the work under the Contract, or in the facilities in which the work is conducted, any specific background inventions or discoveries of the type described in Article XXXVII H., or any background technical data of the type described in Article XL. A. of the Contract.

5. ARTICLE XIII - Contractor Procurement

It is understood that the Contractor shall submit its procurement procedures to the Contracting Officer for his approval. When so approved, the Contracting Officer will establish a reasonable dollar amount for fixed price subcontracts and purchase orders under which specific approvals will not be required. This amount may be modified by the Contracting Officer from time to time.

6 ARTICLE V - Allowable Costs and Fixed Fee and ARTICLE XXXVI - Term and Termination

The Contracting Officer will treat as allowable costs, severance payments made by the Contractor under Article XXXVI, Term and Termination, in accordance with Appendix B to the Contract.

7. ARTICLE V.D.8.(a) - Examples of Items of Allowable Cost

It is understood and agreed that the four persons initially assigned to the Hanford Operations by Atlantic Richfield Company and their respective successors shall be treated as employees of Atlantic Richfield Company for the purposes of payment of salaries and participation in fringe benefit plans only. Costs of salaries, which shall be subject to the Contracting Officer's approval, pursuant to Article V.D.8.(a) of the Contract, and fringe benefits for these persons will be allowable to the extent they are approved by the Commission.

8. APPENDIX B

Additional benefit plans may be submitted by the Contractor to the Contracting Officer for consideration.

If the foregoing accurately states the understandings reached, I shall appreciate it if you will so indicate by signing and returning to me the enclosed copy of this letter.

Very truly yours,

T. A. Nemzek
Manager

ACCEPTED:

Atlantic Richfield Hanford Company

By Lawrence W. Richards

Date: MAY 8 1972

CONFORMED COPY

UNITED STATES
ATOMIC ENERGY COMMISSION
RICHLAND OPERATIONS OFFICE
P. O. BOX 550
RICHLAND, WASHINGTON 99352

MAY 8 1972

Atlantic Richfield Hanford Company
ATTN: Dr. Lawrence M. Richards, President
Richland, Washington

Gentlemen:

UNDERSTANDINGS ON CONTRACT AT(45-1)-2130

I wish to confirm that the following understandings reached between us during the negotiation of Contract No. AT(45-1)-2130 ("the Contract") relating to the interpretation, implementation and administration of certain provisions of the Contract will continue during the extension period covered by Modification No. 2:

1. ARTICLE II - Engagement of Contractor - Designation of Facilities

   Any oral "directions and instructions" to the Contractor pursuant to Article II will be confirmed in writing.

2. ARTICLE V. E.5 and ARTICLE V.E.25 - Examples of Items of Unallowable Costs

   It is recognized that the Contractor's central office is located in Richland, Washington, and, therefore, certain of the central office costs will be incurred in connection with the work to be performed under the Contract. Consequently, it is agreed that a properly allocable portion of such central office costs (including travel by officers, executives, administrative heads, and other employees) will be allowable under this Contract. The test of allowability of such costs is set forth in Article V.C.

3. ARTICLE XXXVII - Patents

   In the event it is determined pursuant to Article XXXVII, Patents, that the title to a particular invention or discovery shall vest in the Commission, the Commission shall, as promptly as is practicable but not later than six months after the filing of the application or applications for patent in the United States, inform the Contractor in writing of the foreign countries in which the Commission has filed or intends to file correspondence applications for patent. As to any and all other foreign countries

the Commission agrees at the request of the Contractor to give consideration to the reassignment of the title to such invention or discovery to the Contractor and if such reassignment is made, to give to the Contractor such assistance, to the extent that such assistance does not involve any security violation, as may be necessary to enable the Contractor to file corresponding applications for patent in any such other foreign country.

4. ARTICLE XXXVII H. - Patents and ARTICLE XL.A. - Background Technical Data

The Contractor shall be under no obligation in any way to utilize or embody in the work under the Contract, or in the facilities in which the work is conducted, any specific background inventions or discoveries of the type described in Article XXXVII H., or any background technical data of the type described in Article XL. A. of the Contract.

5. ARTICLE XIII - Contractor Procurement

It is understood that the Contractor shall submit its procurement procedures to the Contracting Officer for his approval. When so approved, the Contracting Officer will establish a reasonable dollar amount for fixed price subcontracts and purchase orders under which specific approvals will not be required. This amount may be modified by the Contracting Officer from time to time.

6 ARTICLE V - Allowable Costs and Fixed Fee and ARTICLE XXXVI - Term and Termination

The Contracting Officer will treat as allowable costs, severance payments made by the Contractor under Article XXXVI, Term and Termination, in accordance with Appendix B to the Contract.

7. ARTICLE V.D.8.(a) - Examples of Items of Allowable Cost

It is understood and agreed that the four persons initially assigned to the Hanford Operations by Atlantic Richfield Company and their respective successors shall be treated as employees of Atlantic Richfield Company for the purposes of payment of salaries and participation in fringe benefit plans only. Costs of salaries, which shall be subject to the Contracting Officer's approval, pursuant to Article V.D.8.(a) of the Contract, and fringe benefits for these persons will be allowable to the extent they are approved by the Commission.

8. APPENDIX B

Additional benefit plans may be submitted by the Contractor to the Contracting Officer for consideration.

If the foregoing accurately states the understandings reached, I shall appreciate it if you will so indicate by signing and returning to me the enclosed copy of this letter.

Very truly yours,

T. A. Nemzek
Manager

ACCEPTED:

Atlantic Richfield Hanford Company

By Lawrence M. Richards

Date: MAY 8 1972

CONFORMED COPY

UNITED STATES
ATOMIC ENERGY COMMISSION
RICHLAND OPERATIONS OFFICE
P. O. BOX 550
RICHLAND, WASHINGTON 99352

LETTER AGREEMENT

May 8, 1972

Atlantic Richfield Hanford Company
ATTN: L. M. Richards, President
Richland, Washington

Gentlemen:

Contemporaneously herewith, the parties have executed Modification No. 2, Supplemental Agreement to Contract AT(45-1)-2130 which becomes effective October 1, 1972.

It is hereby agreed that in computing the annual fixed fee for the fiscal year commencing July 1, 1972, the Procedure and Schedule attached as Appendix "A" to Modification No. 2 shall be followed and that the monthly installments for the period July 1, 1972 through September 30, 1972, under Contract No. AT(45-1)-2130, and those becoming due under Modification No. 2 thereof for the period October 1, 1972 through June 30, 1973, shall each be based upon such computation.

Very truly yours,

T. A. Nemzek
Manager

ACCEPTED:

ATLANTIC RICHFIELD HANFORD COMPANY

By L. M. Richards
L. M. Richards, President

Date: MAY 8 1972

CONFORMED COPY

UNITED STATES
ATOMIC ENERGY COMMISSION
RICHLAND OPERATIONS OFFICE
P. O. BOX 550
RICHLAND, WASHINGTON 99352

APR 20 1973

Atlantic Richfield Hanford Company
ATTN: Dr. L. M. Richards, President
Richland, Washington

Gentlemen:

UNDERSTANDINGS WITH RESPECT TO ARTICLE LII, CONTRACT AT(45-1)-2130

The purpose of this letter is to correct and replace the letter dated February 12, 1973, which established certain understandings of the parties on the interpretation of Article LII, Cost Accounting Standards Penalties of Contract AT(45-1)-2130.

In recognition that more than one Atlantic Richfield Hanford Company work site may be involved, it is understood that the intent of the phrase "activities carried on at the site of the work" is to cover all work performed by Atlantic Richfield Hanford Company under Contract AT(45-1)-2130, but excluding any work performed by any division, subsidiary or component of Atlantic Richfield Company for Atlantic Richfield Hanford Company.

If you are in agreement with the above understanding, please sign and return two copies of this letter to this office.

Very truly yours,

T. A. Nemzek
Contracting Officer

AGREED:

ATLANTIC RICHFIELD HANFORD COMPANY

By L. M. Richards

Title President

Date APR 23 1973

CONFORMED COPY

UNITED STATES
ATOMIC ENERGY COMMISSION
RICHLAND OPERATIONS OFFICE
P. O. BOX 550
RICHLAND, WASHINGTON 99352

IN REPLY REFER TO:

August 1, 1967

Atlantic Richfield Hanford Company
Richland, Washington

Attention: L. M. Richards, President

Subject: UNDERSTANDINGS ON CONTRACT AT(45-1)-2130

Gentlemen:

I wish to confirm certain understandings reached between us during the negotiation of Contract No. AT(45-1)-2130 ("the Contract") relating to the interpretation, implementation and administration of the following provisions of said Contract.

1. Article II - Engagement of Contractor - Designation of Facilities

   Any oral "directions and instructions" to the Contractor pursuant to Article II will be confirmed in writing.

2. Article V (e)(5) and Article V (e)(24) - Examples of Items of Unallowable Costs

   It is recognized that the Contractor's central office is located in Richland, Washington, and, therefore, certain of the central office costs will be incurred in connection with the work to be performed under the Contract. Consequently, it is agreed that a properly allocable portion of such central office costs (including travel by officers, executives, administrative heads, and other employees) will be allowable under this Contract. The test of allowability of such costs is set forth in Article V (c).

3. Article XXXVII - Patents

   In the event it is determined pursuant to Article XXXVII, Patents, that the title to a particular invention or discovery shall vest in the Commission, the Commission shall, as promptly as is practicable but not later than six months after the filing of the application or applications for patent in the United States, inform the Contractor in writing of the foreign countries in which the Commission has filed or intends to file corresponding applications for patent. As to any and all other foreign countries

the Commission agrees at the request of the Contractor to give consideration to the reassignment of the title to such invention or discovery to the Contractor and if such reassignment is made, to give to the Contractor such assistance, to the extent that such assistance does not involve any security violation, as may be necessary to enable the Contractor to file corresponding applications for patent in any such other foreign country.

4. Article XXXVII (g) - Patents and Article XL (a) - Background Technical Data

The Contractor shall be under no obligation in any way to utilize or embody in the work under the Contract, or in the facilities in which the work is conducted, any specific background inventions or discoveries of the type described in Article XXXVII (g), or any background technical data of the type described in Article XL (a) of the Contract.

5. Article XIII - Contractor Procurement

It is understood that the Contractor shall submit its procurement procedures to the Contracting Officer for his approval. When so approved, the Contracting Officer will establish a reasonable dollar amount for fixed price subcontracts and purchase orders under which specific approvals will not be required. This amount may be modified by the Contracting Officer from time to time.

6. Article V - Allowable Costs and Fixed Fee and Article XXXVI - Term and Termination

The Contracting Officer will treat as allowable costs, severance payments made by the Contractor under Article XXXVI, Term and Termination, in accordance with Appendix B to the Contract.

7. Article V (d)(8)(A) - Examples of Items of Allowable Cost

It is understood and agreed that the five persons initially assigned to the Hanford Operations by Atlantic Richfield Company shall be treated as employees of Atlantic Richfield Company for the purposes of payment of salaries and participation in fringe benefit plans only. Costs of salaries, which shall be subject to the Contracting Officer's approval pursuant to Article V (d)(8)(A) of the Contract, and fringe benefits for these persons will be allowable to the extent they are approved by the Commission.

8. Appendix B

Additional benefit plans may be submitted by the Contractor to the Contracting Officer for consideration.

If the foregoing accurately states the understandings reached, I shall appreciate it if you will so indicate by signing and returning to me the enclosed copy of this letter.

Very truly yours,

/s/ D. G. Williams
CGB
D. G. Williams
Contracting Officer

ACCEPTED: August 1, 1967.

/s/ Lawrence M. Richards
HBO

Atlantic Richfield Hanford Company

Contract No. AT(45-1)-2130

CONFORMED COPY

GUARANTEE OF PERFORMANCE

For and In Consideration of the execution by the United States Atomic Energy Commission of Contract No. AT(45-1)-2130, the Atlantic Richfield Company does hereby unconditionally guarantee to the United States of America the full, prompt and faithful performance by the Atlantic Richfield Hanford Company of each of the provisions and conditions of said Contract No. AT(45-1)-2130 and any modifications which may be executed in connection therewith.

This Guarantee shall inure solely to the benefit of the United States of America.

The Atlantic Richfield Company hereby waives notice by the United States of America of acceptance of this Guarantee.

IN WITNESS WHEREOF, said Atlantic Richfield Company has executed this Guarantee of Performance as of this First day of August, 1967.

ATLANTIC RICHFIELD COMPANY

By R. D. Bent

(Senior Vice President)

I, R. G. Nelson, certify that I am the Secretary of the Atlantic Richfield Company, that R. D. Bent, who signed the above Guarantee of Performance was then Senior Vice President of said corporation; that said Guarantee of Performance was duly signed by it on behalf of said corporation by authority of its governing body; and is within the scope of its corporate powers.

IN WITNESS WHEREOF, I have hereunto affixed my hand and the seal of said corporation this First day of August, 1967.

R G Nelson

(Secretary)

(Corporate Seal)

AT-2131 AT-2130 - ~~APPENDIX "B"~~

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ARHCO FEE NEGOTIATIONS
FOR
TRANSITION FY AND FY 1977

DEC 3 1976

ACTION MEMORANDUM

Alex G. Fremling, Manager

THRU: R. P. Fasulo, Deputy Manager RPF 12/3/76
L. T. Brighton, Assistant Manager for Administration 11/23
F. R. Standerfer, Assistant Manager for Technical Operations See attached Comment 11/19 FRS
L. J. Adams, Assistant Manager for Projects and Facilities 11/15

SUBJECT: MODIFICATION NO. 6 TO CONTRACT NO. E(45-1)-2130 - ATLANTIC RICHFIELD HANFORD COMPANY (ARHCO)

Issue

Modify subject contract to incorporate the negotiated fixed fee for the Transition Quarter and FY 1977 and to update the terms and conditions.

Background

This proposed modification has been presented and concurred in by the RL Contract Review Board (See Summary Statement of Contract Action).

Recommendation

It is recommended that the Manager, RL, sign three (3) copies of the subject modification.

Further information concerning this action may be obtained from Ron Cone or myself.

Jack C. Cummings, Director
Contracts Division

CPD:REC

APPROVED

Alex G. Fremling

12/6/76
Date

CONTRACT REVIEW BOARD MINUTES: Date: December 1, 1976

Description: ARHCO Fee for TQ and FY 1977 Amount: $ 1,990,000

Members Present: Howard R. Ennor, Chairman
O. J. Elgert, Member, NFCP
Wallace R. Pohlod, Member, FIN
Roy B. Erickson, Advisor, OCC
Jack C. Cummings, Advisor, CD
R. E. Cone, Secretary, CD

The Board was convened to discuss Mr. F. R. Standerfer's letter to Mr. Alex Fremling dated November 19, 1976, concerning the fee to be paid ARHCO for the Transition Quarter and FY 1977. The Board also had before it the letter from R. E. Cone to L. T. Brighton dated November 22, with respect to the questions raised by Mr. Standerfer.

The board's discussion centered on the possibility of re-opening negotiations in an attempt to further reduce the fee agreed upon with ARHCO representatives on October 13. The main points made by the legal and contracts advisors were:

1. The negotiations were supposed to be made upon the basis of known facts and conditions as of June 30, 1976.

2. Any findings or occurences after that date should be reflected in the negotiations for the next fiscal period rather than represent an adjustment of fee for the current period.

3. The fee of $1,990,000 was very close to the minimum negotating range authorized by the Manager on October 12.

4. If negotiations were re-opened at this time the maximum potential reduction would be $66,000 with respect to Operations and Services. On the other hand, ARHCO might take the position that the package deal agreed to in the previous negotiation resulted in a reduction of $66,648 from the maximum fee allowable for Construction and Capital Equipment Management which should be restored. In such a case, the end result would be a fee almost identical with the one now agreed upon.

5. If ARHCO elected to exercise the Disputes procedure rather than negotiate a further fee reduction, the cost in time, money and relations would not be commenserate with the potential gain from reopening negotiations.

After lengthy discussion of the correspondence before it and the points summorized above, the Board reached a consensus that nothing could fruitfully be accomplished by reopening the negotiation. The representative of NFCP, while voicing a personal belief that ARHCO had not performed satisfactorily and that therefore the fee should be reduced to a miminum, agreed with the other members of the Board that in view of the points discussed, the present contract action be approved without efforts to accomplish a further fee reduction.

Recommendation:

Based on the foregoing, the Board recommends that the Manager approve Modification No 6, Supplemental Agreement to Contract No. EY-76-C-06-2130.

Howard R. Ennor
Howard R. Ennor
Assistant to the Manager

HRE:tj

November 19, 1976

Alex Fremling

MODIFICATION NO. 6 TO CONTRACT NO. E(45-1)-2130 - ATLANTIC RICHFIELD HANFORD COMPANY (ARHCO)

As a direct result of the accident which occurred on August 30, 1976, in the americium ion exchange equipment in the 242-Z Building, the entire Z Plant has been shut down. In addition to problems identified in the ARHCO and ERDA investigations of the americium incident, many additional safety deficiencies have been identified in the Z Plant. ARHCO is proceeding with the necessary recovery actions to get the Z Plant operational and have set up a special task force to manage the work.

In a letter dated November 9, 1976, to ERDA (A.G. Fremling), ARHCO (G. Burton) estimates that the reclamation facility will be restarted in June 1977 and the production of plutonium dioxide will be restarted approximately July 15, 1977. ARHCO further estimates the total cost of the work required to restart the Z Plant at between $10.3 and $12.3 million. Of this, $5.2 million is available in the current ARHCO FY-77 Z Plant budget and between $5.1 and $7.1 million of incremental funding will be required.

In addition to the loss of the Z Plant productive capacity for up to nine months, the RRD program will be liable for penalty charges of up to $20,000/day starting in November 1976 due to not being able to provide plutonium dioxide feed material to the contractor fabricating FFTF Cores 3 and 4.

Both the ARHCO and ERDA investigations conclude that the basic cause of the americium accident was a breakdown of management systems within ARHCO. Further, the additional safety deficiencies which must be corrected in Z Plant prior to restart of production operations are at least partly due to lack of past ARHCO management attention.

In setting up the ARHCO Task Force which will manage the Z Plant recovery work, we are turning to Westinghouse to provide expert assistance. No such capability was available from ARCO corporate resources.

Based on the above considerations, I cannot concur with the subject proposed fee for ARHCO. I suggest some dollar amount up to the ARHCO estimate of $10.3 - $12.3 million be subtracted from the FY-77 fee base. It would seem that at least the ARHCO estimate of $5.2 million, which will come from the FY-77 budget, should not be included in the FY-77 fee base.

F.R. Standerfer, Assistant Manager
for Technical Operations

UNITED STATES
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
RICHLAND OPERATIONS OFFICE
P. O. BOX 550
RICHLAND, WASHINGTON 99352

Nov. 22, 1976

L. T. Brighton, Assistant Manager
for Administration

REVIEW OF ARHCO FEE FOR THE TRANSITION QUARTER AND FY 1976

In reply to the letter by F. R. Standerfer to Alex Fremling dated November 19, 1976, the following should be recognized:

1. The contract precludes reducing the fee base.

2. ERDA is contractually obligated to pay a given amount of fee on the fee base up to $60 million for Operations and Services. In the areas where negotiations are allowed, a 50% reduction in fee was achieved.

3. ERDA would pay fee on the bulk of the amount to restart Z Plant in any event.

4. A $5.2 million reduction in the fee base results in a small reduction in total fee.

5. We are technically required to not consider the accident in these fee negotiations.

A brief description of foregoing follows:

1. Appendix "A" Modification No. 4 describes how the fee base for ARHCO shall be determined and there is no provision for reducing this fee base to reflect the funds necessary to repair damage due to an accident.

2. The amount of fee to be paid for Operations and Services is prescribed by the contract for the Operations and Services fee base up to $60 million. The fee to be paid on the fee base in excess of $60 million is subject to negotiation and in this case the total amount of Operations and Services fee subject to negotiation is $132,000. This $132,000 was reduced to $66,000 as a result of negotiations. This reduction results in the same fee ARHCO would be paid if their fee base was reduced by approximately $6.6 million. It should also be noted that a reduction of $67,500 was achieved in the fee paid for Construction and Capital Equipment management.

These reductions were in what is termed as the "Maximum Allowable Fee". There may be some confusion concerning what "Maximum Allowable Fee" really means. This term is from the Interim ERDA Procurement Handbook "Establishing and Negotiating Fee and Profit". The guidance provided by this handbook was used to develop the fee for the operating fee for fee base in excess of $60 million and for the Construction and Capital Equipment management fee. The term "Maximum Allowable Fee" may be misleading in that it is the fee to which the contractor is entitled for satisfactory performance. In this case, ARHCO's performance was not considered satisfactory, hence the reduction in fee.

3. It is my understanding that the actual damage to Z Plant as a result of the accident was $500,000 and that the additional amounts indicated in Mr. Standerfer's letter ($10.3 - $12.3 million) are for remedies required for situations existing prior to the accident but unknown until surfaced by the investigators following the accident. If this is the case, the funds necessary to remedy these problems would have been expended in any event but most probably at a later date and by a different contractor. A fee would be paid on these funds regardless of when or to which contractor.

4. If we were successful in persuading ARHCO to reduce it's fee base by $5.2 million, it would mean a reduction of only $46,800.

5. We are technically required to negotiate based on conditions that existed June 30, 1976, to avoid the illegal situation of cost plus percentage of cost. As June 30, 1976, was prior to the accident, the accident should not be considered in these fee negotiations.

In conclusion, there is no contractual basis for reducing ARHCO's fee base and in my opinion, no sustainable position for ERDA in the event ARHCO elected to exercise the Disputes procedure. All things considered the fee of $1,990,000 for 15 months on a total fee base (Operating, Construction and Capital Equipment) of $102,787,000 is the best obtainable for ERDA.

R. E. Cone

R. E. Cone
Contract Administrator's
Representative
Contracts Division

CD:REC

SUMMARY STATEMENT OF CONTRACT ACTION
MODIFICATION NO. 6 TO
CONTRACT NO. E(45-1)-2130
ATLANTIC RICHFIELD HANFORD COMPANY

Introduction

The subject modification is hereby submitted to RL Contract Review Board for action. This modification changes the contract number, updates the terms and conditions of the subject contract in addition to including the Transition FY and FY 1977 fixed fee. The effective date of this modification is July 1, 1976.

Background

1. In October 1976, Contracts Division submitted an Action Memorandum to the Manager, RL, recommending a proposed fee negotiation position for this modification. Approval of this recommendation was granted on October 29, 1975, (Attachment 1).

2. CD conducted negotiations with ARHCO on October 13, 1976. The details and results of these negotiations are set forth in the Record of Negotiations. (Attachment 2).

3. ARHCO agreed to a fee of $1,990,000 for the transition quarter and FY 1977 and accepted the changes in the terms and conditions.

4. This action has been reviewed and concurred in by the appropriate RL staff. Evidence of this staff review is found on the RL Form 255 (Attachment 3)

Recommendation

It is recommended that the Board review and return this Contract action to Contracts Division for presentation to Manager, RL for approval.

Jack C. Cummings, Director
Contracts Division

CD:REC

Beryl 2-7263

RL-255 (2-75)

U.S. ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
RICHLAND OPERATIONS OFFICE

RECOMMENDATION FOR APPROVAL OF CONTRACT ACTION

DATE: 11/2/76

RECOMMENDED AWARD TO: (NAME AND ADDRESS OF FIRM)

Atlantic Richfield Hanford Company

DESCRIPTION OF MATERIALS OR SERVICES:

Fee for the Transition Qtr and FY 1977

☐ ADVERTISED ☒ NEGOTIATED ☐ COMPETITIVE

TYPE OF CONTRACT	P.O. REQUISITION OR CONTRACT NO.	NUMBER OF BIDS OR PROPOSALS
CPFF	E(45-1)-2130	
FUND SOURCE	PROJECT NO.	

RECOMMENDATION ON BASIS OF: ☐ LOW BID ☒ SATISFACTORY NEGOTIATIONS ☐ ADEQUATE COMPETITION ☐ OTHER

AMOUNT OF THIS ACTION	FAIR COST ESTIMATE	SECOND LOW BID	HIGH BID
$1,990,000.00			

STAFF REVIEW				REVIEW BOARD RECOMMENDATION			
✓			DATE	✓			DATE
X	OFFICE CHIEF COUNSEL	[signature]	11-2-76	X	LEGAL ADVISOR R. B. Erickson	[signature]	11-4-76
X	FINANCE DIVISION	[signature]	11-3-76	X	MEMBER W. R. Pohlod	[signature]	11/4
	PROGRAM DIVISION			X	MEMBER O. J. Elgert	[signature]	11/8/76
	ORGANIZATION & PERSONNEL DIVISION				MEMBER		
	OTHER				MEMBER		

WRITTEN COMMENTS ARE REQUIRED PER RL-P1 9-51.403.3

RECOMMENDED BY	
CONTRACTOR	[signature] 11/10/76 CHAIRMAN Howard R. Ennor DATE
CONTRACTS REPRESENTATIVE [signature]	APPROVAL OF CONTRACTING OFFICER
OTHER	Alex G. Fremling DATE

NOV 1976

Memo to Files:

FEE NEGOTIATIONS - ATLANTIC RICHFIELD HANFORD COMPANY (ARHCO), CONTRACT NO. E(45-1)-2130

Meeting was held October 13, 1976, with the following in attendance:

ERDA-RL:
R. E. Cone, Contract Administrator's Representative

ARHCO:
T. E. Sparks, Manager, Contract Administration
L. C. Hubbard, Manager, Budget and Cost Control
J. Faulhaber, Vice President, Business Management

ARHCO's initial position was as follows:

		ARHCO Estimated Fee Base	Proposed Fee
Operations & Services	Trans. FY	$ 16,432,000	$ 395,000
	FY 1977	72,414,000	1,671,000
*Construction Management	Trans. FY	1,012,000	20,000
	FY 1977	5,436,000	175,000
*Capital Equipment Management	Trans. FY	701,000	
	FY 1977	9,605,000	
		Total	$ 2,250,000

*ARHCO's proposed fee combined Construction and Capital Equipment Management

RL's fee base and maximum allowable fee position was as follows:

		RL Estimated Fee Base	Max. Allowable
Operations & Services	Trans. FY	$ 16,591,000	$ 385,000
	FY 1977	73,057,000	1,602,000
Construction Management	Trans. FY	562,000	10,086
	FY 1977	4,179,000	66,276
Capital Equipment Management	Trans. FY	843,000	6,912
	FY 1977	7,555,000	51,374
		Total	$2,122,148

The operating fee on the fee base up to $60 million is determined by Appendix "A" as ammended by Modification No. 4 of the subject contract and is not subject to negotiation.

The operating fee on the fee base above $60 million and the Construction and Capital Equipment Management fee is subject to negotiation and was determined by using the guidelines provided in the Interim ERDA Procurement Handbook "Establishing and Negotiating Fee and Profit". It should be noted that the fee indicated above is the maximum allowable fee and that the referenced handbook allows for reductions based on performance. As ARHCO's performance is considered marginal it was appropriate to reduce the fee subject to negotiation to reflect this deficiency. As a result of negotiations a total fee for the Transition FY and FY 1977 of $1,990,000 was agreed to.

The negotiated fee represents a 50% reduction in the fee subject to negotiation. A summarization follows:

	Fee Subject Negotiations	Fee Agreement
Operations & Services	$131,750	$66,000
Construction and Capital Equipment Management	$134,648	$68,000
Operations & Services not Subject to Negotiations		$1,856,000
	Total	$1,990,000

Based on the foregoing the fee of $1,990,000 is considered fair and reasonable.

R. E. Cone

R. E. Cone

MODIFICATION NO. 4
SUPPLEMENTAL AGREEMENT TO
CONTRACT NO. AT(45-1)-2130
APPENDIX "A"

PROCEDURE FOR COMPUTATION OF ANNUAL FIXED FEES

A. The annual fixed fee for operations and support services shall be determined in advance of the fiscal year to which it is applicable. The computation shall be made upon a fee base composed of the total of the following items:

1. The Atlantic Richfield Hanford Company (ARHCO) portion of the AEC Congressional Budget for AEC operating programs, as determined by AEC-RL, for such fiscal year, less ARHCO's total fee. This amount shall be reduced by the amount of certain costs of materials or work obtained or performed by others as follows:

   a. assessments from RL service pool

   b. 75% of the costs of materials and services provided by AEC or its contractors.

2. The estimated cost for such fiscal year for services performed by ARHCO for others, including AEC-RL. Such estimated cost includes, but is not limited to, the charges made by ARHCO to the RL service pool. Such estimated cost so covered by this A.2. shall be obtained from the Revised Annual Budget submitted by AEC-RL to AEC Headquarters on or about June 1 for such fiscal year.

3. The estimated cost for such fiscal year for work to be performed by ARHCO for offsite AEC offices, AEC contractors and other Government agencies as well as the estimated cost for such fiscal year for work performed by ARHCO for any other party or parties as directed by the AEC and where such estimated cost for work so performed for any other party or parties is not otherwise included within the provisions of A. Such estimated cost so covered by this A.3. shall be obtained from the Revised Annual Budget described in A.2. above.

B. The annual fixed fee for operations and support services will be computed on the above fee base determined in A. above at the following rates:

1.	On the first $20,000,000	$725,000
2.	On the next $5,000,000	2.75%
3.	On the next $15,000,000	2.15%
4.	On the next $20,000,000	1.5%

C. In the event the fee base for operations and support services for any fiscal year shall be less than $20,000,000, the parties shall negotiate the fee for that year independently of this Appendix "A"; if such fee base should be more than $60,000,000, the fee for that year applicable to that portion of the fee base not exceeding $60,000,000 shall be computed as above set out, and the fee for that year applicable to the excess shall be negotiated by the parties.

D. In addition to the fee for operations and support services, ARHCO shall be paid a fixed fee for any "line item" and GPP construction project management responsibility assigned to it. This fee shall be determined in advance of the fiscal year to which it is applicable and independently of the fee for operations and support services. The fee for project management responsibility shall include a fee for management of capital equipment not related to construction and not included in ARHCO's budget for operating programs. Such factors as estimated costs for such fiscal year for projects to be assigned as well as those previously assigned, extent of management effort assigned and past management performance, among others, will be taken into consideration in arriving at this portion of the total fee for management services.

E. Although computed and negotiated independently in accordance with the foregoing, the fees for operations and support services and for management services in D. above, shall be combined into one annual fixed fee payable in twelve (12) monthly payments.

F. No adjustments will be made in the amount of the fixed fees solely because the actual costs vary from the estimated costs for the period covered by the fixed fees.

G. As a matter of convenience, the parties hereto may agree by letter upon the fee base and fixed fees under this Procedure.

ACTION MEMORANDUM

Alex G. Fremling, Manager

THRU: R. P. Fasulo, Deputy Manager
L. T. Brighton, Assistant Manager for Administration 10/3/76

SUBJECT: ARHCO FEE NEGOTIATIONS - TRANSITION FY AND FY 1977

Purpose

The purpose of this memorandum is to:

1. request RL management approval of the CPD proposed fee negotiation position with ARHCO for the Transition FY and FY 1977

2. obtain any information or guidance RL management may wish to provide which relates to but is not reflected in this recommendation

Background

On July 13, 1976, ARHCO submitted its fee proposal for the Transition FY and FY 1977 (Attachment 1) and is summarized as follows:

		ARHCO Estimated Fee Base	Proposed Fee
Operations and Services	Trans. FY	$16,432,000	$ 395,000
	FY 1977	72,414,000	1,671,000
*Construction Management	Trans. FY	1,012,000	20,000
	FY 1977	5,436,000	175,000
*Capital Equipment Management	Trans. FY	701,000	
	FY 1977	$ 9,665,000	
		Total	$2,250,000

*ARHCO's proposed fee combined Construction and Capital Equipment Management.

Upon review of ARHCO's proposal with CMD and BUD (Attachment 2) we developed the following fee base data (June data base) and maximum allowable fee. Although the ARHCO proposed fee base is slightly less in two areas, the RL estimated fee base is used in all calculations to be consistent:

		RL Estimated Fee Base	Maximum Allowable Fee
Operations and Services	Trans. FY	$16,591,000	$ 385,000
	FY 1977	73,057,000	1,602,000
Construction Management	Trans. FY	562,000	10,086
	FY 1977	4,179,000	66,276
Capital Equipment Management	Trans. FY	843,000	6,912
	FY 1977	7,555,000	51,374
		Total	$2,122,148

ARHCO's operating fee is determined by applying the fee schedule set forth in Appendix "A" of the contract (Attachment 5) which describes the method for developing the fee base and the fee to be paid.

The upper limit of the fee schedule in the Appendix is $60 million of fee base. The fee for the amount of fee base in excess of $60 million is subject to negotiations. In our calculation of fee for the fee base in excess of $60 million, the fee schedule provided in the Interim ERDA Procurement Handbook "Establishing and Negotiating Fee and Profit" was used. Our fee calculation is less than ARHCO's as they did not follow the guidelines in the above referenced Handbook.

The contract provides for negotiation of the Construction and Capital Equipment Management fee. Our fee calculation for this area is also in conformance with the above referenced ERDA Handbook. Our fee base is less than ARHCO's due to their inappropriate inclusion of ERDA Managed Construction projects and their inaccurate estimate of Capital Equipment expenditures. (Note: All computations are detailed in Attachment 3).

As a result of contractual provisions, the only portion of the fee subject to negotiation is the amount of fee for the operating fee base in excess of $60 million and the Construction and Capital Equipment Management fee. The fee subject to negotiation is as follows:

	Fee Base In Excess of $60 million	Fee
Operations and Services		
Annualized Transition FY	$ 6,364,000	$ 57,000
Adjusted Transition FY		14,250
FY 1977	13,057,000	117,500
Total operating fee subject to negotiation		$131,750
Construction Management		
Transition FY		$ 10,086
FY 1977		66,276
Capital Equipment Management		
Transition FY		$ 6,912
FY 1977		51,374
Total fee subject to negotiation		$266,398

In order to recognize ARHCO's marginal performance in many areas, a 50% reduction in the total fee subject to negotiation is proposed for an initial negotiating position. It should be recognized that ARHCO will be reluctant to agree to a reduction of this size and that a 20% to 30% reduction is probably the maximum obtainable.

A comparison of FY 1976 and current fee is provided in Attachment 4.

Recommendation

We request approval to finalize fee negotiations with ARHCO for the transition FY and FY 1977 using the following guidelines:

		CD Fee Recommendation		
Operations and Services	Trans. FY	$ 370,750	to	$ 385,000
	FY 1977	1,543,250	to	1,602,000
Construction and Capital Equipment Management	Trans. FY	8,499	to	16,998
	FY 1977	58,825	to	117,650
	Total	$1,981,324	to	$2,122,148

Jack C. Cummings, Director
Contracts Division

CD:REC

APPROVED

Alex G. Fremling

Per discussion w. Cummings

10/12/76
Date

2,122
1,981
139

2250
2122
128

COMPARISON OF FY 1976 WITH
TRANSITION FY AND FY 1977 FEE FOR
ATLANTIC RICHFIELD HANFORD COMPANY

Operations and Services	Fee Base	Fee
FY 1976	$56,428,000	$1,428,000
Transition FY	16,591,000	385,000
FY 1977	73,057,000	1,602,500
Construction Management		
FY 1976	$ 7,933,000	$ 49,500
Transition FY	562,000	10,086
FY 1977	4,179,000	66,276
Capital Equipment Management		
FY 1976	$ 3,545,000	$ 22,500
Transition FY	843,000	6,912
FY 1977	7,555,000	51,374

TOTAL FEE	
FY 1976	$1,500,000
Transition FY	401,998
FY 1977	1,720,150

Prepared by RL-CPD (Cone)

Atlantic Richfield Hanford Company

Operating Fee

Fiscal Year 1977

1. The fee is computed in accordance with Appendix "A" (Mod. 4) of the Contract.

2. The fee for the portion of the fee base exceeding $60 million (upper limit of Appendix "A") is computed by using schedule 302d of the Interim ERDA procurement handbook "Establishing and Negotiating Fee and Profit".

Net Operating Fee Base $73,057,000

Fee for first $20 million	$ 725,000
Fee for next $5 million	137,500
Fee for next $15 million	322,500
Fee for next $20 million	300,000
Fee for next $13,057,000	117,500
Total Fee	$1,602,500

Prepared by RL-CPD (Cone)

E(45-1)-2130

ARHCO

Capital Equipment Management Fee

FY 1977

Appendix "A" to Contract No. E(45-1)-2130, as amended by Modification No. 4, provided that the fee for project management responsibility would include a fee for management of capital equipment not related to construciton. The estimated cost for this capital equipment is excluded from the operating fee base. The fee schedules in the Interim ERDA Procurement Handbook, "Establishing and Negotiating Fee and Profit" do not include a specific schedule for capital equipment management. However, the responsibilities are very parallel to those described in this handbook for Procurement of Special Equipment for Construction Projects (Section 310).

In this computation procedure, the maximum allowable fee is the lesser of the fees computed by (1) using fee schedule and (2) using one-fourth the average maximum fee rate for construction services. The computations which follow are on the basis of the two aforementioned methods.

(1) Total Capital Equipment Management Fee Base $7,555,000

Fee from schedule 310f	
first $6 million	$44,000
excess $1,555,000	7,775
Maximum Schedule Fee	$51,775

(2) Fee from the Construction Management Fee Schedule 305d

First $6 million	$173,700
Excess 1,555,000	32,810
	$206,510

$$\text{Average fee rate} = \frac{206,510}{7,555,000} = 2.73\%$$

2.73 ÷ 4 = .68%
.68% x $7,555,000 = $51,374

The fee of $51,374 using method (2) is the lesser of the two fees and the maximum fee allowable.

Prepared by RL-CPD (Cone)

ARHCO
Construction Management Fee
Fiscal Year 1977

1. For the purposes of this computation, construction management fee is allowed only on ARHCO managed projects.

2. The computations are in accordance with the Interim ERDA Handbook "Establishing and Negotiating Fee and Profit" section 306.

Estimated ARHCO expenditures for ARHCO managed projects--$4,179,000

Fee from schedule 305d	
First $4 million	$127,350
Excess $179,000	4,150
Schedule Fee	$131,500

The handbook cited in paragraph 3 requires that this schedule fee of $131,500 be reduced based on the following:

*(a) The complexity of the construction,
(b) The amount of excessive subcontracting,
(c) The amount of management effort not performed

Schedule Fee	$131,500
less 10% (a)	(13,150)
	$118,350
less 55%(b) x 80%(c) x $118,350	52,074
FY 1977 Maximum Fee	$ 66,276

*Average Complexity of "B"

Prepared by RL-CPD (Cone)

Atlantic Richfield Hanford Company
Operating Fee
Transition FY 1976

1. The fee base for this period was annualized in order to arrive at an accurate fee base for computing the fee.

2. The fee is computed in accordance with Appendix "A" (Mod. No. 4) of the Contract.

3. The fee for the portion of the fee base exceeding $60 million (upper limit of Appendix "A") is computed by using schedule 302d of the Interim ERDA procurement handbook "Establishing and Negotiating Fee and Profit".

Net Operating Fee Base	$16,591,000	
Annualized	$66,364,000	
Fee for first $20 million		725,000
Fee for next $5 million		137,500
Fee for next $15 million		322,500
Fee for next $20 million		300,000
Fee for next $6,364 million		57,000
Total annualized fee		$1,542,000
Total transition FY fee		$ 385,500

Prepared by RL-CPD (Cone)

E(45-1)-2130

ARHCO
Capital Equipment Management Fee
Transition FY 1976

Appendix "A" to Contract E(45-1)-2130, as amended by Modification No. 4, provided that the fee for project management responsibility would include a fee for management of capital equipment not related to construction. The estimated cost for this capital equipment is excluded from the operating fee base. The fee schedules in the Interim ERDA Procurement Handbook "Establishing and Negotiating Fee and Profit" do not include a specific schedule for capital equipment management. However, the responsibilities are very parallel to those described in the handbook. for Procurement of Special Equipment for Construction Projects (Section 310).

In this computation procedure, the maximum allowable fee is the lesser of the fees computed by, (1) using fee schedule and (2) using one-fourth the average maximum fee rate for construction services. The computations which follow are on the basis of the two aforementioned methods.

The fee base is annualized to provide an accurate basis for computing the fee.

Transition FY Fee Base	$843,000
Annualized	$3,372,000

Method 1: Using the Procurement of Special Equipment for Construction Projects (310f)

First $2 million	$20,000
Excess $1,372,000	8,575
Maximum Annualized Fee	$28,575
Transition FY Fee	$ 7,143

Method 2: Using the Construction Management Fee Schedule

First $2 million	$ 73,350
Excess $1,372,000	37,044
	$110,394

$$\text{Average Fee Rate} = \frac{110,394}{3,372,000} = 3.27\%$$

3.27 4 = .82%

.0082 x 3,372,000 = $27,650 Annualized Maximum Fee
Transition FY Fee = $6,912

The fee of $6,912 is the lesser of the two fees and the maximum fee allowable.

Prepared by RL-CPD (Cone)

ARHCO
Construction Management Fee
Transition Fiscal Year 1976

1. The fee base for this period is annualized in order to arrive ~~at~~ at an accurate fee.

2. For purposes of this computation, construction management fee is allowed only on ARHCO managed projects.

3. These computations are in accordance with the Interim ERDA procurement Handbook "Establishing and Negotiating Fee and Profit" Section 306.

Estimated ARHCO expenditures for ARHCO managed projects

Transition FY	$ 562,000
Annualized	$2,248,000

Fee from schedule 305d	
First $2 million	$73,350
Excess $248,000 x 2.7%	6,696
Schedule fee	$80,046

The handbook cited in paragraph 3 requires that this schedule fee of $80,046 be reduced based on the following:

*(a) The complexity of the construction,
(b) The amount of excessive subcontracting,
(c) The amount of management effort not performed.

Schedule fee	$80,046
less 10%(a)	(8,004)
	$72,042
Less 55%(b) x 80%(c) x $72,042 =	(31,698)
Annualized maximum fee	$40,344
Transition FY maximum fee	$10,086

*Average Complexity of "B"

TOTAL FEE (DOLLARS IN THOUSANDS)

Construction and Capital Equipment Management	OPERATING 0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
0%	1856	1869	1882	1896	1909	1922	1936	1949	1963	1976	1990
10%	1869	1882	1896	1909	1922	1936	1949	1963	1976	1990	2003
20%	1882	1896	1909	1922	1936	1949	1963	1976	1990	2003	2017
30%	1896	1909	1922	1936	1949	1963	1976	1990	2003	2017	2030
40%	1909	1922	1936	1949	1963	1976	1990	2003	2017	2030	2044
50%	1922	1936	1949	1963	1976	1990	2003	2017	2030	2044	2057
60%	1936	1949	1963	1976	1990	2003	2017	2030	2044	2057	2070
70%	1949	1963	1976	1990	2003	2017	2030	2044	2057	2070	2083
80%	1963	1976	1990	2003	2017	2030	2044	2057	2070	2083	2096
90%	1976	1990	2003	2017	2030	2044	2057	2070	2083	2096	2109
100%	1990	2003	2017	2030	2044	2057	2070	2083	2096	2109	2123

Total amounts subject to negotiation Transition FY and FY 1977 combined

Operating	$131,750
Construction Capital Equip.	134,648
Total	$266,398

Fee not subject to negotiation (operating less than $60 million) $1,855,750

DOLLARS IN THOUSANDS

OPERATING FEE SUBJECT TO NEGOTIATION $131,750

Construction and Capital Equipment Management Fee Subject to Negotiation $134,648	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
0%	0	13.2	26.4	39.6	52.8	66.0	79.2	92.4	105.6	118.0	132.0
10%	13.5	26.7	39.9	53.1	66.3	79.5	92.7	105.9	119.1	131.5	145.5
20%	27.0	40.2	53.4	66.6	79.8	93.0	106.2	119.4	132.6	145.0	159.0
30%	40.5	53.7	66.9	80.1	93.3	106.5	119.7	132.9	146.1	158.5	172.5
40%	54.0	67.2	80.4	93.6	106.8	120.0	133.2	146.4	159.6	172.0	186.0
50%	67.5	80.7	93.9	107.1	120.3	133.5	146.7	159.9	173.1	185.5	199.5
60%	81.0	94.2	107.4	120.6	133.8	147.0	160.2	173.4	186.6	199.0	213.0
70%	94.5	107.7	120.9	134.1	147.3	160.5	173.7	186.9	200.1	212.5	226.5
80%	108.0	121.2	134.4	147.6	160.8	174.0	187.2	200.4	213.6	226.0	240.0
90%	121.5	134.7	147.9	161.1	174.3	187.5	200.7	213.9	227.1	239.5	253.5
100%	135.0	148.2	161.4	174.6	187.8	201.0	214.2	227.4	240.6	253.0	267.0

UNITED STATES
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
RICHLAND OPERATIONS OFFICE
P. O. BOX 550
RICHLAND, WASHINGTON 99352

September 3, 1976

R. E. Cone
Contracts Administrator's Representative
Contracts and Procurement Division

TRANSITION QUARTER AND FY 1977 FEE BASES FOR ARHCO

Confirming our discussions of September 2, the following numbers are verified as appropriate bases for fee negotiations.

Transition Quarter

Operating Fee Base	$ 16,591,000
Capital Equipment	843,000

FY 1977

Operating Fee Base	73,057,000
Capital Equipment	7,555,000

If there are any questions on these, please call.

John F. Bagley, Director
Budget Division

Enclosure:
Ltr Cone to Van Loan, undtd

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

UNITED STATES
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
RICHLAND OPERATIONS OFFICE
P. O. BOX 550
RICHLAND, WASHINGTON 99352

AUG 18 1976

O. J. Bennett, Director
Contracts and Procurement Division

CONSTRUCTION MANAGEMENT DIVISION ANALYSIS OF ARHCO TRANSITION QUARTER 1976 EXPENDITURES FOR CONSTRUCTION PROJECTS (FEE BASE)

Projected expenditures for capital construction projects managed by ARHCO:

Expenditures	ARHCO Forecast	CMD Forecast
Vitro	$ 223,000	$123,000
J. A. Jones	720,000	370,000
Capital Work Orders	69,000	69,000
Total Transition Quarter 1976 Expenditures for ARHCO-managed construction	$1,012,000	$562,000

The CMD Forecast reflects an objective analysis of ARHCO-projected construction activities as reflected in current project schedules. These calculations do not include an expenditure forecast for capital equipment not related to construction. The difference between the ARHCO Forecast and the CMD Forecast is due primarily to ARHCO's inclusion of an ERDA-managed project, B-121, in its expenditure forecast.

ARHCO's performance in construction management is considered average (see attached appraisal). This rating should be taken into account in the determination of fee for ARHCO projects. The CMD Forecast above does not reflect any projections for settlement of the current strikes; therefore, the lack of construction activity due to the strikes must also be considered in the final determination of ARHCO's fee. We are available to meet with you on the fee adjustment based on performance or any of the above calculations.

L. J. Adams, Director
Construction Management Division

CMD:DKY
Attachment:
Noted above

CONSTRUCTION MANAGEMENT DIVISION
EVALUATION OF ARHCO ENGINEERING
AND CONSTRUCTION ACTIVITIES
AS OF JUNE 30, 1976

Summary Evaluation

ARHCO's overall performance in engineering and construction activities over the past twelve months has been average. Areas which require improvement are (1) maintaining projects on established schedules and (2) improved coordination and resolution of in-house activities and issues.

Plus Factors

1. Project reporting and submittals for monthly management, cost and schedule meetings have been good.

2. Management's attitude and communication with project participants is usually adequate.

3. Review of new design issuances and design changes continues to be good.

Minus Factors

1. Project execution and management of projects within established schedules is not satisfactory. The contractor must be more assertive in assuming the responsibility for timely identification and resolution of problems and issues.

2. Better management by coordination of in-house activities is required. Areas of particular concern are (1) procurement follow-through; (2) coordination of work in ARHCO shops to meet schedules; and (3) resolving conflicts between project engineering and quality assurance and between process design and quality assurance. Efforts are being made, but continued improvement is needed.

   Management should take initiative to assure that operations and project requirements are understood and satisfied by timely "Company" decisions and procedures.

3. An area previously identified and which required continued attention is the timely execution of hazards reviews during the decision phase to be accomplished to reduce the cost and schedule impacts on projects.

4. Conceptual planning activities require improvement.

UNITED STATES
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
RICHLAND OPERATIONS OFFICE
P. O. BOX 550
RICHLAND, WASHINGTON 99352

L. J. Adams, Director, CMD

FY 1977 CONSTRUCTION MANAGEMENT FEE BASE

In discussions with Construction Management staff, an estimated fee base of $4,179,000 was developed. This figure includes Miscellaneous Capital work orders and ARHCO managed construction projects. Please verify this estimated fee base and indicate your concurrence by signing below.

R. E. Cone

R. E. Cone
Contracts Administrator's Representative
Contracts and Procurement Division

CPD:REC

CONCURRENCE

L. J. Adams, Director, CMD

SEP 14 1976

DATE

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

UNITED STATES
ATOMIC ENERGY COMMISSION
RICHLAND OPERATIONS OFFICE
P.O. BOX 550
RICHLAND, WASHINGTON 99352

JAN 25 1974

Atlantic Richfield Hanford Company
ATTN: Mr. G. T. Stocking, President
Richland, Washington

Gentlemen:

CONTRACT AT(45-1)-2130 - ATLANTIC RICHFIELD HANFORD COMPANY
FIXED FEE FY 1974

In accordance with Article V.B.1. and Appendix "A" of Contract No. AT(45-1)-2130, the fixed fee as mutually agreed, payable to Atlantic Richfield Hanford Company for the performance of work under the contract for the period July 1, 1973, through June 30, 1974, is $1,240,635 payable at the rate of $103,386.25 per month. The computation of the above-stated fee is based on an estimated operating fee base of $41,709,000 and an estimated expenditure of $8,919,000 for construction and capital equipment. The fee is broken down as follows:

	Fee Base	Fee
Operations	$41,709,000	$1,210,635
Construction Management & Capital Equip. Mgmt.	8,919,000	30,000
Total		$1,240,635

Your agreement with the fixed fee for the period July 1, 1973, through June 30, 1974, may be indicated by signing and returning the original and one copy of this letter.

Very truly yours,

Alex G. Fremling
Manager

CPD:DKJ

AGREED: JAN 25 1974

Atlantic Richfield Hanford Company

BY:

UNITED STATES
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
RICHLAND OPERATIONS OFFICE
P. O. BOX 550
RICHLAND, WASHINGTON 99352

FEB 14 1975

Atlantic Richfield Hanford Company
ATTN: Mr. G. T. Stocking, President
Richland, Washington 99352

Gentlemen:

CONTRACT AT(45-1)-2130 - ATLANTIC RICHFIELD HANFORD COMPANY
FIXED FEE FY 1975

In accordance with Article V of Contract No. AT(45-1)-2130, the fixed fee as mutually agreed payable to Atlantic Richfield Hanford Company for the performance of work under the contract for the period July 1, 1974, through June 30, 1975, is $1,380,000 payable at the rate of $115,000 per month. The computation of the above stated fee is based on an estimated operating fee base of $49,294,000 and an estimated total expenditure of $12,805,000 for capital equipment procurement and construction for which ARHCO has project management responsibility. The fee is broken down as follows:

	Fee Base	Fee
Operations	$49,294,000	$1,325,000
Construction Management & Capital Equip. Mgmt.	12,805,000	55,000
Total		$1,380,000

Your agreement with the fixed fee for the period July 1, 1974, through June 30, 1975, may be indicated by signing and returning the original and one copy of this letter.

Very truly yours,

Alex G. Fremling
Manager

CPD:DPL

AGREED: ATLANTIC RICHFIELD HANFORD COMPANY

By: G. T. Stocking

Date: FEB 19 1975

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

EXECUTIVE CORRESPONDENCE

DO NOT WRITE ON THIS COVER AS IT IS INTENDED FOR RE-USE
RETURN IT WITH THE FILE COPIES TO ORIGINATING OFFICE

November 19, 1976

Alex Fremling

MODIFICATION NO. 6 TO CONTRACT NO. E(45-1)-2130 - ATLANTIC RICHFIELD HANFORD COMPANY (ARHCO)

As a direct result of the accident which occurred on August 30, 1976, in the americium ion exchange equipment in the 242-Z Building, the entire Z Plant has been shut down. In addition to problems identified in the ARHCO and ERDA investigations of the americium incident, many additional safety deficiencies have been identified in the Z Plant. ARHCO is proceeding with the necessary recovery actions to get the Z Plant operational and have set up a special task force to manage the work.

In a letter dated November 9, 1976, to ERDA (A.G. Fremling), ARHCO (G. Burton) estimates that the reclamation facility will be restarted in June 1977 and the production of plutonium dioxide will be restarted approximately July 15, 1977. ARHCO further estimates the total cost of the work required to restart the Z Plant at between $10.3 and $12.3 million. Of this, $5.2 million is available in the current ARHCO FY-77 Z Plant budget and between $5.1 and $7.1 million of incremental funding will be required.

In addition to the loss of the Z Plant productive capacity for up to nine months, the RRD program will be liable for penalty charges of up to $20,000/day starting in November 1976 due to not being able to provide plutonium dioxide feed material to the contractor fabricating FFTF Cores 3 and 4.

Both the ARHCO and ERDA investigations conclude that the basic cause of the americium accident was a breakdown of management systems within ARHCO. Further, the additional safety deficiencies which must be corrected in Z Plant prior to restart of production operations are at least partly due to lack of past ARHCO management attention.

In setting up the ARHCO Task Force which will manage the Z Plant recovery work, we are turning to Westinghouse to provide expert assistance. No such capability was available from ARCO corporate resources.

Based on the above considerations, I cannot concur with the subject proposed fee for ARHCO. I suggest some dollar amount up to the ARHCO estimate of $10.3 - $12.3 million be subtracted from the FY-77 fee base. It would seem that at least the ARHCO estimate of $5.2 million, which will come from the FY-77 budget, should not be included in the FY-77 fee base.

F.R. Standerfer, Assistant Manager
for Technical Operations

UNITED STATES
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
RICHLAND OPERATIONS OFFICE
P. O. BOX 550
RICHLAND, WASHINGTON 99352

L. T. Brighton, Assistant Manager
for Administration

REVIEW OF ARHCO FEE FOR THE TRANSITION QUARTER AND FY 1976

In reply to the letter by F. R. Standerfer to Alex Fremling dated November 19, 1976, the following should be recognized:

1. The contract precludes reducing the fee base.

2. ERDA is contractually obligated to pay a given amount of fee on the fee base up to $60 million for Operations and Services. In the areas where negotiations are allowed, a 50% reduction in fee was achieved.

3. ERDA would pay fee on the bulk of the amount to restart Z Plant in any event.

4. A $5.2 million reduction in the fee base results in a small reduction in total fee.

5. We are technically required to not consider the accident in these fee negotiations.

A brief description of foregoing follows:

1. Appendix "A" Modification No. 4 describes how the fee base for ARHCO shall be determined and there is no provision for reducing this fee base to reflect the funds necessary to repair damage due to an accident.

2. The amount of fee to be paid for Operations and Services is prescribed by the contract for the Operations and Services fee base up to $60 million. The fee to be paid on the fee base in excess of $60 million is subject to negotiation and in this case the total amount of Operations and Services fee subject to negotiation is $132,000. This $132,000 was reduced to $66,000 as a result of negotiations. This reduction results in the same fee ARHCO would be paid if their fee base was reduced by approximately $6.6 million. It should also be noted that a reduction of $67,500 was achieved in the fee paid for Construction and Capital Equipment management.

These reductions were in what is termed as the "Maximum Allowable Fee". There may be some confusion concerning what "Maximum Allowable Fee" really means. This term is from the Interim ERDA Procurement Handbook "Establishing and Negotiating Fee and Profit". The guidance provided by this handbook was used to develop the fee for the operating fee for fee base in excess of $60 million and for the Construction and Capital Equipment management fee. The term "Maximum Allowable Fee" may be misleading in that it is the fee to which the contractor is entitled for satisfactory performance. In this case, ARHCO's performance was not considered satisfactory, hence the reduction in fee.

3. It is my understanding that the actual damage to Z Plant as a result of the accident was $500,000 and that the additional amounts indicated in Mr. Standerfer's letter ($10.3 - $12.3 million) are for remedies required for situations existing prior to the accident but unknown until surfaced by the investigators following the accident. If this is the case, the funds necessary to remedy these problems would have been expended in any event but most probably at a later date and by a different contractor. A fee would be paid on these funds regardless of when or to which contractor.

4. If we were successful in persuading ARHCO to reduce it's fee base by $5.2 million, it would mean a reduction of only $46,800.

5. We are technically required to negotiate based on conditions that existed June 30, 1976, to avoid the illegal situation of cost plus percentage of cost. As June 30, 1976, was prior to the accident, the accident should not be considered in these fee negotiations.

In conclusion, there is no contractual basis for reducing ARHCO's fee base and in my opinion, no sustainable position for ERDA in the event ARHCO elected to exercise the Disputes procedure. All things considered the fee of $1,990,000 for 15 months on a total fee base (Operating, Construction and Capital Equipment) of $102,787,000 is the best obtainable for ERDA.

R. E. Cone

R. E. Cone
Contract Administrator's
Representative
Contracts Division

CD:REC

MODIFICATION NO. 4
SUPPLEMENTAL AGREEMENT TO
CONTRACT NO. AT(45-1)-2130
APPENDIX "A"

PROCEDURE FOR COMPUTATION OF ANNUAL FIXED FEES

A. The annual fixed fee for operations and support services shall be determined in advance of the fiscal year to which it is applicable. The computation shall be made upon a fee base composed of the total of the following items:

1. The Atlantic Richfield Hanford Company (ARHCO) portion of the AEC Congressional Budget for AEC operating programs, as determined by AEC-RL, for such fiscal year, less ARHCO's total fee. This amount shall be reduced by the amount of certain costs of materials or work obtained or performed by others as follows:

   a. assessments from RL service pool

   b. 75% of the costs of materials and services provided by AEC or its contractors.

2. The estimated cost for such fiscal year for services performed by ARHCO for others, including AEC-RL. Such estimated cost includes, but is not limited to, the charges made by ARHCO to the RL service pool. Such estimated cost so covered by this A.2. shall be obtained from the Revised Annual Budget submitted by AEC-RL to AEC Headquarters on or about June 1 for such fiscal year.

3. The estimated cost for such fiscal year for work to be performed by ARHCO for offsite AEC offices, AEC contractors and other Government agencies as well as the estimated cost for such fiscal year for work performed by ARHCO for any other party or parties as directed by the AEC and where such estimated cost for work so performed for any other party or parties is not otherwise included within the provisions of A. Such estimated cost so covered by this A.3. shall be obtained from the Revised Annual Budget described in A.2. above.

B. The annual fixed fee for operations and support services will be computed on the above fee base determined in A. above at the following rates:

1.	On the first $20,000,000	$725,000
2.	On the next $5,000,000	2.75%
3.	On the next $15,000,000	2.15%
4.	On the next $20,000,000	1.5%

C. In the event the fee base for operations and support services for any fiscal year shall be less than $20,000,000, the parties shall negotiate the fee for that year independently of this Appendix "A"; if such fee base should be more than $60,000,000, the fee for that year applicable to that portion of the fee base not exceeding $60,000,000 shall be computed as above set out, and the fee for that year applicable to the excess shall be negotiated by the parties.

D. In addition to the fee for operations and support services, ARHCO shall be paid a fixed fee for any "line item" and GPP construction project management responsibility assigned to it. This fee shall be determined in advance of the fiscal year to which it is applicable and independently of the fee for operations and support services. The fee for project management responsibility shall include a fee for management of capital equipment not related to construction and not included in ARHCO's budget for operating programs. Such factors as estimated costs for such fiscal year for projects to be assigned as well as those previously assigned, extent of management effort assigned and past management performance, among others, will be taken into consideration in arriving at this portion of the total fee for management services.

E. Although computed and negotiated independently in accordance with the foregoing, the fees for operations and support services and for management services in D. above, shall be combined into one annual fixed fee payable in twelve (12) monthly payments.

F. No adjustments will be made in the amount of the fixed fees solely because the actual costs vary from the estimated costs for the period covered by the fixed fees.

G. As a matter of convenience, the parties hereto may agree by letter upon the fee base and fixed fees under this Procedure.

RICHLAND OPERATIONS OFFICE
P. O. BOX 550
RICHLAND, WASHINGTON 99352

November 24, 1976

Bob Fasulo
Alex Fremling

ARHCO FEE FOR FY 1977 AND TQ

When this subject came before the Contract Review Board I met with W. Pohlod and R. Erickson to discuss the contract package.

Based on this discussion and a detailed perusal of the documents furnished, I prepared a two page summary "minute" of the meeting, a copy of which is attached for your information.

I recommend your approval of the Action Memorandum and signature on 3 copies of the Modification.

Howard R. Enger

54-2000-005 (2-76)
RL-5

CONTRACT REVIEW BOARD MINUTES: 77-2 Date: November 10, 1976

Description: ARHCO Fee for TQ and FY 1977 Amount: $ 1,990,000

Members Present: Howard R. Ennor, Chairman
Wallace R. Pohlod, Finance Division
Roy B. Erickson, Legal Division

Recommendation: The Contract Review Board recommends that the Manager of the Richland Operations Office approve Modification No. 6 to Contract No. EY-76-C-06-2130 [formerly E(45-1)-2130], with the Atlantic Richfield Hanford Company, which grants a fee of $1,990,000 for the combined Transition Quarter and FY 1977 and makes some changes in the terms and conditions of the contract. ARHCO has agreed to this proposed contract action.

Summary of Board's Findings:

1. Under date of July 13, 1976, ARHCO submitted a recommended fee calculation for the Transition Quarter and FY 1977 which amounted to $2,259,000 as follows:

	Fee Base	Proposed Fee
Transition Quarter:		
Operations and Services	$ 16,432,000	$ 393,000
Construction and Equipment Management	1,713,000	20,000
Subtotal, Transition Quarter	18,145,000	413,000
FY 1977:		
Operations and Services	72,414,000	1,671,000
Construction and Equipment Management	15,101,000	175,000
Subtotal, FY 1977	87,515,000	1,846,000
TOTAL - Transition Quarter and FY 1977	$105,660,000	$2,259,000

2. On October 12, 1976, the Manager of the Richland Operations Office authorized the Contracts Division to finalize fee negotiations with ARHCO within a range of $1,981,324 and $2,122,148. (See last page of Attachment 1 for details.)

3. Negotiations with ARHCO representatives took place on October 13, 1976. The recommended fee agreed to as a result of this meeting amounted to $1,990,000 as follows:

	Agreed Fee
Operations and Services not subject to negotiation:	
Transition Quarter	$ 371,000
FY 1977	1,485,000
Subtotal, Amount of fee not subject to negotiation	1,856,000
Fee Subject to Negotiation:	
Operations and Services (maximum fee: $131,750)	66,000
Construction and Capital Equipment Management (maximum fee: $134,648)	68,000
TOTAL Proposed Fee	$1,990,000

4. Since the proposed fee is only slightly above the minimum level approved for negotiation and since the 50% reduction in the negotiable portion of the fee reflects an evaluation of the contractor's performance during FY 1976, approval of the $1,990,000 fee for the Transition Quarter and FY 1977 is recommended.

5. Changes in the terms and conditions of the contract involve changing the contract number, the total obligation amount, the monthly fee payment, and modifications to existing or substitution of new articles to up-date the contract in accordance with ERDA requirements with respect to examination of records; equal opportunity; patents; copyrights; drawing, designs and specifications; background technical information; nuclear hazards indemnity; disabled veterans and veterans of the Vietnam era; cost accounting standards; employment of the handicapped; administration of cost accounting standards; authorization and consent; reporting of royalties; and notice and assistance regarding patent and copyright infringement.

Attachment 3

CONTINUATION SHEET TO RL-255 (2-75)

P.O. Requisition/Contract # E(45-1)-2130

STAFF REVIEW

Comments: OCC

No Legal Objection as to Form.

Recommendation:

Name [signature] Date 11-2-76

Comments: Fin

Well documented

Recommendation: Approval

Name Lynn B. McNeill Date 11-3-76

CONTINUATION SHEET TO RL-255 (2-75)

P.O. Requisition/Contract # E(45-1)-2130

STAFF REVIEW

Comments:

Recommendation:

Name Date

Comments:

Recommendation:

Name Date

CONTINUATION SHEET TO RL-255 (2-75)

P.O. Requisition/Contract #E(45-1)-2130

STAFF REVIEW

Comments:

Recommendation:

Name Date

Comments:

Recommendation:

Name Date

Attachment 2

Attachment 1

ATLANTIC RICHFIELD HANFORD COMPANY
FEE CALCULATION - TRANSITION FISCAL YEAR 1976
(OPERATIONS AND SERVICES)
(Dollars in Thousands)

Fee Base (Operations)		
KK Program	$14,890	
RU Program (ECT)	170	
NM Program (DMA)	30	$15,090
Less:		
Contract Fee	393	
Assessment Pool Charges	1,290	
Materials & Services Furnished by ERDA and Others	2,078	(3,761)
Subtotal		$11,329
Add Services to Others		
BNW	484	
BCS	74	
HEHF	32	
HEDL	912	
JAJ	62	
Vitro	63	
UNI	628	
ERDA Assessment Pool	2,154	
ERDA Services	96	
WPPSS	30	
Special Requests	568	5,103
Total Fee Base		$16,432

July 13, 1976

MATERIALS AND SERVICES FURNISHED
BY ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION AND OTHERS
(Dollars in Thousands)

Government Furnished Materials and Services (Budget Schedule 3b)		$385
Materials and Services Furnished by Other Contractors (Schedule 3a)		
BNW	550	
BCS	647	
HEHF	157	
JAJ	750	
Vitro	222	
UNI	5	
HEDL	54	
		2,385
TOTAL		$2,770
	x .75 =	$2,078

July 13, 1976

FEE CALCULATION

Fee base (3 months)	$16,432
Annualized	$65,728

Fee Schedule

1st	20,000		$725.0
Next	5,000		137.5
Next	15,000		322.5
Excess	25,728	x .015	385.9

Total annulized operating fee.	$1,571
Three (3) month equivalent operating fee.	$ 393

July 13, 1976

ATLANTIC RICHFIELD HANFORD COMPANY
EXPENDITURE FORECAST - TRANSITION QUARTER 1976
(Dollars in Thousands)

Expenditure Type	Jul	Aug	Sep	Total
Vitro	$ 87	$ 81	$ 55	$ 223
J. A. Jones	150	280	290	720
Capital Equipment Not Related to Contruction	200	253	248	701
Miscellaneous Capital Work Orders	26	20	23	69
Total	$ 463	$ 634	$ 616	$1,713

Estimated Fee for Construction Activities	$20,000

July 2, 1976

ATLANTIC RICHFIELD HANFORD COMPANY
EXPENDITURE FORECAST - TRANSITION QUARTER 1976
(Dollars in Thousands)

VITRO

Fund Source	Jul	Aug	Sep	Total
Projects - Only ARHCO managed projects				
HCP-682 Waste Management Effluent Control, III	$	$ 3	$	$ 3
HCP-686 300 Area Increased Electrical Capacity, 351 Substation III	1	2	2	5
B-107 Purex Condensate Recycle III	2			2
B-115 Additional Fire Protection, Purex II	5			5
B-115 Additional Fire Protection, Purex III	3	3	3	9
B-117 300 Area 2,400 volt Substation, III	4	3	3	10
EAOA MGT B-121 Z Plant Agueous Salt Waste Solidification, II	40	35	20	95
B-121 S Plant Agueous Salt Waste Solidification, III		5	10	15
B-123 Central Station Alarm Facility, II	15	15	12	42
B-125 Ventilation Improvements, 2736-Z, II	15	10		25
B-125 Ventilation Improvements, 2736-Z, III	2	5	5	12
Total	$ 87	$ 81	$ 55	$ 223

J. A. JONES

HCP-682 Waste Management Effluent Control (CPFF)	$	$ 10	$	$ 10
B-115 Additional Fire Protection, Purex (CPFF)	12	15	15	42
B-118 232-Z Building Drain Replacement (CPFF)	15			15
B-121 Z Plant Agueous Salt Waste Solidification (CPFF)		30	90	120
B-125 Ventilation Inprovement 2736-Z (CPFF)	40	60	70	170
Total (CPFF)	$ 67	$ 115	$ 175	$ 357
HCP-686 300 Area Increased Electrical Capacity - Substations (FP)	15	15	10	40
B-115 Additional Fire Protection - Purex (FP)			5	5
B-117 300 Area 2,400 volt Substation (FP)	16			16
B-119 K-n 13.9 Kilovolt Electrical Intertie (FP)	52	150	100	302
Total (FP)	$ 83	$ 165	$ 115	$ 363
Total	$ 150	$ 280	$ 290	$ 720

ATLANTIC RICHFIELD HANFORD COMPANY
EXPENDITURE FORECAST - TRANSITION QUARTER 1976
(Dollars in Thousands)

CAPITAL EQUIPMENT NOT RELATED TO CONSTRUCTION

Program	Cost Incurred
KK	$ 696
RU	5
Total	$ 701

MISCELLANEOUS CAPITAL WORK ORDERS

Fund Source	Jul	Aug	Sep	Total
1169 Chemical Storage Building (FP)	$ 20	$	$	$ 20
Ground Water Monitoring Wells (FP)	2	2	3	7
Monitoring Wells - Tank Farms (EP)		8	10	18
2704 Building		6	6	12
241 Pump Cable	4	4	4	12
Total	$ 26	$ 20	$ 23	$ 69

ATLANTIC RICHFIELD HANFORD COMPANY
FISCAL YEAR 1977 FEE CALCULATION
OPERATIONS AND SERVICES
(Dollars in Thousands)

Fee Base (Operations)		
KK Program	$68,660	
RU Program	845	$69,505
Less		
Contract Fee	1,671	
Assessment Pool Charges	5,391	
Materials and Services Furnished by ERDA and Others	9,383	(16,445)
Subtotal		53,060
Add Services to Others		
BCS	316	
BNW	2,001	
HEDL	4,074	
HEHF	141	
JAJ	263	
UNI	2,440	
VITRO	270	
WPPSS	133	
ERDA Assessment Pool	9,047	
ERDA Services	419	
Special Requests	250	19,354
Total Fee Base		$72,414

July 13, 1976

MATERIALS AND SERVICES FURNISHED
BY ERDA AND OTHERS

(Dollars in Thousands)

Government Furnished Materials (Budget Schedule 3b)		$ 1,729
Materials and Services Furnished by Other Contractors		
BCS	2,601	
BNW	2,314	
HEDL	126	
HEHF	665	
JAJ	4,038	
UNI	14	
VITRO	1,024	10,782
Total		$12,511
	x .75	$ 9,383

July 13, 1976

FEE CALCULATION
FY 1977

Base Fee			$2,414
Fee Schedule			
First	$20,000	$725.0	
Next	5,000	137.5	
Next	15,000	322.5	
Excess	32,414 x .015	486.2	
Total Fee			$1,671

July 13, 1976

ATLANTIC RICHFIELD HANFORD COMPANY
EXPENDITURE FORECAST - FISCAL YEAR 1977

Expenditure Type	
Vitro Engineering	$ 932,000
J. A. Jones	4,178,000
Capital Equipment Not Related to Construction	9,665,000
Miscellaneous Capital Work Orders	326,000
Total	$15,101,000
Estimate Fee for Construction Activities	$ 175,000

July 13, 1976

EXPENDITURE FORECAST FISCAL YEAR 1977
(Dollars in Thousands)

VITRO

Fund Source	Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	Aug	Sept	TOTAL
B-102 Salt Cake Storage 241-A & 241-AX	1	1											2
B-107 Purex Condensate Recycle	5												5
B-113 230 KV Circuit Breaker Replacement	1												1
B-115 Additional Fire Protection Purex		4	6	5	5	5	5	6	6	3			45
B-117 300 Area 2400 Volt Substation	2												2
B-119 K-N 13.8 K.V. Electrical Intertie	4	2											6
B-121 Z Plant Aqueous Salt Waste Soldification	25	25	20	19	6	8	9	9	9	9	9	9	157
B-122 Waste Management Surveillance & Operations Facility	7	7	3	8	8	8	8	8	7	7	3		74
B-123 Central Station Alarm Facility	8												8
B-125 2736-Z Bldg. Ventilation Improvements	3		2	4	6	6	6	6	6	6	5	4	54
B-126 Piping Intertie 241-U-152 to 241-U-151	5	6											11
B-127 241-S-102 Salt Cake Storage Facilities	4	4	4	4	4	4	4	4	4				36
B-128 Purex Waste Routings to 241-A-102 & 103 Tanks	4	6	6	6	6	5	2						35
200-W Safeguards & Physical Protection	3	3	1	3	5	5	3	3	3	3	3		35
FY 1977 High Level Waste Storage Facility	2	5	3	7	7	8	8	8	8	8	8	8	80

Fund Source	Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	Aug	Sept	TOTAL
300 Area & 1100 Area	2	5	2	6	6	6	6	6	6	6	6	6	63
Highway Improvements					2	2	2	2					8
1100 Area New Office Space at 1171 Bldg.		2	1	3	3	3	3	3	3	3	3	3	30
Piping Intertie 241-AX to 241-AY & 241-AZ	10	12	12	8	4		2	3	5	5	5	5	71
Purex Fire Protection			2	3	4	8	8	9	9	9	8	6	66
242-A Waste Neutralization					8	8	9						25
Purex & Cell Ventilation				3	8	9	9						29
Purex Safeguards	4	10	10	10									34
Cell Modification For Cold Test Facility 22-U				2	7	8	8	8	8	8	3	3	55
Total	90	92	72	88	89	93	92	75	74	67	53	44	932

July 13, 1976

EXPENDITURE FORECAST FISCAL YEAR 1977
(Dollars in Thousands)

J. A. JONES

Fund Source	Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	Aug	Sept	TOTAL
Projects - Only ARHCO managed projects included													
HCP-682 Waste Management Effluent Control (CPFF)						10	25	15					50
B-102 Salt Cake Storage 241-A & 241-AX	6	6											12
B-115 Additional Fire Protection Purex (CPPF)	11	11	14	14	14	11	11	10	10	10			116
B-119 K-n 13.8 Kilovolt Electrical Intertie (CPAF)	45												45
B-121 Z Plant Aqueous Salt Waste Solidification (CPAF)	25	25	50	60	80	90	90	90	90	90	90	90	870
B-123 Central Station Alarm Facility				80	80	45							205
B-125 Ventilation Improvements 2736-Z (CPAF)			2	2	2	2	2	2	2	2	2	2	20
B-126 Piping Intertie 241-U-152 to 241-U-151 (CPAF)	100												100
B-127 241-S-102 Salt Cake Storage Facility						30	50	50	40				170
B-128 Purex Waste Routings to 241-A-102 & 103 Tanks (CPAF)						30	40	60	60	55	55		300
Purex Safeguards (CPAF)				20	30	40	50	50	70	50	40		350
Purex Criticality System (CPAF)	30	40	40	40									150
200-W Safeguards & Physical Protection								100	250	250	200	200	1,000
Additional Office Space 1100 Area						1	2	1	1	1	1	1	8
Total (CPAF)	217	82	106	216	206	259	270	378	523	458	388	293	3,396

Fund Source	Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	Aug	Sept	TOTAL
HCP-686 300 Area Increased Electrical Capacity 351 Substations (FP)	1												1
B-115 Additional Fire Protection Purex (FP)			5	10	15	20	20	20	15				105
B-117 300 Area 2400 Volt Substation (FP)	6												6
B-125 Ventilation Improvements 2736-Z (FP)				10	20	25	25	30	30	30	30	20	220
Additional Office Space 1100 Area (FP)							10	50	50	50	18	17	195
Highway Improvements 110 & 300 Area (FP)				25	65	90	75						255
Total (FP)	7	_	5	45	100	135	130	100	95	80	48	37	782
Total (CPAF & FP)	224	82	111	261	306	394	400	478	618	538	436	330	4,178

July 13, 1976

ATLANTIC RICHFIELD HANFORD COMPANY
EXPENDITURE FORECAST - FISCAL YEAR 1977
(Dollars in Thousands)

CAPITAL EQUIPMENT NOT RELATED TO CONSTRUCTION

Program	Cost Incurred
KK Program	$9,600
RU Program	65
Total	$9,665

MISCELLANEOUS CAPITAL WORK ORDERS

Fund Source	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
700 Area Elevator Installation 703 Building	$ 4												
300 Area Temporary Change-House for Patrolwomen		$ 5	$10	$ 5									
Metal Storage Bldg. - 300 Area Fire Replace Condensate Drain	$ 7	$ 7											
Line - 284-W Powerhouse	$10	$ 5	$ 5										
Hot Cell Improvements - 222-S Building			$20	$10	$10	$ 5	$ 5						
Hardened Guard Station - 300 Area							$10	$15					
Replace HEPA Filter - 222-S Building		$20	$15	$15	$10								
Build Maintenance Shop							$30	$20	$20	$10			
Develop Engineering Pilot Plant Safety and Environmental										$10	$10	$ 5	
Install Truck Air Lock - AR Vault										$10	$10	$ 8	
Total	$21	$37	$50	$30	$20	$ 5	$45	$35	$20	$30	$20	$13	$326

July 14, 1976

ACTION MEMORANDUM

Alex G. Fremling, Manager

THRU: R. P. Fasulo, Deputy Manager
L. T. Brighton, Assistant Manager for Administration
F. R. Standerfer, Assistant Manager for Technical Operations
L. J. Adams, Assistant Manager for Projects and Facilities

SUBJECT: MODIFICATION NO. 6 TO CONTRACT NO. E(45-1)-2130 - ATLANTIC RICHFIELD HANFORD COMPANY (ARHCO)

Issue

Modify subject contract to incorporate the negotiated fixed fee for the Transition Quarter and FY 1977 and to update the terms and conditions.

Background

This proposed modification has been presented and concurred in by the RL Contract Review Board (See Summary Statement of Contract Action).

Recommendation

It is recommended that the Manager, RL, sign three (3) copies of the subject modification.

Further information concerning this action may be obtained from Ron Cone or myself.

Jack C. Cummings, Director
Contracts Division

CPD:REC

APPROVED

Alex G. Fremling

Date

bcc: CD Off File
SCS Rdg File
MGR's RDG File
CD Chrono

OFFICE ➤	CD	CD	CD			
2-7263 SURNAME ➤	CONE:DHC	FRASER	CUMMINGS			
DATE ➤	11/11/76		12 Nov 76			

Form AEC-318 (Rev. 9-53) AECM 0240 ★ U. S. GOVERNMENT PRINTING OFFICE: 1974-526-166

BEST AVAILABLE COPY

L. T. Brighton, Assistant Manager
for Administration

REVIEW OF ARHCO FEE FOR THE TRANSITION QUARTER AND FY 1976

In reply to the letter by F. R. Standerfer to Alex Fremling dated November 19, 1976, the following should be recognized:

1. The contract precludes reducing the fee base.

2. ERDA is contractually obligated to pay a given amount of fee on the fee base up to $60 million for Operations and Services. In the areas where negotiations are allowed, a 50% reduction in fee was achieved.

3. ERDA would pay fee on the bulk of the amount to restart Z Plant in any event.

4. A $5.2 million reduction in the fee base results in a small reduction in total fee.

5. We are technically required to not consider the accident in these fee negotiations.

A brief description of foregoing follows:

1. Appendix "A" Modification No. 4 describes how the fee base for ARHCO shall be determined and there is no provision for reducing this fee base to reflect the funds necessary to repair damage due to an accident.

2. The amount of fee to be paid for Operations and Services is prescribed by the contract for the Operations and Services fee base up to $60 million. The fee to be paid on the fee base in excess of $60 million is subject to negotiation and in this case the total amount of Operations and Services fee subject to negotiation is $132,000. This $132,000 was reduced to $66,000 as a result of negotiations. This reduction results in the same fee ARHCO would be paid if their fee base was reduced by approximately $4.6 million. It should also be noted that a reduction of $67,500 was achieved in the fee paid for Construction and Capital Equipment management.

BEST AVAILABLE COPY

These reductions were in what is termed as the "Maximum Allowable Fee". There may be some confusion concerning what "Maximum Allowable Fee" really means. This term is from the Interim ERDA Procurement Handbook "Establishing and Negotiating Fee and Profit". The guidance provided by this handbook was used to develop the fee for the operating fee for fee base in excess of $60 million and for the Construction and Capital Equipment management fee. The term "Maximum Allowable Fee" may be misleading in that it is the fee to which the contractor is entitled for satisfactory performance. In this case, ARHCO's performance was not considered satisfactory, hence the reduction in fee.

3. It is my understanding that the actual damage to Z Plant as a result of the accident was $800,000 and that the additional amounts indicated in Mr. Standerfer's letter ($10.3 - $12.3 million) are for remedies required for situations existing prior to the accident but unknown until surfaced by the investigators following the accident. If this is the case, the funds necessary to remedy these problems would have been expended in any event but most probably at a later date and by a different contractor. A fee would be paid on these funds regardless of when or to which contractor.

4. If we were successful in persuading ARHCO to reduce it's fee base by $5.2 million, it would mean a reduction of only $46,800.

5. We are technically required to negotiate based on conditions that existed June 30, 1976, to avoid the illegal situation of cost plus percentage of cost. As June 30, 1976, was prior to the accident, the accident should not be considered in these fee negotiations.

In conclusion, there is no contractual basis for reducing ARHCO's fee base and in my opinion, no obtainable position for ERDA in the event ARHCO elected to exercise the Disputes procedure. All things considered the fee of $1,980,000 for 15 months on a total fee base (Operating, Construction and Capital Equipment) of $102,787,000 is the best obtainable for ERDA.

bcc: CD Off File
SCS Rdg File
MGR Rdg File

R. E. Cone
Contract Administrator's
Representative
Contracts Division

CD CD
CD:REC CONE:cjb FRASER
11/22/76

237283

ACTION MEMORANDUM

Alex G. Fremling, Manager

THRU: R. P. Fasulo, Deputy Manager
L. T. Brighton, Assistant Manager for Administration

SUBJECT: ARHCO FEE NEGOTIATIONS - TRANSITION FY AND FY 1977

Purpose

The purpose of this memorandum is to:

1. request RL management approval of the CPD proposed fee negotiation position with ARHCO for the Transition FY and FY 1977

2. obtain any information or guidance RL management may wish to provide which relates to but is not reflected in this recommendation

Background

On July 13, 1976, ARHCO submitted it's fee proposal for the Transition FY and FY 1977 (Attachment 1) and is summarized as follows:

		ARHCO Estimated Fee Base		Proposed Fee
Operations and Services	Trans. FY	$16,432,000		$ 395,000
	FY 1977	72,414,000		1,671,000
*Construction Management	Trans. FY	1,012,000		20,000
	FY 1977	5,436,000		175,000
*Capital Equipment Management	Trans. FY	701,000		
	FY 1977	$ 9,665,000		
			Total	$2,250,000

*ARHCO's proposed fee combined Construction and Capital Equipment Management.

OFFICE ➤						
SURNAME ➤						
DATE ➤						

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Upon review of ARHCO's proposal with CMD and BUD (Attachment 2) we developed the following fee base data (June data base) and maximum allowable fee. Although the ARHCO proposed fee base is slightly less in two areas, the RL estimated fee base is used in all calculations to be consistent:

		RL Estimated Fee Base	Maximum Allowable Fee
Operations and Services	Trans. FY	$16,591,000	$ 385,000
	FY 1977	73,057,000	1,602,000
Construction Management	Trans. FY	562,000	10,086
	FY 1977	4,179,000	66,276
Capital Equipment Management	Trans. FY	843,000	6,912
	FY 1977	7,555,000	51,374
		Total	$2,122,148

ARHCO's operating fee is determined by applying the fee schedule set forth in Appendix "A" of the contract (Attachment 5) which describes the method for developing the fee base and the fee to be paid.

The upper limit of the fee schedule in the Appendix is $60 million of fee base. The fee for the amount of fee base in excess of $60 million is subject to negotiations. In our calculation of fee for the fee base in excess of $60 million, the fee schedule provided in the Interim ERDA Procurement Handbook "Establishing and Negotiating Fee and Profit" was used. Our fee calculation is less than ARHCO's as they did not follow the guidelines in the above referenced Handbook.

The contract provides for negotiation of the Construction and Capital Equipment Management fee. Our fee calculation for this area is also in conformance with the above referenced ERDA Handbook. Our fee base is less than ARHCO's due to their inappropriate inclusion of ERDA Managed Construction projects and their inaccurate estimate of Capital Equipment expenditures. (Note: All computations are detailed in Attachment 3).

As a result of contractual provisions, the only portion of the fee subject to negotiation is the amount of fee for the operating fee base in excess of $60 million and the Construction and Capital Equipment Management fee. The fee subject to negotiation is as follows:

	Fee Base In Excess of $60 million	Fee
Operations and Services		
Annualized Transition FY	$ 6,364,000	$ 57,000
Adjusted Transition FY		14,250
FY 1977	13,057,000	117,500
Total operating fee subject to negotiation		$131,750
Construction Management		
Transition FY		$ 10,086
FY 1977		66,276
Capital Equipment Management		
Transition FY		$ 6,912
FY 1977		51,374
Total fee subject to negotiation		$266,398

In order to recognize ARHCO's marginal performance in many areas, a 50% reduction in the total fee subject to negotiation is proposed for an initial negotiating position. It should be recognized that ARHCO will be reluctant to agree to a reduction of this size and that a 20% to 30% reduction is probably the maximum obtainable.

A comparison of FY 1976 and current fee is provided in Attachment 4.

Recommendation

We request approval to finalize fee negotiations with ARHCO for the transition FY and FY 1977 using the following guidelines:

OFFICE ➤						
SURNAME ➤						
DATE ➤						

		CD Fee Recommendation		
Operations and Services	Trans. FY	$ 370,750	to	$ 385,000
	FY 1977	1,543,250	to	1,602,000
Construction and Capital Equipment Management	Trans. FY	8,499	to	16,998
	FY 1977	58,825	to	117,650
	Total	$1,981,324	to	$2,122,148

Jack C. Cummings, Director
Contracts Division

CD:REC

APPROVED

Alex G. Fremling

Date

BCC: CPD Off File
SCS Rdg File
MGR Rdg File
AG Fremling, MGR
JC Cummings, CD

OFFICE	CD	CD	CD	ADM	DEP MGR
SURNAME	CONE:tjp	FRASER	CUMMINGS	BRIGHTON	FASULO
DATE	9/30/76		10/4/76	10/3/76	

2-7263

U.S. GOVERNMENT PRINTING OFFICE 1974-526-166

SIGNED COPY - Contract No. -2130
RHCU - Fixed Fee FY 74 (1/25/74), 7/15

[redacted]

Dpr 534
Tyler

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JAN 30 1976

ACTION MEMORANDUM

Alex G. Fremling, Manager

THRU: R. P. Fasulo, Deputy Manager
L. T. Brighton, Assistant Manager for Administration
F. R. Standerfer, Assistant Manager for Programs
R. H. Lindsey, Assistant Manager for Financial Affairs

SUBJECT: MODIFICATION NO. 5 TO CONTRACT NO. E(45-1)-2130 - ATLANTIC RICHFIELD HANFORD COMPANY (ARHCO)

Issue

Modify the subject contract to incorporate the negotiated fixed fee for FY 1976 and to update the terms and conditions.

Background

This proposed modification has been presented and concurred in by the RL Contract Review Board (Board). [See Summary Statement of Contract Action dated January 22, 1976. Copy attached.]

Recommendation

It is recommended that the Manager, RL, sign three (3) copies of the subject modification.

Further information concerning this action may be obtained from either me or D. J. Gier.

Oscar J. Bennett, Director
Contracts and Procurement Division

Attachments:
1. Mod. No. 5 -2130 (3 cys)
2. Summary Statement

APPROVED:_____

Date:_____

OFFICE	CPD	CPD	PWM	OCC	FIN	CPD
SURNAME	Harris:emr	Gier	Elgert	Hames	Pollod	Bennett
2-7736 DATE	1/22/76	1/22/76	1/22/76	1-30-76	1/26	1-30

AEC-318 (Rev. 9-53) AECM 0240 ☆ U. S. GOVERNMENT PRINTING OFFICE: 1974-526-166

UNITED STATES
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
RICHLAND OPERATIONS OFFICE
P. O. BOX 550
RICHLAND, WASHINGTON 99352

JAN 30 1976

ACTION MEMORANDUM

Alex G. Fremling, Manager

THRU: R. P. Fasulo, Deputy Manager 2/4/76
L. T. Brighton, Assistant Manager for Administration 2/3/75
F. R. Standerfer, Assistant Manager for Programs 2/3/76
R. H. Lindsey, Assistant Manager for Financial Affairs 2/2

SUBJECT: MODIFICATION NO. 5 TO CONTRACT NO. E(45-1)-2130 - ATLANTIC RICHFIELD HANFORD COMPANY (ARHCO)

Issue

Modify the subject contract to incorporate the negotiated fixed fee for FY 1976 and to update the terms and conditions.

Background

This proposed modification has been presented and concurred in by the RL Contract Review Board (Board). [See Summary Statement of Contract Action dated January 22, 1976. Copy attached.]

Recommendation

It is recommended that the Manager, RL, sign three (3) copies of the subject modification.

Further information concerning this action may be obtained from either me or D. J. Gier.

Oscar J. Bennett

Oscar J. Bennett, Director
Contracts and Procurement Division

Attachments:
1. Mod. No. 5 -2130 (3 cys)
2. Summary Statement

APPROVED: [illegible]

Date: 2/5/76

FEB 5 1976

Atlantic Richfield Hanford Company
ATTN: Mr. G. T. Stocking, President
Richland, Washington

Gentlemen:

CONTRACT NO. E(45-1)-2130--ATLANTIC RICHFIELD HANFORD COMPANY--
MODIFICATION NO. 5 AND FIXED FEE FY 1976

Transmitted herewith are three copies of subject modification, executed on behalf of ERDA. This modification confirms agreements reached in negotiations on October 31, 1975, and incorporates certain revisions and additions to the contract provisions as discussed with your staff.

In accordance with Article V of the contract, the fixed fee mutually agreed upon and payable to Atlantic Richfield Hanford Company for the performance of work during the period July 1, 1975, through June 30, 1976, is $1,500,000 payable at the rate of $125,000 per month. The fee is broken down as follows:

	Fee
Operations	$1,428,000
Construction Management and Capital Equipment Management	$ 72,000

Your concurrence and acceptance may be indicated by signing and returning the original and one copy of the modification.

Very truly yours,

Oscar J. Bennett, Director
Contracts and Procurement Division

bcc: Official File - CPD
Mgr's Rdg File
OJ Bennett
CAR File
Chrono

CPD:PGH

Enclosure:
Mod. 5 (3 cys)

OFFICE	CPD	CPD	CPD			
SURNAME	HARP/dlb	Gier	Bennett			
DATE	1/22/76	1/5/76				

2-7736

Form AEC-318 (Rev. 9-53) AECM 0240 ☆ U.S. GOVERNMENT PRINTING OFFICE: 1974-526-166

SUMMARY STATEMENT OF CONTRACT ACTION
MODIFICATION NO. 5 TO
CONTRACT NO. E(45-1)-2130
ATLANTIC RICHFIELD HANFORD COMPANY (ARHCO)

JAN 22 1976

Introduction

The subject modification is hereby submitted to the RL Contract Review Board (Board) for action. This modification updates the terms and conditions of the subject contract in addition to including the FY 1976 fixed fee recently negotiated by RL. The effective date of this modification is July 1, 1975.

Background

1. In October, 1975, Contracts and Procurement Division (CPD) submitted an Action Memorandum to the Manager, RL, recommending a proposed fee negotiation position for this modification. Approval of this recommendation was granted on October 29, 1975. (Attachment I.)

2. CPD conducted negotiations with ARHCO on October 31, 1975. The details and results of these negotiations are set forth in the Record of Negotiation. (Attachment II.)

3. ARHCO accepted the RL proposed fee and terms and conditions on January 12, 1976. [NOTE: The time required by ARHCO was utilized mainly in considering the proposed changes to the terms and conditions.]

4. This action has been reviewed and concurred in by appropriate members of RL's staff. Evidence of this staff review is found on the RL Form 255. (Attachment III.)

Recommendation

It is recommended that the Board review and forward this contract action to the Manager, RL, for approval. To facilitate the presentation of this contract action to the Manager, RL, the attached proposed Action Memorandum has been prepared by CPD to serve as the Board's statement to the Manager. ~~(Attachment IV.)~~

Concurrence in this recommendation may be indicated by each Board member signing in the appropriate space provided on the RL Form 255 (Attachment III) and by initialing the proposed Action Memorandum. (Attachment IV.)

Donald J. Gier

D. J. Gier, Chief
Contracts Administration Branch
Contracts and Procurement Division

OCT 1975

10/29 ACTION MEMORANDUM

Alex G. Fremling, Manager

THRU: R. P. Fasulo, Deputy Manager 10/28/75
L. T. Brighton, Assistant Manager for Administration 10/15/75
R. H. Lindsey, Assistant Manager for Financial Affairs

SUBJECT: ARHCO FEE NEGOTIATIONS--FY 1976

Purpose

The purpose of this memorandum is to:

1. request RL management approval of the CPD proposed fee negotiation position with ARHCO for FY 1976;

2. obtain any information or guidance as RL management may wish to provide which relates to but is not reflected in this recommendation.

Background

On July 15, 1975, ARHCO submitted its fee proposal for FY 1976 (Attachment I) and is summarized as follows:

	ARHCO Estimated Fee Base	Proposed Fee
Operations and Services	$56,223,000	$1,428,000
Construction Management	19,780,000	157,000
Capital Equipment Management	3,555,000	

Upon our review of ARHCO's proposal with CMD and BUD, we developed the following fee base data (June data base):

	RL Estimated Fee Base
Operations and Services	$56,428,000
Construction Management	7,933,000
Capital Equipment Management	3,545,000
	67,906,

A more complete breakdown of these figures is provided in Attachments II and VII.

ARHCO's operating fee is determined by applying the schedule set forth in Appendix "A" as amended by Modification No. 4 to Contract No. E(45-1)-2130 (Attachment III). Based upon our computation in accordance with Appendix "A", we recommend accepting ARHCO's fee base of $56,223,000 and proposed fee of $1,428,000 (Attachment IV) rather than the $56,428,000 fee base and resulting fee of $1,431,500.

Our fee base calculation for construction management is far less than ARHCO's because of their inappropriate inclusion of ERDA managed projects. Our calculations for maximum allowable fee for both Construction and Capital Equipment Management follows:

	RL Estimated Fee Base	Max Allowable Fee	
Construction Management (Attach. V)	$7,933,000	$ 97,500	.01229
Capital Equipment Management (Attachment VI)	3,545,000	22,500	.00634
	Total	$120,000	

Appendix "A" provides that past management performance will be considered in determining fee for construction management and capital equipment management services. CMD has advised that ARHCO's performance during FY 1975 has improved over that of FY 1974 for which we paid 40 percent of the maximum allowable fee (Attachment VII). Therefore, using FY 1974 as a guide, CMD recommends and we concur, a fee in a range of $70,000 to $85,000 for these services (approximately 60 to 70 percent of the total available fee of $120,000).

Recommendation

We request approval to finalize fee negotiations with ARHCO using the following guidelines:

	CPD Fee Recommendation
Operations and Services	$1,428,000
Construction and Equipment Management	$70,000 to $85,000

Oscar J. Bennett, Director
Contracts and Procurement Division

CPD:DPL

APPROVED:

Alex G. Fremling, Manager

10/29/75

Date

PREPARED BY ARHCO LCH

ATLANTIC RICHFIELD HANFORD COMPANY
FEE CALCULATION (OPERATION AND SERVICES)
FISCAL YEAR 1976
($ in Thousands)

Fee Base (Operation and Services)			
KK Program	$49,755		
RU Program	5,480		
NM ~~BH~~ Program	1,180*		$56,415
Less:			
Contract Fee	1,428		
Assessment Pool Charges	4,459		
Materials and Services Furnished by ~~AEC~~ ERDA and Others	9,508		(15,395)
			41,020
Add:			
Services to Others			
UNI		$2,150	
BNW		1,928	
HEDL		3,015	
HEHF		142	
CSC		282	
JAJ		366	
Vitro		259	
ERDA Assessment Pool		6,625	
ERDA Services		357	
WPPSS		79	15,203
			56,223

Total Operating Fee Base

Fee Calculations:		
1st	20,000	725.0
Next	5,000	137.5
Next	15,000	322.5
Excess	16,223 x .015	243.3

Total ARHCO fee FY 1976 (Operation and Services) $1,428.0

*Includes DMA $1,100,000.

LCH:dr
7-11-75

100,000 DM
15 KG

ATLANTIC RICHFIELD HANFORD COMPANY
CAPITAL EXPENDITURES*
FISCAL YEAR 1976
($ in Thousands)

ARHCO Managed			
J. A. Jones Construction Company			
Projects			$6 560
Cap. W.O.	Office Space, 2714-A	$11	
	Step-Off Pad Shelters	30	
	Dry Wells	80	
	Foundations & Modifications, 2704-S	52	
	222-S Hot Cell HEPA Filters	60	
	Space Concentration "B" Plant	106	
	Ventilation Improvements	9	
	Fire Protection Loop, 231-Z	45	
	Lean-To Storage Building, 2706-T	50	
	Gas Cylinder Storage Building, 234-5	21	
	230 KV Structure Additions	13	
	Elevator 703 Building	12	
	Modifications, 1169 Building	40	
	Modifications, 1168 Building	85	
	Monitoring Wells	45	
	Pilot Plant	10	
	219-S Environmental Improvements	25	
	Cubicle Waste Handling	50	744
Vitro Engineering			1 189
ARHCO -			
Equipment Not Related to Construction - KK			3 070
RU			485 ?
Projects — Mostly electrical cwip in our budget Ewip			1 209 475
Total ARHCO Managed			$13 257
ERDA Managed			
J. A. Jones Construction Company			9 319
Vitro Engineering			759
Total ERDA Managed			$10 078
Total Capital Expenditures			$23 335

*Letter, July 2, 1975, J. Faulhaber to O. J. Bennett, "Forecast of Work Assignments to J. A. Jones Construction Company and Vitro Engineering"

LCH:dr
7-14/75

CAPITAL FEE
EXPENDITURE BASIS
($ in Thousands)

Capital Fee Base (Expenditures)			$23,335
ARHCO Managed Construction Expenditures		$13,257	
$13,257 x .01 =	$132.6		
ERDA and Other Contractor Managed Expenditures/ARHCO Assisted		10,078	
$10,078 x .0025 =	25.2		
Total Capital Fee	$157.8		

LCH:dr
7-15-75

DL
CPD

PREPARED BY RL-CPD

Contract No. E(45-1)-2130

Atlantic Richfield Hanford Company

Fee Data Summary

(Thousands)

	FY 1975	FY 1976
ERDA Program Funds	$ 48,700	$ 56,430
Add Services to Others	13,075	8,578
Add ERDA Assessment Pool		6,625
Subtotal	$ 61,775	$ 71,633
Less:		
75% of Services by Others and of Gov't Furnished Material	$ 7,760	$ 9,239
Charges from the Service Assessment Pool	3,341	4,459
Contract Fee *Proposed	1,380	*1,507
	($ 12,481)	($ 15,205)
Net Operating Fee Base	$ 49,294	$ 56,428
Fee base as proposed by ARHCO and accepted by RL		$ 56,223
Estimated Construction Managed by ARHCO	$ 9,864	$ 7,933
Capital Equipment Costs	$ 2,941	$ 3,545
Computed Operating Fee	$ 1,325	$ 1,428.3
Maximum Allowable Fee Construction Mgt.	$ 115.4	$ 97.5
Maximum Allowable Fee Capital Equipment Mgt.	$ 19.9	$ 22.5
TOTALS	$ 1,460.3	$ 1,548.3
Agreed Total Fee	$ 1,380	

DL
CPD

PREPARED BY RL-CPD

E(45-1)-2130

ARHCO Operating Fee

FY 1976

Computation per Appendix "A" (Mod. No. 4) to Contract:

Net operating fee base	$ 56,223,000
Fee for first $20M	$ 725,000
Fee for next $05M at 2.75%	137,500
Fee for next $15M at 2.15%	322,500
Fee for next $16,233,000 at 1.5%	243,300
Total Operating Fee	$ 1,428,300

Fee Rate: $\frac{\$\ 1,428,300}{\$56,223,000} = 2.540\%$

MODIFICATION NO. 4
SUPPLEMENTAL AGREEMENT TO
CONTRACT NO. AT(45-1)-2130
APPENDIX "A"

PROCEDURE FOR COMPUTATION OF ANNUAL FIXED FEES

A. The annual fixed fee for operations and support services shall be determined in advance of the fiscal year to which it is applicable. The computation shall be made upon a fee base composed of the total of the following items:

1. The Atlantic Richfield Hanford Company (ARHCO) portion of the AEC Congressional Budget for AEC operating programs, as determined by AEC-RL, for such fiscal year, less ARHCO's total fee. This amount shall be reduced by the amount of certain costs of materials or work obtained or performed by others as follows:

   a. assessments from RL service pool

   b. 75% of the costs of materials and services provided by AEC or its contractors.

2. The estimated cost for such fiscal year for services performed by ARHCO for others, including AEC-RL. Such estimated cost includes, but is not limited to, the charges made by ARHCO to the RL service pool. Such estimated cost so covered by this A.2. shall be obtained from the Revised Annual Budget submitted by AEC-RL to AEC Headquarters on or about June 1 for such fiscal year.

3. The estimated cost for such fiscal year for work to be performed by ARHCO for offsite AEC offices, AEC contractors and other Government agencies as well as the estimated cost for such fiscal year for work performed by ARHCO for any other party or parties as directed by the AEC and where such estimated cost for work so performed for any other party or parties is not otherwise included within the provisions of A. Such estimated cost so covered by this A.3. shall be obtained from the Revised Annual Budget described in A.2. above.

B. The annual fixed fee for operations and support services will be computed on the above fee base determined in A. above at the following rates:

1.	On the first $20,000,000	$725,000
2.	On the next $5,000,000	2.75%
3.	On the next $15,000,000	2.15%
4.	On the next $20,000,000	1.5%

C. In the event the fee base for operations and support services for any fiscal year shall be less than $20,000,000, the parties shall negotiate the fee for that year independently of this Appendix "A"; if such fee base should be more than $60,000,000, the fee for that year applicable to that portion of the fee base not exceeding $60,000,000 shall be computed as above set out, and the fee for that year applicable to the excess shall be negotiated by the parties.

D. In addition to the fee for operations and support services, ARHCO shall be paid a fixed fee for any "line item" and GPP construction project management responsibility assigned to it. This fee shall be determined in advance of the fiscal year to which it is applicable and independently of the fee for operations and support services. The fee for project management responsibility shall include a fee for management of capital equipment not related to construction and not included in ARHCO's budget for operating programs. Such factors as estimated costs for such fiscal year for projects to be assigned as well as those previously assigned, extent of management effort assigned and past management performance, among others, will be taken into consideration in arriving at this portion of the total fee for management services.

E. Although computed and negotiated independently in accordance with the foregoing, the fees for operations and support services and for management services in D. above, shall be combined into one annual fixed fee payable in twelve (12) monthly payments.

F. No adjustments will be made in the amount of the fixed fees solely because the actual costs vary from the estimated costs for the period covered by the fixed fees.

G. As a matter of convenience, the parties hereto may agree by letter upon the fee base and fixed fees under this Procedure.

DL
CPD

PREPARED BY RL-CPD

Contract No. E(45-1)-2130

Atlantic Richfield Hanford Company

Construction Management Fee

FY 1976

Total projected construction involving ARHCO operated facilities	$18,011,000
Less ERDA managed projects	10,078,000
Estimated ARHCO expenditures for ARHCO managed projects	$ 7,933,000

For purposes of this computation, construction management fee is allowed only on the ARHCO managed projects. Fee for ARHCO's liaison efforts in ERDA managed projects is covered in the operating fee. Reference ERDAPI 9-3.808-51 (0), CPFF Construction Management Contracts.

Assume:

- average project complexity of "B" (reduction of 10%)
- 100% of construction work is by others, therefore there is excess subcontracting of 55%
- management services performed are 10% of normal

1. Maximum fee for Class "A" project

Fee for even amount on schedule $6 million	$ 173,700
Increment, $1,933,000 x 2.11%	40,786
Maximum fee for Construction management services	$ 214,486

2. Fee adjustment for complexity, 10% reduction -21,449

$ 193,037

3. Fee adjustment for excessive subcontracting and 90% normal management services not performed by operating contractor

.55 x .90 x $193,037 -95,553

4. Maximum allowable fee for construction management services (rounded) $ 97,500

Fee Rate: $\frac{\$\ 97,500}{\$7,933,000}$ = 1.23%

FY 1975 Max all. 1.17 for CM

Total of CM + CE actually paid FY1975

.43%

Total CM + CE max. all. FY1976

~ 1.0%

Total CM + CE proposed FY 1976

~ .61 - .73

DL
CPD

PREPARED BY RL-CPD

E(45-1)-2130
ARHCO
CAPITAL EQUIPMENT MANAGEMENT FEE
FY 1976

Appendix "A" to Contract No. E(45-1)-2130, as amended by Modification No. 4, provided that the fee for project management responsibility would include a fee for management of capital equipment not related to construction. The estimated cost for this capital equipment is excluded from the operating fee base. The fee schedules in ERDAPI 9-3.808-51 do not include a specific schedule for capital equipment management. However, the responsibilities are very parallel to those described in 9-3.808-51(s), Procurement of Special Equipment for Construction Projects. In this computation procedure, the maximum allowable fee is the lesser of the fees computed by, (1) using fee schedule (s) (6) and (2) using one-fourth the average maximum fee rate for construction services. The computations which follow are on the basis of the two aforementioned methods, except the second method uses one-fourth the average operating fee instead of a fee for construction services:

Estimated Capital Equipment Cost = $3,545,000

Method (1) - using Fee Schedule (s)(6)

Even Amount on Schedule ($2.0M)	$20,000
Increment - $1,545,000 x 0.625%	9,660
Maximum Allowable Fee	$29,660

Method (2) - using one-fourth operating fee rate

1/4 x 2.540% x $3,545,000 = $22,510

In accordance with ERDAPI 9-3.808-51(s)(4) the maximum allowable fee for Capital Equipment Management is $22,500 (rounded).

$$\text{Fee Rate: } \frac{\$\ 22,500}{\$3,545,000} = .635\%$$

FY 1976 max rate .675

SUMMARY STATEMENT

UNITED STATES
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
RICHLAND OPERATIONS OFFICE
P. O. BOX 550
RICHLAND, WASHINGTON 99352

AUG 6 1975

O. J. Bennett, Director
Contracts and Procurement Division

CONSTRUCTION MANAGEMENT DIVISION ANALYSIS OF ARHCO FY 1976 EXPENDITURES FOR CONSTRUCTION PROJECTS (FEE BASE)

Projected construction costs for projects managed by ARHCO

Current Line Items (1)	$4,530,000	
FY 1976 Line Items (2)	-0-	
Current GPP (1)	~~2,193,000~~	2,353,000
FY 1976 GPP (3)	750,000	
Capital Work Orders (4)	300,000	
Total FY 1976 Expenditures for ARHCO-managed construction	~~$7,773,000~~	7,933,000

The above calculations reflect an objective analysis of ARHCO projected construction activities as reflected in current project schedules. The above calculation does not include capital equipment not related to construction.

ARHCO's performance in construction management has generally been average (see attached appraisal). This rating should be considered in the determination of fee for ARHCO projects. We would be happy to meet with you on the fee adjustments based on performance.

Footnotes

(1) Calculated from June 30, 1975, progress reports.

(2) Current plans are for ERDA management of FY 1976 line items.

(3) Represents 50 percent (construction credit) of total FY 1976 GPP funds earmarked for ARHCO to be expended in FY 1976. Initial CMD calculation was $683K.

(4) Represents 100 percent of anticipated FY 1976 CWO funds for ARHCO.

We have not provided any calculation of ERDA managed projects since we believe that fee for ARHCO services on ERDA managed projects is covered in the operating budget for those personnel working on such projects.

L. G. Adams, Director
Construction Management Division

CMD:PEG

Attachment:
ARHCO FY 1975 Appraisal

CONSTRUCTION MANAGEMENT DIVISION
EVALUATION OF ARHCO ENGINEERING
AND CONSTRUCTION ACTIVITIES
AS OF APRIL 7, 1975

Summary Evaluation

ARHCO's overall performance in engineering and construction activities over the past nine months has been average. Areas which require improvement are (1) maintaining projects on established schedules and (2) improved coordination and resolution of in-house activities and issues.

Plus Factors

1. Conceptual planning activities are generally handled satisfactorily.

2. Project reporting and submittals for monthly management, cost and schedule meetings have been good.

3. Management's attitude and communication with project participants is usually adequate.

4. Review of new design issuances and design changes continues to be good.

Minus Factors

1. Project execution and management of projects within established schedules is not satisfactory. The contractor must be more assertive in assuming the responsibility for timely identification and resolution of problems and issues.

2. Better management by coordination of in-house activities is required. Areas of particular concern are (1) procurement follow-through; (2) coordination of work in ARHCO shops to meet schedules; and (3) resolving conflicts between project engineering and quality assurance and between process design and quality assurance.

   Management should take initiative to assure that operations and project requirements are understood and satisfied by timely "Company" decisions and procedures.

3. Timely execution of hazards reviews during the design phase must be accomplished to reduce the cost and schedule impacts on projects.

OFFICE ➤						
SURNAME ➤						
DATE ➤						

UNITED STATES
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
RICHLAND OPERATIONS OFFICE
P. O. BOX 550
RICHLAND, WASHINGTON 99352

September 2, 1975

O. J. Bennett, Director
Contracts and Procurement Division

CONSTRUCTION MANAGEMENT DIVISION ANALYSIS OF ARHCO CONSTRUCTION ACTIVITIES

In reference to my discussion today with D. J. Gier of your staff, the following additional information is provided as an update to the appraisal of ARHCO's construction activities.

In early April 1975 ARHCO reorganized their construction section in an effort to provide more management visibility to construction activities. A new manager was hired for the Project Management Section (engineering and construction) and the position was upgraded from a level four to a level three position. As a result there has been a substantial increase in ARHCO management attention to all phases of design and construction.

The reorganization was favorably received by CMD and we anticipate that this change will have a major impact on future performance. We have also noted that since the April 7, 1975, CMD appraisal, ARHCO's performance has improved. In determining the fee range for construction, the CMD assessment is higher than our last years' assessment of ARHCO.

For L. J. Adams, Director
Construction Management Division

CMD:PEG

In the above referenced memo Adams agreed to the appropriateness of paying ARHCO 60-70% of the allowable fee for construction management services

L. J. Gier 9/2/75

Attachment I

UNITED STATES
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
RICHLAND OPERATIONS OFFICE
P. O. BOX 550
RICHLAND, WASHINGTON 99352

Files

FEE NEGOTIATIONS - ATLANTIC RICHFIELD HANFORD COMPANY (ARHCO), CONTRACT NO. E(45-1)-2130

A meeting was held October 31, 1975, with the following in attendance:

ERDA-RL:

D. J. Gier, Chief, Contracts Administration Branch
Contracts and Procurement Division
D. P. Letendre, Contract Administrator's Representative

ARHCO:

T. E. Sparks, Manager, Contract Administration
L. C. Hubbard, Manager, Budget and Cost Control (acting for J. Faulhaber, Vice President, Business Management)

ARHCO's initial position was as follows:

	ARHCO Est. Fee Base	Proposed Fee
Operations and Services	$56,223,000	$1,428,000
Construction Management	19,780,000	157,000
Capital Equipment Management	3,555,000	

RL's fee base and maximum allowable fee position was as follows:

	RL Estimated Fee Base	Max. Allow. Fee
Operations and Services	$56,428,000	$1,431,500
Construction Management	7,933,000	97,500
Capital Equipment Management	3,545,000	22,500

120,000

ARHCO's operating fee is determined by applying the schedule set forth in Appendix "A" as amended by Modification No. 4 to the subject contract.

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

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ARHCO's estimated fee base calculation and resulting fee were lower than RL's; therefore, we accepted ARHCO's figures of $56,223,000 fee base and $1,428,000 fee.

Our fee base calculation for construction management is far less than ARHCO's because of their inappropriate inclusion of ERDA managed projects. ARHCO accepted our fee base determination after our explaining that we would not pay fee to ARHCO on ERDA managed projects. ARHCO also accepted our capital equipment management fee base as it was only $10,000 less than their calculation of $3,555,000 and ARHCO could not substantiate their total.

Appendix "A" also provides that past management performance be considered in determining fee for construction and capital equipment management services. CMD advised that ARHCO's performance during FY 1975 had improved over that of FY 1974 for which we paid 40 percent of the maximum allowable fee. By action memo dated October 29, 1975 (Attachment A), RL management approved a fee in the range of $70,000 to $85,000 for these services (approximately 60 to 70 percent of the total available fee of $120,000).

ARHCO's fee proposal of $157,000 for these services was rejected by RL as being excessive. We explained our position regarding ARHCO's performance and offered $70,000. Final agreement was reached at $72,000 for these services. A summarization follows:

	Fee Agreement
Operations and Services	$1,428,000
Construction and Equipment Management	72,000

We also advised ARHCO that the fee agreement would be made part of a modification to the contract which would also include an updating of the basic contract provisions. The revised articles are as follows:

Article I	Definitions
Article IV	Obligation of Funds
Article V	Allowable Costs and Fixed Fee
Article VIII	Accounts, Records, and Inspection
Article IX	Examination of Records
Article XV	Priorities, Allocations, and Allotments
Article XVIII	Safety and Health
Article XX	Security
Article XXVIII	Convict Labor
Article XLIX	Listing of Employment Openings
Article LI	Cost Accounting Standards

The following new articles were added:

Article LIV	Employment of the Handicapped
Article LV	Continuity of Services
Article LVI	Privacy Act

All of the above changes were accepted by ARHCO on January 12, 1976.

D. P. Letendre
Contract Administrator's Representative
Contracts and Procurement Division

D. J. Gier, Chief
Contracts Administration Branch
Contracts and Procurement Division

Enclosure:
Memo dtd 10/29/75

ATTACHMENT II

RL-255 (2-75)

U.S. ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
RICHLAND OPERATIONS OFFICE

RECOMMENDATION FOR APPROVAL OF CONTRACT ACTION

DATE: 1/13/76

RECOMMENDED AWARD TO: (NAME AND ADDRESS OF FIRM)

Atlantic Richfield Hanford Company — Richland, Washington

DESCRIPTION OF MATERIALS OR SERVICES:

Fee for FY 1976 - onsite services

☐ ADVERTISED ☒ NEGOTIATED ☐ COMPETITIVE

TYPE OF CONTRACT	P.O. REQUISITION OR CONTRACT NO.	NUMBER OF BIDS OR PROPOSALS
CPFF	E(45-1)-2130	
FUND SOURCE	PROJECT NO.	

RECOMMENDATION ON BASIS OF: ☐ LOW BID ☒ SATISFACTORY NEGOTIATIONS ☐ ADEQUATE COMPETITION ☐ OTHER

AMOUNT OF THIS ACTION	FAIR COST ESTIMATE	SECOND LOW BID	HIGH BID
$1,500,000			

STAFF REVIEW			REVIEW BOARD RECOMMENDATION		
✓		DATE	✓		DATE
X	OFFICE CHIEF COUNSEL EEP	1/14	X	LEGAL ADVISOR Privacy Act action required. See memo. Corrected - recommend approval OCC	1-23-76 1-30-76
X	FINANCE DIVISION	1-15-76	X	MEMBER FIN W. Pohland	1/26/76
X	PROGRAM DIVISION	1-15-76	X	MEMBER PWM OK	1-15-76
	ORGANIZATION & PERSONNEL DIVISION			MEMBER Secretary CPD	1/27/76
X	OTHER CPD	1/21/76		MEMBER	

WRITTEN COMMENTS ARE REQUIRED PER RL-P1 9-51.403.3

RECOMMENDED BY	
CONTRACTOR	CHAIRMAN L. T. Brighton — DATE 2-3-76
CONTRACTS REPRESENTATIVE Letendre	APPROVAL OF CONTRACTING OFFICER Alex G. Fremling — DATE 2/5/76
OTHER	

ATTACHMENT II.

CONTINUATION SHEET TO RL-255 (2-75)

P. O. Requisition/Contract # E(45-1)-2130

REVIEW BOARD

Comments: OCC Inclusion of Article LVI on the Privacy Act is only half of what is required. The Fed. Proc. Regs. (FPR 1-1.337-5(a)) require: "All contract work statements shall specifically identify (1) the system or systems of records and (2) the work to be performed by the contractor in terms of any one of the following: (i) design, (ii) development, or (iii) operation." ARHCO operates three systems, two of which fall under ERDA System No. 20 and one under ERDA System No. 18, as published in the Federal Register. The statement of work should accordingly be amended to expressly identify these systems. Also see the memo to Bennett from Hooper, dated Oct. 9, 1976

Recommendation: Changes in statement of work should be made as indicated above.

Roy Bernhardt Erickson
Assistant Chief Counsel
Name

1-23-75
Date

Comments: FIN

Recommendation: Approve

W Pohlad
Name

1/26/76
Date

CONTINUATION SHEET TO RL-255 (2-75)

P.O. Requisition/Contract # E(45-1)-2130

STAFF REVIEW

Comments: OCC

No legal deficiencies noted.

Recommendation: approval

E. E. Pride 1/14/76
Name Date

Comments: FIN OK

Recommendation: approval

[illegible] 1-15-76
Name Date

CONTINUATION SHEET TO RL-255 (2-75)

P.O. Requisition/Contract # E(45-1)2130

STAFF REVIEW

Comments: PWM

Recommendation:

Name Date

Comments: CPD

Recommendation:

Name Date

CONTINUATION SHEET TO RL-255 (2-75)

P. O. Requisition/Contract # E(45-1)-2130

REVIEW BOARD

Comments: PWM

Recommendation:

Name Date

Comments: CPD

Recommendation:

Name Date

Attachment IV

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signed copy mod no 7
AKNCO EY-76-C-06-2130

MODIFICATION NO. 6
SUPPLEMENTAL AGREEMENT TO
CONTRACT NO. EY-76-C-06-2130

THIS SUPPLEMENTAL AGREEMENT, entered into this 7th day of December 1976, effective July 1, 1976, between the UNITED STATES OF AMERICA (hereinafter called the "Government"), represented by the UNITED STATES ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION (hereinafter referred to as "ERDA"), and the ATLANTIC RICHFIELD HANFORD COMPANY (hereinafter called the "Contractor"), a corporation organized and existing under the laws of the State of Delaware, with its principal place of business at Richland, Washington.

WITNESSETH THAT:

WHEREAS, there is now in full force and effect between the parties hereto Contract No. E(45-1)-2130, entered into May 8, 1972, for the performance of certain work and services; and

WHEREAS, the contract and Appendix "A" thereto provide for the annual negotiation of fixed fees; and

WHEREAS, it has been determined necessary to make certain revisions and additions to the terms and conditions of the contract, and

WHEREAS, ERDA certifies that this agreement is authorized by and executed under the Energy Reorganization Act of 1974 and other applicable law, in the interest of the common defense and security;

NOW, THEREFORE, the parties hereto do agree as follows:

1. The contract number is hereby changed from E(45-1)-2130 to EY-76-C-06-2130.

2. Article IV - Obligation of Funds - The first sentence of Paragraph A. is hereby modified to read as follows:

> "The amount presently obligated by the Government with respect to this contract is Four Hundred Seven Million One Hundred Seventy Thousand Five Hundred Seventy-Nine Dollars ($407,170,579.00)."
>
> The remainder of Article IV shall remain unchanged.

3. Article V - Allowable Costs and Fixed Fee - The first sentence of Paragraph B., part 1. is hereby modified to read as follows:

> "B. <u>Fixed Fee</u>
>
> 1. The fee commencing on July 1, 1976, shall be at the rate of $132,666.67 per month and shall continue through September 30, 1977."
>
> The remainder of Article V shall remain unchanged.

4. Article IX - Examination of Records is deleted and the following substituted therefor:

ARTICLE IX - EXAMINATION OF RECORDS

A. This article is applicable if the amount of this contract exceeds $10,000 and was entered into by means of negotiation, including small business restricted advertising, but is not applicable if this contract was entered into by means of formal advertising.

B. The Contractor agrees that the Comptroller General of the United States or any of his duly authorized representatives shall, until the expiration of 3 years after final payment under this contract unless ERDA authorizes their prior disposition have access to and the right to examine any directly pertinent books, documents, papers, and records of the Contractor involving transactions related to this contract.

C. The Contractor further agrees to include in all his subcontracts hereunder a provision to the effect that the subcontractor agrees that the Comptroller General of the United States or any of his duly authorized representatives shall, until the expiration of 3 years after final payment under the subcontract unless ERDA authorizes their prior disposition have access to and the right to examine any directly pertinent books documents, papers, and records of such subcontractor, involving transactions related to the subcontract. The term "subcontract" as used in this article excludes (i) purchase orders not exceeding $10,000 and (ii) subcontracts or purchase orders for public utility services at rates established for uniform applicability to the general public.

D. The periods of access and examination described in B. and C., above, for records which relate to (i) appeals under the "Disputes" article of this contract, (ii) litigation or the settlement of claims arising out of the performance of this contract, or (iii) costs and expenses of this contract as to which exception has been taken by the Comptroller General or any of his duly authorized representatives, shall continue until such appeals, litigation, claims, or exceptions have been disposed of.

E. Nothing in this contract shall be deemed to preclude an audit by the General Accounting Office of any transaction under the contract.

5. Article XXVII - Equal Opportunity is deleted and the following substituted therefor:

ARTICLE XXVII - EQUAL OPPORTUNITY

(The following article is applicable unless this contract is exempt under the rules, regulations, and relevant orders of the Secretary of Labor. (41 CFR, Ch. 60)

During the performance of this contract, the Contractor agrees as follows:

A. The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to the following: Employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Contracting Officer setting forth the provisions of this Equal Opportunity article.

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

C. The Contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the labor union or workers' representative of the Contractor's commitments under this Equal Opportunity Article, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

D. The Contractor will comply with all provisions of Executive Order No. 11,246 of September 24, 1965, as amended by Executive Order No. 11375 of October 13, 1967, and of the rules, regulations, and relevant orders of the Secretary of Labor.

E. The Contractor will furnish all information and reports required by Executive Order No. 11,246 of September 24, 1965, as amended by Executive Order No. 11375 of October 13, 1967, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

F. In the event of the Contractor's noncompliance with the Equal Opportunity article of this contract or with any of said rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11,246 of September 24, 1965, as amended by Executive Order No. 11375 of October 13, 1967, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11,246 of September 24, 1965, as amended by Executive Order No. 11375 of October 13, 1967, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

G. The Contractor will include the provisions of Paragraphs A through G, in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11,246 of September 24, 1965, as amended by Executive Order No. 11375 of

October 13, 1967, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for noncompliance: Provided, however, that in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

6. Article XXXVII - Patents is deleted and the following substituted therefor:

ARTICLE XXXVII - PATENT RIGHTS

A. Definitions

1. "Subject Invention" means any invention or discovery of the Contractor conceived or first actually reduced to practice in the course of or under this contract, and includes any art, method, process, machine, manufacture, design, or composition of matter, or any new and useful improvement thereof, or any variety of plants, whether patented or unpatented under the Patent Laws of the United States of America or any foreign country.

2. "Contract" means any contract, grant, agreement, understanding or other arrangement, which includes research, development, or demonstration work, and includes any assignment, substitution of parties, or subcontract executed or entered into thereunder.

3. "States and domestic municipal governments" means the States of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, American Samoa, Guam, the Trust Territory of the Pacific Islands, and any political subdivision and agencies thereof.

4. "Government agency" includes an executive department, independent commission, board, office, agency, administration, authority, Government corporation, or other Government establishment of the Executive Branch of the Government of the United States of America.

5. "To the point of practical application" means to manufacture in the case of a composition or product, to practice in the case of a process, or to operate in the case of a machine and under such conditions as to establish that the invention is being worked and that its benefits are reasonably accessible to the public.

6. "Patent Counsel" means the ERDA Patent Counsel assisting the procuring activity.

B. Allocation of Principal Rights

1. Assignment to the Government. The Contractor agrees to assign to the Government the entire right, title, and interest throughout the world in and to each Subject Invention, except to the extent that rights are retained by the Contractor under Paragraphs B.2. and C. of this article.

2. Greater Rights Determinations. The Contractor or the employee-inventor with authorization of the Contractor may request greater rights than the nonexclusive license and the right to request foreign patent rights provided in Paragraph C. of this article on identified inventions in accordance with 41 CFR 9-9.109-6. Such requests must be submitted to the Contracting Officer or Patent Counsel at the time of the first disclosure pursuant to Paragraph E.2. of this article, or not later than 3 months thereafter, or such longer period as may be authorized by the Contracting Officer or Patent Counsel for good cause shown in writing by the Contractor.

C. Minimum Rights to the Contractor

1. Contractor License. The Contractor reserves a revocable, non-exclusive, paid-up license in each patent application filed in any country on a Subject Invention and any resulting patent in which the Government acquires title. The license shall extend to the Contractor's domestic subsidiaries and affiliates, if any, within the corporate structure of which the Contractor is a part and shall include the right to grant sublicenses of the same scope, and revocable under the same terms and conditions set forth herein. The license shall be assignable only with approval of ERDA except to the successor of that part of the Contractor's business to which the invention pertains.

2. Revocation Limitations. The Contractor's nonexclusive license retained pursuant to Paragraph C.1. of this article and sublicenses granted thereunder may be revoked or modified by ERDA, either in whole or in part only to the extent necessary to achieve expeditious practical application of the Subject Invention under ERDA's published licensing regulations (10 CFR 781), and only to the extent an exclusive license is actually granted. This license shall not be revoked in that field of use and/or the geographical areas in which the Contractor, or its sublicensee, has brought the invention to the point of practical application and continues to make the benefits of the invention reasonably accessible to the public, or is expected to do so within a reasonable time.

3. Revocation Procedures. Before modification or revocation of the license or sublicense, pursuant to Paragraph C.2. of this article, ERDA shall furnish the Contractor a written notice of its intention to modify or revoke the license and any sublicense thereunder, and the Contractor shall be allowed 30 days (or such longer period as may

be authorized by the Patent Counsel for good cause shown in writing by the Contractor) after such notice to show cause why the license or any sublicense should not be modified or revoked. The Contractor shall have the right to appeal, in accordance with 10 CFR 781, any decision concerning the modification or revocation of his license or any sublicense.

4. Foreign Patent Rights. Upon written request to the Contracting Officer or Patent Counsel, in accordance with Paragraph E.2.(a) of this article, and subject to ERDA security regulations and requirements, there may be reserved to the Contractor, or the employee-inventor with authorization of the Contractor, the patent rights to a Subject Invention in any foreign country where the Government has elected not to secure such rights provided:

(a) The recipient of such rights, when specifically requested by ERDA and three years after issuance of a foreign patent disclosing said Subject Invention, shall furnish ERDA a report setting forth:

(1) The commercial use that is being made, or is intended to be made, of said invention, and

(2) The steps taken to bring the invention to the point of practical application or to make the invention available for licensing.

(b) The Government shall retain at least an irrevocable, nonexclusive paid-up license to make, use, and sell the invention throughout the world by or on behalf of the Government (including any Government agency) and States and domestic municipal governments, unless the Administrator or his designee determines that it would not be in the public interest to acquire the license for the State and domestic municipal governments.

(c) Subject to the rights granted in C.1. 2. and 3. of this article the Administrator or his designee shall have the right to terminate the foreign patent rights granted in this Paragraph C.4. in whole or in part unless the recipient of such rights demonstrates to the satisfaction of the Administrator or his designee that effective steps necessary to accomplish substantial utilization of the invention have been taken or within a reasonable time will be taken.

(d) Subject to the rights granted in C.1.2. and 3. of this article, the Administrator or his designee shall have the right, commencing four years after foreign patent rights are accorded under this Paragraph C.4. to require the granting of a nonexclusive or partially exclusive license to a responsible applicant or applicants, upon terms reasonable under the

circumstances and in appropriate circumstances to terminate said foreign patent rights in whole or in part, following a hearing upon notice thereof to the public, upon a petition by an interested person justifying such hearing:

(1) If the Administrator or his designee determines, upon review of such material as he deems relevant, and after the recipient of such rights, or other interested person, has had the opportunity to provide such relevant and material information as the Administrator or his designee may require, that such foreign patent rights have tended substantially to lessen competition or to result in undue market concentration in any section of the United States in any line of commerce to which the technology relates; or

(2) Unless the recipient of such rights demonstrates to the satisfaction of the Administrator or his designee at such hearing that the recipient has taken effective steps, or within a reasonable time thereafter is expected to take such steps, necessary to accomplish substantial utilization of the invention.

D. Filing of Patent Applications

1. With respect to each Subject Invention in which the Contractor or the inventor requests foreign patent rights in accordance with Paragraph C.4. of this article, a request may also be made for the right to file and prosecute the U.S. application on behalf of the U.S. Government. If such request is granted, the Contractor or inventor shall file a domestic patent application on the invention within 6 months after the request for foreign patent rights is granted, or such longer period of time as may be approved by Contracting Officer or Patent Counsel for good cause shown in writing by the requestor. With respect to the invention, the requestor shall promptly notify the Contracting Officer or Patent Counsel of any decision not to file an application.

2. For each Subject Invention on which a domestic patent application is filed by the Contractor or inventor, the Contractor or inventor shall:

(a) Within 2 months after the filing or within 2 months after submission of the invention disclosure if the patent application previously has been filed, deliver to the Contracting Officer or Patent Counsel a copy of the application as filed including the filing date and serial number;

(b) Within 6 months after filing the application or within 6 months after submitting the invention disclosure if the application has been filed previously, deliver to the Contracting Officer or Patent Counsel a duly executed and approved Assignment to the Government, on a form specified by the Government;

(c) Provide the Contracting Officer or Patent Counsel with the original patent grant promptly after a patent is issued on the application; and

(d) Not less than 30 days before the expiration of the response period for any action required by the Patent and Trademark Office, notify the Contracting Officer or Patent Counsel of any decision not to continue prosecution of the application.

3. With respect to each Subject Invention in which the Contractor or inventor has requested foreign patent rights, the Contractor or inventor shall file a patent application on the invention in each foreign country in which such request is granted in accordance with applicable statutes and regulations and within one of the following periods:

(a) Eight months from the date of filing a corresponding United States application, or if such an application is not filed, six months from the date of the request was granted;

(b) Six months from the date a license is granted by the Commissioner of Patents and Trademarks to file the foreign patent application where such filing has been prohibited by security reasons; or

(c) Such longer periods as may be approved by the Contracting Officer or Patent Counsel for good cause shown in writing by the Contractor or inventor.

4. Subject to the license specified in Paragraphs C.1.2. and 3. of this article, the Contractor or inventor agrees to convey to the Government, upon request, the entire right, title, and interest in any foreign country in which the Contractor or inventor fails to have a patent application filed in accordance with Paragraph D.3. of this article, or decides not to continue prosecution or to pay any maintenance fees covering the invention. To avoid forfeiture of the patent application or patent the Contractor or inventor shall, not less than 60 days before the expiration period for any action required by any Patent Office, notify the Contracting Officer or Patent Counsel of such failure or decision, and deliver to the Contracting Officer or Patent Counsel the executed instruments necessary for the conveyance specified in this paragraph.

E. <u>Invention Identification, Disclosures, and Reports</u>

1. The Contractor shall establish and maintain active and effective procedures to ensure that Subject Inventions are promptly identified and timely disclosed. These procedures shall include the maintenance of laboratory notebooks or equivalent records and any other records that are reasonably necessary to document the conception and/or the first actual reduction to practice of Subject Inventions, and records

which show that the procedures for identifying and disclosing the inventions are followed. Upon request, the Contractor shall furnish the Contracting Officer a description of these procedures so that he may evaluate and determine their effectiveness.

2. The Contractor shall furnish the Contracting Officer or Patent Counsel on an ERDA-approved form:

   (a) A written report containing full and complete technical information concerning each subject Invention within 6 months after conception or first actual reduction to practice whichever occurs first in the course of or under this contract, but in any event prior to any on sale, public use or public disclosure of such invention known to the Contractor. The report shall identify the contract and inventor and shall be sufficiently complete in technical detail and appropriately illustrated by sketch or diagram to convey to one skilled in the art to which the invention pertains a clear understanding of the nature, purpose, operation, and to the extent known, the physical, chemical, biological, or electrical characteristics of the invention. The report should also include any request for foreign patent rights under Paragraph C.4. of this article and any request to file a domestic patent application under D.1. of this article. However, such requests shall be made within the period set forth in Paragraph B.2. of this article. When an invention is reported under this Paragraph E.2.(a), it shall be presumed to have been made in the manner specified in Section A.1. and 2. of 42 USC 5908 unless the Contractor contends it was not so made in accordance with Paragraph G.2.(b) of this article.

   (b) Upon request, but not more than annually, interim reports on an ERDA-approved form listing Subject Inventions and subcontracts awarded containing a Patent Rights article for that period and certifying that:

      (1) The Contractor's procedures for identifying and disclosing Subject Inventions as required by this Paragraph E. have been followed throughout the reporting period;

      (2) All Subject Inventions have been disclosed or that there are no such inventions;

      (3) All subcontracts containing a Patent Rights article have been reported or that no such subcontracts have been awarded; and

   (c) A final report on an ERDA-approved form within 3 months after completion of the contract work listing all Subject Inventions and all subcontracts awarded containing a Patent Rights article and certifying that:

(1) All Subject Inventions have been disclosed or that there were no such inventions; and

(2) All subcontracts containing a Patent Rights article have been reported or that no such subcontracts have been awarded.

3. The Contractor shall obtain patent agreements to effectuate the provisions of this article from all persons in its employ who perform any part of the work under this contract except nontechnical personnel, such as clerical employees and manual laborers.

4. The Contractor agrees that the Government may duplicate and disclose Subject Invention disclosures and all other reports and papers furnished or required to be furnished pursuant to this article. If the Contractor is to file a foreign patent application on a Subject Invention, the Government agrees, upon written request, to use its best efforts to withhold publication of such invention disclosures until the expiration of the time period specified in Paragraph D.1. of this article, but in no event shall the Government or its employees be liable for any publication thereof.

F. Publication. It is recognized that during the course of the work under this contract, the Contractor or its employees may from time to time desire to release or publish information regarding scientific or technical developments made or conceived in the course of or under this contract. In order that public disclosure of such information will not adversely affect the patent interests of ERDA or the Contractor, patent approval for release or publication shall be secured from Patent Counsel prior to any such release or publication.

G. Forfeiture of Rights in Unreported Subject Inventions

1. The Contractor shall forfeit to the Government, at the request of the Administrator or his designee, all rights in any Subject Invention which the Contractor fails to report to the Contracting Officer or Patent Counsel within six months after the time the Contractor:

(a) Files or causes to be filed a United States or foreign patent application thereon; or

(b) Submits the final report required by Paragraph E.2.(c) of this article, whichever is later.

2. However, the Contractor shall not forfeit rights in a Subject Invention if, within the time specified in 1.(a) or 1.(b) of this Paragraph G., the Contractor:

(a) Prepared a written decision based upon a review of the record that the invention was neither conceived nor first actually reduced to practice in the course of or under the contract and files the same with the Contracting Officer or Patent Counsel; or

(b) Contending that the invention is not a Subject Invention the Contractor nevertheless discloses the invention and all facts pertinent to this contention to the Contracting Officer or Patent Counsel; or

(c) Establishes that the failure to disclose did not result from the Contractor's fault or negligence.

3. Pending written assignment of the patent applications and patents on a Subject Invention determined by the Administrator or his designee to be forfeited (such determination to be a final decision under the Disputes Article), the Contractor shall be deemed to hold the invention and the patent applications and patents pertaining thereto in trust for the Government. The forfeiture provision of this Paragraph G. shall be in addition to and shall not supersede other rights and remedies which the Government may have with respect to Subject Inventions.

H. Examination of Records Relating to Inventions

1. The Contracting Officer or Patent Counsel, until the expiration of 3 years after final payment under this contract shall have the right to examine any books (including laboratory notebooks), records, documents, and other supporting data of the Contractor which the Contracting Officer or Patent Counsel reasonably deem pertinent to the discovery or identification of Subject Inventions or to determine compliance with the requirements of this article.

2. The Contracting Officer or Patent Counsel shall have the right to review all books (including laboratory notebooks), records and documents of the Contractor relating to the conception or first actual reduction to practice of inventions in the same field of technology as the work under this contract to determine whether any such inventions are Subject Inventions, if the Contractor refuses or fails to:

(a) Establish the procedures of Paragraph E.1. of this article; or

(b) Maintain and follow such procedures; or

(c) Correct or eliminate any material deficiency in the procedures within thirty (30) days after the Contracting Officer or Patent Counsel notifies the Contractor of such a deficiency.

I. Withholding of Payment

1. Any time before final payment of the amount of this contract, the Contracting Officer may, if he deems such action warranted, withhold payment until a reserve not exceeding $50,000 or 5 percent of the amount of this contract, whichever is less, shall have been set aside if in his opinion, the Contractor fails to:

(a) Establish, maintain and follow effective procedures for identifying and disclosing Subject Inventions pursuant to Paragraph E.1. of this article; or

(b) Disclose any Subject Invention pursuant to Paragraph E.2.(a) of this article; or

(c) Deliver the interim reports pursuant to Paragraph E.2.(b) of this article; or

(d) Provide the information regarding subcontracts pursuant to Paragraph J.5. of this article; or

(e) Convey to the Government in an ERDA-approved form the title and/or rights of the Government in each Subject Invention as required by this article.

The reserve or balance shall be withheld until the Contracting Officer has determined after consultation with Patent Counsel that the Contractor has rectified whatever deficiencies exist and has delivered all reports, disclosures, and other information required by this article.

2. Final payment under this contract shall not be made by the Contracting Officer before the Contractor delivers to Patent Counsel all disclosures of Subject Inventions and other information required by E. 2.(a) of this article, the final report required by E.2.(c) of this article, and Patent Counsel has issued a patent clearance certification to the Contracting Officer.

3. The Contracting Officer may, in his discretion, decrease or increase the sums withheld up to the maximum authorized above. If the Contractor is a nonprofit organization, the maximum amount that may be withheld under this paragraph shall not exceed $50,000 or 1 percent of the amount of this contract, whichever is less. No amount shall be withheld under this paragraph while the amount specified by this paragraph is being withheld under other provisions of the contract. The withholding of any amount or subsequent payment thereof shall not be construed as a waiver of any rights accruing to the Government under this contract.

J. <u>Subcontracts</u>

1. For the purpose of this paragraph the term "Contractor" means the party awarding a subcontract and the term "Subcontractor" means the party being awarded a subcontract, regardless of tier.

2. Unless otherwise authorized or directed by the Contracting Officer in accordance with 41 CFR 9-9.107-4(f), the Contractor shall include the Patent Rights clause of 41 CFR 9-9.107-5(a) or 41 CFR 9-9.107-6 as appropriate, modified to identify the parties in any subcontract

hereunder. In the event of refusal by a Subcontractor to accept this clause, or if in the opinion of the Contractor this clause is inconsistent with ERDA's patent policies, the Contractor:

(a) Shall promptly submit written notice to the Contracting Officer setting forth reasons for the Subcontractor refusal and other pertinent information which may expedite disposition of the matter; and

(b) Shall not proceed with the subcontract without the written authorization of the Contracting Officer.

3. The Contractor shall not, in any subcontract or by using a subcontract as consideration therefor, acquire any rights in its Subcontractor's Subject Invention for the Contractor's own use (as distinguished from such rights as may be required solely to fulfill the Contractor's contract obligations to the Government in the performance of this contract).

4. All invention disclosures, reports, instruments, and other information required to be furnished by the Subcontractor to ERDA, under the provisions of a Patent Rights article in any subcontract hereunder may, in the discretion of the Contracting Officer, be furnished to the Contractor for transmission to ERDA.

5. The Contractor shall promptly notify the Contracting Officer in writing upon the award of any subcontract containing a Patent Rights article by identifying the Subcontractor, the work to be performed under the subcontract, and the dates of award, and estimated completion. Upon the request of the Contracting Officer the Contractor shall furnish a copy of the subcontract.

6. The Contractor shall identify all Subject Inventions of the Subcontractor of which it acquires knowledge in the performance of this contract and shall notify the Contracting Officer or Patent Counsel promptly upon the identification of the inventions.

7. It is understood that the Government is a third party beneficiary of any subcontract clause granting rights to the Government in Subject Inventions, and the Contractor hereby assigns to the Government all rights that the Contractor would have to enforce the Subcontractor's obligations for the benefit of the Government with respect to Subject Inventions. The Contractor shall not be obligated to enforce the agreements of any Subcontractor hereunder relating to the obligations of the Subcontractor to the Government in regard to Subject Inventions.

K. Background Patents

1. "Background Patent" means a domestic patent covering an invention or discovery which is not a Subject Invention and which is owned or controlled by the Contractor at any time through the completion of this contract:

   (a) Which the Contractor, but not the Government, has the right to license to others; and

   (b) Infringement of which cannot reasonably be avoided upon the practice of any specific process, method, machine, manufacture or composition of matter (including relatively minor modifications thereof) which is a subject of the research, development, or demonstration work performed under this contract.

2. The Contractor agrees to and does hereby grant to the Government a royalty-free, nonexclusive, license under any Background Patent for practicing a subject of this contract for purposes of research, development, and demonstration work only.

3. The Contractor also agrees that upon written application by ERDA, it will grant to the responsible parties for purposes of practicing a subject of this contract, nonexclusive licenses under any Background Patent on terms that are reasonable under the circumstances. If, however, the Contractor believes that exclusive or limited licensing is necessary to achieve expeditious commercial development or utilization, then a request may be made to ERDA for approval of such licensing by the Contractor.

4. Notwithstanding the foregoing Paragraphs K.2. and K.3., the Contractor shall not be obligated to license any Background Patent if the Contractor demonstrates to the satisfaction of the Administrator or his designee that:

   (a) A competitive alternative to the subject matter covered by said Background Patent is commercially available from other sources; or

   (b) The Contractor or its licensees are supplying the subject matter covered by said Background Patent in sufficient quantity and at reasonable prices to satisfy market needs.

L. Atomic Energy

1. No claim for pecuniary award or compensation under the provisions of the Atomic Energy Act of 1954, as amended, shall be asserted by the Contractor or its employees with respect to any invention or discovery made or conceived in the course of or under this contract.

2. Except as otherwise authorized in writing by the Contracting Officer, the Contractor will obtain patent agreements to effectuate the provisions of Paragraph L.1. of this article from all persons who perform any part of the work under this contract, except nontechnical personnel, such as clerical employees and manual laborers.

7. Articles XXXVIII - Copyright, XXXIX - Drawings, Designs, Specifications, and XL - Background Technical Data, are deleted in their entirety and the following substituted therefor:

ARTICLE XXXVIII - RIGHTS IN TECHNICAL DATA--SPECIAL

A. Definitions

1. "Technical Data" means recorded information, regardless of form or characteristic, of a scientific or technical nature. It may, for example, document research, experimental, developmental, or demonstration, or engineering work or be usable or used to define a design or process or to procure, produce, support, maintain, or operate material. The data may be graphic or pictorial delineations in media such as drawings or photographs, text in specifications or printouts. Examples of technical data include research and engineering data, engineering drawings and associated lists, specifications, standards, process sheets, manuals, technical reports, catalog item identification and related information. Technical data as used herein does not include financial reports, cost and analyses and other information incidental to contract administration.

2. "Proprietary Data" means technical data which are trade secrets, such as may be included in design procedures or techniques, chemical composition of materials, or manufacturing methods, processes, or treatments.

B. General. All technical data, as well as all copies thereof, resulting directly from performance of the contract work, shall be subject to inspection by the Contracting Officer or his representatives at all reasonable times (for which inspection the proper facilities shall be afforded ERDA by the Contractor and its subcontractor), shall be the property of the Government and may be used by the Government for any purpose whatsoever without any claim on the part of the Contractor for additional compensation and shall, subject to the right of the Contractor to retain a copy of said data for its own use, be delivered to the Government, or otherwise disposed of by the Contractor, either as the Contracting Officer may from time to time direct during the progress of the work or in any event as the Contracting Officer shall direct upon completion or termination of this contract. The Contractor's right of retention and use shall be subject to the security, patent, and use of information provisions, if any, of this contract.

C. Relation to Patents. Nothing contained in this article shall imply a license to the Government under any patent or be construed as affecting the scope of any license or other rights otherwise granted to the Government under any patent.

D. Copyrights

1. The Contractor agrees, to and does hereby grant to the Government, and to its officers, agents, servants and employees acting within the scope of their duties, (i) a royalty-free, nonexclusive, irrevocable license to reproduce, translate, publish, use, and dispose of and to authorize others so to do, all copyrightable material first produced or composed under this contract by the Contractor, its employees or any individual or concern specifically employed or assigned to originate and prepare such material; and (ii) a license as aforesaid under any and all copyrighted or copyrightable work not first produced or composed by the Contractor in the performance of this contract but which is incorporated in the material furnished under the contract, provided that such license shall be only to the extent the Contractor now has, or prior to completion of final settlement of the contract may acquire the right to grant such license without becoming liable to pay compensation to others solely because of such grant.

2. The Contractor agrees that it will not knowingly include any copyrighted material in any written or copyrightable material furnished or delivered under this contract, without a license as provided for in Paragraph 1.(ii) hereof, or without the consent of the copyright owner, unless specific written approval of the Contracting Officer to the inclusion of such copyrighted material is secured.

3. Each article first produced or composed under this contract and submitted for journal publication shall contain a notice on the front to the effect that the publisher, by accepting the article for publication, acknowledges the U. S. Government's right to retain a nonexclusive, royalty-free license in and to any copyright covering the article. The notice should be similar to the following:

> "By acceptance of this article, the publisher and/or recipient acknowledges, the U. S. Government's right to retain a non-exclusive, royalty-free license in and to any copyright covering this paper."

E. In addition to the rights of the parties in technical data set forth in Paragraph B. of this article, the Contractor agrees to and does hereby grant to the Government an irrevocable, non-exclusive license and right to use by or for the Government any proprietary data of the Contractor, made, developed, or acquired prior to or on the effective date of expiration, or completion of this contract, which shall be or is utilized, tested, or embodied in the work under this contract, or which shall be or is specifically incorporated in any scientific or technical report rendered under this contract; provided, however, that to the extent that any proprietary data when furnished or delivered is specifically identified by the Contractor at the time of initial delivery to the Government, or its representative, the same shall not be used by the Government except in the performance of this or other contracts or subcontracts with or for the benefit of the Government, unless such technical data is generally available to the public or has been made available to the Government from other sources or previously by the Contractor without limitation as to use.

F. Contractor shall obtain rights in subcontractor Technical Data utilized in the performance of contract work for the Government on terms and in accordance with ERDA Procurement Regulations.

8. Article XLII - Nuclear Hazards Indemnity is deleted in its entirety and the following substituted therefor:

ARTICLE XLII - NUCLEAR HAZARDS INDEMNITY

A. This article is incorporated into this contract pursuant to the authority contained in subsection 170 (d) of the Atomic Energy Act of 1954, as amended (hereinafter called the Act).

1. The definitions set out in the Act shall apply to this article.

2. The term "contract location" means any ERDA facility, installation, or site at which contractual activity under this contract is being carried on, and any Contractor-owned or controlled facility, instalation, or site at which the Contractor is engaged in the performance of contractual activity under this contract.

3. The term "extraordinary nuclear occurrence" means an event which ERDA has determined to be an extraordinary nuclear occurrence as defined in the Act. A determination of whether or not there has been an extraordinary nuclear occurrence will be made in accordance with the procedures in Subpart E. of 10 CFR 840.

B. Except as hereafter permitted or required in writing by ERDA, the Contractor will not be required to provide or maintain, and will not provide or maintain at Government expense, any form of financial protection to cover public liability. ERDA may at any time require in writing that the Contractor provide and maintain financial protection of such a type and in such amount as ERDA shall determine to be appropriate to cover public liability arising out of or in connection with the contractual activity, provided that the costs of such financial protection will be reimbursed to the Contractor by ERDA.

C. 1. To the extent that the Contractor and other persons indemnified are not compensated by any financial protection permitted or required by ERDA, ERDA will indemnify the Contractor, and other persons indemnified, against (i) claims for public liability as described in Paragraph 2. of this section C.; and (ii) the reasonable costs of investigating and settling claims, and defending suits for damage for such public liability, provided that ERDA's liability, including such reasonable costs, under all indemnity agreements entered into by ERDA under section 170 of the Act, including this contract, shall not exceed $500,000,000 in the aggregate for each nuclear incident occurring within the United States or $100,000,000 in the aggregate for each nuclear incident occurring outside of the United States, irrespective of the number of persons indemnified in connection with this contract.

2. The public liability referred to in Paragraph C.1. of this section is public liability which (i) arises out of or in connection with the contractual activity; and (ii) arises out of or results from:

   (a) a nuclear incident which takes place at a contract location;

   (b) a nuclear incident which takes place at any other location and arises out of or in the course of the performance of contractual activity under this contract by the Contractor's employees, individual consultants, borrowed personnel or other persons for the consequences of whose acts or omissions the Contractor is liable, provided that such incident is not covered by any other indemnity agreement entered into by ERDA or the Nuclear Regulatory Commission pursuant to section 170 of the Act; or

   (c) a nuclear incident which arises out of or in the course of transportation of source, special nuclear, or byproduct materials to or from a contract location; provided such incident is not covered by any indemnity agreement entered into by ERDA or the Nuclear Regulatory Commission with the transporting carrier, or with a carrier's organization acting for the benefit of the transporting carrier, or with a licensee of the Nuclear Regulatory Commission, pursuant to section 170 of the Act; or

   (d) a nuclear incident which involves items (such as equipment, material, facilities, or design or other data) produced or delivered under this contract, provided such incident is not covered by any other indemnity agreement entered into by ERDA or the Nuclear Regulatory Commission pursuant to section 170 of the Act.

D. In the event of an extraordinary nuclear occurrence which:

   1. Arises out of or results from or occurs in the course of the construction, possession or operation of a production or utilization facility; or

   2. Arises out of or results from or occurs in the course of transportation of source material, byproduct material, or special nuclear material to or from a production or utilization facility; or

   3. During the course of the contract activity arises out of or results from the possession, operation, or use by the Contractor or a subcontractor of a device utilizing special nuclear material or byproduct material; ERDA, and the Contractor on behalf of itself and other persons indemnified, insofar as their interest appear, each agree to waive:

(a) Any issue or defense as to the conduct of the claimant or fault of persons indemnified, including, but not limited to:

(i) Negligence;

(ii) Contributory negligence;

(iii) Assumption of the risk;

(iv) Unforeseeable intervening causes, whether involving the conduct of a third person or an act of God.

As used herein, "conduct of the claimant" includes conduct of persons through whom the claimant derives his cause of action.

(b) Any issue or defense as to charitable or governmental immunity;

(c) Any issue or defense based on any statute of limitations if suit is instituted within 3 years from the date on which the claimant first knew, or reasonably could have known, of his injury or damage and the cause thereof, but in no event more than 10 years after the date of the nuclear incident. The waiver of any such issue or defense shall be effective regardless of whether such issue or defense may otherwise be deemed jurisdictional or relating to an element in the cause of action. The waivers shall be judicially enforceable in accordance with their terms by the claimant against the person indemnified.

E. The waivers set forth in Paragraph D. of this article:

1. Shall not preclude a defense based upon a failure to take reasonable steps to mitigate damages;

2. Shall not apply to injury or damage to a claimant or to a claimant's property which is intentionally sustained by the claimant or which results from a nuclear incident intentionally and wrongfully caused by the claimant;

3. Shall not apply to injury to a claimant who is employed at the site of and in connection with the activity where the extraordinary nuclear occurrence takes place if benefits therefor are either payable or required to be provided under any workmen's compensation or occupational disease law;

4. Shall not apply to any claim for punitive or exemplary damages, provided, with respect to any claim for wrongful death under any State law which provides for damages only punitive in nature, this

exclusion does not apply to the extent that the claimant has sustained actual damages, measured by the pecuniary injuries resulting from such death but not to exceed the maximum amount otherwise recoverable under such law;

5. Shall not apply to any claim resulting from a nuclear incident occurring outside the United States;

6. Shall be effective only with respect to those obligations set forth in this agreement and in insurance policies, contracts, or other proof of financial protection;

7. Shall not apply to, or prejudice the prosecution or defense of, any claim or portion of claim which is not within the protection afforded under (i) the limit of liability provisions under subsection 170e of the Atomic Energy Act of 1954, as amended, and (ii) the terms of this agreement and the terms of insurance policies, contracts, or other proof of financial protection.

F. The Contractor shall give immediate written notice to ERDA of any known action or claim filed or made against the Contractor or other person indemnified for public liability as defined in Paragraph 2. of section C. Except as otherwise directed by ERDA, the Contractor shall furnish promptly to ERDA copies of all pertinent papers received by the Contractor or files with respect to such actions or claims. When ERDA shall determine that the Government will probably be required to make indemnity payments under the provisions of section C. above, ERDA shall have the right to, and shall, collaborate with the Contractor and any other person indemnified in the settlement or defense of any action or claim and shall have the right (1) to require the prior approval of ERDA for the payment of any claim that ERDA may be required to indemnify hereunder, and (2) to appear through the Attorney General on behalf of the Contractor or other person indemnified in any action brought upon any claim that ERDA may be required to indemnify hereunder, take charge of such action, and settle or defend any such action. If the settlement or defense of any such action or claim is undertaken by ERDA, the Contractor or other person indemnified shall furnish all reasonable assistance in effecting a settlement or asserting a defense.

G. The indemnity provided by this article shall not apply to public liability arising out of or in connection with any activity that is performed at a licensed facility, and that is covered by a Nuclear Regulatory Commission indemnity agreement authorized by section 170 of the Act.

H. The obligations of ERDA under this article shall not be affected by any failure on the part of the Contractor to fulfill its obligation under this contract, and shall be unaffected by the death, disability or termination of existence of the Contractor or by the completion, termination or expiration of this contract.

I. The parties to this contract enter into this article upon the condition that this article may be amended at any time by the mutual written agreement of ERDA and the Contractor and that such amendment may, by its express terms, provide that it will apply to any nuclear incidents which occur thereafter.

J. The provisions of this article shall not be limited in any way by, and shall be interpreted without reference to, any other article of this contract including Article XVII, Disputes: Provided, however, that the following provisions of this contract: Article XXIX, Covenant Against Contingent Fees; Article XXX, Officials Not to Benefit; Article VII, Assignment; and Article IX, Examination of Records; and any provisions later added to this contract which, under applicable Federal Law, including statutes, executive orders and regulations, are required to be included in agreements of the type contained in this article, shall apply to this article.

9. Article XLIX - Listing of Employment Openings is deleted in its entirety and the following substituted therefor:

ARTICLE XLIX - DISABLED VETERANS AND VETERANS OF THE VIETNAM ERA

A. The Contractor will not discriminate against any employee or applicant for employment because he or she is a disabled veteran or veteran of the Vietnam era in regard to any position for which the employee or applicant for employment is qualified. The Contractor agrees to take affirmative action to employ, advance in employment, and otherwise treat qualified disabled veterans and veterans of the Vietnam era without discrimination based upon their disability or veterans status in all employment practices such as the following: employment upgrading, demotion or transfer, recruitment, advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

B. The Contractor agrees that all suitable employment openings of the Contractor which exist at the time of the execution of this contract and those which occur during the performance of this contract, including those not generated by this contract and including those occurring at an establishment of the Contractor other than the one wherein the contract is being performed but excluding those of independently operated corporate affiliates, shall be listed at an appropriate local office of the State employment service system wherein the opening occurs. The Contractor further agrees to provide such reports to such local office regarding employment openings and hires as may be required.

State and local government agencies holding Federal contracts of $10,000 or more shall also list all their suitable openings with the appropriate office of the State employment service, but are not required to provide those reports set forth in Paragraphs D. and E.

C. Listing of employment openings with the employment service system pursuant to this article shall be made at least concurrently with the use of any other recruitment source or effort and shall involve the normal obligations which attach to the placing of a bona fide job order, including the acceptance of referrals of veterans and nonveterans. The listing of employment openings does not require the hiring of any particular job applicant or from any particular group of job applicants, and nothing herein is intended to relieve the Contractor from any requirements in Executive orders or regulations regarding nondiscrimination in employment.

D. The reports required by Paragraph B. of this article shall include, but not be limited to, periodic reports which shall be filed at least quarterly with the appropriate local office or, where the Contractor has more than one hiring location in a State, with the central office of that State employment service. Such reports shall indicate for each hiring location (1) the number of individuals hired during the reporting period, (2) the number of nondisabled veterans of the Vietnam era hired, (3) the number of disabled veterans of the Vietnam era hired, and (4) the total number of disabled veterans hired. The reports should include covered veterans hired for on-the-job training under 38 U.S.C. 1787. The Contractor shall submit a report within 30 days after the end of each reporting period wherein any performance is made on this contract identifying data for each hiring location. The Contractor shall maintain at each hiring location copies of the reports submitted until the expiration of one year after final payment under the contract, during which time these reports and related documentation shall be made available, upon request, for examination by any authorized representatives of the Contracting Officer or of the Secretary of Labor. Documentation would include personnel records respecting job openings, recruitment, and placement.

E. Whenever the Contractor becomes contractually bound to the listing provisions of this article, it shall advise the employment service system in each State where it has establishments of the name and location of each hiring location in the State. As long as the Contractor is contractually bound to these provisions and has so advised the State system, there is no need to advise the State system of subsequent contracts. The Contractor may advise the State system when it is no longer bound by this contract article.

F. This article does not apply to the listing of employment openings which occur and are filled outside the 50 States, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands.

G. The provisions of Paragraphs B., C., D., and E. of this article do not apply to openings which the Contractor proposes to fill from within his own organization or to fill pursuant to a customary and traditional employer-union hiring arrangement. This exclusion does not apply to a particular opening once an employer decides to consider applicants outside of his own organization or employer-union arrangement for that opening.

H. As used in this article:

1. "All suitable employment openings" includes, but is not limited to, openings which occur in the following job categories: production and non-production; plant and office; laborers and mechanics; supervisory and nonsupervisory; technical; and executive, administrative, and professional openings that are compensated on a salary basis of less than $25,000 per year. This term includes full-time employment, temporary employment of more than 3 days' duration, and part-time employment. It does not include openings which the Contractor proposes to fill from within his own organization or to fill pursuant to a customary and traditional employer-union hiring arrangement

nor openings in an educational institution which are restricted to students of that institution. Under the most compelling circumstances an employment opening may not be suitable for listing, including such situations where the needs of the Government cannot reasonably be otherwise supplied, where listing would be contrary to national security, or where the requirement of listing would otherwise not be for the best interest of the Government.

2. "Appropriate office of the State employment service system" means the local office of the Federal/State national system of public employment offices with assigned responsibility for serving the area where the employment opening is to be filled, including the District of Columbia, Guam, Puerto Rico, and the Virgin Islands.

3. "Openings which the Contractor proposes to fill from within his own organization" means employment openings for which no consideration will be given to persons outside the Contractor's organization (including any affiliates, subsidiaries, and the parent companies) and includes any openings which the Contractor proposes to fill from regularly established "recall" lists.

4. "Openings which the Contractor proposes to fill pursuant to a customary and traditional employer-union hiring arrangement" means employment openings which the Contractor proposes to fill from union halls, which is part of the customary and traditional hiring relationship which exists between the Contractor and representatives of his employees.

I. The Contractor agrees to comply with the rules, regulations, and relevant orders of the Secretary of Labor issued pursuant to the Act.

J. In the event of the Contractor's noncompliance with the requirements of this article, actions for noncompliance may be taken in accordance with the rules, regulations, and relevant orders of the Secretary of Labor issued pursuant to the Act.

K. The Contractor agrees to post in conspicuous places available to employees and applicants for employment notices in a form to be prescribed by the Director, provided by or through the Contracting Officer. Such notice shall state the Contractor's obligation under the law to take affirmative action to employ and advance in employment qualified disabled veterans and veterans of the Vietnam era for employment and the rights of applicants and employees.

L. The Contractor will notify each labor union or representative of workers with which it has a collective bargaining agreement or other contract understanding that the Contractor is bound by terms of the Vietnam Era Veteran's Readjustment Assistance Act and is committed to take affirmative action to employ and advance in employment qualified disabled veterans and veterans of the Vietnam era.

M. The Contractor will include the provisions of this article in every subcontract or purchase order of $10,000 or more unless exempted by rules, regulations, or orders of the Secretary issued pursuant to the Act, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as the Director of the Office of Federal Contract Compliance Programs may direct to enforce such provisions, including action for noncompliance.

10. Article LI - Cost Accounting Standards, Paragraph D.2. is deleted and the following substituted therefor:

> "2. Prices set by law or regulation, and except that the requirement shall not apply to negotiated subcontracts otherwise exempt from the requirement to accept the Cost Accounting Standards article by reason of Section 331.30 (b) of Title 4, Code of Federal Regulations (4 CFR 331.30 (b))."

11. Article LIV - Employment of the Handicapped is deleted in its entirety and the following substituted therefor:

ARTICLE LIV - AFFIRMATIVE ACTION FOR HANDICAPPED WORKERS

A. The Contractor will not discriminate against any employee or applicant for employment because of physical or mental handicap in regard to any position for which the employee or applicant for employment is qualified. The Contractor agrees to take affirmative action to employ, advance in employment and otherwise treat qualified handicapped individuals without discrimination based upon their physical or mental handicap in all employment practices such as the following: employment, upgrading, demotion or transfer, recruitment, advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

B. The Contractor agrees to comply with the rules, regulations, and relevant orders of the Secretary of Labor issued pursuant to the Act.

C. In the event of the Contractor's noncompliance with the requirements of this article, actions for noncompliance may be taken in accordance with the rules, regulations and relevant orders of the Secretary of Labor issued pursuant to the Act.

D. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices in a form to be prescribed by the Director, provided by or through the Contracting Officer. Such notices shall state the Contractor's obligation under the law to take affirmative action to employ and advance in employment qualified handicapped employees and applicants for employment, and the rights of applicants and employees.

E. The Contractor will notify each labor union or representative of workers with which it has a collective bargaining agreement or other contract understanding, that the Contractor is bound by the terms of section 503 of the Rehabilitation Act of 1973, and is committed to take affirmative action to employ and advance in employment physically and mentally handicapped individuals.

F. The Contractor will include the provisions of this article in every subcontract or purchase order of $2,500 or more unless exempted by rules, regulations, or orders of the Secretary issued pursuant to section 503 of the Act, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as the Director of the Office of Federal Contract Compliance Programs may direct to enforce such provisions, including action for noncompliance.

12. The following new articles are hereby added to the contract:

ARTICLE LVII - ADMINISTRATION OF COST ACCOUNTING STANDARDS

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

A. Submit to the cognizant Contracting Officer a description of the accounting change and the general dollar magnitude of the change to reflect the sum of all increases and the sum of all decreases for all contracts containing the Cost Accounting Standards article.

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

2. For any change to cost accounting practices proposed in accordance with Paragraph A.4.(b) of the article of this contract entitled "Cost Accounting Standards" not less than 60 days (or such other date as may be mutually agreed to) prior to the effective date of the proposed change; or

3. For any failure to comply with an applicable Cost Accounting Standard or to follow a disclosed practice as contemplated by Paragraph A.5. of the article of this contract entitled "Cost Accounting Standards" within 60 days (or such other date as may be mutually agreed to) after the date of agreement of such noncompliance by the Contractor.

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

C. Agree to appropriate contract and subcontract amendments to reflect adjustments established in accordance with Paragraphs A.4. and A.5. of the article of this contract entitled "Cost Accounting Standards."

D. Include the substance of this article in all negotiated subcontracts containing the article entitled "Cost Accounting Standards." In addition, include a provision in these subcontracts which will require such subcontractors, within thirty (30) days after receipt of award, to submit the following information to the Contracting Officer cognizant to the subcontractor's facility:

1. Subcontractor's name and subcontract number;

2. Dollar amount and date of award;

3. Name of Contractor making the award; and

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

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

F. When the Cost Accounting Standards article and this article are included in subcontracts, the term "Contracting Officer" shall be suitably altered to identify the purchaser.

ARTICLE LVIII - AUTHORIZATION AND CONSENT

The Government hereby gives its authorization and consent for all use and manufacture of any invention described in and covered by a patent of the United States in the performance of this contract or any part hereof or any amendment hereto or any subcontract hereunder (including any lower-tier subcontract).

ARTICLE LIX - REPORTING OF ROYALTIES

If this contract is in an amount which exceeds $10,000 and if any royalty payments are directly involved in the contract or are reflected in the contract price to the Government, the Contractor agrees to report in writing to the Contracting Officer or Patent Counsel during the performance of this contract and prior to its completion or final settlement the amount of any royalties or other payments paid or to be paid by it directly to others in connection with the performance of this contract together with the names and addresses of licensors to whom such payments are made and either the patent numbers involved or such other information as will permit identification of the patents or other basis

on which the royalties are to be paid. The approval of ERDA of any individual payments or royalties shall not stop the Government at any time from contesting the enforceability, validity or scope of, or title to, any patent under which a royalty or payments are made.

ARTICLE LX - NOTICE AND ASSISTANCE REGARDING PATENT AND COPYRIGHT INFRINGEMENT

The provisions of this article shall be applicable only if the amount of this contract exceeds $10,000.

A. The Contractor shall report to the Contracting Officer, promptly and in reasonable written detail, each notice or claim of patent or copyright infringement based on the performance of this contract of which the Contractor has knowledge.

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

C. This article shall be included in all subcontracts.

13. Except as modified by this Supplemental Agreement, the provisions of the contract shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Supplemental Agreement as of the day and year first above written.

UNITED STATES OF AMERICA
UNITED STATES ENERGY RESEARCH AND
DEVELOPMENT ADMINISTRATION

By _____

Title MANAGER RICHLAND OPERATIONS OFFICE

ATLANTIC RICHFIELD HANFORD COMPANY

By _____

Title President

MODIFICATION NO. 7
SUPPLEMENTAL AGREEMENT TO
CONTRACT NO. EY-76-C-06-2130

THIS SUPPLEMENTAL AGREEMENT, entered into this 26th day of May 1977, effective July 1, 1977, between the UNITED STATES OF AMERICA (hereinafter called the "Government"), represented by the UNITED STATES ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION (hereinafter referred to as "ERDA"), and to the ATLANTIC RICHFIELD HANFORD COMPANY (hereinafter called the "Contractor"), a corporation organized and existing under the laws of the State of Delaware, with its principal place of business at Richland, Washington.

WITNESSETH THAT:

WHEREAS, there is now in full force and effect between the parties hereto Contract No. EY-76-C-06-2130, which expires September 30, 1977, for the performance of certain chemical processing, waste management, and site support work and services; and

WHEREAS, ERDA and the Contractor have agreed that it is in their mutual best interests to transfer responsibility for said work and services to a successor contractor selected by ERDA, prior to the expiration of Contract 2130; and

WHEREAS, the Contractor has been and will continue, with the approval of ERDA, to perform phase-in/phase-out services so as to provide for a successful transfer of responsibility to the replacement contractor effective July 1, 1977; and

WHEREAS, ERDA certifies that this supplemental agreement is authorized by and executed under the Energy Reorganization Act of 1974 and other applicable law, in the interest of the common defense and security.

NOW, THEREFORE, the parties hereto agree that the Contract shall be changed as follows:

1. Article XXXVI, paragraph A, is changed by substituting "July 1, 1977" for "October 1, 1977" in the first line thereof.

2. Article V - Allowable Costs and Fixed Fee, the first sentence of paragraph B, part 1, is hereby modified to read as follows:

"B. Fixed Fee

1. The fee commencing on July 1, 1976, shall be at the rate of $132,666.67 per month and shall continue through June 30, 1977. The fee commencing on July 1, 1977, for the performance of phase-in/phase-out services shall be at the rate of $1,666.66 per month and shall continue through September 30, 1977."

The remainder of Article V shall remain unchanged.

3. Costs incurred by the Contractor in performing phase-in/phase-out activities will be allowable consistent with the provisions of the Contract or as otherwise approved by the Contracting Officer.

4. All other terms and conditions of the Contract shall be and remain the same.

IN WITNESS WHEREOF, the parties hereto have executed this Supplemental Agreement as of the day and year first written.

UNITED STATES OF AMERICA
UNITED STATES ENERGY RESEARCH AND
DEVELOPMENT ADMINISTRATION

BY: Jack C. Cummings

TITLE: _____

ATLANTIC RICHFIELD HANFORD COMPANY

BY: George Burton Jr.

TITLE: President - ARHCO

ATLANTIC RICHFIELD HANFORD COMPANY

CONTRACTS

O. J. Elgert

CONFORMED COPY

MODIFICATION NO. 1
SUPPLEMENTAL AGREEMENT TO
CONTRACT AT(45-1)-2131

THIS SUPPLEMENTAL AGREEMENT, entered into effective October 1, 1972, by and between ATLANTIC RICHFIELD HANFORD COMPANY, a Delaware Corporation, qualified to do business in the State of Washington (Company), and the ATOMIC ENERGY COMMISSION (AEC),

WITNESSETH THAT:

WHEREAS, the parties entered into Contract AT(45-1)-2131 (Agreement) for the performance by the Company of certain diversification activities during the initial term of Contract AT(45-1)-2130 (Operating Contract); and

WHEREAS, the term of the Operating Contract has been extended for an additional period of five years; and

WHEREAS, the parties wish to extend the Agreement for a period of time co-extensive with the term of the Operating Contract and to agree upon the Company's diversification activities during the extended period.

NOW, THEREFORE, in consideration of these circumstances, the parties agree as follows:

1. The Company has completed the diversification projects contained in Appendix "A" to the Agreement in accordance with the terms thereof.

2. Notwithstanding paragraph 1. above, during the extended term of the Operating Contract, the Company shall continue to operate the activities specified under paragraphs I, II, and III of Appendix "A" to the Agreement in accordance with good business practice; provided, however, if the Company intends to discontinue or otherwise divest itself of any such activities, it will give the Commission notice in writing of such intent at least 90 days prior to such action.

3. The Company shall report to the Commission semi-annually on the general progress of the activities covered by paragraph 2. above, including expenditure of funds and, where appropriate, status of any new construction, number of personnel assigned to the activity, general character and level of operations

being conducted, schedules, further projections, etc. Such reports shall be submitted to the Commission on or before June 30 and December 31 of each calendar year.

4. The provisions of paragraphs 2, 4, and 5 of the Agreement shall remain in full force and effect during the term of this Modification No. 1 to the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Modification as of the day and year first above written.

UNITED STATES OF AMERICA

UNITED STATES ATOMIC ENERGY COMMISSION

BY _____
(Contracting Officer)

ATLANTIC RICHFIELD HANFORD COMPANY

BY Lawrence M. Richards

I, W. R. DOTSON, certify that I am the Assistant Secretary of the corporation named as Contractor herein; that LAWRENCE M. RICHARDS who signed this Modification on behalf of the corporation, was then PRESIDENT of said corporation; that said modification was duly signed for and on behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

IN WITNESS WHEREOF, I have hereunto affixed my hand and the seal of said corporation, this 8th day of MAY, 1972.

W R Dotson
Assistant (Secretary)

(Corporate Seal)

CONFORMED COPY

MODIFICATION NO. 1
SUPPLEMENTAL AGREEMENT TO
CONTRACT AT(45-1)-2131

THIS SUPPLEMENTAL AGREEMENT, entered into effective October 1, 1972, by and between ATLANTIC RICHFIELD HANFORD COMPANY, a Delaware Corporation, qualified to do business in the State of Washington (Company), and the ATOMIC ENERGY COMMISSION (AEC),

WITNESSETH THAT:

WHEREAS, the parties entered into Contract AT(45-1)-2131 (Agreement) for the performance by the Company of certain diversification activities during the initial term of Contract AT(45-1)-2130 (Operating Contract); and

WHEREAS, the term of the Operating Contract has been extended for an additional period of five years; and

WHEREAS, the parties wish to extend the Agreement for a period of time co-extensive with the term of the Operating Contract and to agree upon the Company's diversification activities during the extended period.

NOW, THEREFORE, in consideration of these circumstances, the parties agree as follows:

1. The Company has completed the diversification projects contained in Appendix "A" to the Agreement in accordance with the terms thereof.

2. Notwithstanding paragraph 1. above, during the extended term of the Operating Contract, the Company shall continue to operate the activities specified under paragraphs I, II, and III of Appendix "A" to the Agreement in accordance with good business practice; provided, however, if the Company intends to discontinue or otherwise divest itself of any such activities, it will give the Commission notice in writing of such intent at least 90 days prior to such action.

3. The Company shall report to the Commission semi-annually on the general progress of the activities covered by paragraph 2. above, including expenditure of funds and, where appropriate, status of any new construction, number of personnel assigned to the activity, general character and level of operations

being conducted, schedules, further projections, etc. Such reports shall be submitted to the Commission on or before June 30 and December 31 of each calendar year.

4. The provisions of paragraphs 2, 4, and 5 of the Agreement shall remain in full force and effect during the term of this Modification No. 1 to the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Modification as of the day and year first above written.

UNITED STATES OF AMERICA

UNITED STATES ATOMIC ENERGY COMMISSION

BY _____
(Contracting Officer)

ATLANTIC RICHFIELD HANFORD COMPANY

BY Lawrence M. Richards

I, W. R. Dotson, certify that I am the Assistant Secretary of the corporation named as Contractor herein; that LAWRENCE M. RICHARDS who signed this Modification on behalf of the corporation, was then PRESIDENT of said corporation; that said modification was duly signed for and on behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

IN WITNESS WHEREOF, I have hereunto affixed my hand and the seal of said corporation, this 8th day of May, 1972.

W R Dotson
Assistant (Secretary)

(Corporate Seal)

Ltrs of Understanding

CONFORMED COPY

UNITED STATES
ATOMIC ENERGY COMMISSION
RICHLAND OPERATIONS OFFICE
P. O. BOX 550
RICHLAND, WASHINGTON 99352

MAY 8 1972

Atlantic Richfield Hanford Company
ATTN: Dr. Lawrence M. Richards, President
Richland, Washington

Gentlemen:

UNDERSTANDINGS ON CONTRACT AT(45-1)-2130

I wish to confirm that the following understandings reached between us during the negotiation of Contract No. AT(45-1)-2130 ("the Contract") relating to the interpretation, implementation and administration of certain provisions of the Contract will continue during the extension period covered by Modification No. 2:

1. ARTICLE II - Engagement of Contractor - Designation of Facilities

   Any oral "directions and instructions" to the Contractor pursuant to Article II will be confirmed in writing.

2. ARTICLE V. E.5 and ARTICLE V.E.25 - Examples of Items of Unallowable Costs

   It is recognized that the Contractor's central office is located in Richland, Washington, and, therefore, certain of the central office costs will be incurred in connection with the work to be performed under the Contract. Consequently, it is agreed that a properly allocable portion of such central office costs (including travel by officers, executives, administrative heads, and other employees) will be allowable under this Contract. The test of allowability of such costs is set forth in Article V.C.

3. ARTICLE XXXVII - Patents

   In the event it is determined pursuant to Article XXXVII, Patents, that the title to a particular invention or discovery shall vest in the Commission, the Commission shall, as promptly as is practicable but not later than six months after the filing of the application or applications for patent in the United States, inform the Contractor in writing of the foreign countries in which the Commission has filed or intends to file correspondence applications for patent. As to any and all other foreign countries

the Commission agrees at the request of the Contractor to give consideration to the reassignment of the title to such invention or discovery to the Contractor and if such reassignment is made, to give to the Contractor such assistance, to the extent that such assistance does not involve any security violation, as may be necessary to enable the Contractor to file corresponding applications for patent in any such other foreign country.

4. ARTICLE XXXVII H. - Patents and ARTICLE XL.A. - Background Technical Data

The Contractor shall be under no obligation in any way to utilize or embody in the work under the Contract, or in the facilities in which the work is conducted, any specific background inventions or discoveries of the type described in Article XXXVII H., or any background technical data of the type described in Article XL. A. of the Contract.

5. ARTICLE XIII - Contractor Procurement

It is understood that the Contractor shall submit its procurement procedures to the Contracting Officer for his approval. When so approved, the Contracting Officer will establish a reasonable dollar amount for fixed price subcontracts and purchase orders under which specific approvals will not be required. This amount may be modified by the Contracting Officer from time to time.

6 ARTICLE V - Allowable Costs and Fixed Fee and ARTICLE XXXVI - Term and Termination

The Contracting Officer will treat as allowable costs, severance payments made by the Contractor under Article XXXVI, Term and Termination, in accordance with Appendix B to the Contract.

7. ARTICLE V.D.8.(a) - Examples of Items of Allowable Cost

It is understood and agreed that the four persons initially assigned to the Hanford Operations by Atlantic Richfield Company and their respective successors shall be treated as employees of Atlantic Richfield Company for the purposes of payment of salaries and participation in fringe benefit plans only. Costs of salaries, which shall be subject to the Contracting Officer's approval, pursuant to Article V.D.8.(a) of the Contract, and fringe benefits for these persons will be allowable to the extent they are approved by the Commission.

8. APPENDIX B

Additional benefit plans may be submitted by the Contractor to the Contracting Officer for consideration.

If the foregoing accurately states the understandings reached, I shall appreciate it if you will so indicate by signing and returning to me the enclosed copy of this letter.

Very truly yours,

T. A. Nemzek
Manager

ACCEPTED:

Atlantic Richfield Hanford Company

By Lawrence M. Richards

Date: MAY 8 1972

[redacted]

Contract AT(45-1)-2130
Mod. 4

UNITED STATES
ATOMIC ENERGY COMMISSION
RICHLAND OPERATIONS OFFICE
P. O. BOX 550
RICHLAND, WASHINGTON 99352

MAY 30 1973

Atlantic Richfield Hanford Company
ATTN: Dr. L. M. Richards, President
Richland, Washington

Gentlemen:

CONTRACT FEE - FY 1973 AND MODIFICATION NO. 4 TO
CONTRACT NO. AT(45-1)-2130

Pursuant to Appendix "A" of Modification No. 2 to Contract AT(45-1)-2130 and negotiations between the AEC and Atlantic Richfield Hanford Company, this will confirm the negotiation of the fixed fee in the amount of $1,345,000 payable to Atlantic Richfield Hanford Company for performance of work under the contract for the fiscal year ending June 30, 1973.

Attached are 3 copies of Modification No. 4 which have been executed on behalf of the Commission. This modification revises Appendix "A" to reflect understandings reached in negotiations regarding (1) clarification of procedures for determining the fee base for operations and support services, and (2) providing for negotiation of a fixed fee for construction project management and capital equipment management responsibilities assigned to ARHCO.

If Modification No. 4 and the above stated fee for FY 1973 are satisfactory, please execute and return two copies of the modification and this letter. The other copies are for your files.

Very truly yours,

T. A. Nemzek
Manager

ACCEPTANCE:

May 31, 1973

L. M. Richards
Dr. L. M. Richards, President

Attachment:
Mod. 4 (3 cys)

CONFORMED COPY

MODIFICATION NO. 4
SUPPLEMENTAL AGREEMENT TO
CONTRACT NO. AT(45-1)-2130

THIS SUPPLEMENTAL AGREEMENT, entered into effective the 31st day of MAY, 1973, between the UNITED STATES OF AMERICA (hereinafter called the "Government"), represented by the UNITED STATES ATOMIC ENERGY COMMISSION (hereinafter called the "Commission"), and ATLANTIC RICHFIELD HANFORD COMPANY (hereinafter called the "Contractor"), a corporation organized and existing under the laws of the State of Delaware, with its principal place of business at Richland, Washington.

WITNESSETH THAT:

WHEREAS, there is now in full force and effect between the parties hereto Contract No. AT(45-1)-2130, entered into August 1, 1967, for performance of certain functions for the Commission involved in and associated with the Commission's Chemical Processing Operations in the facilities of the Commission as hereinafter referred to; and

WHEREAS, the contract was modified by Modifications Nos. 1 through 3 to extend the term of the contract and to make certain other changes in the contract provisions; and

WHEREAS, the contract provides that the fixed fee for each fiscal year will be negotiated annually in accordance with the procedures set out in Appendix "A"; and

WHEREAS, the Commission and the Contractor have mutually agreed to revise Appendix "A" to clarify procedures for determining the fee base for operations and support services and to provide for negotiation of a fixed fee for construction project management and capital equipment management responsibility assigned to the Contractor;

NOW, THEREFORE, the parties hereto do agree as follows:

1. Appendix "A", Procedure and Schedule For Computation of Annual Fixed Fee, as attached to Modification No. 2, is deleted in its entirety and the attached Appendix "A", Procedure For Computation of Annual Fixed Fees, is substituted therefor.

2. Except as modified by this Supplemental Agreement, the provisions of the contract shall remain in full force and effect.

MODIFICATION NO. 4
SUPPLEMENTAL AGREEMENT TO
CONTRACT NO. AT(45-1)-2130

IN WITNESS WHEREOF, the parties hereto have executed this contract as of the day and year first above written.

UNITED STATES OF AMERICA
UNITED STATES ATOMIC ENERGY COMMISSION

By _____
(Contracting Officer)

Attachment:
Appendix "A", 2 pages

ATLANTIC RICHFIELD HANFORD COMPANY

By L. M. Richards
(President)

I, WAYNE S. SMITH certify that I am the Secretary of the corporation named as Contractor herein; that Lawrence M. Richards who signed this contract on behalf of the corporation, was then President of said corporation; that said contract was duly signed for and on behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

IN WITNESS WHEREOF, I have hereunto affixed my hand and the seal of said corporation, this 31st DAY OF MAY 1973.

Wayne S. Smith
ASSISTANT (Secretary)

(Corporate Seal)

MODIFICATION NO. 4
SUPPLEMENTAL AGREEMENT TO
CONTRACT NO. AT(45-1)-2130
APPENDIX "A"

PROCEDURE FOR COMPUTATION OF ANNUAL FIXED FEES

A. The annual fixed fee for operations and support services shall be determined in advance of the fiscal year to which it is applicable. The computation shall be made upon a fee base composed of the total of the following items:

1. The Atlantic Richfield Hanford Company (ARHCO) portion of the AEC Congressional Budget for AEC operating programs, as determined by AEC-RL, for such fiscal year, less ARHCO's total fee. This amount shall be reduced by the amount of certain costs of materials or work obtained or performed by others as follows:

   a. assessments from RL service pool

   b. 75% of the costs of materials and services provided by AEC or its contractors.

2. The estimated cost for such fiscal year for services performed by ARHCO for others, including AEC-RL. Such estimated cost includes, but is not limited to, the charges made by ARHCO to the RL service pool. Such estimated cost so covered by this A.2. shall be obtained from the Revised Annual Budget submitted by AEC-RL to AEC Headquarters on or about June 1 for such fiscal year.

3. The estimated cost for such fiscal year for work to be performed by ARHCO for offsite AEC offices, AEC contractors and other Government agencies as well as the estimated cost for such fiscal year for work performed by ARHCO for any other party or parties as directed by the AEC and where such estimated cost for work so performed for any other party or parties is not otherwise included within the provisions of A. Such estimated cost so covered by this A.3. shall be obtained from the Revised Annual Budget described in A.2. above.

B. The annual fixed fee for operations and support services will be computed on the above fee base determined in A. above at the following rates:

1.	On the first $20,000,000	$725,000
2.	On the next $5,000,000	2.75%
3.	On the next $15,000,000	2.15%
4.	On the next $20,000,000	1.5%

C. In the event the fee base for operations and support services for any fiscal year shall be less than $20,000,000, the parties shall negotiate the fee for that year independently of this Appendix "A"; if such fee base should be more than $60,000,000, the fee for that year applicable to that portion of the fee base not exceeding $60,000,000 shall be computed as above set out, and the fee for that year applicable to the excess shall be negotiated by the parties.

D. In addition to the fee for operations and support services, ARHCO shall be paid a fixed fee for any "line item" and GPP construction project management responsibility assigned to it. This fee shall be determined in advance of the fiscal year to which it is applicable and independently of the fee for operations and support services. The fee for project management responsibility shall include a fee for management of capital equipment not related to construction and not included in ARHCO's budget for operating programs. Such factors as estimated costs for such fiscal year for projects to be assigned as well as those previously assigned, extent of management effort assigned and past management performance, among others, will be taken into consideration in arriving at this portion of the total fee for management services.

E. Although computed and negotiated independently in accordance with the foregoing, the fees for operations and support services and for management services in D. above, shall be combined into one annual fixed fee payable in twelve (12) monthly payments.

F. No adjustments will be made in the amount of the fixed fees solely because the actual costs vary from the estimated costs for the period covered by the fixed fees.

G. As a matter of convenience, the parties hereto may agree by letter upon the fee base and fixed fees under this Procedure.

[redacted]

Contract AT(45-1)-2130
Mod. 3

CONFORMED COPY

Modification No. 3
Supplemental Agreement to
Contract No. AT(45-1)-2130

THIS SUPPLEMENTAL AGREEMENT, entered into this 12th day of February, 1973, between the UNITED STATES OF AMERICA (hereinafter called the "Government"), represented by the UNITED STATES ATOMIC ENERGY COMMISSION (hereinafter called the "Commission"), and ATLANTIC RICHFIELD HANFORD COMPANY (hereinafter called the "Contractor"), a corporation organized and existing under the laws of the State of Delaware, with its principal place of business at Richland, Washington.

WITNESSETH THAT:

WHEREAS, there is now in full force and effect between the parties hereto Contract No. AT(45-1)-2130, entered into August 1, 1967, for performance of certain functions and services for the Commission; and

WHEREAS, pursuant to P.L. 91-379, 50 U.S.C. App. 2168 and implementing regulations, clauses relating to cost accounting standards are required in certain contracts;

NOW, THEREFORE, the parties do mutually agree to modify Contract No. AT(45-1)-2130 as follows:

1. New Articles Nos. LI and LII are added to the contract as follows:

ARTICLE LI - COST ACCOUNTING STANDARDS

A. Unless the Cost Accounting Standards Board has prescribed rules or regulations exempting the Contractor or this contract from Standards, rules, and regulations promulgated pursuant to 50 U.S.C. App. 2168 (Public Law 91-379, August 15, 1970), the Contractor, in connection with this contract shall:

1. By submission of a Disclosure Statement, disclose in writing his cost accounting practices as required by regulations of the Cost Accounting Standards Board. The required disclosures must be made prior to contract award unless the Contracting Officer provides a written notice to the Contractor authorizing post-award submission in accordance with regulations of the Cost Accounting Standards Board. The practices disclosed for this contract shall be the same as the practices currently disclosed and applied on all other contracts and subcontracts being performed by the Contractor and which contain this COST ACCOUNTING STANDARDS article. If the Contractor has notified the Contracting Officer that the Disclosure Statement contains trade secrets and commercial or financial information which is privileged and confidential, the Disclosure Statement will be protected and will not be released outside of the Government.

2. Follow consistently the cost accounting practices disclosed pursuant to 1. above in accumulating and reporting contract performance cost data concerning this contract. If any change in disclosed practices is made for purposes of any contract or

subcontract subject to Cost Accounting Standards Board requirements, the change must be applied prospectively to this contract, and the Disclosure Statement must be amended accordingly. If the contract price or cost allowance of this contract is affected by such changes, adjustment shall be made in accordance with subparagraph A.4. or A.5. below, as appropriate.

3. Comply with all Cost Accounting Standards in effect on the date of award of this contract or if the Contractor has submitted cost or pricing data, on the date of final agreement on price as shown on the Contractor's signed certificate of current cost or pricing data. The Contractor shall also comply with any Cost Accounting Standard which hereafter becomes applicable to a contract or subcontract of the Contractor. Such compliance shall be required prospectively from the date of applicability to such contract or subcontract.

4. (a) Agree to an equitable adjustment if the contract cost is affected by a Disclosure Statement change which the Contractor is required to make pursuant to A.3. above. If the Contractor has not been required to file a Disclosure Statement but is required pursuant to A.3. above to change an established practice, then an equitable adjustment shall similarly be agreed to.

   (b) Negotiate with the Contracting Officer to determine the terms and conditions under which any Disclosure Statement change other than changes under 4.(a) above may be made. A change to a Disclosure Statement may be proposed by either the Government or the Contractor, provided, however, that no agreement may be made under this provision, that will increase costs paid by the United States under this contract.

5. Agree to an adjustment of the contract price or cost allowance, as appropriate, if he or a subcontractor fails to comply with an applicable Cost Accounting Standard or to follow any practice disclosed pursuant to subparagraphs A.1. and A.2. above and such failure results in any increased costs paid by the United States. Such adjustment shall provide for recovery of the increased costs to the United States together with interest thereon computed at the rate determined by the Secretary of the Treasury pursuant to Public Law 92-41, 85 Stat. 97, or 7 percent per annum, whichever is less, from the time the payment by the United States was made to the time the adjustment is effected.

B. If the parties fail to agree whether the Contractor or a subcontractor has complied with an applicable Cost Accounting Standard, rule, or regulation of the Cost Accounting Standards Board and as to any cost adjustment demanded by the United States, such failure to agree shall be a dispute concerning a question of fact within the meaning of the disputes article of this contract.

C. The Contractor shall permit any authorized representatives of the head of the agency, of the Cost Accounting Standards Board, or of the Comptroller General of the United States to examine and make copies of any documents, papers, or records relating to compliance with the requirements of this article.

D. The Contractor shall include in all negotiated subcontracts which he enters into the substance of this article and shall require such inclusion, except Paragraph B., in all lower-tier subcontracts, except that this requirement shall apply only to negotiated subcontracts in excess of $100,000 where the price negotiated is not based on:

1. Established catalog or market prices of commercial items sold in substantial quantities to the general public, or

2. Prices set by law or regulation.

NOTE: In any case where a subcontractor determines that the Disclosure Statement information is privileged and confidential and declines to provide it to his Contractor or higher tier subcontractor, the Contractor may authorize direct submission of that subcontractor's Disclosure Statement to the same Government offices to which the Contractor was required to make submission of his Disclosure Statement. Such authorization shall in no way relieve the Contractor of liability as provided in Paragraph A.5. of this article. In view of the foregoing and since the contract may be subject to adjustment under this article by reason of any failure to comply with rules, regulations, and Standards of the Cost Accounting Standards Board in connection with covered subcontracts, it is expected that the Contractor may wish to include an article in each such subcontract requiring the subcontractor to appropriately indemnify the Contractor. However, the inclusion of such an article and the terms thereof are matters for negotiation and agreement between the Contractor and the subcontractor, provided that they do not conflict with the duties of the Contractor under its contract with the Government. It is also expected that any subcontractor subject to such indemnification will generally require substantially similar indemnification to be submitted by his subcontractors.

E. The terms defined in Section 331.2 of Part 331 of Title 4, Code of Federal Regulations (4 C.F.R. 331.2) shall have the same meanings herein. As there defined, "negotiated subcontract" means "any subcontract except a firm fixed-price subcontrac made by a contractor or subcontractor after receiving offers from at least two firms not associated with each other or such contractor or subcontractor, providing (1) the solicitation to all competing firms is identical, (2) price is the only consider ation in selecting the subcontractor from among the competing firms solicited, and (3) the lowest offer received in compliance with the solicitation from among those solicited is accepted."

Modification No. 3
Supplemental Agreement to
Contract No. AT(45-1)-2130

ARTICLE LII - COST ACCOUNTING STANDARDS PENALTIES

Reference is made to Article LI, Cost Accounting Standards. Notwithstanding the provisions of that article, the Contractor shall not be liable to the Government for any increased costs or interest thereon, resulting from any failure of the Contractor, with respect to activities carried on at the site of the work, or of a subcontractor to comply with applicable cost accounting standards or to follow any practices disclosed pursuant to the requirements of such article: Provided, That the Contractor shall include in each covered subcontract an article making the subcontractor liable for any increased costs or interest thereon resulting from any failure of the subcontractor to comply with prescribed standards or disclosed practices."

IN WITNESS WHEREOF, the parties hereto have executed this Supplemental Agreement as of the day and year first above written.

UNITED STATES OF AMERICA
UNITED STATES ATOMIC ENERGY COMMISSION

By _____

Title MANAGER
RICHLAND OPERATIONS OFFICE

ATLANTIC RICHFIELD HANFORD COMPANY

By _____

Title President
Atlantic Richfield Hanford Co.

UNITED STATES
ATOMIC ENERGY COMMISSION
RICHLAND OPERATIONS OFFICE
P. O. BOX 550
RICHLAND, WASHINGTON 99352

FEB 12 1973

Atlantic Richfield Hanford Company
ATTN: Dr. L. M. Richards, President
Richland, Washington

Gentlemen:

UNDERSTANDINGS WITH RESPECT TO ARTICLE LII, CONTRACT AT(45-1)-2130

The purpose of this letter is to establish certain understandings of the parties on the interpretation of Article LII, Cost Accounting Standards Penalties of Contract AT(45-1)-2130.

In recognition that more than one Atlantic Richfield Hanford Company work site may be involved, it is understood that the intent of the phrase "activities carried on at the site of the work" is to cover all work performed by Atlantic Richfield Hanford Company under Contract AT(45-1)-2130, but excluding any work performed by any division, subsidiary or component of Atlantic Richfield Hanford Company for Atlantic Richfield Hanford Company.

If you are in agreement with the above understanding, please sign and return two copies of this letter to this office.

Very truly yours,

T. A. Nemzek
Contracting Officer

AGREED:

ATLANTIC RICHFIELD HANFORD COMPANY

By L. M. Richards

Title President, Atlantic Richfield Hanford Company

Date 2-13-73

[redacted]

Contract AT(45-1)2130
Mod. 2

Atlantic Richfield Hanford Company

Date: July 22, 1974

To: Holders of Appendix "B"

From: T. E. Sparks

Subject: MODIFICATIONS TO APPENDIX "B"
CONTRACT AT(45-1)-2130

Attached for your information are revised pages to Appendix "B" of Modification No. 2, Supplemental Agreement to Contract AT(45-1)-2130. These revised pages, which are listed below, reflect all Appendix "B" changes through July 1, 1974 and should replace identical numbered pages in your copy of Appendix "B." ATA approval letter numbers are shown in the upper right hand corner of each page.

Page	Change
3	E.1.b. Increased from 10 percent to 15 percent.
17	H.1.a. Increase of one week's vacation after 5, 10 and 20 years of service.
21	B.1.a. and B.1.c. From 10 cents to 13 cents per mile.
23	B.2.a. Increased from $20 to $24 per diem - each quarter day allowance increased from $5 to $6.
24	C.1.i. Increased from 10 cents to 13 cents per mile. C.1.9. Allowance increased from $100 to $300.
25	C.2.b.(2). Increased from 10 cents to 13 cents per mile.
26	C.3.a.(1).i. Increased from $20 to $24 per diem. C.3.a.(1).ii. Increased from $10 to $12 per diem. C.3.a.(1).iii. Increased from $5 to $6 per diem.
27	C.3.(2).iii. Increased from 5 to 30 days.
28	C.6. (Excluding travel time) added.
29	D.1. Increased from 9,000 to 11,000 pounds and 4,000 pounds to 8,000 pounds.
30	D.1.b. Increased from 9,000 pounds to 11,000 pounds and 4,000 pounds to 8,000 pounds.

TES:sj

Att.

CONFORMED COPY

current 1973

MODIFICATION NO. 2

SUPPLEMENTAL AGREEMENT TO

CONTRACT NO. AT(45-1)-2130

BETWEEN

UNITED STATES OF AMERICA

REPRESENTED BY

UNITED STATES ATOMIC ENERGY COMMISSION

AND

ATLANTIC RICHFIELD HANFORD COMPANY

MODIFICATION NO. 2
SUPPLEMENTAL AGREEMENT TO
CONTRACT NO. AT(45-1)-2130

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MODIFICATION NO. 2
SUPPLEMENTAL AGREEMENT TO
CONTRACT NO. AT(45-1)-2130

THIS SUPPLEMENTAL AGREEMENT, entered into this 8th day of MAY, 1974, effective October 1, 1972, between the UNITED STATES OF AMERICA (hereinafter called the "Government"), represented by the UNITED STATES ATOMIC ENERGY COMMISSION (hereinafter called the "Commission"), and ATLANTIC RICHFIELD HANFORD COMPANY (hereinafter called the "Contractor"), a corporation organized and existing under the laws of the State of Delaware, with its principal place of business at Richland, Washington.

WITNESSETH THAT:

WHEREAS, there is now in full force and effect between the parties hereto Contract No. AT(45-1)-2130, entered into August 1, 1967, for performance of certain functions for the Commission involved in and associated with the Commission's Chemical Processing Operations in the facilities of the Commission as hereinafter referred to; and

WHEREAS, the contract was modified by Modification No. 1 to add the performance of certain Hanford project support services to the scope of work; and

WHEREAS, said contract was initially for a period of five (5) years from October 1, 1967; and

WHEREAS, the Commission desires to extend the contract for a period of five (5) years through October 1, 1977, and to make certain other changes in various other contract provisions; and

WHEREAS, the Commission certifies that this negotiated contract is authorized by and executed under Section 302 (c) (15) of the Federal Property and Administrative Services Act of 1949, as amended, and the Atomic Energy Act of 1954 in the interest of the common defense and security; and

WHEREAS, the Contractor is willing to undertake the performance of these functions;

NOW, THEREFORE, the parties hereto do agree as follows:

All articles of said contract are hereby deleted and the following substituted therefor:

ARTICLE I - DEFINITIONS

A. As used throughout this contract, the following terms shall have the meanings set forth below:

1. The term "Contracting Officer" means the person executing this contract on behalf of the Government, and any other officer or civilian employee who is a properly designated Contracting Officer; and the term includes except as otherwise provided in this contract, the authorized representative of a Contracting Officer acting within the limits of his authority.

2. The term "Commission" means the United States Atomic Energy Commission or any duly authorized representative thereof, including the Contracting Officer except for the purpose of deciding an appeal under the article entitled "Disputes".

3. Except as otherwise provided in this contract, the term "subcontracts" includes purchase orders under this contract.

ARTICLE II - ENGAGEMENT OF CONTRACTOR - DESIGNATION OF FACILITIES

The Government expressly engages the Contractor to manage and perform work and services, and to manage, operate, and maintain the facilities of the Commission, both as described in this contract and as designated in writing from time to time by the Commission, including the utilization of information, material, funds, and other property of the Commission, the collection of revenues, and the acquisition, sale or other disposal of property for the Commission, subject to the limitations as hereinafter set forth. The Contractor undertakes and promises to manage and perform such work and services, and to manage, operate, and maintain said facilities, upon the terms and conditions herein provided and in accordance with such directions and instructions not inconsistent with this contract which the Commission may deem necessary and give to the Contractor from time to time. In the absence of applicable directions and instructions from the Commission, the Contractor will use its best judgment, skill and care in all matters pertaining to the performance of this contract.

ARTICLE III - DESCRIPTION OF WORK AND SERVICES

A. Operating and Management Services. The Contractor shall manage, operate, and maintain the facilities designated under the article entitled "Engagement of Contractor-Designation of Facilities", in accordance with work programs approved in writing from time to time by the Commission, and the Commission directions and instructions referred to in the article entitled, "Engagement of Contractor-Designation of Facilities".

1. The services to be performed include, but are not necessarily limited to, the following:

   (a) Performance of all work and services associated with Chemical Processing Operations, including production processes known as Purex, Waste Management (including crude fission products recovery and long-term storage for all high-level waste), UO_3 Calcination, Z Plant Operations (Plutonium Reclamation and purification) and the Hot Semi Works, necessary to chemically process fuels and materials designated by the Commission and to deliver to the Commission or to other parties approved by the Commission, designated end-products, by-products and fission product feed materials in crude and purified form conforming to specifications acceptable to the Commission.

(b) Conduct or manage the conduct by others of research and development programs related to the Chemical Processing Operations facilities being operated by the Contractor and such other research and development programs as the Commission may direct.

(c) Performance of services which the Contractor is particularly qualified to perform for the Commission or other contractors of the Commission at Richland, Washington. Such services shall be designated by the Commission in writing from time to time.

(d) Initiation of such recommendations to the Commission for the modification, improvement, alteration or repair of existing facilities or construction of new facilities as the Contractor considers essential for the continued or safe operation of the facilities designated under Article II or necessary to permit realization of benefits and advantages attained in the course of work hereunder.

(e) Conduct of conceptual engineering, scoping and preparation of design criteria for all projects of the nature described in (d) above and the providing of liaison with architect-engineer and construction contractors which may be engaged by the Commission for work on such projects.

2. Services to be performed for the Contractor by the Commission or other contractors of the Commission at Richland, Washington shall be designated by the Commission in writing from time to time and, unless otherwise approved by the Commission, the Contractor shall obtain said services from the Commission or such other contractors of the Commission.

B. Support Services. The Contractor shall perform support services for the Commission and its designated contractors, related to the operation of the Hanford project and to the extent requested by the Commission from time to time, which services may include, but are not necessarily limited to, the following:

1. Operate and maintain the project rail and automotive transportation systems; electric power transmission and distribution systems; maintenance and repair shops; communication systems; fire department; export water system; and related utilities and services.

2. Operate the project General Stores, warehouses and related services; laundry and related services; Hanford Visitor's Center; Plant Records Center; and project newspaper, printing and reproduction facilities.

3. Perform miscellaneous area roads, building and utility maintenance; and operate the engineering files, reproduction, and office equipment repair service facilities.

4. Furnish plant protection, industrial safety, property accounting and other administrative services.

5. Performance of support services which the Contractor is particularly qualified to perform for the Commission or other contractors of the Commission at Richland. Such services shall be designated by the Commission in writing from time to time.

C. Construction Services. Upon request of the Commission and acceptance thereof by the Contractor, the Contractor shall procure by subcontract the construction of new facilities or the alteration or repair of Government-owned facilities. Any subcontract entered into under this paragraph shall be subject to the written approval of the Commission and shall contain the provisions relative to labor and wages required by law to be included in contracts for the construction, alteration or repair, including painting and decorating, of a public building or public work.

D. Related Services

1. In addition to the services specifically described in other provisions of this Article III, the Contractor shall perform other services, incidental or related to the services described in this Article III A., B., or C. or to the programs of the Commission as the Commission and the Contractor shall agree in writing from time to time will be performed under this contract either for the Commission or its contractors.

2. The Contractor, to the extent it is in a position to do so, will render services to Federal agencies and to other cost-type contractors of the Commission as requested by the Commission in accordance with such procedures and requirements as the Commission may establish from time to time. The Contractor will receive transfers of funds therefor from such Federal agencies and other cost-type contractors to the extent that such transfer is required by and in accordance with policies adopted from time to time by the Commission. The funds received in exchange for such services shall be handled as a part of the advances of Government funds as provided in Article VI. In the performance of such services, the Contractor is authorized to use facilites, materials, and equipment in its custody under this contract. With the approval of the Commission, the Contractor will render the same services, including transfers of property, to lump-sum or unit-price Commission contractors under the terms and conditions herein stated, and the payments received therefor shall be for the account of the Government and shall be handled as a part of the advances of Government funds pursuant to Article VI.

E. General

1. The Contractor shall perform the maintenance work necessary for the efficient operation of the facilities to the extent such work is included in work programs agreed in writing between the Contractor and the Commission. Projects which under applicable procedures adopted by the Commission from time to time require the issuance of a directive therefor by the Commission shall not be undertaken until such directive has been issued.

2. Whenever approval or other action by the Commission is required with respect to any expenditure or commitment by the Contractor under the terms of this contract, the Government shall not be responsible therefor unless and until such approval or action is obtained or taken.

3. In carrying out the work under this contract, the Contractor shall be responsible for the employment of all professional, technical, skilled, and unskilled personnel engaged and to be engaged by the Contractor in the work hereunder, and for the training of personnel. Persons employed by the Contractor shall be and remain employees

of the Contractor, and shall not be deemed employees of the Commission or the Government; provided, that nothing herein shall require the establishment of any employer-employee relationship between the Contractor and consultants and others whose services are utilized by the Contractor for the work hereunder.

4. The Contractor shall exert its best efforts to acquire for the Government such materials, supplies, equipment, and facilities, required in connection with the work under this contract as are not furnished by the Government.

5. The administration of all subcontracts, purchase orders and other contractual agreements made by the Contractor, including responsibility for payment from the Government funds advanced and agreed to be advanced hereunder to the Contractor, shall, during the period of this contract, remain in the Contractor unless and until transferred to the Government or other designee of the Commission, at the direction or with the approval of the Commission.

6. The Contractor shall, when directed by the Commission, and may, but only when authorized by the Commission, enter into subcontracts for the performance of any part of the work under this article.

ARTICLE IV - OBLIGATION OF FUNDS

A. Obligation of Funds. The amount presently obligated by the Government with respect to this contract is One Hundred Thirty Million Four Hundred Thirty Seven Thousand Nine Hundred Ninety-Two Dollars ($130,437,992.00). Such amount may be increased unilaterally by the Commission by written notice to the Contractor and may be increased or decreased by written agreement of the parties (whether or not by formal modification of this contract). Estimated revenues and receipts from others for work and services to be performed under this contract are not included in the amount obligated with respect to this contract. Such revenues and receipts, to the extent actually received by the Contractor, shall be available and used for the payment of allowable costs as provided in the article entitled "Payments and Advances". Nothing in this Paragraph A. is to be construed as authorizing the Contractor to exceed limitations stated in financial plans established by the Commission and furnished to the Contractor from time to time under this contract.

B. Limitation on Payment by the Government. Except as otherwise provided in this contract and except for costs which may be incurred by the Contractor pursuant to the article entitled "Term and Termination" or costs of claims allowable under the contract accruing after completion or termination and not released by the Contractor at the time of financial settlement of the contract in accordance with the article entitled "Payments and Advances", payment by the Government under this contract on account of allowable costs shall not in the aggregate exceed the amount obligated with respect to this contract less the Contractor's fixed fee. Unless expressly negated in this contract, payment on account of those costs excepted in the preceding sentence which are in excess of the amount obligated with respect

to this contract shall be subject to the availability of (i) revenues and receipts deposited to the Government's account as provided in the article entitled "Payments and Advances", and (ii) other funds which the Commission may legally use for such purpose; provided, the Commission will use its best efforts to obtain the appropriation of funds for this purpose if not otherwise available.

C. Notices -- Contractor Excused From Further Performance. The Contractor shall notify the Commission in writing whenever the unexpended balance of funds (including revenues and receipts) available under Paragraph A. above, plus the Contractor's best estimate of revenues and receipts to be received during the 45 day period hereinafter specified, is in the Contractor's best judgment sufficient to continue contract operations at the programmed rate for 45 days and to cover the Contractor's unpaid fixed fee, and outstanding commitments and liabilities on account of costs allowable under the contract at the end of such period. Whenever the unexpended balance of funds (including revenues and receipts) available under Paragraph A. above, less the amount of the Contractor's fixed fee then earned but not paid, is in the Contractor's best judgment either sufficient only to liquidate outstanding commitments and liabilities on account of costs allowable under this contract or is equal to zero, the Contractor shall immediately notify the Commission and shall make no further commitments or expenditures (except to liquidate existing commitments and liabilities), and, unless the parties otherwise agree, the Contractor shall be excused from further performance (except such performance as may become necessary in connection with termination by the Government) and the performance of all work hereunder will be deemed to have been terminated for the convenience of the Government in accordance with the provisions of the article entitled "Term and Termination".

D. Financial Plans; Cost and Commitment Limitations. In addition to the limitations provided for elsewhere in this contract, the Commission may through Financial Plans or other directives issued to the Contractor, establish controls on the costs to be incurred and commitments to be made in the performance of the contract work. Such plans and instructions may be amended or supplemented from time to time by the Commission. The Contractor hereby agrees to comply with the specific limitations (ceilings) on costs and commitments set forth in such plans and directives, to use its best efforts to comply with the other requirements of such plans and directives, and to promptly notify the Commission in writing whenever it has reason to believe the authorized financial levels of costs and commitments will be exceeded or substantially underrun.

E. Government's Right to Terminate Not Affected. The giving of any notice under this article shall not be construed to waive or impair any right of the Government to terminate the contract under the provisions of the article entitled "Term and Termination".

ARTICLE V - ALLOWABLE COSTS AND FIXED FEE

A. Compensation for Contractor's Services. Payment for the allowable costs as hereinafter defined, and of the fixed fee, if any, as hereinafter provided shall constitute full and complete compensation for the performance of the work under this contract.

B. Fixed Fee

1. The fee commencing on October 1, 1972, shall be at the rate of $_____ per month and shall continue through June 30, 1973. The fixed fee for each fiscal year thereafter will be negotiated annually in accordance with the procedures and schedule set out in Appendix "A" which is attached hereto and incorporated herein. The fixed fee shall be paid in equal monthly installments.

2. If, as a result of any instruction or direction given by the Commission pursuant to the provisions of this contract, the level of the Contractor's management effort is materially increased or decreased, the fee provided for in this Article V will be equitably adjusted. In the event either party deems that an adjustment in the fee is appropriate, it will, after issuance of the instruction or direction, so notify the other party in writing and the parties will attempt to agree upon the amount by which the fee should be increased or decreased. Failure of the parties so to agree shall constitute a "dispute" within the meaning of Article XVII.

3. Services performed pursuant to mutual agreement under the provisions of this contract shall be performed without additional fee unless the Commission and the Contractor shall mutually agree in writing that they will constitute a material increase in the level of the Contractor's management effort under this contract, in which event the parties hereto will negotiate in good faith to agree upon an equitable fee for such additional services. Failure of the parties so to agree shall constitute a "dispute" within the meaning of Article XVII.

C. Allowable Cost. The allowable cost of performing the work under this contract shall be the costs and expenses that are actually incurred by the Contractor in the performance of the contract work in accordance with its terms and are determined to be allowable pursuant to this Paragraph C. The determination of the allowability of cost hereunder shall be based on: (i) reasonableness, including the exercise of prudent business judgment, (ii) consistent application of generally accepted accounting principles and practices that result in equitable charges to the contract work and (iii) recognition of all exclusions and limitations set forth in this article or elsewhere in this contract as to types or amounts of items of cost. Allowable cost shall not include cost of any item described as unallowable in Paragraph E. of this article, except as indicated therein. Failure to mention an item of cost specifically in Paragraph D. or Paragraph E. shall not imply either that it is allowable or that it is unallowable.

D. Examples of Items of Allowable Cost. Subject to the other provisions of this article, the following examples of items of cost of work done under this contract shall be allowable to the extent indicated:

1. Bonds and insurance including self-insurance, as provided in the article entitled "Required Bonds and Insurance - Exclusive of Government Property".

2. Communication costs, including telephone services, local and long distance calls, telegrams, cablegrams, radiograms, postage and similar items.

3. Consulting services (including legal and accounting), and related expenses, as approved by the Contracting Officer, except as made unallowable by Paragraph E. 26.

4. Litigation expenses, including reasonable counsel fees, incurred in accordance with the article of this contract entitled "Litigation and Claims".

5. Losses and expenses (including settlements made with the consent of the Contracting Officer) sustained by the Contractor in the performance of this contract and certified in writing by the Contracting Officer to be just and reasonable, except the losses and expenses expressly made unallowable under other provisions of this contract.

6. Materials, supplies and equipment, including freight, transportation, material handling, inspection, storage salvage, and other usual expenses incident to the procurement, use and disposition thereof, subject to approvals required under other provisions of this contract.

7. Patents, purchased design, and royalty payments to the extent expressly provided for under other provisions in this contract or as approved by the Contracting Officer; and, preparation of invention disclosures, reports and related documents, and searching the art to the extent necessary to make such invention disclosures in accordance with the Patent Article of this contract.

8. (a) Personnel costs and related expenses incurred in accordance with Appendix "B", or amendments thereto, such as:

   (1) Salaries and wages; bonuses and incentive compensation; overtime, shift differential, holiday and other premium pay for time worked, nonwork time including vacations, holidays, sick, funeral, military, jury, witness, and voting leave; salaries and wages to employees in their capacity as union stewards and committeemen for time spent in handling grievances, or serving on labor management (Contractor) committees: Provided, however, that the Contracting Officer's approval is required in each instance of total compensation to an individual employee at an annual rate of $25,000 or more, when it is proposed that a total of fifty percent or more of such compensation be reimbursed under AEC cost-type contracts. Total compensation, as used here, includes only the employees' base salary and bonus and incentive compensation payments;

(2) Legally required contributions to old age and survivors' insurance, unemployment compensation plans and workmen's compensation plans (whether or not covered by insurance); voluntary or agreed upon plans providing benefits for retirement, separation, insurance, hospitalization, medical-surgical and unemployment (whether or not such plans are covered by insurance);

(3) Travel (except foreign travel, which requires specific approval by the Contracting Officer on a case by case basis); incidental subsistence and other allowances of Contractor employees, in connection with performance of work under this contract (including new employees reporting for work and transfer of employees, the transfer of their household goods and effects and the travel and subsistence of their dependents);

(4) Employee relations, welfare, morale, etc., programs, including incentive or suggestion awards, employee counseling services, health or first-aid clinics and house or employee publications;

(5) Personnel training (except special education and training courses and research assignments calling for attendance at educational institutions which require specific approval by the Contracting Officer on a case by case basis) including apprenticeship training programs designed to improve efficiency and productivity of contract operations, to develop needed skills and to develop scientific and technical personnel in specialized fields required in the contract work;

(6) Recruitment of personnel (including help-wanted advertisement) including services of employment agencies at rates not in excess of standard commercial rates, employment office, travel of prospective employees at the request of the Contractor for employment interviews; and

(7) Net cost of operating plant-site cafeterias, dining rooms, and canteens attributable to the performance of the contract.

(b) Appendix "B" may be modified from time to time, in writing, without execution of an amendment to this contract, for the purposes of effecting any changes in or additions to Appendix "B" as may be agreed upon by the parties.

9. Repairs, maintenance, inspection, replacement and disposal of Government-owned property and the restoration or cleanup of site and facilities to the extent directed or approved by the Contracting Officer.

10. Subcontracts and purchase orders, including procurements from Contractor-controlled sources, subject to approvals required by other provisions of this contract.

11. Subscriptions to trade, business, technical, and professional periodicals, as approved by the Contracting Officer.

12. Taxes, fees, and charges levied by public agencies which the Contractor is required by law to pay, except those which are expressly made unallowable under other provisions of this contract.

13. Utility services, including electricity, gas, water, steam and sewerage.

14. Establishment and maintenance of bank accounts in connection with the work hereunder, including, but not limited to service charges, the cost of disbursing cash, necessary guards, cashiers, and paymasters. If payments to employees are made by check, facilities and arrangements for cashing checks may be provided without expense to the employees, subject to the approval of the Contracting Officer.

E. Examples of Items of Unallowable Costs. The following examples of items of costs are unallowable under this contract to the extent indicated:

1. Advertising, except (i) help-wanted advertising, and (ii) other advertising (such as costs of participation in exhibits) approved by the Contracting Officer as clearly in furtherance of work performed under the contract.

2. Bad debts (including expenses of collection) and provisions for bad debts arising out of other business of the Contractor.

3. Bidding expenses and costs of proposals.

4. Bonuses and similar compensation under any other name, which (i) are not pursuant to an agreement between the Contractor and employee prior to the rendering of the services or an established plan consistently followed by the Contractor, (ii) are in excess of those costs which are allowable by the Internal Revenue Code and regulations thereunder, or (iii) provide total compensation to an employee in excess of reasonable compensation for the services rendered.

5. Central and branch office expenses of the Contractor, except as specifically set forth in the contract, or as approved by the Contracting Officer.

6. Commissions, bonuses and fees (under whatever name) in connection with obtaining or negotiating for a Government contract or a modification thereto, except when paid to bona fide employees or bona fide established selling organizations maintained by the Contractor for the purpose of obtaining Government business.

7. Contingency reserves, provision for.

8. Contributions and donations.

9. Depreciation in excess of that calculated by application of methods approved for use by the Internal Revenue Service under the Internal Revenue Code of 1954, as amended, including the straight-line, declining balance (using a rate not exceeding twice the rate which would have been used had the depreciation been computed under the straight-line method), or sum-of-the-years-digits method, on the basis of expected useful life, to the cost of acquisition of the related fixed assets less estimated salvage on residual value at the end of the expected useful life.

10. Dividend provisions or payments and, in the case of sole proprietors and partners, distributions of profit.

11. Entertainment costs, except the costs of such recreational activities for on-site employees as may be approved by the Contracting Officer or provided for elsewhere in this contract.

12. Fines and penalties including assessed interest, resulting from violations of, or failure of the Contractor to comply with Federal, State, or local laws or regulations, except when incurred in accordance with the written approval of the Contracting Officer or as a result of compliance with the provisions of this contract.

13. Government-furnished property, except to the extent that cash payment therefor is required pursuant to procedures of the Commission applicable to transfers of such property to the Contractor from others.

14. Insurance (including any provision of a self-insurance reserve) on any person where the Contractor under the insurance policy is the beneficiary, directly or indirectly, and insurance against loss of, or damage to Government property as defined in Article XI.

15. Interest, however represented (except interest incurred in compliance with the article entitled "State and Local Taxes"), bond discounts and expenses, and costs of financing and refinancing operations.

16. Legal, accounting, and consulting services and related costs incurred in connection with the preparation of prospectuses, preparation and issuance of stock rights, organization or reorganization, prosecution or defense of antitrust suits, prosecution of claims against the United States, contesting actions or proposed actions of the United States, and prosecution or defense of patent-infringement litigation.

17. Losses (including litigation expenses, counsel fees, and settlements) on, or arising from the sale, exchange, or abandonment of capital assets, including investments; losses on other contracts, including the Contractor's contributed portion under cost-sharing contracts; losses in connection with price reductions to and discount purchases by employees and others from any source; and losses where such losses or expenses--

    (a) are compensated for by insurance or otherwise or which would have been compensated by insurance required by law or by written direction of the Contracting Officer but which the Contractor failed to procure or maintain through its own fault or negligence;

    (b) result from willful misconduct or lack of good faith on the part of any of the Contractor's directors, corporate officers, or a supervising representative of the Contractor, as defined in Article XXI of this contract;

    (c) represent liabilities to third persons for which the Contractor has expressly accepted responsibility under other terms of this contract.

18. Maintenance, depreciation, and other costs incidental to the Contractor's idle or excess facilities (including machinery and equipment) other than reasonable standby facilities.

19. Membership in trade, business and professional organizations except as approved by the Contracting Officer.

20. Precontract costs, except as expressly made allowable under other provisions in this contract.

21. Research and development costs, unless specifically provided for elsewhere in this contract.

22. Selling costs, except to the extent they are determined to be reasonable and to be allocable to the contract. Allocability of selling costs to the contract will be determined in the light of reasonable benefit to the agency program arising from such activities as technical, consulting, demonstration, and other services performed for such purposes as applying or adapting the Contractor's product for agency use.

23. Storage of records pertaining to this contract after completion of operations under this contract irrespective of contractual or statutory requirement of the preservation of records.

24. Taxes, fees and charges in connection with financing, refinancing, or refunding operations, including the listing of securities on exchanges; taxes which are paid contrary to the article entitled "State and Local Taxes"; taxes on net income and excess profits; and special assessments on land which represent capital improvement.

25. Travel expenses of the officers, proprietors, executives, administrative heads and other employees of the Contractor's central office or branch office organizations concerned with the general management, supervision and conduct of the Contractor's business as a whole, except to the extent that particular travel is in connection with the contract and approved by the Contracting Officer.

26. Salary or other compensation (and expenses related thereto) of any individual employed under this contract as a consultant or in another comparable employment capacity who is an employee of another organization and concurrently performing work on a full-time annual basis for that organization under a cost-type contract with the Commission, except to the extent that cash payment therefor is required pursuant to the provisions of this contract or procedure of the Commission applicable to the borrowing of such an individual from another cost-type contractor.

27. First-class air travel in excess of the cost of less than first-class air accommodations, except when less than first-class accommodations are not reasonably available to meet necessary mission requirements, such as, where less than first-class accommodations would:

    (a) Require circuitous routing,

    (b) Require travel during unreasonable hours,

    (c) Greatly increase the duration of the flight,

    (d) Result in additional costs which would offset the transportation savings,

    (e) Offer accommodations which are not reasonably adequate for the medical needs of the traveler.

28. Special construction industry "funds" financed by employer contributions for such purposes as methods and materials research, public and industry relations, market development, and disaster relief, except as specifically provided elsewhere in this contract.

ARTICLE VI - PAYMENTS AND ADVANCES

A. Payment of Fixed Fee. The fixed fee provided in Article V shall be paid in equal monthly installments as it accrues.

B. Payments on Account of Allowable Costs. The Contracting Officer and the Contractor shall agree as to the extent to which payment for allowable costs or payments for other items specifically approved in writing by the Contracting Officer shall be made from advances of Government funds.

C. Special Bank Account--Use. All advances of Government funds shall be withdrawn pursuant to a letter of credit in favor of the Contractor or, in the option of the Government, shall be made by check payable to the Contractor and shall be deposited only in the Special Bank Account referred to in the Agreement for Special Bank Account, which is attached hereto and incorporated into this contract as an appendix. The Contractor shall likewise deposit in the Special Bank Account any other revenues received by the Contractor in connection with the work under this contract. No part of the funds in the Special Bank Account shall be (i) mingled with any funds of the Contractor or (ii) used for a purpose other than that of making payments for costs allowable under this contract or payments for other items specifically approved in writing by the Contracting Officer. If the Contracting Officer shall at any time determine that the balance on such bank account exceeds the Contractor's current needs, the Contractor shall promptly make such disposition of the excess as the Contracting Officer may direct.

D. Title to Funds Advanced. Title to the unexpended balance of any funds advanced and of any bank account established pursuant to this article shall remain in the Government and be superior to any claim or lien of the bank of deposit or others. It is understood that an advance to the Contractor hereunder is not a loan to the Contractor, and will not require the payment of interest by the Contractor, and that the Contractor acquires no right, title, or interest in or to such advance other than the right to make expenditures therefrom as provided in this article.

E. Review and Approval of Costs Incurred. The Contractor shall prepare and submit annually as of June 30 a voucher, for the total of net expenditures accrued (i.e., net costs incurred) for the period covered by the voucher, and the Commission, after audit and appropriate adjustment will approve such voucher. This approval by the Commission will constitute an acknowledgment by the Commission that the net costs incurred are allowable under the contract and that they have been recorded in the accounts maintained by the Contractor in accordance with the Commission accounting policies, but will not relieve the Contractor of responsibility for the Commission's assets in its care, for appropriate subsequent adjustments, or for errors later becoming known to the Commission.

F. Financial Settlement. The Government shall promptly pay to the Contractor the unpaid balance of allowable costs and fixed fee upon termination of the work, expiration of the term of the contract, or completion of the work and its acceptance by the Government after (i) compliance by the Contractor with the Commission's patent clearance requirements, and (ii) the furnishing by the Contractor of:

1. an assignment of the Contractor's rights to any refunds, rebates, allowances, accounts receivable, or other credits applicable to allowable costs under the contract;

2. a closing financial statement;

3. the accounting for Government-owned property required by the article entitled "Government Property"; and

4. a release discharging the Government, its officers, agents, and employees from all liabilities, obligations, and claims arising out of or under this contract, subject only to the following exceptions:

   (a) specified claims in stated amounts or in estimated amounts where the amounts are not susceptible of exact statement by the Contractor;

   (b) claims, together with reasonable expenses incidental thereto, based upon liabilities of the Contractor to third parties arising out of the performance of this contract; provided that such claims are not known to the Contractor on the date of the execution of the release; and provided further that the Contractor gives notice of such claims in writing to the Contracting Officer not more than six (6) years after the date of the release or the date of any notice to the Contractor that the Government is prepared to make final payment, whichever is earlier; and

   (c) claims for reimbursement of costs (other than expenses of the Contractor by reason of any indemnification of the Government against patent liability), including reasonable expenses incidental thereto, incurred by the Contractor under the provisions of this contract relating to patents.

In arriving at the amount due the Contractor under this article, there shall be deducted (i) any claim which the Government may have against the Contractor in connection with this contract, and (ii) deductions due under the terms of this contract, and not otherwise recovered by or credited to the Government. The unliquidated balance of the Special Bank Account may be applied to the amount due and any balance shall be returned to the Government forthwith.

G. Claims. Claims for credit against funds advanced or for payment shall be accompanied by such supporting documents and justification as the Contracting Officer shall prescribe.

H. Discounts. The Contractor shall take and afford the Government the advantage of all known and available cash and trade discounts, rebates, allowances, credits, salvage, and commissions unless the Contracting Officer finds that such action is not in the best interest of the Government.

I. Revenues. All revenues other than the Contractor's fixed fee or fees, if any, accruing to the Contractor in connection with the work under this contract shall be Government property and shall be deposited in the Special Bank Account to be available for payment of allowable cost under this contract.

J. Direct Payment of Charges--Deductions. The Government reserves the right, upon ten days written notice from the Contracting Officer to the Contractor, to pay directly to the persons concerned all amounts due which otherwise would be allowable under this contract. Any payment so made shall discharge the Government of all liability to the Contractor therefor.

ARTICLE VII - ASSIGNMENT

Neither this contract nor any interest therein nor claim thereunder shall be assigned or transferred by the Contractor, except as expressly authorized in writing by the Contracting Officer.

ARTICLE VIII - ACCOUNTS, RECORDS AND INSPECTION

A. Accounts. The Contractor shall maintain a separate and distinct set of accounts, records, documents and other evidence showing and supporting all allowable costs incurred, revenues or other applicable credits, fixed-fee accruals, and the receipt, use, and disposition of all Government property coming into the possession of the Contractor under this contract. The system of accounts employed by the Contractor shall be satisfactory to the Commission and in accordance with generally accepted accounting principles consistently applied.

B. Inspection and Audit of Accounts and Records. All books of account and records relating to this contract shall be subject to inspection and audit by the Commission at all reasonable times, before and during the period of retention provided for in Paragraph D. below, and the Contractor shall afford the Commission proper facilities for such inspection and audit.

C. Audit of Subcontractors' Records. The Contractor also agrees, with respect to any subcontracts (including lump-sum or unit-price subcontracts or purchase orders) where, under the terms of the subcontract, costs incurred are a factor in determining the amount payable to the subcontractor of any tier, to conduct an audit of the costs of the subcontractor in a manner satisfactory to the Contractor and the Commission, except when the Commission elects to waive such audit or approves other arrangements for the conduct of the audit.

D. Disposition of Records. Except as agreed upon by the Government and the Contractor, all financial and cost reports, books of account and supporting documents, and other data evidencing costs allowable and revenues and other applicable credits under this contract, shall be the property of the Government, and shall be delivered to the Government or otherwise disposed of by the Contractor either as the Contracting Officer may from time to time direct during the progress of the work or in any event as the Contracting Officer shall direct upon completion or termination of this contract and final audit of all accounts hereunder; provided, however, the Contractor shall have the right to retain a copy of such records and data for its own use subject to the security patent and use of information provisions of this contract. Except as provided in this contract, all other records in the possession of the Contractor relating to this contract shall be preserved by the Contractor for a period of three (3) years after final payment under this contract or otherwise disposed of in such manner as may be agreed upon by the Government and the Contractor.

E. Reports. The Contractor shall furnish such progress reports and schedules, financial and cost reports, and other reports concerning the work under this contract as the Contracting Officer may from time to time require.

F. Inspections. The Commission shall have the right to inspect the work and activities of the Contractor under this contract at such time and in such manner as it shall deem appropriate.

G. Subcontracts. The Contractor further agrees to require the inclusion of provisions similar to those in Paragraph A. through this Paragraph G. of this article in all subcontracts (including lump-sum or unit-price subcontracts or purchase orders) of any tier entered into hereunder where, under the terms of the subcontract, costs incurred are a factor in determining the amount payable to the subcontractor.

H. Internal Audit. If requested by the Contracting Officer, the Contractor agrees to conduct an internal audit and examination satisfactory to the Commission of the records, operations, expenses, and the transactions with respect to costs claimed to be allowable under this contract annually and at such other times as may be mutually agreed upon. The results of such audit, including the working papers, shall be submitted or made available to the Contracting Officer.

ARTICLE IX - EXAMINATION OF RECORDS

A. This article is applicable if the amount of this contract exceeds $2,500 and was entered into by means of negotiation, including small business restricted advertising, but is not applicable if this contract was entered into by means of formal advertising.

B. The Contractor agrees that the Comptroller General of the United States or any of his duly authorized representatives shall, until expiration of 3 years after final payment under this contract, unless the Commission authorizes their prior disposition, have access to and the right to examine any directly pertinent books, documents, papers, and records of the Contractor involving transactions related to this contract.

C. The Contractor further agrees to include in all his subcontracts hereunder a provision to the effect that the subcontractor agrees that the Comptroller General of the United States or any of his duly authorized representatives shall, until expiration of 3 years after final payment under the subcontract, unless the Commission authorizes their prior disposition, have access to and the right to examine any directly pertinent books, documents, papers, and records of such subcontractor, involving transactions related to the subcontract. The term "subcontract" as used in this article excludes (i) purchase orders not exceeding $2,500 and (ii) subcontracts or purchase orders for public utility services at rates established for uniform applicability to the general public.

D. The periods of access and examination described in B. and C., above, for records which relate to (i) appeals under the "Disputes" article of this contract, (ii) litigation or the settlement of claims arising out of the performance of this contract, or (iii) costs and expenses of this contract as to which exception has been taken by the Comptroller General or any of his duly authorized representatives, shall continue until such appeals, litigations, claims, or exceptions have been disposed of.

E. Nothing in this contract shall be deemed to preclude an audit by the General Accounting Office of any transaction under this contract.

ARTICLE X - REQUIRED BONDS AND INSURANCE--EXCLUSIVE OF GOVERNMENT PROPERTY

The Contractor shall procure and maintain such bonds and insurance as are required by law or by the written direction of the Contracting Officer. The terms of any such bond or insurance policy shall be submitted to the Contracting Officer for approval upon request. In view of the provisions of the article entitled "Government Property", the Contractor shall not procure or maintain for its own protection any insurance covering loss or destruction of or damage to Government-owned property.

ARTICLE XI - GOVERNMENT PROPERTY

A. Furnishing of Government Property. The Government reserves the right to furnish any property or services required for the performance of the work under this contract.

B. Title to Property. Title to all Government-owned property in the care, custody or possession of the Contractor in connection with the performance of this contract shall remain vested in the Government throughout the term hereof, except for such as may be transferred or disposed of in accordance with this contract; and upon the completion or termination of this contract, the Contractor shall return care, custody and possession of all of the same not so transfereed or disposed of or consumed to the Government. Except as otherwise directed by the Commission, title to all materials, equipment, supplies, and tangible personal property of every kind and description acquired by the Contractor, the cost of which is allowable under this contract, shall pass directly from the vendor to the Government and not to the Contractor.

C. Identification. To the extent directed by the Contracting Officer, the Contractor shall identify the Government property coming into the Contractor's possession or custody by marking or segregating in such a way, satisfactory to the Contracting Officer, as shall indicate its ownership by the Government.

D. Disposition. The Contractor shall make such disposition of Government property which has come into the possession or custody of the Contractor under this contract as the Commission shall direct. When authorized in writing by the Commission during the progress of the work or upon completion or termination of this contract, the Contractor may, upon such terms and conditions as the Commission may approve, sell or exchange such property, or acquire such property at a price agreed upon by the Commission and the Contractor at the fair value thereof. The proceeds of any disposition shall be received for the account of the Government, and shall be handled as a part of the advances of Government funds pursuant to Article VI hereof or otherwise credited to the account of the Government as the Commission may direct. Upon completion of the work or the termination of this contract, the Contractor shall render an accounting, as prescribed by the Commission, of all Government property which had come into the possession or custody of the Contractor under this contract.

E. Protection of Government Property - Classified Materials. The Contractor shall take all reasonable precautions, as directed by the Contracting Officer, or in the absence of such directions in accordance with sound industrial practice, to safeguard and protect Government property in the Contractor's possession or custody. Special measures shall be taken by the Contractor in the protection of an accounting for any classified or special materials involved in the performance of this contract, in accordance with the regulations and requirements of the Commission.

F. Risk of Loss of Government Property. The Contractor shall not be liable for loss or destruction of or damage to Government property in the Contractor's possession unless the same is due to the willful misconduct or bad faith on the part of any of the corporate officers of the Contractor or the full-time supervising representative of the Contractor in the performance of the work under this contract or unless such loss, destruction or damage is due to a failure on the part of the corporate officers of the Contractor or the full-time supervising representative of the Contractor in the performance of the work under this contract to take all reasonable steps to comply with directives of the Commission to safeguard such property. The exemption from liability for loss or destruction

of or damage to Government property provided for in this article shall not extend to any such loss, destruction or damage for which the Contractor is liable in tort under law and which is caused by the Contractor as a result of its activities not performed in carrying out the work under this contract.

G. Steps to be Taken in Event of Loss. Upon the happening of any loss or destruction of or damage to Government property in the possession or custody of the Contractor, the Contractor shall immediately inform the Contracting Officer of the occasion and extent thereof, shall take all reasonable steps to protect the property remaining, and shall repair or replace the lost, destroyed, or damaged property, if and as directed by the Contracting Officer, but shall take no action prejudicial to the right of the Government to recover therefor and shall furnish to the Government, on request, all reasonable assistance in obtaining recovery.

H. Use of Government Property. Government property shall be used only for the performance of this contract except as otherwise agreed upon in writing, in which event such other use shall be subject to such terms and conditions as may be agreed to by the parties.

ARTICLE XII - STATE AND LOCAL TAXES

A. The Contractor agrees to notify the Commission of any State or local tax, fee, or charge levied or purported to be levied on or collected from the Contractor with respect to the contract work any transaction thereunder, or property in the custody or control of the Contractor and constituting an allowable item of cost if due and payable, but which the Contractor has reason to believe, or the Commission has advised the Contractor, is or may be inapplicable or invalid; and the Contractor further agrees to refrain from paying any such tax, fee, or charge unless authorized in writing by the Commission. Any State or local tax, fee, or charge paid with the approval of the Commission or on the basis of advice from the Commission that such tax, fee, or charge is applicable and valid, and which would otherwise be an allowable item of cost, shall not be disallowed as an item of cost by reason of any subsequent ruling or determination that such tax, fee, or charge was in fact inapplicable or invalid.

B. The Contractor agrees to take such action as may be required or approved by the Commission to cause any State or local tax, fee, or charge which would be an allowable cost, to be paid under protest; and to take such action as may be required or approved by the Commission to seek recovery of any payments made, including assignment to the Government or its designee of all rights to an abatement or refund thereof, and granting permission for the Government to join with the Contractor in any proceedings for the recovery thereof or to sue for recovery in the name of the Contractor. If the Commission directs the Contractor to institute litigation to enjoin the collection of or to recover payment of any such tax, fee, or charge referred to above, or if a claim or suit is filed against the Contractor for a tax, fee, or charge it has refrained from paying in accordance with this article, the procedures and requirements of the article entitled "Litigation and Claims" shall apply and the costs and expenses incurred by the Contractor shall be allowable items of cost, as provided in this contract, together with the amount of any judgment rendered against the Contractor.

C. The Government shall save the Contractor harmless from penalties and interest incurred through compliance with this article. All recoveries or credits in respect of the foregoing taxes, fees, and charges (including interest) shall inure to and be for the sole benefit of the Government.

ARTICLE XIII - CONTRACTOR PROCUREMENT

A. The Commission reserves the right at any time to require that the Contractor submit for approval any or all procurements under this contract. The Contractor shall not procure any item whose purchase is expressly prohibited by the written direction of the Commission and shall use such special and directed procurement sources as may be expressly required by the Commission. The Contractor shall provide information concerning procurement methods, practices, and procedures used or proposed to be used, and shall use methods, practices, and procedures which are acceptable to the Commission. Procurement arrangements under this contract shall not relieve the Contractor of any obligation under this contract (including, among other things, the obligation properly to supervise, administer, and coordinate the work of subcontractors) and shall be in such form and contain such provisions as are required by this contract or as the Commission may prescribe.

B. In addition to, and without derogation of any rights under Paragraph A. of this section and any other provision in this contract, the Contractor shall require subcontractors to furnish cost or pricing data, and shall include in such subcontracts the clause set forth in AECPR 9-3.814-50, except as otherwise directed or approved by the Commission.

C. Procurement or transfer of equipment, materials, supplies, or services from a contractor-controlled source (any division or other organizational component of the prime contractor (exclusive of the contracting component) and any subsidiary or affiliate of the Contractor under a common control) shall be considered a procurement for the purposes of this article.

ARTICLE XIV - BUY AMERICAN ACT

A. In acquiring end products, the Buy American Act (41 U. S. Code 10a-d) provides that the Government give preference to domestic source end products. For the purpose of this article:

1. "Components" means those articles, materials, and supplies which are directly incorporated in the end products;

2. "End products" means those articles, materials, and supplies which are to be acquired under this contract for public use; and

3. A "domestic source end product" means (a) an unmanufactured end product which has been mined or produced in the United States and (b) an end product manufactured in the United States if the cost of the components thereof which are mined, produced, or manufactured in the United States exceeds 50 percent of the cost of all its components. For the purposes of this A., 3., (b), components of foreign origin of the same type or kind as the products referred to in B., 2., or 3. of this article shall be treated as components mined, produced, or manufactured in the United States.

B. The Contractor agrees that there will be used under this contract (by the Contractor, subcontractors, materialmen, and tract suppliers) only domestic source end products, except end products:

1. Which are for use outside the United States;

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

3. As to which the Commission determines the domestic preference to be inconsistent with the public interest; or

4. As to which the Commission determines the cost to the Government to be unreasonable.

(The foregoing requirements are administered in accordance with Executive Order No. 10582, dated December 17, 1954.)

ARTICLE XV - PRIORITIES, ALLOCATIONS, AND ALLOTMENTS

The Contractor shall follow the provisions of DMS Regulation 1 and all other applicable regulations and orders of the Business and Defense Services Administration in obtaining controlled materials and other products and materials needed to fill this order.

ARTICLE XVI - LITIGATION AND CLAIMS

A. Initiation of Litigation. The Contractor may, with the prior written authorization of the Contracting Officer, and shall, upon the request of the Government initiate litigation against third parties, including proceedings before administrative agencies, in connection with this contract. The Contractor shall proceed with such litigation in good faith and as directed from time to time by the Contracting Officer.

B. Defense and Settlement of Claims. The Contractor shall give the Contracting Officer immediate notice in writing (i) of any action, including any proceeding before an administrative agency, filed against the Contractor arising out of the performance of this contract, and (ii) of any claim against the Contractor the cost and expense of which is allowable under the article entitled "Allowable Costs and Fixed Fee". Except as otherwise directed by the Contracting Officer, in writing, the Contractor shall furnish immediately to the Contracting Officer copies of all pertinent papers received by the Contractor with respect to such action or claim. To the extent not in conflict with any applicable policy of insurance, the Contractor may with the Contracting Officer's approval settle any such action or claim, shall effect at the Contracting Officer's request an assignment and subrogation in favor of the Government of all the Contractor's rights and claims (except those against the Government) arising out of any such action or claim against the Contractor, and, if required by the Contracting Officer, shall authorize representatives of the Government to settle or defend any such action or claim and to represent the Contractor in, or to take charge of, any action. If the settlement or defense of an

action or claim against the Contractor is undertaken by the Government, the Contractor shall furnish all reasonable assistance in effecting a settlement or asserting a defense. Where an action against the Contractor is not covered by a policy of insurance, the Contractor shall, with the approval of the Contracting Officer, proceed with the defense of the action in good faith; and in such event the defense of the action shall be at the expense of the Government: Provided, however, that the Government shall not be liable for such expense to the extent that it would have been compensated for by insurance which was required by law or by the written direction of the Contracting Officer, but which the Contractor failed to secure through its own fault or negligence.

ARTICLE XVII - DISPUTES

A. Except as otherwise provided in this contract, any dispute concerning a question of fact arising under this contract which is not disposed of by agreement shall be decided by the Contracting Officer, who shall reduce his decision to writing and mail or otherwise furnish a copy thereof to the Contractor. The decision of the Contracting Officer shall be final and conclusive unless within 30 days from the date of receipt of such copy, the Contractor mails or otherwise furnishes to the Contracting Officer a written appeal addressed to the Commission. The decision of the Commission or his duly authorized representative for the determination of such appeals shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent or capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence. In connection with any appeal proceeding under this article, the Contractor shall be afforded an opportunity to be heard and to offer evidence in support of its appeal. Pending final decision of a dispute hereunder, the Contractor shall proceed diligently with the performance of the contract and in accordance with the Contracting Officer's decision.

B. This "Disputes" article does not preclude consideration of law questions in connection with decisions provided for in Paragraph A. above: Provided, that nothing in this contract shall be construed as making final the decision of any administrative official, representative, or board on a question of law.

ARTICLE XVIII - SAFETY, HEALTH AND FIRE PROTECTION

The Contractor shall take all reasonable precautions in the performance of the work under this contract to protect the health and safety of employees and of members of the public and to minimize danger from all hazards to life and property, and shall comply with all health, safety, and fire protection regulations and requirements (including reporting requirements) of the Commission. In the event that the Contractor fails to comply with said regulations or requirements of the Commission, the Contracting Officer may, without prejudice to any other legal or contractual rights of the Commission, issue an order stopping all or any part of the work; thereafter a start order for resumption of work, may be issued at the discretion of the Contracting Officer.

ARTICLE XIX - PERMITS

Except as otherwise directed by the Contracting Officer, the Contractor shall procure all necessary permits or licenses and abide by all applicable laws, regulations, and ordinances of the United States and of the State, territory, and political subdivision in which the work under this contract is performed.

ARTICLE XX - SECURITY

A. Contractor's Duty to Safeguard Restricted Data, Formerly Restricted Data, and Other Classified Information. In the performance of the work under this contract, the Contractor shall, in accordance with the Atomic Energy Commission's security regulations and requirements, be responsible for safeguarding Restricted Data, Formerly Restricted Data, and other classified information and protecting against sabotage, espionage, loss and theft, the classified documents and material in the Contractor's possession in connection with the performance of work under this contract. Except as otherwise expressly provided in this contract, the Contractor shall, upon completion or termination of this contract, transmit to the Commission any classified matter in the possession of the Contractor or any person under the Contractor's control in connection with performance of this contract. If retention by the Contractor of any classified matter is required after the completion or termination of the contract and such retention is approved by the Contracting Officer, the Contractor will complete a certificate of possession to be furnished to the Atomic Energy Commission specifying the classified matter to be retained. The certification shall identify the items and types or categories of matter retained, the conditions governing the retention of the matter and the period of retention, if known. If retention is approved by the Contracting Officer, the security provisions of the contract will continue to be applicable to the matter retained.

B. Regulations. The Contractor agrees to conform to all security regulations and requirements of the Commission.

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

D. Definition of Formerly Restricted Data. The term "Formerly Restricted Data," as used in this article, means all data removed from the Restricted Data category under Section 142 d. of the Atomic Energy Act of 1954, as amended.

E. Security Clearance of Personnel. The Contractor shall not permit any individual to have access to Restricted Data, Formerly Restricted Data, or other classified information, except in accordance with the Atomic Energy Act of 1954, as amended, and the Commission's regulations or requirements applicable to the particular type or category of classified information to which access is required.

F. Criminal Liability. It is understood that disclosure of Restricted Data, Formerly Restricted Data, or other classified information relating to the work or services ordered hereunder to any person not entitled to receive it, or failure to safeguard any Restricted Data, Formerly Restricted Data, or any other classified matter that may come to the Contractor or any person under the Contractor's control in connection with work under this contract, may subject the Contractor, its agents, employees, or subcontractors to criminal liability under the laws of the United States. (See the Atomic Energy Act of 1954, as amended, 42 U.S.C. 2011 et. seq.; 793 and 794; and Executive Order 10501, as amended.)

G. Subcontracts and Purchase Orders. Except as otherwise authorized in writing by the Contracting Officer, the Contractor shall insert provisions similar to the foregoing in all subcontracts and purchase orders under this contract.

ARTICLE XXI - CONTRACTOR'S ORGANIZATION

A. Organization Chart. As promptly as possible after the execution of this contract the Contractor shall furnish to the Contracting Officer a chart showing the names, duties, and organization of key personnel to be employed in connection with the work, and shall furnish from time to time supplementary information reflecting changes therein.

B. Supervising Representative of Contractor. Unless otherwise directed by the Contracting Officer, a competent full-time resident supervising representative of the Contractor satisfactory to the Contracting Officer shall be in charge of the work at the site at all times.

C. Control of Employees. The Contractor shall be responsible for maintaining satisfactory standards of employee competency, conduct and integrity and shall be responsible for taking such disciplinary action with respect to his employees as may be necessary. The Contractor shall establish such standards and procedures as are necessary to implement effectively the provisions set forth in Atomic Energy Commission Procurement Regulations 9-12.54, and such standards and procedures shall be subject to the approval of the Contracting Officer.

ARTICLE XXII - KEY PERSONNEL

It having been determined that the employees whose names appear in Appendix "D", or persons approved by the Contracting Officer as persons of substantially equal abilities and qualifications, are necessary for the successful performance of this contract, the Contractor agrees to assign such employees or persons to the performance of the work under this contract and shall not reassign or remove any of them without the consent of the Contracting Officer. Whenever, for any reason, one or more of the aforementioned employees is unavailable for assignment for work under the contract, the Contractor shall, with the approval of the Contracting Officer, replace such employee with an employee of substantially equal abilities and qualifications.

ARTICLE XXIII - CONSULTANT OR OTHER COMPARABLE SERVICES OF CONTRACTOR EMPLOYEES

The Contractor shall require all employees who are employed full-time (an individual who performs work under the cost-type contract on a full-time annual basis) or part-time (50 percent or more of regular annual compensation received under terms of a contract with the Commission) on the contract work to disclose to the Contractor all consultant or other comparable employment services which the employees propose to undertake for others. The Contractor shall transmit to the Contracting Officer all information obtained from such disclosures. The Contractor will require any employee who will be employed full-time on the contract work to agree, as a condition of his participation in such work, that he will not perform consultant or other comparable employment services for another Commission cost-type contractor or in the atomic energy field for another organization except with the prior approval of the Contractor. If the Contractor believes, with respect to any employee who is employed full-time on the contract work, that any proposed consultant or other comparable employment service for an organization in the atomic energy field other than a Commission cost-type contractor may involve: (i) A rate of remuneration significantly in excess of the employee's regular rate of remuneration; (ii) a significant question concerning possible conflict with the Commission's policies regarding conduct of employees of the Commission's contractors; (iii) the Contractor's responsibility to report fully and promptly to the Commission all significant research and development information; or (iv) the patent provisions of the Contractor's contract with the Commission, the Contractor shall obtain the prior approval of the Contracting Officer for such consultant or other comparable employment service.

ARTICLE XXIV - NOTICE OF LABOR DISPUTES

Whenever an actual or potential labor dispute is delaying or threatens to delay the performance of the work the Contractor shall immediately notify the Contracting Officer in writing. Such notice shall include all relevant information concerning the dispute and its background.

ARTICLE XXV - CONTRACT WORK HOURS STANDARDS ACT - OVERTIME COMPENSATION

This contract, to the extent that it is of a character specified in the Contract Work Hours Standards Act (40 U.S.C. 327-330), is subject to the following provisions and to all other applicable provisions and exceptions of such Act and the regulations of the Secretary of Labor thereunder.

A. Overtime Requirements. No Contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any laborer or mechanic in any workweek in which he is employed on such work to work in excess of eight hours in any calendar day or in excess of forty hours in such workweek on work subject to the provisions of the Contract Work Hours Standards Act unless such laborer or mechanic receives compensation at a rate not less than one and one-half times his basic rate of pay for all such hours worked in excess of eight hours in any calendar day or in excess of forty hours in such workweek, whichever is the greater number of overtime hours.

B. Violation; Liability for Unpaid Wages; Liquidated Damages. In the event of any violation of the provisions of Paragraph A., the Contractor and any subcontractor responsible therefor shall be liable to any affected employee for his unpaid wages. In addition, such Contractor and subcontractor shall be liable to the United States for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic employed in violation of the provisions of Paragraph A. in the sum of $10 for each calendar day on which such employee was required or permitted to be employed on such work in excess of eight hours or in excess of the standard workweek of forty hours without payment of the overtime wages required by Paragraph A.

C. Withholding for Unpaid Wages and Liquidated Damages. The Contracting Officer may withhold from the Government Prime Contractor, from any moneys payable on account of work performed by the Contractor or subcontractor, such sums as may administratively be determined to be necessary to satisfy any liabilities of such Contractor or subcontractor for unpaid wages and liquidated damages as provided in the provisions of Paragraph B.

D. Subcontracts. The Contractor shall insert Paragraphs A. through D. of this article in all subcontracts, and shall require their inclusion in all subcontracts of any tier.

E. Records. The Contractor shall maintain payroll records containing the information specified in 29 CFR 516.2(a). Such records shall be preserved for three years from the completion of the contract.

ARTICLE XXVI - WALSH-HEALEY PUBLIC CONTRACTS ACT

If this contract is for the manufacture or furnishing of materials, supplies, articles, or equipment in an amount which exceeds or may exceed $10,000 and is otherwise subject to the Walsh-Healey Public Contracts Act, as amended (41 U.S. Code 35-45), there are hereby incorporated by reference all representations and stipulations required by said Act and regulations issued thereunder by the Secretary of Labor, such representations and stipulations being subject to all applicable rulings and interpretations of the Secretary of Labor which are now or may hereafter be in effect.

ARTICLE XXVII - EQUAL OPPORTUNITY

(The following article is applicable unless this contract is exempt under the rules, regulations, and relevant orders of the Secretary of Labor. (41 CFR, Ch. 60)

During the performance of this contract, the Contractor agrees as follows:

A. The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to the following: Employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Contracting Officer setting forth the provisions of this Equal Opportunity article.

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

C. The Contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the labor union or workers' representative of the Contractor's commitments under this Equal Opportunity Article, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

D. The Contractor will comply with all provisions of Executive Order No. 11,246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

E. The Contractor will furnish all information and reports required by Executive Order No. 11,246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access

to his books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

F. In the event of the Contractor's noncompliance with the Equal Opportunity article of this contract or with any of such rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11,246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11,246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

G. The Contractor will include the provisions of Paragraphs A through G, in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11,246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for noncompliance: Provided, however, that in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

ARTICLE XXVIII - CONVICT LABOR

In connection with the performance of work under this contract, the Contractor agrees not to employ any person undergoing sentence of imprisonment at hard labor.

ARTICLE XXIX - COVENANT AGAINST CONTINGENT FEES

A. Warranty--Termination or Deduction for Breach. The Contractor warrants that no person or selling agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees, or bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business. For breach or violation of this warranty the Government shall have the right to annul this contract without liability or in its discretion to deduct from the contract price or consideration, or otherwise recover, the full amount of such commission, percentage, brokerage, or contingent fee.

B. Subcontracts and Purchase Orders. Unless otherwise authorized by the Contracting Officer in writing the Contractor shall cause provisions similar to the foregoing to be inserted in all subcontracts and purchase orders entered into under this contract.

ARTICLE XXX - OFFICIALS NOT TO BENEFIT

No member of or delegate to Congress, or resident commissioner, shall be admitted to any share or part of this contract, or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

ARTICLE XXXI - RENEGOTIATION

If this contract is subject to the Renegotiation Act of 1951, as amended, the following provisions shall apply:

A. This contract is subject to the Renegotiation Act of 1951 (50 U.S.C. App. 1211, et seq.), as amended, and to any subsequent act of Congress providing for the renegotiation of contracts. Nothing contained in this article shall impose any renegotiation obligation with respect to this contract or any subcontract hereunder which is not imposed by an act of Congress heretofore or hereafter enacted. Subject to the foregoing, this contract shall be deemed to contain all the provisions required by Section 104 of the Renegotiation Act of 1951, and by any such other act, without subsequent contract amendment specifically incorporating such provisions.

B. The Contractor agrees to insert the provisions of this article, including this Paragraph B., in all subcontracts, as that term is defined in Section 103 g. of the Renegotiation Act of 1951, as amended.

ARTICLE XXXII - UTILIZATION OF SMALL BUSINESS CONCERNS

A. It is the policy of the Government as declared by the Congress that a fair proportion of the purchases and contracts for supplies and services for the Government be placed with small business concerns.

B. The Contractor agrees to accomplish the maximum amount of subcontracting to small business concerns that the Contractor finds to be consistent with the efficient performance of this contract.

ARTICLE XXXIII - SMALL BUSINESS SUBCONTRACTING PROGRAM

A. The Contractor agrees to establish and conduct a small business subcontracting program which will enable small business concerns to be considered fairly as subcontractors and suppliers under this contract. In this connection, the Contractor shall--

1. Designate a liaison officer who will (i) maintain liaison with the Government on small business matters, (ii) supervise compliance with the Utilization of Small Business concerns article, and (iii) administer the Contractor's "Small Business Subcontracting Program".

2. Provide adequate and timely consideration of the potentialities of small business concerns in all "make-or-buy" decisions.

3. Assure that small business concerns will have an equitable opportunity to compete for subcontracts, particularly by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation of small business concerns. Where the Contractor's lists of potential small business subcontractors are excessively long, reasonable effort shall be made to give all such small business concerns an opportunity to compete over a period of time.

4. Maintain records showing (i) whether each prospective subcontractor is a small business concern, (ii) procedures which have been adopted to comply with the policies set forth in this article, and (iii) with respect to the letting of any subcontract (including purchase orders) exceeding $10,000, information substantially as follows:

   (a) Whether the award went to large or small business.

   (b) Whether less than three or more than two small business firms were solicited.

   (c) The reason for non-solicitation of small business if such was the case.

   (d) The reason for small business failure to receive the award if such was the case when small business was solicited.

   The records maintained in accordance with (iii) above may be in such form as the Contractor may determine, and the information shall be summarized quarterly and submitted by the purchasing department of each individual plant or division to the Contractor's cognizant small business liaison officer. Such quarterly summaries will be considered to be management records only and need not be submitted routinely to the Government; however, records maintained pursuant to this article will be kept available for review by the Government until the expiration of 1 year after the award of this contract, or for such longer period as may be required by any other article of this contract or by applicable law or regulation.

5. Notify the Contracting Officer before soliciting bids or quotations on any subcontract (including purchase orders) in excess of $10,000 if (i) no small business concern is to be solicited, and (ii) the Contracting Officer's consent to the subcontract (or ratification) is required by a "Subcontracts" article in this contract. Such notice will state the Contractor's reasons for non-solicitation of small business concerns, and will be given as early in the procurement cycle as possible so that the Contracting Officer may give SBA timely notice to permit SBA a reasonable period to suggest potentially qualified small business concerns through the Contracting Officer. In no case will the procurement action be held up when to do so would, in the Contractor's judgment, delay performance under the contract.

6. Include the Utilization of Small Business Concerns article in subcontracts which offer substantial small business subcontracting opportunities.

7. Cooperate with the Contracting Officer in any studies and surveys of the Contractor's subcontracting procedures and practices that the Contracting Officer may from time to time conduct.

8. Submit quarterly reports of subcontracting to small business concerns on either Optional Form 61, Small Business Subcontracting Program Quarterly Report of Participating Large Company on Subcontract Commitments to Small Business Concerns, or such other form as may be specified in the contract. Except as otherwise provided in this contract, the reporting requirements of this subparagraph 8. do not apply to small business contractors, small business subcontractors, educational and nonprofit institutions, and contractors or subcontractors for standard commercial items.

B. A "small business concern" is a concern that meets the pertinent criteria established by the Small Business Administration and set forth in Section 1-1.701 of the Federal Procurement Regulations.

C. The Contractor agrees that, in the event he fails to comply with his contractual obligations concerning the small business subcontracting program, this contract may be terminated, in whole or in part, for default.

D. The Contractor further agrees to insert, in any subcontract hereunder which may exceed $500,000 and which contains the Utilization of Small Business Concerns article, provisions which shall conform substantially to the language of this article, including this Paragraph D., and to notify the Contracting Officer of the names of such subcontractors.

ARTICLE XXXIV - UTILIZATION OF LABOR SURPLUS AREA CONCERNS

(The following clause is applicable if this contract exceeds $5,000.)

A. It is the policy of the Government to award contracts to labor surplus area concerns that (1) have been certified by the Secretary of Labor (hereinafter referred to as certified-eligible concerns with first or second preferences) regarding the employment of a proportionate number of disadvantaged individuals and have agreed to perform substantially (i) in or near sections of concentrated unemployment or underemployment or in persistent or substantial labor surplus areas or (ii) in other areas of the United States, respectively, or (2) are noncertified concerns which have agreed to perform substantially in persistent or substantial labor surplus areas where this can be done consistent with the efficient performance of the contract and at prices no higher than are obtainable elsewhere. The Contractor agrees to use his best efforts to place his subcontracts in accordance with this policy.

B. In complying with Paragraph A. of this article and with Paragraph B. of the article of this contract entitled "Utilization of Small Business Concerns" the Contractor in placing his subcontracts shall observe the following order of preference: (1) Certified-eligible concerns with a first perference which are also small business concerns; (2) other certified-eligible concerns with a first preference; (3) certified-eligible concerns with a second preference which are also small business concerns; (4) other certified-eligible concerns with a second preference; (5) persistent or substantial labor surplus area concerns which are also small business concerns; (6) other persistent or substantial labor surplus area concerns; and (7) small business concerns which are not labor surplus area concerns.

ARTICLE XXXV - LABOR SURPLUS AREA SUBCONTRACTING PROGRAM

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

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

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

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

4. Maintain records showing procedures which have been adopted to comply with the policies set forth in this article. Records maintained pursuant to this article will be kept available for review by the Government until the expiration of 1 year after the award of this contract, or for such longer period as may be required by any other article of this contract or by applicable law or regulations; and

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

B. A "labor surplus area concern" is a concern that (i) has been certified by the Secretary of Labor (hereafter referred to as a certified-eligible concern) regarding the employment of a proportionate number of disadvantaged individuals and has agreed to perform substantially in or near sections of concentrated unemployment or underemployment, in persistent or substantial labor surplus areas, or in other areas of the United States or (ii) is a noncertified concern which has agreed to perform a substantial proportion of a contract in persistent or substantial labor surplus areas. A certified-eligible concern shall be deemed to have performed a substantial proportion of a contract in or near sections of concentrated unemployment or underemployment, in persistent or substantial labor surplus areas, or in other areas if the costs that the concern will incur on account of manufacturing or production in or near such sections or in such areas (by itself, if a certified concern, or by certified concerns acting as first-tier subcontractors) amount to more than 25 percent of the contract price. A concern shall be deemed to have performed a substantial proportion of a contract in persistent or substantial labor surplus areas (by itself or its first-tier subcontractors) if the costs that the concern will incur on account of production or manufacturing in such areas amount to more than 50 percent of the contract price.

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

ARTICLE XXXVI - TERM AND TERMINATION

A. This contract shall continue until October 1, 1977 unless sooner terminated in accordance with the provisions which follow:

1. The performance of work under this contract may be terminated by the Commission in whole, or from time to time in part, (i) whenever the Contractor shall default in performance, and shall fail to cure the fault or failure within such period as the Commission may allow after receipt from the Commission of a notice specifying the fault or failure, or (ii) whenever for any reason the Commission shall determine any such termination is for the best interest of the Government. Termination of the work hereunder shall be effected by delivery of a notice of termination specifying whether termination is for default of the Contractor or for the convenience of the Government, the extent to which performance of work under the contract shall be terminated, and the date upon which such termination shall become effective. Any such termination shall be without prejudice to any claim which either party may have against the other. If, after notice of termination under the provisions of Paragraph A. 1. (i) above, it is determined for any reason that the Contractor was not in default, such notice of default shall be deemed to have been issued pursuant to Paragraph A. 1. (ii) above, and the rights and obligations of the parties hereto shall in such event be governed accordingly.

2. Upon receipt of notice of termination, in accordance with Paragraph 1. above, the Contractor shall, to the extent directed in writing by the Commission, discontinue the terminated work and the placing of orders for materials, facilities, supplies, and services in connection therewith, and shall proceed, if, and to the extent required by the Commission, to cancel promptly, and settle with the approval of the Commission, existing orders, subcontracts, and commitments insofar as such orders, subcontracts, and commitments pertain to this contract.

B. Upon the termination of this contract, full and complete settlement of all claims of the Contractor and of the Commission arising out of this contract shall be made as follows:

1. The Government shall have the right in its discretion to assume sole responsibility for any or all obligations, commitments, and claims that the Contractor may have undertaken or incurred, the cost of which are allowable in accordance with the provisions of this contract; and the Contractor shall, as a condition of receiving the payments mentioned in this article, execute and deliver all such papers and take all such steps as the Commission may require for the purpose of fully vesting in the Government any rights and benefits the Contractor may have under or in connection with such obligations, commitments, or claims.

2. The Government shall treat as allowable costs all expenditures made in accordance with and allowable under the article entitled "Allowable Costs and Fixed Fee," not previously so allowed or otherwise credited for work performed prior to the effective date of termination, together with expenditures as may be incurred for a reasonable time thereafter with the approval of, or as directed by, the Contracting Officer.

3. The Government shall treat as allowable costs, to the extent not included in B. 2. above, the costs of settling and paying claims arising out of the termination of work under orders, subcontracts, and commitments as provided in Paragraph A. 2. above.

4. The Government shall treat as allowable costs the reasonable costs of settlement, including accounting, legal, clerical, and other expenses reasonably necessary for the preparation of settlement claims and supporting data with respect to the termination of the contract and for the termination and settlement of orders and subcontracts thereunder, together with such further expenditures made by the Contractor after the date of termination for the protection or disposition of Government property as are approved or required by the Commission: Provided, however, That if the termination is for default of the Contractor, there shall not be included any amount for preparation of the Contractor's settlement proposal.

5. If performance of work under this contract is terminated in whole by the Government, the fixed fee of the Contractor shall be prorated to and including the effective date of such termination. In addition, if the termination is for the convenience of the Government, the Contractor shall be paid a fixed fee in an amount to be agreed upon as compensation for its services in closing out the work under this contract after the effective date of such termination.

   The additional fixed fee is to be negotiated as soon as practicable after service of notice of termination, shall take into account the estimate of the cost of the services and managerial effort to be rendered under this article after the effective date of termination, and shall be provided for in a supplement or amendment to this contract prior to final settlement hereunder. Pending agreement as to the amount of such fee, the Contractor shall diligently proceed with the performance of the services required under this article. No additional fee will be paid if the contract is terminated due to the default of the Contractor. In the event of a partial termination by the Government, an equitable adjustment shall be made in the fixed fee if such termination results in a material decrease in the level of the Contractor's management effort. Any failure to agree on the right to or the amount of any adjustment shall be deemed a dispute within the purview of the article hereof entitled "Disputes."

6. The obligation of the Government to make any of the payments required by this article or any other provisions of this contract shall be subject to any unsettled claims in connection with this contract which the Government may have against the Contractor.

C. Prior to final settlement, the Contractor shall furnish a release as required in the article entitled "Payments and Advances" hereof and such accounting for Government-owned property as may be required by the Commission: Provided, however, That unless the Commission requires an inventory, the maintenance and disposition of records of Government-owned property in accordance with the article entitled "Accounts, Records and Inspection" hereof shall be accepted by the Commission as full compliance with all requirements of this contract pertaining to an accounting for such property.

ARTICLE XXXVII - PATENTS

A. Whenever any invention or discovery is made or conceived by the Contractor or its employees in the course of or under this contract, the Contractor shall promptly furnish the Commission with complete information thereon; and the Commission shall have the sole power to determine whether or not and where a patent application shall be filed, and to determine the disposition of the title to and rights in and to any invention or discovery and any patent application or patent that may result. The judgment of the Commission on these matters shall be accepted as final; and the Contractor, for itself and for its employees, agrees that the inventor or inventors will execute all documents and do all things necessary or proper to carry out the judgment of the Commission.

B. No claim for pecuniary award or compensation under the provisions of the Atomic Energy Act of 1954, as amended, shall be asserted by the Contractor or its employees with respect to any invention or discovery made or conceived in the course of or under this contract.

C. Except as otherwise authorized in writing by the Commission, the Contractor will obtain patent agreements to effectuate the purposes of Paragraphs A. and B. of this article from all persons who perform any part of the work under this contract, except such clerical and manual labor personnel as will not have access to technical data.

D. It is recognized that during the course of the work under this contract, the Contractor or its employees may from time to time desire to publish, within the limits of security requirements, information regarding scientific or technical developments made or conceived in the course of or under this contract. In order that public disclosure of such information will not adversely affect the patent interest of the Commission, patent approval for release and publication shall be secured from the Commission prior to any such release or publication.

E. With respect to any U. S. Patent Application filed by the Contractors on any contract, invention or discovery made or conceived in the course of the contract, the Contractor will incorporate in the first paragraph of the U. S. Patent Application the following statement:

> "The invention described herein was made in the course of, or under, a contract with the U. S. Atomic Energy Commission."

F. Except as otherwise authorized in writing by the Commission, the Contractor will insert in all subcontracts and purchase orders, other than purchase orders for standard commercial supplies, provisions making subparagraphs A., B., C., D. and E. of this article applicable to the subcontractor or seller and its employees.

G. It is agreed that the Government shall hold the Contractor harmless from liability of any kind arising from infringement of patent rights in the course of the work performed by the Contractor under this contract, in view of the following facts:

1. The Contractor has not made an investigation as to the possibility of patent infringement,

2. The Government and the Contractor desire to avoid the delay incident to a patent investigation, and

3. The Contractor has not included in its price or fee any provision for the settlement of possible patent claims excepting, however, any liability arising from the infringement of letters patent resulting from the Contractor's furnishing or supplying standard parts or components or utilizing its normal practice or methods in the performance of the contract or to any parts, components, practices or methods as to which the Contractor has secured indemnification from

liability and with respect to which the Contractor agrees to indemnify the Government, its officers, agents, servants and employees against liability of any kind for the use of any invention or discovery and for the infringement of any letters patent (not including any liability arising from Section 183, Title 35 (1952) U.S.C., prior to the issuance of letters patent). The Contractor shall give prompt notice in writing to the Commission of any action filed or claim against the Contractor for infringement of patent rights in the course of the work performed by the Contractor under this contract. Except as otherwise directed by the Commission in writing, the Contractor shall furnish promptly to the Commission copies of all pertinent papers received by the Contractor with respect to any such action or claim. If required by the Commission, the Contractor (at the Government's expense, by proper arrangement) shall assist the Government in the settlement or defense of such action or claim and shall furnish such evidence in its possession as may be required by the Government in the settlement or defense of such action or claim.

H. In addition to the rights of the parties under the foregoing paragraphs in and to inventions or discoveries made or conceived in the course of or under this contract, the Contractor agrees to and does hereby grant to the Government an irrevocable, nonexclusive, paid-up license in and to any inventions or discoveries actually reduced to practice before the effective date of this contract owned or controlled by the Contractor or Atlantic Richfield Company, and in and to any inventions or discoveries actually reduced to practice or acquired during the contract period but not subject to the foregoing foreground invention rights provision, which shall be incorporated in the construction of, involved in the utilization of, or embodied in the work at, the facilities designated under Article II of this contract, by the Contractor (i) to practice or to have practiced for the Government at such facilities, (ii) to practice and to have practiced in similar U. S. Government facilities, and (iii) to sell or dispose of such facility or facilities, or any portion thereof, as provided by law. The acceptance or exercise by the Government of the aforesaid rights and license shall not prevent the Government at any time from contesting the enforceability, validity or scope of, or the title to, any rights or patents herein licensed.

I. If this contract involves any royalty payments or if the amount of any royalty payments is reflected in the contract price of the contract to the Government, the Contractor agrees to report in writing to the Commission (Assistant General Counsel for Patents) during the performance of this contract and prior to its completion or final settlement the amount of any royalties or other payments paid or to be paid by it directly to others in connection with the performance of this contract together with the names and addresses of licensors to whom such payments are made and either the patent numbers involved or such other information as will permit identification of the patents or other basis on which the royalties are to be paid. The approval of the Commission of any individual payments or royalties shall not estop the Government at any time from contesting the enforceability, validity or scope of, or title to, any patent under which a royalty or payments are made.

J. When modifications to Article II are proposed to include work which has applicability to fast breeder reactor technology, consideration shall be given to including additional Background Patent and Technical Data Provisions commensurate with the Commission's interest in assuring a broad-base competitive nuclear industry in the fast breeder reactor field.

ARTICLE XXXVIII - COPYRIGHT

A. The Contractor (i) agrees that the Commission shall determine the disposition of the title to and the rights under any copyright secured by the Contractor or its employees on copyrightable material first produced or composed under this contract and (ii) hereby grants to the Government a royalty-free, nonexclusive, irrevocable license to reproduce, translate, publish, use and dispose of, and to authorize others so to do, all copyrighted or copyrightable work not first produced or composed by the Contractor in the performance of this contract but which is incorporated in the material furnished under the contract, provided that such license shall be only to the extent the Contractor now has, or prior to the completion or final settlement of the contract may acquire, the right to grant such license without becoming liable to pay compensation to others solely because of such grant.

B. The Contractor agrees that it will not include any copyrighted material in any written or copyrightable material furnished or delivered under this contract, without a license as provided for in Paragraph A. (ii) hereof, or without the consent of the copyright owner, unless specific written approval of the Contracting Officer to the inclusion of such copyrighted material is secured.

C. The Contractor agrees to report in writing to the Commission, promptly and in reasonable detail, any notice or claim of copyright infringement received by the Contractor with respect to any material delivered under this contract.

D. The Government hereby grants its authorization and consent to use of any material which is not known to be copyrighted in the course of the work to be performed by the Contractor under this contract. Except for the foregoing authorization and consent, any liability arising from infringement of any copyright work protected under copyright laws of the United States resulting from the Contractor's performance of the contract, the Contractor agrees to indemnify the Government, its officers, agents, servants and employees against liability and infringement of any such copyright.

ARTICLE XXXIX - DRAWINGS, DESIGNS, SPECIFICATIONS

Except as agreed upon by the Government and the Contractor, all drawings, sketches, designs, design data, plans, specifications, notebooks, technical and scientific data, medical records, all supporting documents relating to this contract, and all photographs, negatives, reports, findings, recommendations, data and memoranda of every description relating thereto, as well as copies of the foregoing and information contained therein, shall be subject to inspection by the Commission at all reasonable times (for which inspection the proper facilities shall be afforded the Commission by the Contractor and its subcontractors); shall be the property of the Government and may be used by the Government for any purpose

whatsoever without any claim on the part of the Contractor or its subcontractors and vendors for additional compensation; and shall, subject to the right of the Contractor to retain a copy of said material for its own use, be delivered to the Government, or otherwise disposed of by the Contractor, either as the Commission may from time to time direct during the progress of the work, or in any event as the Commission shall direct upon completion or termination of this contract. The Contractor's right of retention and use shall be subject to the security, patent, and use of information provisions, if any, of this contract.

ARTICLE XL - BACKGROUND TECHNICAL DATA

A. In addition to the rights of the parties set forth above in Article XXXIX and subject to Paragraph B. of this article the Contractor agrees to and does hereby grant to the Government an irrevocable license and right to use any secret process, technical information, or know-how of the Contractor or Atlantic Richfield Company made, developed, or acquired prior to or on the effective date of expiration or completion of this contract, which shall be or is utilized, tested, or embodied in the work under this contract or in the facilities designated under Article II, or which shall be or is specifically incorporated by the Contractor in any scientific or technical report rendered under this contract; Provided, however, That to the extent that any such background "secret processes, technical information or know-how" when furnished or delivered are specifically indentified by the Contractor at the time of delivery to the Commission, the same shall not be used by the Government (unless such material and information are generally available to the public or has been made available to the Government from other sources or previously by the Contractor without limitation as to use) except in the performance of this contract or of other contracts or subcontracts with or for the benefit of the Government, and the right of the Government to practice or have practiced is limited to the facilities designated under Article II, and to similar Government facilities with the Government having the right to sell or lease such facilities, or any portion thereof, as provided by law.

B. The granting of the license referred to in Paragraph A. of this article is limited to the extent the Contractor now has, or prior to or on the effective date of expiration or completion of this contract may acquire, the right to grant such license without becoming liable in any way to others because of such grant. The Contractor will not incorporate in the facilities designated under Article II, or in the work and shall exert its best efforts not to incorporate in any scientific or technical report rendered under this contract any secret process, technical information, or know-how in which the Contractor cannot grant a license without becoming liable to others because of such grant, unless approved by the Commission.

C. Except as otherwise authorized in writing by the Commission, the Contractor will insert provisions to effectuate the above in all subcontracts, purchase orders, and agreements which require patent provision pursuant to Article XXXVII.

ARTICLE XLI - CLASSIFICATION

In the performance of the work under this contract, the Contractor shall assign classifications to all documents, material and equipment originated or generated by the Contractor in accordance with classification guidance furnished to the Contractor by the Commission. Every subcontract and purchase order issued hereunder involving the origination or generation of classified documents, material or equipment, shall include a provision to the effect that in the performance of such subcontract or purchase order the subcontractor or supplier shall assign classifications to all such documents, material and equipment in accordance with classification guidance furnished to such subcontractor or supplier by the Contractor.

ARTICLE XLII - NUCLEAR HAZARDS INDEMNITY

A. This article is incorporated into this contract pursuant to the authority contained in subsection 170(d) of the Atomic Energy Act of 1954, as amended (hereinafter called the Act).

1. The definitions set out in the Act shall apply to this article.

2. The term "contract location" means any Commission facility, installation, or site at which contractual activity under this contract is being carried on, and any contractor-owned or -controlled facility, installation, or site at which the Contractor is engaged in the performance of contractual activity under this contract.

3. The term "extraordinary nuclear occurrence" means an event which the Commission has determined to be an extraordinary nuclear occurrence as defined in the Act. A determination of whether or not there has been an extraordinary nuclear occurrence will be made in accordance with the procedures in Subpart E of 10 CFR 140.

B. Except as hereafter permitted or required in writing by the Commission, the Contractor will not be required to provide or maintain, and will not provide or maintain at Government expense, any form of financial protection to cover public liability. The Commission may at any time require in writing that the Contractor provide and maintain financial protection of such a type and in such amount as the Commission shall determine to be appropriate to cover public liability arising out of or in connection with the contractual activity, provided that the costs of such financial protection will be reimbursed to the Contractor by the Commission.

C. 1. To the extent that the Contractor and other persons indemnified are not compensated by any financial protection permitted or required by the Commission, the Commission will indemnify the Contractor, and other persons indemnified, against (i) claims for public liability as described in subparagraph 2. of this Paragraph C.; and (ii) the reasonable costs of investigating and settling claims, and defending suits for damage for such public liability, provided that the Commission's liability, including such reasonable costs, under all indemnity agreements entered into by the Commission under section 170 of the Act, including this contract, shall not exceed $500 million in the aggregate for each nuclear incident occurring within the United States or $100 million in the aggregate for each nuclear incident occurring outside the United States, irrespective of the number of persons indemnified in connection with this contract.

2. The public liability referred to in Paragraph C. 1. of this section is public liability which (i) arises out of or in connection with the contractual activity; and (ii) arises out of or results from:

(a) A nuclear incident which takes place at a contract location;

(b) A nuclear incident which takes place at any other location and arises out of or in the course of the performance of contractual activity under this contract by the Contractor's employees, individual consultants, borrowed personnel or other persons for the consequences of whose acts or omissions the Contractor is liable, provided that such incident is not covered by any other indemnity agreement entered into by the Commission pursuant to section 170 of the Act; or

(c) A nuclear incident which arises out of or in the course of transportation of source, special nuclear, or byproduct materials to or from a contract location; provided such incident is not covered by any indemnity agreement entered into by the Commission with the transporting carrier, or with a carrier's organization acting for the benefit of the transporting carrier, or with a licensee of the Commission, pursuant to section 170 of the Act; or

(d) A nuclear incident which involves items (such as equipment, material, facilities, or design or other data) produced or delivered under this contract, provided such incident is not covered by any other indemnity agreement entered into by the Commission pursant to section 170 of the Act.

D. In the event of an extraordinary nuclear occurrence which:

1. Arises out of or results from or occurs in the course of the construction, possession, or operation of a production or utilization facility, or

2. Arises out of or results from or occurs in the course of transportation of source material, byproduct material, or special nuclear material to or from a production or utilization facility, or

3. During the course of the contract activity arises out of or results from the possession, operation, or use by the Contractor or a subcontractor of a device utilizing special nuclear material or byproduct material, the Commission, and the Contractor on behalf of itself and other persons indemnified, insofar as their interests appear, each agree to waive:

   (a) Any issue or defense as to the conduct of the claimant or fault of persons indemnified, including, but not limited to:

      (1) Negligence;

      (2) Contributory negligence;

      (3) Assumption of the risk;

      (4) Unforeseeable intervening causes, whether involving the conduct of a third person or an act of God.

      As used herein, "conduct of the claimant" includes conduct of persons through whom the claimant derives his cause of action;

   (b) Any issue or defense as to charitable or governmental immunity;

   (c) Any issue or defense based on any statute of limitations if suit is instituted within 3 years from the date on which the claimant first knew, or reasonably could have known, of his injury or damage and the cause thereof, but in no event more than 10 years after the date of the nuclear incident. The waiver of any such issue or defense shall be effective regardless of whether such issue or defense may otherwise be deemed jurisdictional or relating to an element in the cause of action. The waivers shall be judicially enforceable in accordance with their terms by the claimant against the person indemnified.

E. The waivers set forth in Paragraph D. of this article:

1. Shall not preclude a defense based upon a failure to take reasonable steps to mitigate damages;

2. Shall not apply to injury or damage to a claimant or to a claimant's property which is intentionally sustained by the claimant or which results from a nuclear incident intentionally and wrongfully caused by the claimant;

3. Shall not apply to injury to a claimant who is employed at the site of and in connection with the activity where the extraordinary nuclear occurrence takes place if benefits therefor are either payable or required to be provided under any workmen's compensation or occupational disease law;

4. Shall not apply to any claim for punitive or exemplary damages, provided, with respect to any claim for wrongful death under any State law which provides for damages only punitive in nature, this exclusion does not apply to the extent that the claimant has sustained actual damages, measured by the pecuniary injuries resulting from such death but not to exceed the maximum amount otherwise recoverable under such law;

5. Shall not apply to any claim resulting from a nuclear incident occurring outside the United States;

6. Shall be effective only with respect to those obligations set forth in this agreement and in insurance policies, contracts, or other proof of financial protection;

7. Shall not apply to, or prejudice the prosecution or defense of, any claim or portion of claim which is not within the protection afforded under (i) the limit of liability provisions under subsection 170e of the Atomic Energy Act of 1954, as amended, and (ii) the terms of this agreement and the terms of insurance policies, contracts, or other proof of financial protection.

F. The Contractor shall give immediate written notice to the Commission of any known action or claim filed or made against the Contractor or other person indemnified for public liability as defined in Paragraph 2. of section C. Except as otherwise directed by the Commission, the Contractor shall furnish promptly to the Commission copies of all pertinent papers received by the Contractor or filed with respect to such actions or claims. When the Commission shall determine that the Government will probably be required to make indemnity payments under the provisions of section C. above, the Commission shall have the right to, and shall collaborate with the Contractor and any other person indemnified in the settlement

or defense of any action or claim and shall have the right (i) to require the prior approval of the Commission for the payment of any claim that the Commission may be required to indemnify hereunder, and (ii) to appear through the Attorney General on behalf of the Contractor or other person indemnified in any action brought upon any claim that the Commission may be required to indemnify hereunder, take charge of such action, and settle or defend any such action. If the settlement or defense of any such action or claim is undertaken by the Commission, the Contractor or other person indemnified shall furnish all reasonable assistance in effecting a settlement or asserting a defense.

G. The indemnity provided by this article shall not apply to public liability arising out of or in connection with any activity that is performed at a licensed facility, and that is covered by a Commission indemnity agreement authorized by section 170 of the Act.

H. The obligations of the Commission under this article shall not be affected by any failure on the part of the Contractor to fulfill its obligation under this contract, and shall be unaffected by the death, disability, or termination of existence of the Contractor or by the completion, termination or expiration of this contract.

I. The parties to this contract enter into this article upon the condition that this article may be amended at any time by the mutual written agreement of the Commission and the Contractor and that such amendment may, by its express terms, provide that it will apply to any nuclear incidents which occur thereafter.

J. The provisions of this article shall not be limited in any way by, and shall be interpreted without reference to, any other article of this contract, including Article XVII, Disputes: Provided, however, That the following provisions of this contract: Article XXIX, Covenant Against Contingent Fees; Article XXX, Officials Not to Benefit; Article VII, Assignment; and Article IX, Examination of Records; and any provisions later added to this contract which, under applicable Federal law, including statutes, executive orders and regulations, are required to be included in agreements of the type contained in this article shall apply to this article.

ARTICLE XLIII - SOURCE AND SPECIAL NUCLEAR MATERIALS

The Contractor shall comply with all applicable regulations and instructions of the Commission relative to the control of and accounting for source and special nuclear material (as these terms are defined in the Atomic Energy Act of 1954). The Contractor shall make such reports and permit such inspections as the Commission may require with reference to source and special nuclear materials. The Contractor shall take all reasonable steps and precautions to protect such materials against theft and misappropriations and to minimize all losses of such materials.

ARTICLE XLIV - WORKMEN'S COMPENSATION

A. The Commission has heretofore entered into Contract No. AT(45-1)-562 with the Department of Labor and Industries of the State of Washington (hereinafter called the "Department") which embodies a Defense Projects Insurance Rating Plan (hereinafter called the "Plan") pursuant to Chapter 144 of the Laws of 1951 of the State of Washington. The Contractor shall take all action required to provide and maintain workmen's compensation coverage for its employees under the laws of the State of Washington subject to the provisions of the Plan. Under the Plan, the Commission has agreed to bear the actual cost of the workmen's compensation coverage for contractors with respect to whom the Commission advises the Department the coverage is to apply. The Commission has advised the Department that the coverage of the Plan shall apply to the Contractor as a named insured. If the Plan is terminated, the Commission agrees to give the Contractor 90 days' advance notice before the effective date of said termination.

B. In accordance with Contract No. AT(45-1)-562, the coverage afforded by the workmen's compensation statute of the State of Washington shall, for performance of work in the State of Washington, including work subcontracted, be subject to the following:

1. The Contractor shall be relieved of all obligation to pay premiums for such coverage, the Commission having agreed to bear the actual cost of such coverage.

2. The Contractor shall submit to the Commission, for transmittal to the Department, such payroll records as are required by Title 51 of the Revised Code of Washington.

3. The Contractor shall, for coverage of each individual employer or any member or officer of any corporate employer provided for by Section 51.32.030 of the Revised Code of Washington, submit to the Commission for transmittal to the Department the written notice required by that section.

4. The Contractor shall submit to the Commission, for transmittal to the Department, the accident reports provided for by Section 51.28.010 of the Revised Code of Washington.

5. The Contractor shall take such action, and only such action, as the Commission requires in connection with any such accident reports, including assistance in the investigation and disposition of any claims thereunder and, subject to the direction and control of the Commission, the conduct of litigation in the Contractor's own name in connection therewith.

ARTICLE XLV - UNEMPLOYMENT COMPENSATION

A. The Contractor shall take all action required to provide and maintain unemployment compensation coverage for its employees under the laws of the State of Washington (Title 50, Revised Code of Washington).

B. The Commission shall be given the benefit of any employer experience rating credit received by the Contractor and attributable to wages subject to contribution paid under this contract.

ARTICLE XLVI - MINORITY BUSINESS ENTERPRISES SUBCONTRACTING PROGRAM

A. The Contractor agrees to establish and conduct a program which will enable minority business enterprises (as defined in the article entitled "Utilization of Minority Business Enterprises") to be considered fairly as subcontractors and suppliers under this contract. In this connection, the Contractor shall--

1. Designate a liaison officer who will administer the Contractor's minority business enterprises program.

2. Provide adequate and timely consideration of the potentialities of known minority business enterprises in all "make-or-buy" decisions.

3. Assure that known minority business enterprises will have an equitable opportunity to compete for subcontracts, particularly by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation of minority business enterprises.

4. Maintain records showing (i) procedures which have been adopted to comply with the policies set forth in this article, including the establishment of a source list of minority business enterprises, (ii) awards to minority business enterprises on the source list, and (iii) specific efforts to identify and award contracts to minority business enterprises.

5. Include the Utilization of Minority Business Enterprises article in subcontracts which offer substantial minority business enterprises subcontracting opportunities.

6. Cooperate with the Contracting Officer in any studies and surveys of the Contractor's minority business enterprises procedures and practices that the Contracting Officer may from time to time conduct.

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

B. The Contractor further agrees to insert, in any subcontract hereunder which may exceed $500,000, provisions which shall conform substantially to the language of this article, including this Paragraph B., and to notify the Contracting Officer of the names of such subcontractors.

ARTICLE XLVII - PRIVATE USE OF CONTRACT INFORMATION AND DATA

Except as specifically authorized by this contract, or as otherwise approved by the Contracting Officer, information and other data developed or acquired by or furnished the Contractor in the performance of the contract, shall be used only in connection with the work under this contract.

ARTICLE XLVIII - COST ACCOUNTING STANDARDS

The parties agree that pursuant to the requirements of Section 718 of the Defense Production Act of 1950, as amended by Public Law 91-379 (84 Stat. 796, August 15, 1970), and Title 4 Code of Federal Regulations, Chapter III, an appropriate cost accounting standards clause, as and when prescribed by the Commission, will be included in the contract.

ARTICLE XLIX - LISTING OF EMPLOYMENT OPENINGS

(This article is applicable pursuant to 41 CFR 50-250 if this contract is for $10,000 or more and will generate 400 or more man-days of employment.)

A. The Contractor agrees that all employment openings of the Contractor which exist at the time of the execution of this contract and those which occur during the performance of this contract, including those not generated by this contract and including those occurring at an establishment of the Contractor other than the one wherein the contract is being performed but excluding those of independently operated corporate affiliates, shall, to the maximum extent feasible, be offered for listing at an appropriate local office of the State employment service system wherein the opening occurs and to provide such periodic reports to such local office regarding employment openings and hires as may be required.

B. Listing of employment openings with the employment service system pursuant to this article shall be made at least concurrently with the use of any other recruitment source or effort and shall involve only the normal obligations which attach to the placing of a bona fide job order but does not require the hiring of any job applicant referred by the employment service system.

C. The periodic reports required by Paragraph A. of this article, shall be filed at least quarterly with the appropriate local office or, where the Contractor has more than one establishment in a State, with the central office of that State employment service. Such reports shall indicate for each establishment the number of individuals who were hired during the reporting period and the number of hires who were veterans who served in the Armed Forces on or after August 5, 1964, and who received other than a dishonorable discharge. The Contractor shall maintain copies of the reports submitted until the expiration of 1 year after final payment under the contract, during which time they shall be made available, upon request, for examination by any authorized representatives of the Contracting Officer or of the Secretary of Labor.

D. Whenever the Contractor becomes contractually bound to the listing provisions of this article, he shall advise the employment service system in each State wherein he has establishments of the name and location of each such establishment in the State. As long as the Contractor is contractually bound to these provisions and has so advised the State employment service system, there is no need to advise the State system of subsequent contracts. The Contractor may advise the State systems when it is no longer bound by this contract article.

E. This article does not apply (i) to the listing of employment openings which occur outside of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, and the Virgin Islands, and (ii) to contracts with State and local governments.

F. This article does not apply to openings which the Contractor proposes to fill from within his own organization or to fill pursuant to a customary and traditional employer-union hiring arrangement. This exclusion does not apply to a particular opening once an employer decides to consider applicants outside of his own organization or employer-union arrangement for that opening.

G. As used in this article:

1. "All employment openings" includes, but is not limited to, openings which occur in the following job categories: Production and non-production; plant and office; laborers and mechanics; supervisory and nonsupervisory; technical; and executive, administrative, and professional openings which are compensated on a salary basis of less than $18,000 per year. This term includes full-time employment, temporary employment of more than 3 days' duration, and part-time employment.

2. "Appropriate office of the State employment service system" means the local office of the Federal-State National System of public employment offices with assigned responsibility for serving the area of the establishment where the employment opening is to be filled, including the District of Columbia, the Commonwealth of Puerto Rico, Guam, and the Virgin Islands.

3. "Openings which the Contractor proposes to fill from within his own organization or to fill pursuant to a customary and traditional employer-union hiring arrangement", means employment openings for which no consideration will be given to persons outside the Contractor's organization (including any affiliates, subsidiaries, and parent companies) or outside of a special hiring arrangement which is part of the customary and traditional employment relationship which exists between the Contractor and representatives of his employees and includes any openings which the Contractor proposes to fill from regularly established "recall" or "rehire" lists or from union hiring halls.

4. "Man-day of employment" means any day during which an employee performs more than 1 hour of work.

H. The Contractor agrees to place this article (excluding this Paragraph H.) in any subcontract directly under this contract.

ARTICLE XLX - PRICE CERTIFICATION

Acceptance of any payments or use of advanced funds for property, goods, or services furnished during the effective period of the Executive Order shall constitute a certification by the Contractor that amounts involved do not exceed the maximum levels established in accordance with Executive Order 11640, January 26, 1972.

MODIFICATION NO. 2
SUPPLEMENTAL AGREEMENT TO
CONTRACT NO. AT(45-1)-2130

IN WITNESS WHEREOF, the parties hereto have executed this contract as of the day and year first above written.

UNITED STATES OF AMERICA
UNITED STATES ATOMIC ENERGY COMMISSION

By _____
(Contracting Officer)

ATLANTIC RICHFIELD HANFORD COMPANY

By Lawrence M. Richards
(President)

I, W. R. Dotson certify that I am the Assistant Secretary of the corporation named as Contractor herein; that Lawrence M. Richards who signed this contract on behalf of the corporation, was then President of said corporation; that said contract was duly signed for and on behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

IN WITNESS WHEREOF, I have hereunto affixed my hand and the seal of said corporation, this 8th day of May, 1972.

W R Dotson
Assistant (Secretary)

(Corporate Seal)

[redacted]

APPENDIX "A"

MODIFICATION NO. 4
SUPPLEMENTAL AGREEMENT TO
CONTRACT NO. AT(45-1)-2130
APPENDIX "A"

PROCEDURE FOR COMPUTATION OF ANNUAL FIXED FEES

A. The annual fixed fee for operations and support services shall be determined in advance of the fiscal year to which it is applicable. The computation shall be made upon a fee base composed of the total of the following items:

1. The Atlantic Richfield Hanford Company (ARHCO) portion of the AEC Congressional Budget for AEC operating programs, as determined by AEC-RL, for such fiscal year, less ARHCO's total fee. This amount shall be reduced by the amount of certain costs of materials or work obtained or performed by others as follows:

   a. assessments from RL service pool

   b. 75% of the costs of materials and services provided by AEC or its contractors.

2. The estimated cost for such fiscal year for services performed by ARHCO for others, including AEC-RL. Such estimated cost includes, but is not limited to, the charges made by ARHCO to the RL service pool. Such estimated cost so covered by this A.2. shall be obtained from the Revised Annual Budget submitted by AEC-RL to AEC Headquarters on or about June 1 for such fiscal year.

3. The estimated cost for such fiscal year for work to be performed by ARHCO for offsite AEC offices, AEC contractors and other Government agencies as well as the estimated cost for such fiscal year for work performed by ARHCO for any other party or parties as directed by the AEC and where such estimated cost for work so performed for any other party or parties is not otherwise included within the provisions of A. Such estimated cost so covered by this A.3. shall be obtained from the Revised Annual Budget described in A.2. above.

B. The annual fixed fee for operations and support services will be computed on the above fee base determined in A. above at the following rates:

1.	On the first $20,000,000	$725,000
2.	On the next $5,000,000	2.75%
3.	On the next $15,000,000	2.15%
4.	On the next $20,000,000	1.5%

C. In the event the fee base for operations and support services for any fiscal year shall be less than $20,000,000, the parties shall negotiate the fee for that year independently of this Appendix "A"; if such fee base should be more than $60,000,000, the fee for that year applicable to that portion of the fee base not exceeding $60,000,000 shall be computed as above set out, and the fee for that year applicable to the excess shall be negotiated by the parties.

D. In addition to the fee for operations and support services, ARHCO shall be paid a fixed fee for any "line item" and GPP construction project management responsibility assigned to it. This fee shall be determined in advance of the fiscal year to which it is applicable and independently of the fee for operations and support services. The fee for project management responsibility shall include a fee for management of capital equipment not related to construction and not included in ARHCO's budget for operating programs. Such factors as estimated costs for such fiscal year for projects to be assigned as well as those previously assigned, extent of management effort assigned and past management performance, among others, will be taken into consideration in arriving at this portion of the total fee for management services.

E. Although computed and negotiated independently in accordance with the foregoing, the fees for operations and support services and for management services in D. above, shall be combined into one annual fixed fee payable in twelve (12) monthly payments.

F. No adjustments will be made in the amount of the fixed fees solely because the actual costs vary from the estimated costs for the period covered by the fixed fees.

G. As a matter of convenience, the parties hereto may agree by letter upon the fee base and fixed fees under this Procedure.

[redacted]

APPENDIX B

APPENDIX "B"

Contract AT(45-1)-2130

This Appendix "B" contains a statement of personnel policies, practices and programs which shall apply to employees of the Contractor engaged in work under the contract.

Amendments of the Appendix "B" may be made from time to time with the prior written approval of AEC.

I. WAGE AND SALARY ADMINISTRATION

A. General Policy

1. Administration of wages and salaries under this contract shall be carried out in accordance with sound wage and salary administration principles and in a manner which shall provide for equitable treatment of personnel on a definitive, systematic basis consistent with economic business practices and judicious expenditure of public funds and which shall result in payment of total compensation to individual employees conforming to the standards of reasonableness as contemplated by the Commission's Procurement Regulation 9-15.5010-14.

2. Salaries paid to employees shall be determined by the Contractor after full consideration of an employee's qualifications, work performance, potential for growth, conformance to area and market compensation levels or other appropriate criteria, and such other factors as may be pertinent to an individual case.

B. Definitions

1. Exempt Employee - An employee of the Contractor employed in a bona fide executive, administrative, or professional capacity who is determined to be exempt from the wage and hour provisions of the Fair Labor Standards Act of 1938, as amended.

2. Nonexempt Employee - An employee of the Contractor who is determined to be covered by the wage and hour provisions of the Fair Labor Standards Act of 1938, as amended.

C. Salary Plans

Employees of the Contractor shall be assigned to positions and compensated in accordance with the manuals entitled:

1. Exempt Salary Plan
2. Nonexempt Salary Plan
3. Bargaining Unit Wage Rate Plan

which will be furnished and subject to approval by the Commission and which, by this reference, will be incorporated in the Appendix "B" as though set forth herein in full. Revisions to the aforesaid manuals will require approval of the Commission prior to adoption.

D. Salary Increase Allotment

During the first quarter of each calendar year and subject to the approval of the Commission, the Contractor shall establish an annual noncumulative salary increase allotment which shall represent the maximum amount of funds to be expended for salary increases (merit, reclassification, market, economic, promotion) for exempt employees. The amount of salary increase granted to individual employees shall

be left to the discretion of the Contractor except as provided in Section E. below and in Article V., D., 8., (a) (1) of the Contract. The annual increase allotment shall be based on such factors as national and industry surveys, parent company experience, and area rates, and such other criteria as may be agreed upon by the Contractor and the Commission and shall be expressed as a percentage of base exempt payroll as of January 1 of each calendar year.

Any unused portion of the annual allotment will not be carried forward from year to year.

E. Limitations and Controls

1. The amount of salary increases granted to exempt employees in connection with merit promotion or reclassification shall be left to the discretion of the Contractor. The Contractor will limit individual merit increases and promotions or reclassification as follows:

   a. Upon reclassification to a higher salary grade as a result of a change in occupational assignment or promotion, an employee may receive an increase in his base monthly salary rate of up to fifteen percent (15%) or adjustment to the minimum of the salary grade, whichever is greater.

   b. New hires shall be employed at rates determined by the Contractor to be appropriate for the job classification to which assigned. Except in unusual circumstances, the rate offered to the new employee should not be in excess of 15 percent (15%)

above that which he is earning in his present employment when the work classification and responsibility in his new job is comparable to that of the job he is leaving.

c. No part of any salary in excess of the maximum of an established salary range will constitute an allowable cost without the approval of the Commission.

2. Formal compensation surveys conducted by the Contractor shall constitute allowable costs only if approved in advance by the Commission.

F. Salary Reports

The Contractor shall submit reports and information in connection with the administration of wages and salaries under this contract as the Commission may require from time to time to evaluate the reasonableness of the Contractor's wage and salary program.

II. RULES GOVERNING SALARY PAYMENTS

A. Definitions

1. Part-Time Employee - A part-time employee is one who is employed on the basis of a regular work schedule of less than forty (40) hours per week. The payment of benefits such as vacations, holidays, sick leave and pensions shall be reasonably related to the number of hours worked by such employees.

2. Temporary Employee - A temporary employee is one who is hired for a specific period of time (usually one year or less) in any job category. A temporary employee will receive no company benefits, other than those required by law.

3. Transferring Employee - A Transferring Employee is one who, on a date mutually agreeable to the Contractor and Isochem Inc., is terminated for transfer by Isochem Inc., and who immediately thereafter reports for duty with the Contractor to initially fill a job required in taking over work within the scope of this contract. A Transferring Employee also is one who either is terminated for transfer by a Previous RL Employer and who immediately thereafter reports for duty with Contractor, or is laid off by ITT Federal Support Services, Inc. and thereafter recalled by Contractor with termination for transfer treatment, in each instance to fill a job required under this contract.

4. Previous RL Employer - As used herein, Previous RL Employer shall mean any cost-type contractor in the Richland Area, including but not limited to ITT Federal Support Services, Inc. and Douglas United Nuclear, Inc., by whom a Transferring Employee previously was employed; provided that such term shall not include E. I. du Pont Company, General Electric Company, Isochem Inc., U. S. Rubber Company, Martin-Marietta Company or the subsidiaries of any of them.

5. Service - Service with the Atlantic Richfield Hanford Company shall include employment with the Atlantic Richfield Company or its subsidiaries. For those employees transferring directly to the Contractor's rolls from Isochem Inc., as a result of the reassignment of functions by AEC from Isochem Inc. to the Contractor, "Service" shall mean continuous employment with Isochem Inc.

or U. S. Rubber Company or Martin-Marietta Corp. or the subsidiaries of either of them and the General Electric Company, and in the case of those individuals who transferred from du Pont to General Electric, employment with the E. I. du Pont Company. For those employees transferring directly from a Previous RL Employer to Contractor or who are laid off by ITT Federal Support Services, Inc. and thereafter recalled by Contractor with termination for transfer treatment, "Service" shall mean continuous employment with the Previous RL Employer and its parent company or any subsidiary thereof and with General Electric Company, and in the case of those individuals who transferred from du Pont to General Electric, employment with E. I. du Pont Company.

6. Salary Rate - The compensation paid to any employee for the basic 40-hour workweek, exclusive of any other payments, such as isolation pay, shift differential or overtime or any other premium payment.

7. Regular Hourly Rate - The salary rate defined in Paragraph 6. above, expressed as an hourly rate, plus shift differential and isolation pay, if applicable. The regular hourly rate for both exempt and nonexempt employees is calculated by dividing the weekly salary rate by forty (40).

B. Hours of Work

The basic workweek shall be forty (40) hours with not more than eight (8) working hours in any one day.

Prior approval of the Commission will be required for establishment of any extended workweek in excess of forty (40) hours and the assignment of personnel thereto whenever such extended workweek applies to an entire functional organizational unit of twenty (20) or more employees and is scheduled for a period in excess of four (4) consecutive weeks. The Contractor shall establish adequate controls to prevent excessive overtime work and to assure that overtime work is in the best interests of the Government.

C. Shift Work Payments

1. Nonexempt Employees - Nonexempt employees who are assigned to and work on a recognized shift which is scheduled to start before 6:00 a.m. or end after 6:00 p.m. may receive a shift differential of twenty-four cents (24¢) per hour while working such shift.

2. Exempt Employees - Exempt employees who are assigned to and work on a recognized shift which is scheduled to start before 6:00 A.M. or end after 6:00 P.M. may receive a shift differential of ten percent (10%) of earnings, excluding isolation pay, but including overtime where applicable.

D. Isolation Pay

1. Nonexempt employees who report to and begin their work days at work locations in or in the vicinity of the 100 or 200 Areas of the Hanford Project may be paid isolation pay in the amount of $10.99 per week.

2. Exempt employees who are required to report to work at locations in or in the vicinity of the 100 or 200 Areas may be paid isolation pay in the amount of $47.76 per month provided they report to work in the outer areas for sixteen (16) or more scheduled days. Exempt employees who report for work in or in the vicinity of the 100 or 200 Areas for less than sixteen (16) scheduled days within any month may be paid Isolation Pay for that month on a pro rata basis calculated at the monthly rate for the number of days worked in such areas.

3. Isolation Pay may also be paid to employees who are scheduled to report to work in or in the vicinity of the 100 or 200 Areas on those days on which they report, in accordance with their supervisor's instructions, for periodic medical examinations at the beginning of their workday.

E. Leave Payments

1. Industrial Injury - An employee who is absent on account of compensable injury or occupational disease may be paid an amount equal to the difference between regular weekly pay for forty (40) hours, including isolation pay where applicable but excluding shift differential, and the payments received under Workmen's Compensation until the disability payments are terminated by an order of the Department of Labor and Industries, Appeal Board or court. If a decision of the Department of Labor and Industries, Appeal Board or court is appealed by either the Contractor or the

employee, payment of such difference will not be made unless and until final determination is made in favor of the employee by the appropriate agency or court.

2. Court and Jury Leave

When an employee is called for service as juror or as a witness by court subpoena or is called as witness by the Contractor or the Commission, he may continue to receive his base weekly salary rate less shift differential but including isolation pay, whichever is applicable. The employee will be required to remit to the Contractor any jury or court fees, except travel allowances, paid by the court for such duty. Jury duty shall count as time worked in the computation of overtime.

3. Voting - In unusual circumstances where an employee cannot vote without interference with his working schedule, he will be allowed the necessary time off with pay not to exceed two (2) hours.

4. Blood Donation - Where, in unusual cases, because of work location or shift schedule, an employee cannot make a blood donation during nonworking hours, he may be allowed the necessary time off with pay.

5. Illness - Employees with one (1) or more years of service may be granted payment for up to twenty (20) working days of absence due to personal illness in any 12-month period.

An employee will accumulate an additional illness absence allowance of two (2) working days for each year of continuous service

up to a maximum of thirty (30) additional working days in any 12-month period.

Employees with six (6) months but less than one (1) year of service may be granted payment for absences due to personal illness up to five (5) working days in any 12-month period.

6. Personal Reasons - Death of Immediate Relative - Employees with one (1) or more years of service may be allowed payments of up to five (5) working days in any 12-month period for absence due to personal reasons, and five (5) working days for absence due to death of an immediate relative.

   Employees with six (6) months but less than one (1) year of service may be allowed a total of five (5) working days pay for personal reasons or death of an immediate relative.

   "Immediate Relative" shall include only an employee's or spouse's parents (or any other person in the status of a parent), brother, sister, grandparent, or child, or the employee's spouse, son-in-law, daughter-in-law, or grandchild.

7. Amount of Payment - Absence payments will include isolation pay, if applicable, except in the case of extended absence payments. Shift differential will not be included.

8. Non-Bargaining Unit Employees - Leave with pay for non-bargaining unit employees, in addition to that specified above, may be granted only on the recommendation of the employee's supervisor and with the approval of the President or his designee.

Requests for additional leave will be reviewed on an individual case basis and consideration will be given to such factors as length of continuous service, previous lost time, past work performance and future potential of the employee, the reason for the request and expected duration of the leave.

F. Holidays

1. The following nine (9) holidays shall be observed each year:

New Year's Day	Thanksgiving Day
Washington's Birthday	Day After Thanksgiving
Memorial Day	December 24th
Independence Day	Christmas Day
Labor Day	

2. When a holiday falls on the first scheduled day of rest of an employee, the holiday will be observed by that employee on his last scheduled workday preceding the holiday. When a holiday falls on the second scheduled day of rest of an employee, the holiday will be observed by that employee on his next scheduled workday following the holiday. If one or more holidays fall within a vacation period, the vacation period shall be extended accordingly or, at the discretion of management, the employee shall receive additional pay for the holiday or holidays.

3. Eligible employees who are not required to work on a holiday shall be paid at their regular rate of pay for the normal daily schedule including shift differential and isolation pay where applicable. Eligible employees who are required to work on a holiday shall receive additional pay in accordance with the Contractor's overtime and premium pay policies as set forth in Section G., below.

4. An exempt employee will be eligible for holiday pay provided he is being paid for the week in which the holiday occurs.

   A nonexempt employee will be eligible for holiday pay unless he is on an unauthorized leave on his last scheduled workday immediately preceding or following his holiday.

   Payment also may be made to an employee where his absence is due to a reduction in force which occurred not more than two (2) weeks prior to the week in which the holiday occurred.

G. Overtime, Premium Pay, and Overtime Lunches

1. Payments to Nonexempt Employees

   a. Nonexempt employees shall be compensated at one and one-half (1 1/2) times their regular hourly rate of pay including shift differential and isolation pay if applicable for:

      (1) hours worked in excess of eight (8) hours in any workday.

      (2) hours worked in excess of forty (40) hours in any workweek.

      (3) hours worked on the first scheduled day of rest within their regular workweek.

      (4) hours worked within their regular schedule on any day observed by the employee as one of the nine (9) holidays listed in Section F. above in addition to any holiday allowance.

      (5) hours worked on a non-established shift.

      (6) hours worked during the period commencing at 7:48 A.M. and ending at 11:48 P.M. as a result of a call-in.

b. Nonexempt employees shall be compensated at two (2) times their regular hourly rate of pay including shift differential and isolation pay if applicable for:

(1) hours worked in excess of twelve (12) in a workday and for hours worked beyond that workday until they shall have been away from work for six (6) consecutive hours.

(2) hours worked on the second scheduled day of rest within their regular workweek.

(3) hours worked outside their regular schedule on any day observed by the employee as one of the nine (9) holidays listed in Section F. above, in addition to any holiday allowance.

(4) hours worked during the period commencing at 11:48 P.M. and ending at 7:48 A.M. as a result of a call-in.

c. For the purpose of determining overtime hours worked, a workday begins when the employee starts work and ends twenty-four (24) hours later. An employee's workweek begins at a fixed time each week based on the employee's assigned working schedule and ends one hundred sixty-eight (168) hours later.

d. Nonexempt employees who do not receive 48-hour notice of each change of shift assignment may be paid at the applicable overtime rate for all hours worked on the new shift during said 48-hour period.

e. In the event an employee is given less than 16 hours' notice of a requirement to work on a holiday, payment may be made for travel time in accordance with Paragraph f. below, and provision made for overtime lunches in accordance with Paragraph 3., below.

f. Call-in time shall include travel time to and from the work location and Richland or the perimeter barricade when special transportation is arranged by the Contractor. When regularly scheduled project bus service is utilized, travel time allowances will be provided as follows:

Area	Travel Time Allowance (one way)
100-B, 100-D, 100-DR, 100-C	1 hour, 15 minutes
100-H, 100-K, and White Bluffs	1 hour, 15 minutes
100-F, 200-E, and 200-W	1 hour, 10 minutes

g. Overtime scheduled in advance or overtime following the regular work schedule shall include the time spent waiting for special transportation for return home when regular transportation is not available.

h. Nonexempt employees will receive not less than the equivalent of four (4) hours' pay at their regular hourly rate, including shift differential and isolation pay where applicable, under the following conditions:

(1) employees reporting as a result of a call-in.

(2) employees reporting on scheduled overtime who are sent home for lack of work.

(3) employees reporting on their regular schedule who are sent home for lack of work.

i. Nonexempt employees who are given notice to report for call-in or scheduled overtime shall receive an amount equivalent to two (2) hours' pay at their regular hourly rate, excluding shift differential and isolation pay, if such notice is cancelled after they have completed their last regular schedule prior to the starting time of each overtime assignment.

j. In computing overtime over forty (40) hours in any workweek, an observed holiday not worked but for which a nonexempt employee receives pay will be counted as time worked.

k. Overtime payments will be calculated in tenths of an hour in accordance with the following schedule:

Time Worked	Time Paid For
1 through 5 minutes	1/10th of an hour
6 through 11 minutes	2/10ths of an hour
12 through 17 minutes	3/10ths of an hour
18 through 23 minutes	4/10ths of an hour
24 through 29 minutes	5/10ths of an hour
30 through 35 minutes	6/10ths of an hour
36 through 41 minutes	7/10ths of an hour
42 through 47 minutes	8/10ths of an hour
48 through 53 minutes	9/10ths of an hour
54 through 59 minutes	One hour
60 through 65 minutes	One hour and 1/10th

2. Exempt Employees

a. Employees on the Executive Payroll will not be eligible for overtime payments.

b. Other exempt employees may receive overtime pay provided that the additional hours have been worked in accordance with an approved, predetermined, and definite work schedule. Non-scheduled overtime will be paid only in exceptional circumstances such as emergency maintenance work, when a supervisor is necessary to direct the work of others or when overtime is necessary for continuity of operations.

c. No payment will be made for overtime hours worked of less than four (4) hours a week (or less than one (1) hour in a day).

d. Overtime payments to eligible employees will be at the rate of time and one-half up to the minimum annual salary of ARHCO exempt salary grade 3410 and at the rate of straight time on the remainder of the employee's annual base salary.

e. A special holiday premium pay may be paid to exempt employees required to work on a paid holiday. Such premium shall be at the rate of time and one-half.

3. Overtime Lunches

Employees may be provided with lunches, and an opportunity to eat such lunches on the Contractor's time, after completing approximately ten (10) consecutive hours of work (excluding the regular lunch period) and at approximately 6-hour intervals thereafter. Employees called in for emergency work may be provided lunches, and an opportunity to eat such lunches on the Contractor's time, at approximately 6-hour intervals. Notwithstanding the

foregoing, lunches will not be provided for employees in cases where the expiration of a 6-hour period falls within one-half (1/2) hour of the time the employee is to be relieved from his work assignment.

4. Payment for Emergency Release Time

In the event of an emergency situation or incident (such as a radiation incident, fire or flood, etc.) involving the Contractor's operations and requiring the temporary release of personnel from their regular duties, the Contractor in such cases may release those employees who cannot be productively utilized or reassigned to other duties and compensate them at their normal rate of pay for the remainder of the workday or shift or for that time which would have normally been worked within the succeeding twenty-four (24) hours.

When such action is taken, the Contractor shall immediately notify the Commission and prior to authorizing a continuation of pay beyond the period specified herein shall obtain the concurrence of the Commission for such pay continuation.

H. Vacation Payments

1. Service Requirements

a. Vacation pay on a calendar year basis will be in accordance with the following schedule:

Years of Service	Amount of Vacation
Less than 1 year	None
1 year but less than 5 years	2 weeks
5 years but less than 10 years	3 weeks
10 years but less than 20 years	4 weeks
20 years or more	5 weeks

2. The vacation allowed in each calendar year under the above schedules shall be equal to the total of:

   a. The vacation to which his continuous service as of December 31 or his last scheduled workday in the last week of the immediately preceding calendar year entitles him, and

   b. Any additional vacation to which his continued accumulation of continuous service shall entitle him during the current year; provided that an employee shall not be entitled to any additional vacation in the vacation year unless he shall actually perform work as an active employee of the Contractor after having qualified for such additional vacation during such vacation year.

3. A Transferring Employee who receives a vacation payment applicable to a calendar year from a Previous RL Employer will be required to take the full vacation to which his service entitles him in that year under the schedule set forth above. The amount of vacation time for which the employee was paid by a Previous RL Employer but not taken must be taken off without pay during the same calendar year.

4. <u>General Vacation Requirements</u>

   a. Employees will be required to take all vacation due in any year except in special cases where deferral of vacation or

pay in lieu of vacation is authorized by the President or his designee.

b. Unearned vacation credits will not be advanced to employees.

c. Employees who terminate employment with the Contractor will be paid for any unused vacation to which they may be entitled upon separation from employment.

d. In the case of an employee who dies, unused vacation earned will be treated as wages and payment made accordingly.

e. The vacation period will be the calendar year.

5. Vacation Pay

Vacation pay will be based on the employee's straight time earnings rate either (1) when the vacation is taken or (2) for the last fiscal week worked by the employee during the year preceding the vacation year, whichever is greater, and may include shift differential and isolation pay where applicable.

The number of hours of vacation pay will be based on the average number of hours worked per week (including absences for which pay is granted) during the 12 month period ending with the last fiscal week of the calendar year immediately preceding the vacation year as follows:

a. The minimum payment (except in the case of part-time employees) will be forty (40) hours.

b. If the average is more than forty (40) but less than forty-two (42) hours, payment will be made for forty (40) hours.

c. If the average is more than forty-two (42) but less than forty-eight (48) hours, payment will be made for the average number of hours rounded off to the nearest hour.

d. If the average is forty-eight (48) or more, payment will be made for forty-eight (48) hours.

I. Payment in Lieu of Notice of Termination

In the event that the services of an employee cannot be productively utilized during a period of notice or if his presence in the Plant during a notice period is not desired, the Contractor is authorized, in specific cases where it is considered justifiable because of attendant circumstances, to pay the employee's salary at his regular rate of pay for the notice period and to release him forthwith. Payments in such cases will not exceed two (2) weeks in the case of nonexempt employees and one (1) month in the case of exempt employees. The Commission will be notified when such cases occur.

III. TRAVEL, TRANSPORTATION, AND MOVING EXPENSES

A. General Policy

Allowable costs for travel expenses of employees include actual reasonable transportation plus a fixed per diem allowance in lieu of actual expenses for lodging, meals, tips, and miscellaneous personal expenses; and other necessary business expenses as described in this article. Where applicable, as described below, allowable costs cover the incurred moving expenses of newly hired or transferred employees and their family members.

B. Regular Business Travel

1. Allowable costs for regular business travel include the use of taxis, limousines, personal automobile, rent-a-car, rail, bus and commercial airline.

   a. The allowance for the use of personal automobile on official business shall be at the rate of thirteen cents (13¢) per mile. Such allowance shall be based on the mileage between the authorized points of travel as listed in the Rand-McNally standard distance charts plus a variation of ten percent (10%). (Except when a longer route is necessitated by road or weather conditions.)

   b. Additional allowances shall be made for daytime and overnight parking and for ferry, toll road, tunnel and toll bridge charges. In the event two (2) or more persons travel in one (1) automobile, only one (1) mileage allowance will be paid.

   c. The allowance for an employee on official travel who uses his privately owned automobile for his own convenience in lieu of commercial transportation will be air coach fare (jet fare where applicable) or thirteen cents (13¢) per mile, whichever is less. In such instances, per diem reimbursement will be limited to the time required as if the employee had used air transportation.

   d. Allowable costs for the rental of automobiles shall be limited to the extent that it is advantageous to conduct of work to be

performed. Compact automobiles are to be used whenever they are available.

e. Allowable costs for rail travel will be actual expenditures for first-class fare, pullman, including the cost of accommodations in excess of roomette fares when no roomettes are available.

f. Less than first-class air accommodations will be used for all airline travel except when less than first-class accommodations are not reasonably available to meet the necessary duty requirements. For example, less than first-class accommodations are considered not reasonably available where less than first-class would (a) require circuitous routing, (b) require travel during unreasonable hours, (c) greatly increase the duration of the flight, (d) result in additional costs which would offset the transportation saving, or (e) offer accommodations which are not reasonably adequate for the medical needs of the traveler.

g. In addition to those mentioned above, reasonable charges, if incurred in connection with the work under the Contract, will be allowed for limousine, taxi, bus, streetcar, sub-way fares, baggage (including excess baggage charges), telephone, telegraph costs, and such other charges as renting rooms, stenographic service, duplicating charges, and other similar items required for effective work performance. In addition to expenses incurred for telephone calls made by an employee for official business purposes, telephone expenses may also include calls required by such other circumstances as: (1) illness in

the family, (2) bad weather conditions justifying concern by the employee's family as to his safe arrival, (3) last minute changes in plans, (4) arrangements for meeting the employee upon return, and (5) a reasonable number, but not to exceed two calls per week of five (5) minutes duration each, for long absences from home (more than two weeks).

2. Per Diem Allowance

a. For domestic travel, excluding Hawaii and Alaska, a per diem at the rate of $24.00 per day for each full day an employee is in official travel status shall be an allowable cost in lieu of the payment of actual expenses for hotel rooms, meals, tips and miscellaneous personal expenses. The fixed daily allowance will be paid at the rate of $6.00 for each one-quarter (1/4) of a calendar day or fraction thereof in which travel is performed.

b. For the purposes of the above, a day is defined as 12:01 a.m. to 12:00 midnight.

c. Foreign travel including travel to Hawaii and Alaska all reasonable actual expenses incurred by employees for hotel, rooms, meals, tips and miscellaneous personal expenses shall be allowable costs.

C. Exempt Personnel Permanent Transfers

Travel and relocation expenses incurred in transferring exempt employees to their assigned work location shall be allowable costs as prescribed below:

1. Shipment of Household Goods and Ordinary Personal Effects

Reasonable charges in connection with the shipment and temporary storage in transit of household goods and personal effects of employees moving to their assigned work locations. Such charges will include the cost of:

a. Packing, crating and unpacking.

b. Charges for containers.

c. Insurance up to a reasonable value on household goods and personal effects while in transit and storage.

d. Shipping household pets.

e. Storage not to exceed thirty (30) days either at the point of origin or at the destination except as otherwise approved by the Commission.

f. Transportation between point of origin and destination including transportation to and from points of storage.

g. An allowance of up to $300.00 when substantiated by receipts to cover miscellaneous charges such as disconnecting and connecting usual household appliances (i.e., washer, dryer, stove, refrigerator), license plates, nonrefundable utilities charges, laying and refitting of carpeting and drapes and disconnecting and connecting TV antenna, but not including the cost of connecting to the community TV cable system.

h. Shipment of an automobile.

i. Shipment of a second automobile or a mileage allowance for a second automobile at rate of thirteen cents (13¢) per mile

whichever is less except in exceptional cases. Such mileage allowance shall be based on the miles between the authorized points of travel as listed in the Rand-McNally standard distance charts plus a variation up to ten percent (10%).

2. Movement of Trailers

a. The actual cost of moving personal and household effects in an auto trailer at a rate not to exceed the cost of moving such personal and household effects by common carrier based upon weight certification by the employee and approved by the Contractor. Weight of the trailer shall not be included in such weight certification.

b. The cost of moving a transferred employee's house trailer will be allowed in accordance with the following:

(1) When the employee elects to have his trailer relocated by a professional moving agency, the actual cost of transporting it will be allowed except for cost incurred for dismantling awnings and disconnecting water and sewer pipes. Allowance will be limited to $1,000 except as otherwise approved by the Commission.

(2) If the employee elects to tow the trailer with his own car, he may be allowed twelve cents (12¢) per mile in addition to the thirteen cents (13¢) for driving his car.

(3) The allowances specified above will be made in lieu of any payment for movement of household goods or personal property.

3. Per Diem Allowances

a. Travel During Transfer and Relocation Periods

(1) The fixed daily allowance for living expenses incurred during travel and relocation of an employee's immediate family shall be allowable costs as provided below:

(i) The employee and spouse - $24.00 per diem each.

(ii) Other family members 12 years of age and over - $12.00 per diem.

(iii) Family members under 12 years of age - $6.00 per diem.

(2) The payment of the aforementioned fixed daily allowance for expenses in the case of transferred employees and their immediate family members may continue after arrival at their assigned work locations subject to the following:

(i) Where employee and dependents arrive at the assigned work location together, or when the dependents arrive within a period of 14 days after the employee, payment of the fixed daily allowance for the employee and dependents will be limited to a period not to exceed 30 days after arrival of the employee at his assigned work location.

(ii) Where the time of arrival of dependents at the assigned work location occurs 15 or more days after arrival of the employee at the job site, payment of the fixed daily allowance will be limited to a period not to exceed 30 days after arrival of the employee and payment of the fixed daily allowance for dependents will be limited to a period not to exceed 14 days after their arrival.

(iii) Payment of the fixed daily allowance for the expenses for single employees shall not exceed 30 days.

(iv) The number of days, if any, compensated pursuant to Paragraph 6. below shall be deducted from the allowances provided in (i) and (ii) above.

(v) Exceptions to the limitations set forth in (i), (ii), and (iii) above shall be made upon approval of the Commission, based upon a demonstration of unusual circumstances, or hardship on the part of the employee. The term "immediate family" shall include the employee's spouse, children (including stepchildren and adopted children), parents of the employee or spouse, and any other dependent of the employee living regularly as a member of his household as defined under Internal Revenue Service Regulations.

4. Transportation Allowances

Allowable costs will include the costs of transporting the employee and his immediate family by automobile, airline, railroad, or whatever means may be appropriate. In the event the employee drives his own car, mileage reimbursement will be in accordance with paragraphs B.1., a. and b. above.

5. Computation of Travel Days

For the purposes of computing the number of days in travel status, standard driving is considered to average 350 miles per day.

Except when a slower rate of travel is justified because of extenuating circumstances, such as road or weather conditions, the fixed daily allowances provided for in this section will not be allowed for days of travel in excess of those which would have been consumed by standard driving.

6. Advance Trip

Allowable costs will include the costs of one advance trip for employees who are to be transferred in order to search for suitable housing, and the reasonable cost of transportation for the employee and his spouse and for expenses enroute and at the new location not to exceed a total of five (5) days (excluding travel time) in accordance with the policies set forth in Sections B. above and this Section C.

7. Sale of Home

For costs actually incurred by transferred exempt employees who own a residence at their previous location in the sale of a home, including brokerage fees and closing costs (legal fees, appraisal fees, etc.), allowable costs shall not exceed eight percent (8%) of the selling price or eight percent (8%) of two and one-half (2 1/2) times the employee's annual salary whichever is less. In the event the employee sells his residence himself, allowable costs shall not exceed the costs actually incurred up to a maximum of three percent (3%) of sale price attendant to such sale as follows: advertising, legal fees and closing costs. All other costs incurred by the employee in sale of the home will be unallowable costs.

The costs incurred by employees in purchasing, renting or leasing a home at the new location are not allowable.

8. Lease Agreements

Payments to employees who have leased a home for their residence at their previous location are allowable for that portion of the unexpired lease up to a maximum of three (3) months' rent payments which they are required to pay in order to terminate the lease, except as otherwise approved by the Commission.

D. Newly Hired Exempt Employees

Except as otherwise approved by the Commission in special cases, allowable costs for expenses incurred by newly hired exempt employees in connection with the relocation of themselves, their dependents and their household goods and personal effects to their assigned work location shall be limited as follows:

1. Shipment of household goods and ordinary personal effects as outlined in Section C. above, limited to a maximum of 11,000 pounds for employees with dependents and 8,000 pounds for employees without dependents.

   a. Allowable costs for shipments weighing at or below the maximums specified above will not exceed the amount derived from the application of special Government rates established under Section 22 of the Interstate Commerce Act to the amounts shipped;

   b. In those cases when the cost of shipping a greater amount of household goods at Government rates does not exceed the cost

of shipping 8,000 pounds or 11,000 pounds, as applicable, at commercial rates, the cost of shipping the greater amount will be allowable.

2. Shipment of only one automobile will be allowed.

3. Per diem allowances as provided in Section C. above.

4. Transportation allowances as provided in Section C. above.

E. Refund of Travel and Moving Expenses

The Contractor will be required to refund payments made by the Commission as allowable costs for a newly hired employee's relocation costs if such employee's employment is terminated voluntarily except for bona fide medical reasons or military duty requirements, within one year from the date of hire.

F. Travel of Temporary Exempt Employees

Professors, graduate students and others employed in exempt positions for full-time temporary employment (usually summer months) may be paid transportation and travel expenses for themselves in accordance with the Contractor's established policy. Allowable costs for such expenses shall be as follows:

1. Cost of transportation not to exceed the cost of less than first-class travel for one round trip from their place of residence to their assigned work location in accordance with Section B. above.

2. Travel expenses while the employee is actually enroute as specified in Section B. above.

G. Prospective Exempt Employees

Transportation and per diem expenses in accordance with Sections B. and C. above paid by the Contractor for expenses incurred by prospective employees under consideration for critical exempt positions at the assigned work location in traveling from their place of residence to the point of interview and return home or to a location equidistant to the point of origin for the purpose of employment interview shall be allowable costs.

H. Nonexempt Employees

For nonexempt employees in critical occupations, shipment of a minimum amount of household goods and personal effects and other relocation costs to the assigned work location may be authorized with the prior approval of the Commission.

I. Expenses in Connection With Off-Plant Assignments - Resident and Temporary

Assignments of employees for work at off-Plant locations fall in two categories - resident and temporary. Resident assignments are those designated as such by the Contractor, in which an employee will be at a location other than Richland for an extended period, generally one year or more. The headquarters of these employees are their assigned locations. Temporary assignments are those in which an employee is assigned temporarily to a location other than his headquarters. When an employee in a resident assignment is assigned temporarily to another location as work requirements demand, his headquarters continues to be his resident location.

The Contractor will be allowed the following costs for such employees:

1. Resident Assignments

a. Travel Expense

Traveling expenses for the employee and his family in accordance with Section C., Paragraphs 4. and 5. of Article III.

b. Living Expense

Living expenses for the employee and his family while in travel status and while awaiting the arrival of household goods, availability of housing and installation of utilities, not to exceed a period of 30 days after arrival at the new location. The per diem allowed to the Contractor by the Commission shall be at the rate specified in Section C., Subparagraph 3. (a) of Article III.

c. Moving Expense

Moving expenses in accordance with Section C., Paragraph 1. and 2. of Article III.

d. Other Transfer Expenses

(1) Canceled Leases

Actual cost of obtaining a release from a house or apartment lease, limited to 3 months' payments if the employee receives no advance notice of a required change of location. When advance notice is provided, the three months will be reduced by the period of notice.

(2) Expenses in Connection with Housing

Expenses as stated in Subparagraph 7. of Section C. of Article III.

e. Side Business Trips

Transportation costs plus per diem allowances incurred in connection with business trips away from the assigned location, including trips to Richland.

f. Other Business Expenses

Other appropriate expenses relating to the employee's official duties will be allowed such as telephone toll charges, telephone service charges, including installation costs, telephone answering service, telegrams, stenographic service, postage, and minor expenses for expendable stationery and office supplies. When the use of a privately-owned automobile has been authorized and the employee is required to move to another state, the cost of automobile license fees will be allowed provided the employee has purchased a license for the current year.

2. Temporary Assignments

a. Travel Expenses

Transportation costs for the employee only, to the point of his new assignment, in accordance with Section B. Paragraph 1 of Article III.

b. Interim Living Expenses

Living expenses for the employee only while in travel status and for the first 30 days at the new location at the per

diem rate specified in Section B. Subparagraph 2.a. of Article III.

c. Moving Expenses

Moving expenses will be limited to a maximum weight of 175 pounds, as excess baggage, with shipment to be made by railway express or parcel post.

d. Canceled Leases

On official change in assigned location, the cost of a canceled rental lease not exceeding a reasonable month's rent provided at least one month's notice (from anniversary date when lease so specified) of an impending move has not been given.

e. Living Allowances

(1) After First 30 Days and for Next 5 Months

After the first 30 days and through the next 5 months at assigned location, a per diem amount of $1.00 less than the rate specified in Article III, Section B. Subparagraph 2.a.

(2) For Second 6 months

After the first 6 months and through the next 6 months at assigned location, a per diem amount of $3.00 less than the rate specified in Article III, Section B. Subparagraph 2.a.

(3) After 1 Year

After one year at the same location (away from headquarters), a negotiated per diem amount less than the amount under (2) above if, at that time it is determined that the assignment will probably continue for an extended period. Otherwise, the arrangement described in (2) will continue. The amount negotiated will be based on estimated living costs in excess of those normally incurred at Headquarters. If and when it can be determined that an assignment will continue for an additional year or more at the same location, the employee will be considered on a resident assignment and allowances made for such assignments will apply.

f. Side Business Trips

Transportation costs plus per diem allowances at the rate specified in Article III, Section B., Subparagraph 2.a. for days away from assigned locations. Continuing lodging costs at assigned location (at 1/2 the amount) under e. (1), e. (2), or e. (3) above, whichever may be applicable.

g. Other Business Expenses

As described in subparagraph 1.f. above.

IV. EMPLOYEE BENEFIT PLANS

The costs of the following will be allowable subject to the conditions specified:

A. Group Insurance, Savings and Pension Plans

1. General

a. The Contractor will continue to implement and administer the existing Atlantic Richfield Hanford Company Pension and Group Insurance Plans; which Plans and their related insuring contracts and policies are enumerated as follows:

(1) Atlantic Richfield Hanford Company Pension Plan and related Connecticut General Life Insurance Company Contract No. GR-1738;

(2) Group Life Insurance as implemented by Connecticut General Policy No. 34437-01;

(3) Group Medical Expense Insurance for Retired Employees (provided by Rider to Policy No. 34437-01);

(4) Group Accidental Death and Dismemberment Insurance as implemented by Connecticut General Policy No. 34437-02;

(5) Group Disability Income Insurance as provided under Connecticut General Policy No. 34437-03;

(6) Group Comprehensive Medical Expense Benefits Insurance as provided under Connecticut General Policy No. 34437-04;

(7) Group Comprehensive Medical Expense Benefits for Retired Employees (provided by Rider to Policy No. 34437-04);

(8) Group Long Term Disability Insurance as implemented by Union Mutual Life Insurance Company Policy No. 11482;

(9) Travel Accident Plan, provided under Bankers Insurance Company Policy No. SR50.705.

b. The Contractor took over the above plans and insurance coverages from Isochem Inc. effective September 4, 1967, assuming such obligations and liabilities, if any, as remain unpaid or unfunded with respect to and in consequence of the extension of such plans and coverages by Isochem Inc. to its employees engaged in work under Contract No. AT(45-1)-1851.

2. Savings Plans

Contractor shall continue to implement and administer existing employee savings plans.

3. Recapture

The Contractor agrees that the Commission is entitled to recover or be credited with the equivalent of the value of any pension, savings or insurance plan released liabilities, payment of credits, including dividends due the Contractor, arising as result of the operation or termination of any plan or plans enumerated in Section A.1. of this Article IV. The method by which the Commission shall recover or be credited with the equivalent of

such values which may accrue in any way, including employee turnover, contract expiration or termination or for any other reason shall be in accordance with the provision of a separate agreement between the parties.

4. Vesting and Eligibility for Enrollment ("Eligibility")

a. All Transferring Employees will accrue vesting and eligibility rights in the pension plan maintained by the Contractor in accordance with Section A.1. of this Article IV, using the combination of all periods of pension-participating Service with General Electric, Isochem Inc., U. S. Rubber Company or Martin-Marietta Corporation or subsidiaries of either of them, a Previous RL Employer or its parent company or any subsidiary thereof, as well as with Contractor in order to acquire such rights, except that:

(1) Employees who have vested under the terms of the GE Pension Plan but who withdrew their contributions and interest from the GE Plan, will receive credit toward eligibility and vesting only for pension-participating Service with Isochem Inc., a Previous RL Employer and/or the Contractor, to the extent that their contributions to said plans have not been previously withdrawn.

(2) Employees who were General Electric employees prior to their transfers to Isochem Inc. or a Previous RL Employer who were participants in but were not vested under the GE Pension Plan and who elected not to participate in the AEC-The Travelers Annuity Plan for non-vested GE transferees, will receive credit toward eligibility and vesting only for pension-participating Service with Isochem Inc., a Previous RL Employer and/or the Contractor, to the extent that their contributions to said plans have not been previously withdrawn.

(3) Employees who did not participate in the Pension Plans of Isochem Inc. or a Previous RL Employer during service with such companies will receive vesting and eligibility credit only for pension-participating Service with the Contractor.

b. Employees of Atlantic Richfield Company or its subsidiaries transferred to work under this contract, electing to participate in the pension plan maintained by the Contractor in accordance with Section A.1. of this Article IV, will be credited for vesting and eligibility purposes with all prior pension-participating Service with Atlantic Richfield Company or its subsidiaries; employees may not make such election if they continue to participate actively in any pension plan maintained by Atlantic Richfield Company or its subsidiaries.

c. All other employees will be treated as new employees for purposes of establishing eligibility and vesting rights under the pension plan maintained by the Contractor under Section A.1. of this Article IV.

B. Suggestion Award Plan

Cash awards may be granted to employees for suggestions submitted and adopted pursuant to a Suggestion Award Plan to be established by the Contractor. Details of the Suggestion Award Plan, including the conditions of participation and rules for administration, will be furnished to and shall be subject to approval by the Commission prior to establishment by the Contractor. An individual suggestion award of $1,000 or more shall be subject to the prior approval of the Commission.

C. Physical Examinations

1. The Contractor will obtain periodic physical examinations and industrial medical and hygiene services for its employees from the Hanford Occupational Health Foundation.

2. An offsite physical examination for a prospective employee may be authorized by the Contractor when it would be sound business practice to do so.

D. Separation Pay Plan

1. General

A separation pay allowance in event of layoff for lack of work for employees of the Contractor with one (1) or more

years of continuous service will be in accordance with the provisions hereinafter set forth.

2. Computation of Separation Pay Allowance

The allowance shall be computed on the basis of one (1) week's pay excluding shift differential and isolation pay, for each of the employee's full years of continuous service plus one-quarter (1/4) of a week's pay for each additional three (3) months of continuous service at time of layoff.

3. Accrual of Separation Pay Credits

a. Transferring Employees who had less than ten (10) years of continuous service with General Electric and Isochem, Inc., or a previous RL Employer at the time of their transfer will retain prior separation pay credits and continue to accrue additional credits as Contractor employees on the basis set forth in 2. above up to a maximum of ten (10) weeks' total separation pay credits.

b. Transferring Employees who had more than ten (10) years of continuous service with General Electric at the time of their transfer to Isochem Inc. will retain eligibility for separation pay credits for their continuous service with General Electric on the basis set forth in 2. above. They will not accrue additional separation pay credits as Contractor employees.

c. All other employees hired by the Contractor will begin accruing separation pay credits upon completion of one (1) year of continuous service with the Contractor. Upon completion of this minimum service period, separation pay credits will accrue on the same basis as set forth in 2. above, up to a maximum of ten (10) weeks' total separation pay credits which includes credit for the one (1) year minimum service period.

d. Eligibility for separation pay allowances will automatically expire for employees at any time service is broken in accordance with Article VII below. Should continuity of service be restored, prior eligibility for separation pay allowance will likewise be restored.

4. Conditions of Payment

An eligible employee laid off for lack of work by the Contractor will be paid the separation pay allowances for which he is eligible subject to the following conditions:

a. A permanent layoff will be considered as one which the Contractor determines at the time of separation will exceed six (6) months.

b. At the time of permanent layoff, an employee will be given the option of (a) receiving his separation pay allowance in a lump sum, or (b) delaying receipt of

the separation pay allowance until six (6) months have elapsed, after which time the allowance will be paid him in a lump sum.

c. Where the layoff period has not been determined or has been determined to be six (6) months or less, an employee may elect (a) to receive, after one month in layoff status, one-sixth (1/6) of the separation pay allowance for which he is eligible, and one-sixth (1/6) each month thereafter until he has been offered re-employment in his former job classification, or until the full allowance has been paid; or (b) to delay receipt of the separation pay allowance until six (6) months have elapsed, after which time the total allowance will be paid him in a lump sum.

d. In the event an employee elects option (a) in Paragraph 2.b. or 2.c. above, and he is offered re-employment in his former job classification within six (6) months after layoff, he will be expected to repay to the Contractor within one (1) year from the date of the offer, or the date of re-employment, the total amount of the separation allowance paid him. If the employee fails to repay the total allowance during the specified time period, (a) all service and seniority credits previously accumulated and continuity of service

(excluding pension credited service) will be extinguished, (b) the employee will not be eligible to accrue new separation pay credits until he shall have worked for the Contractor from the date of his re-employment for a period equal to the period he had previously worked to accumulate the separation pay credits for which he was eligible at the time of his layoff, and (c) will otherwise be considered a newly-hired employee.

e. An employee who has received the total separation pay allowance for which he was eligible in accordance with Paragraph 2.b. or 2.c. above, and who is re-employed in his former job classification after having been in layoff status in excess of six (6) months will not be required to repay the separation pay allowance and will be eligible to accrue new separation pay credits upon completion of one (1) year of continuous service from the date of his re-employment. Upon completion of this minimum service period, new separation pay credits will accrue on the same basis as set forth in Paragraph b. above; up to a maximum of ten (10) weeks' total separation pay credits which includes credit for the one (1) year minimum service period.

f. An employee will not be entitled to receive any separation

pay allowance if he has reached normal retirement age (65) at the time he is laid off.

g. Eligibility for separation pay allowance will expire for employees permanently transferred to work not within the scope of this contract except to the extent provided in Paragraph 5.b. below.

h. In the event that responsibility for operation of part or all of the Government-owned facilities under this contract (including standby protection and maintenance functions) is assumed by another Contractor or Government agency, employees who are transferred to the employ of, or who are offered employment within their same classification or at positions of comparable responsibility by such Contractor or Government agency, which employment will commence within thirty (30) days after being laid off by the Contractor shall not be paid any separation pay allowance.

5. <u>Transfers</u>

a. If an employee of the Contractor or its parent Company(ies) is transferred to work covered by this contract and is subsequently laid off, the allowable costs shall include only that portion of the separation pay allowance which was accrued as a result of work performed by such employee under this contract.

b. If an employee performing work under this contract is transferred by the Contractor to work which is not covered by this contract and is subsequently laid off, the allowable costs shall include only that portion of the separation pay allowance which was accrued as a result of work performed under this contract, provided payment of separation pay allowances to the employee is made under a separation pay plan comparable to that outlined herein and provided further that the employee is employed in a segment of the Contractor's operations located within the vicinity of the Hanford Project.

E. Membership in and Attendance at Meetings of Professional and Technical Societies

The cost of membership in and attendance at national and regional meetings of appropriate societies, including transportation and travel expenses, shall be administered by the office of the Vice President of Business Management from an approved budget which shall be subject to approval on an annual basis by the Commission.

F. Education and Training

1. In order to provide for an efficient, well-trained, and competent work force, the Contractor may establish programs directed toward the continuing education, training, and professional development of its personnel. These activities may include but will not necessarily be limited to such programs as tuition refund, educational leave-of-absence, job-related and apprenticeship training, and attendance at off-site courses and seminars.

2. The character and extent of the various education and training programs to be utilized by the Contractor under this contract will be subject to the approval of the Commission.

G. Damaged Personal Property of Employees

1. If an employee sustains damage, including radioactive contamination, to personal property when in the course of his employment, not due in whole or in part to his own negligence or to the negligence of a third party, and such damage is sustained when the employee is complying with established Contractor policies regarding employee conduct, he may be fully paid or have the personal property replaced, decontaminated or repaired, at the discretion of the Contractor. In the case of personal clothing, payment will be limited to loss or damage as the result of radioactive contamination, fire, chemical and water damage. Approval of the Commission will be required in those instances in which loss or damage exceed $100 per occurrence.

2. Personal property as used in the Section includes tools and equipment when needed in the work and when not made available by the Contractor; and when reasonably appropriate considering the circumstances (including the area in which he is working, needs of the job, and other factors), private automobiles and personal effects worn by or carried on the person such as wallets, watches, jewelry and prosthetic appliances.

H. Patent Application Payments

An award of up to $125 may be made to employees or former employees of the Contractor for patent applications signed at the request of the Commission covering inventions and discoveries made during their employment at or for the Plant. Payment of such awards may be made in accordance with the established Patent Plan of the Contractor, a copy of which will be furnished to the Commission. Modification or amendments of the Patent Plan will require the prior approval of the Commission.

I. Benefits for Employees Entering and Returning from the Armed Forces

The Contractor shall abide by and comply with all legal requirements applying to an employee who terminates to enter the Armed Services of the United States, voluntary or otherwise, or who applies for rehire following service with the Armed Forces in accordance with the Universal Military Training and Service Act as amended. In addition, the Contractor may allow time off and military pay differential for attendance at annual encampments, National Guard emergency duty, Armed Forces refresher courses and other similar types of duty. An employee may not receive a vacation pay allowance and a military pay differential for the same period.

V. COLLECTIVE BARGAINING AGREEMENTS

A. Whenever changes in provisions of the labor agreement are reached through collective bargaining between the Contractor and a bargaining representative, the Contractor and the Commission will expeditiously enter into discussions concerning amendment of this Appendix "B".

B. Reasonable costs not covered in other sections of this Appendix or the contract, which arise from administration of or pursuant to collective bargaining agreements including but not limited to such items as time-off granted to union representatives for conduct of union business or negotiations, cost of negotiations, employer costs of grievance and arbitration or similar proceedings shall constitute allowable costs. The specific approval of the Commission will be obtained in the case of unusual items.

VI. SURPLUS PERSONNEL

The Contractor, to the maximum extent practical, will utilize Project surplus personnel as a first source of recruitment. The procedures to be followed in utilizing such personnel shall be agreed upon by the Contractor and the Commission.

VII. SERVICE CREDITS

The Contractor will develop and submit to the Commission for its concurrence procedures to cover continuity of service.

VIII. EMPLOYEE AND COMMUNITY RELATIONS PROGRAMS

The cost of Employee and Community Relations programs including safety programs, awards for continuous service or perfect attendance, and management awards shall be allowable. The nature and extent of such programs shall be discussed in advance with the Commission and total amount budgeted for such programs shall be subject to the approval of the Commission.

IX. TRAVEL ACCIDENT INSURANCE

A travel accident plan generally similar to that currently in effect may be placed in effect. The details of the plan will be submitted to the Commission.

X. MISCELLANEOUS PERSONNEL ITEMS

A. Legally required contributions to old age and survivors' insurance and unemployment compensation and cost of workmen's compensation plans shall be allowable.

B. The Contractor may publish an employee house organ and may issue on an "as needed" basis management newsletters and bulletins to adequately communicate in a timely fashion to its employees those matters affecting the employer-employee relationship.

C. Reasonable and necessary expenses incurred in the recruitment of personnel including but not necessarily limited to help-wanted advertising, employment office, travel of employees on recruiting assignments, preparation of booklets and other recruitment material, and with the prior approval of the Commission, use of employment agencies at rates not in excess of standard commercial rates shall be allowable.

XI. FIRE OFFICERS (PLATOON) AND FIREMEN (PLATOON)

(Except as hereinafter set out, the foregoing provisions of this Appendix "B" are applicable to fire officers (platoon) and firemen (platoon). To the extent that the foregoing provisions are in conflict with the following provisions, the latter shall control.)

A. Definitions

1. Salary Rate for Fire Officers (Platoon) and Firemen (Platoon)

The term "salary rate" with respect to fire officers (platoon) and firemen (platoon) means the compensation paid to such employees, exclusive of isolation pay, overtime and other premium payments.

2. Daily Rate for Fire Officers (Platoon)

The "daily rate" for fire officers working on a platoon system is calculated by dividing the monthly salary by the number of scheduled duty days in that month.

3. Regular Hourly Rate for Fire Officers (Platoon) and Firemen (Platoon)

The "regular hourly rate" for firemen (platoon) shall be calculated by dividing the fixed weekly rate, including isolation pay if applicable, by the number of hours worked in that week; provided, that the hourly rate paid shall not be less than the minimum hourly rate required by Federal law.

The "regular hourly rate" for fire officers (platoon), for the purpose of computing overtime and other premium pay, is calculated by dividing the annual rate by 2921.3352, which is the number of scheduled annual duty hours for fire officers (platoon).

4. Duty Day

"Duty day" means a tour of duty of 24 hours in length, assigned to a fire officer or a fireman working on a platoon system.

B. Isolation Pay

1. Fire Officers (Platoon)

Isolation pay will be paid to fire officers (platoon) whose normal work assignment is in the outer areas and who work in those areas not less than seven of their scheduled duty days in the month. The rate of isolation pay for fire officers (platoon) shall not exceed $26.40 per month. Fire officers (platoon) who work in the outer areas less than seven scheduled duty days within the month will be paid a pro rata payment calculated at the monthly rate for the number of days worked in the outer areas. For the purpose of calculating isolation pay, days within the month scheduled as employee workdays in the area but falling on vacation days or days excused with pay will be considered as days worked in the outer areas.

2. Firemen (Platoon)

Isolation pay of $5.13 per week will be paid to firemen (platoon) who report to and begin their workday in or in the vicinity of the 100 or 200 Areas.

C. Leave for Personal Illness - Firemen (Platoon)

A fireman (platoon) having one or more years of continuous service who is absent from duty for an entire workweek, may be allowed pay for such workweek in accordance with the following schedule:

1. Absences of 10 duty days due to personal illness may be allowed in any 12-month period. If a fireman (platoon) is absent for an

entire workweek, he may receive payment for that workweek at the existing negotiated rate, provided that he has to his credit a number of unused illness absence duty days equal to or greater than the number of duty days he would have worked in that workweek in accordance with his regular schedule.

2. In the event a fireman (platoon) is absent for an entire workweek due to personal illness but does not have to his credit the number of unused illness absence duty days equal to the number of duty days he was scheduled to work in such workweek, he may receive a payment at the existing negotiated rate for that workweek computed by multiplying the number of unused illness absence duty days remaining to his credit by his prorated duty day pay rate for that workweek divided by the number of duty days the fireman (platoon) would have worked in accordance with his regular schedule.

   In determining available illness absence duty day credits for purposes of payment under this Subparagraph, there shall be deducted from the established allowance the total number of duty days the fireman (platoon) was absent because of personal illness during the 12-month period, including absences of less than a full workweek.

3. In addition to the above, a fireman (platoon) may be granted sick leave in accordance with the following:

a. A fireman (platoon) will accumulate an additional illness absence allowance of one duty day for each year of continuous service up to a maximum of 15 additional duty days in any 12-month period. Payment for an illness absence of an entire workweek under this allowance may be made as outlined in Subparagraphs C.1. or C.2. above, except that such payments will not include isolation pay.

b. If a fireman (platoon) has an absence or absences, either continuous or interrupted, for a total of more than 10 duty days in any 12-month period due to the same or related illness, he may be paid for any duty days he is absent because of such illness in excess of such 10 duty days up to the available duty day credits under the allowance accumulated pursuant to Subparagraph 3.a. above, provided such duty days occur in a workweek in which the fireman (platoon) is absent for the entire workweek because of such illness. Payment for the first 10 duty days of such absences may be granted pursuant to the provisions of Subparagraphs C.1. or C.2. above, to the extent available.

In determining available additional absence duty day credits for purposes of payments under this Subparagraph B., there shall be deducted from the additional absence allowance the total number of duty days in excess of 10 on which the fireman (platoon) was absent because of the same or related illness

during the 12-month period, including absences of less than a full workweek.

4. A fireman (platoon) with service credits of between six months and one year will accumulate a personal illness absence allowance of three duty days in any 12-month period. If he is absent for an entire workweek because of personal illness, he may receive payment at the existing negotiated rate for that workweek, provided that he has to his credit a number of illness absence duty days equal to or greater than the number of duty days he would have worked in that workweek in accordance with his regular schedule. If he does not have such number of illness absence duty days to his credit, he will receive a pro rata payment as provided for in subparagraph C.2., above. Available illness absence duty day credits shall be determined by deducting all illness absences in the 12-month period, as provided for in subparagraph C.2., above.

D. Absence for Personal Reasons

1. Firemen (Platoon)

a. A fireman (platoon) with continuity of service, if absent for an entire workweek for personal reasons other than vacation or personal illness, may be allowed pay for such workweek for reasons and periods as follows:

Reason	Maximum Period in Any 12-Month Period
Death of immediate relative	3 duty days
Personal Business	3 duty days*

*Any unused portion of this 3-duty-day period may be utilized for death of immediate relative after the 3-duty-day period for that purpose has been exhausted.

Payment for such absences will be calculated in the same manner as payments for absences due to personal illness as set forth in the preceding Subparagraphs C.1. or C.2.

b. A fireman (platoon) with service credits of between six months and one year may, subject to the approval of the Department Manager, be allowed pay for an absence of an entire workweek, as follows:

Reason	Maximum Period in Any 12-Month Period
Personal Business or Death of Immediate Relative	3 duty days

Payment for such absences will be calculated in the same manner as payments for absences due to personal illness as set forth in the preceding Subparagraphs C.1. or C.2.

E. Absences for Miscellaneous Reasons

1. Injury or Occupational Disease

A fireman (platoon) who is out for an entire workweek because of injury or occupational disease that is compensable under Workmen's Compensation Statutes of the State of Washington shall be paid for such week an amount equal to the difference between his existing negotiated rate of pay and the payment he receives from Workmen's Compensation. Such payments shall continue until his compensable status is terminated by an order of the Department of Labor and

Industries, or by an order of the Superior Court. In the event that a decision of the Department of Labor and Industries, or of the Superior Court, is appealed by either the Company or the fireman (platoon), payment of said difference shall not be made unless and until a final determination is made in favor of the fireman (platoon) by the appropriate agency or court.

2. Witness and Jury Duty

When a fireman (platoon) is called for service as a juror or as a witness by court supoena or is called as a witness by the Contractor or the Commission, he may be paid at the existing negotiated rate for each entire workweek he is absent from duty because of such service. The fireman (platoon) may be required to remit to the Contractor any jury or court fees, except travel allowances, paid by the Court for such duty.

3. Absence Allowance Units

For purposes of converting absence allowance units under a non-platoon schedule to those available under a platoon schedule, two days' absence allowance available under a non-platoon schedule shall be equal to one duty day allowance for absences due to any of the causes specified in Sections C., D., and E.

4. Additional Absences

Payment may be made upon the written approval of the Commission for additional absences excused by the Contractor.

F. Holidays

1. Payment for Holiday Work - Fire Officers (Platoon)

The working schedules for fire officers (platoon) do not permit them to be relieved from duty on the holidays listed in Article II.F.1, above. Therefore, fire officers (platoon) will be paid a holiday allowance equivalent to 10.67 hours pay at 1-1/2 times their regular hourly rate for each such holiday, whether or not they are scheduled to work on a particular holiday.

2. Payment for Holiday Work - Firemen (Platoon)

The working schedules for firemen (platoon) do not permit them to be relieved from duty on holidays listed in Article II.F.1, above. No holiday premium as such will be paid to these employees inasmuch as the salary structure pertaining to nonexempt firemen (platoon) includes a factor for holiday duty.

G. Vacation Payments, Holidays and Allowances

1. Payments - Firemen (Platoon)

A vacation payment will be made to a fireman (platoon) for each entire week (a vacation week shall coincide with the workweek) he is on vacation on the basis of the greater of:

a. The employee's fixed weekly rate for the week including isolation pay where applicable, plus the overtime compensation to which he would have been entitled if he had been on duty in accordance with his regular schedule during the entire vacation workweek; or

b. The employee's straight time weekly earnings rate, excluding isolation pay and shift premium, in effect during the last fiscal week worked by him during the year preceding the vacation year, plus isolation pay where applicable, equivalent to his entitlement thereto under a. above.

2. Holidays Within Vacation Period

a. Payments to fire officers (platoon) for vacations will be based upon the regular schedule the employee would have worked during the vacation period, including the holiday allowance, for any holiday falling within the vacation period. However, vacation time will not be extended by reason of any holiday.

3. Vacation Allowances

a. Any vacation allowance to which fire officers (platoon) may become entitled under Subsections c. and d. of Article II.H.4. of this Appendix "B" will be on the basis of 56 hours multiplied by the annual hourly rate times the number of vacation weeks due.

b. Any vacation allowance to which firemen (platoon) may become entitled under Subsections b. and c. of Article II.H.4. of this Appendix "B" will be at the existing negotiated rate of pay.

H. Overtime

1. A fireman (platoon) will be paid a premium for 1/2 his regular hourly rate as overtime compensation for all hours he is on duty

in excess of 8 hours for each calendar day within the workweek or for all hours he is on duty in excess of 40 hours within the workweek, whichever is greater.

2. Fire officers (platoon) will not be paid for overtime work but in the event they are required, because of unusual circumstances, to remain on duty continuously for more than two consecutive duty days, overtime may be paid at the regular hourly rate for those hours on duty in that week which exceed the normal scheduled hours for that workweek.

I. Shift Work Payments

Firemen (platoon) and Fire Officers (platoon) are not eligible for any shift differential.