Part III - Section J

APPENDIX C

PERSONNEL APPENDIX

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1.0 Introduction

This appendix sets forth certain Contractor Human Resources Management policies and related expenses that have cost implications under this Contract and are not covered explicitly in the Federal Acquisition Regulations (FAR) or Department of Energy Acquisition Regulations (DEAR) cost principles. This appendix identifies those costs deemed eligible for reimbursement when incurred in keeping with FAR 31.201-2. The terms and conditions of this Contract, FAR Part 31, DEAR 931, and DEAR 970.30 may not cover every element of “personnel costs” but, failure to include any item of cost does not imply that it is allowable. The Contractor shall seek Contracting Officer approval prior to incurring costs not specifically identified as allowable in the Contract. The Contractor shall identify and treat all unallowable costs and directly associated unallowable costs in accordance with the criteria set forth in FAR 52.230-2, Cost Accounting Standards, including but not limited to placing unallowable costs in appropriate allocation bases.

Approval of personnel policies under contract DE-AC04-94AL85000 does not transfer to this Contract. Policies applicable under the Contract must be brought into compliance with the SOW and this Personnel Appendix. All of the Contractor’s personnel policies shall comply with the terms and conditions of this Contract including but not limited to FAR Part 31, Contract Cost Principles and Procedures. If there is a conflict between the Contractor’s policies and the terms of this Contract, the Contract will govern. Nothing in this Personnel Appendix makes costs allowable or reasonable that would otherwise be unallowable or unreasonable.

The Contractor will obtain prior Contracting Officer approval of changes to its existing policies in those areas identified within the scope of the Personnel Appendix when such changes are expected to increase costs to the Government. In situations where changes may set a precedent among the Department of Energy/National Nuclear Security Administration (DOE/NNSA) Contractors, the Contractor will consult with the Contracting Officer regarding program cost reimbursement prior to implementation, even if there is no expected increase in cost. This requirement is not intended to prohibit the Contractor from taking advantage of efficiency gains realized from new and innovative approaches in providing Human Resource services.

The Contractor shall establish effective management review procedures and internal controls to ensure that requirements set forth herein are met. For areas that require prior approval of the Contracting Officer, the Contractor will submit required documents and seek Contracting Officer approval, prior to incurrence of costs. The Contractor will follow the principles below in meeting the requirements of DEAR 970.5203-1, Management Controls.

Human Resource Programs:

1. Are market based as evidenced by comparisons with applicable industry comparators;
2. Fulfill the requirements of the DOE/NNSA mission, meet strategic direction of DOE/NNSA, and are in the best interests of the Government;
3. Are adopted to support the business needs of the Contractor and/or local conditions above;
(4) Apply to all employees of the Contractor engaged in the work under this Contract, to the extent practicable, irrespective of the place of performance of work, and are consistent with collective bargaining agreements, as applicable;

(5) Are documented in policies and/or in Summary Plan Descriptions and are available to DOE/NNSA;

(6) Are in compliance with rules and regulations incorporated into this Contract and applicable laws; and

(7) Are affordable within the constraints of the resources available to the Contractor.

Either party may request revisions to this Appendix and both parties agree to give consideration in good faith to any such request. When revisions to this Appendix are made, a contract modification will be executed to effect the changes.

This Appendix is for the exclusive benefit and convenience of the parties hereto. Nothing contained herein shall be construed as granting, vesting, creating, or conferring any right of action or any other right or benefit upon past, present, or future employees of the Contractor, or upon any other third party.

2.0 Compensation

(i) General

Section 2.0, Compensation, does not apply to bargaining unit employees. Section 3.0 sets forth allowable costs associated with bargaining unit employees.

(ii) Overtime

The Contractor shall maintain adequate internal controls to ensure that employee overtime is authorized only if cost effective and necessary to ensure performance of work under this Contract. The Contractor shall submit to the Contracting Officer overtime utilization reports no later than 30 days after the end of the fiscal year for the fiscal year that just ended. If the report indicates that overtime comprised 2.5% (See Section I, clause FAR 52.222-2 Payment of Overtime Premiums) or more of the overall payroll, the Contracting Officer may request that the Contractor submit a plan to lower the overall overtime usage rate.

(iii) Extended Workweek and Flextime

When deemed essential to the performance of work under this Contract and there is no ability to provide other forms of relief, management may approve extended workweek or flextime options for exempt employees in accordance with the Contracting Officer approved plan.

Flextime allows exempt employees to accumulate time-off when business demands exceed a normal schedule. Flextime begins to accrue after the fifth hour over an employee’s weekly schedule. An employee’s flextime accrual may not exceed 80 hours at any given time.

Extended Workweek allows exempt employees to be paid straight time for all hours worked after the fifth hour over the employee’s defined workweek.

Employees may not be on extended workweek and earn flextime. Extended workweek
or flextime cannot be earned in the same period with time charging codes associated with paid time off except for employer required training and employer required medical exams/treatment.

(iv) Call-In Emergency

Non-represented employees who are called during off time to report for a work assignment outside their standard work schedule (called-in emergency) may be paid a minimum of four (4) hours pay for time worked (at straight time rate or overtime rate as the circumstance may require at the time of the called-in emergency), no matter whether the employee worked less than 4 hours.

(v) Differentials and On-Call Pay

Differentials and on-call pay may be paid to employees in specific work environments and situations. Reimbursement shall be in accordance with the Contracting Officer approved differentials and on-call pay plan, and is limited to the following programs:

<table>
<thead>
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<th>Program</th>
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<td>Sensitive Compartmented Information Facility (SCIF) Differential</td>
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<tr>
<td>Classified Administrative Specialist (CAS) Differential</td>
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<td>Working Condition Differential (Z-Machine)</td>
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<td>Incident Commander Differential</td>
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<td>Uniformed Security Supervisor Differential</td>
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<td>Tonopah Test Range and Nevada Test Range Differential</td>
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<td>Nuclear Incident Response Program (NIRP) On-Call Pay</td>
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<tr>
<td>On-Call Pay</td>
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(vi) Approval of Individual Compensation Actions in Excess of Salary Range

The Contractor shall obtain Contracting Officer approval for any proposed salary amount paid an employee in excess of the Contractor-established salary range 30 days prior to payment.

(vii) Severance Pay

The Contractor will be reimbursed for providing severance pay in the accordance with the following: 1) eligible, non-bargaining unit Contractor employees will receive a basic severance benefit that is equal to 2 weeks base rate salary; and 2) eligible, non-bargaining unit Contractor employees will receive a supplemental severance benefit equal to one week base rate salary for each full year of completed service, up to 24 weeks. In no event will the Contractor be reimbursed for providing severance to an employee to the extent the severance pay exceeds 26 weeks of base rate salary.

Bargaining employees are eligible for severance pay in accordance with their labor agreement.

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(viii) Service Credit

Service Credit for cost reimbursement for employee benefits to include post-retirement benefit (PRB) eligibility will be determined in accordance with NNSA Supplemental Directive NA SD O 350.1, M&O Contractor Service Credit Recognition, or its successor.

(ix) Pay in Lieu Of Notice

In the event an Employee of the Contractor resigns and the Contractor determines the continued services of such Employee may create an immediate safety or security concern during the period of notice or if his/her presence at the work site during the notice period is not desired, the Contractor may pay the employee at his/her base pay for two (2) weeks in lieu of continuing the employee’s employment for two weeks.

(x) Retention Incentive and Sign-On Bonus Plans

(1) The Contractor may implement a retention incentive plan to retain employees with critical skills, and/or high demand skills needed to meet near-term mission priorities in accordance with the Contracting Officer approved plan.

(2) The Contractor may implement a sign-on bonus plan to attract critical skill, high demand talent, in accordance with the Contracting Officer approved plan.

(3) Subject to the availability of funds, the cumulative budget for these plans shall not exceed $2.7M in any calendar year. No later than April 1st of each year, the Contractor shall provide a report that includes, but is not limited to: each incentive accepted by employee number; offer to acceptance ratio; duration of the retention period; critical skill or hard-to-recruit talent being addressed; exceptions to policy; retention of employees in these programs; plans to realign the program(s) as mission priorities evolve; and overall program effectiveness.

3.0 Labor Relations – Collective Bargaining Agreements (MODIFIED 0063)

Costs of wages, fringe benefits, and other expenses incurred pursuant to the provisions of collective bargaining agreements and revisions thereto are allowable costs provided the Contractor adheres to requirements provided in Appendix A, Statement of Work, Chapter III, Section 7.0, Labor Relations for the following Collective Bargaining Agreements:

- Collective Bargaining Agreement with the Metal Trades Council, AFL-CIO.
- Collective Bargaining Agreement with the Office & Professional Employees International Union Local 251 AFL-CIO.
- Collective Bargaining Agreement with the Security Police Association (SPA).

Expenses associated with employee representation activities that are not prohibited by Section 302 of the Labor Management Relations Act, 29 U.S.C. § 186, or any other applicable law or regulation, are allowable costs.
4.0 Group Insurance and Legally Required Payments (MODIFIED 0063)

(i) General Provisions

(1) Costs incurred in implementing, administering, and funding comprehensive DOE/NNSA approved group insurance plans are allowable. Administrative costs associated with the effective administration of the plans include such items as publicizing, enrolling, maintaining records, and providing employees with assistance in understanding and collecting their benefits.

(2) Annual renewal of the group insurance policies, certificates and accounts, cost-sharing arrangements, renewal of Group Services Agreements establishing new premium rates and the implementation of changes of minor significance does not require Contracting Officer approval.

(ii) The costs related to the following types of benefit plans are allowable:

1. Short Term Disability
2. Long-Term Disability
3. Group Life Insurance
4. Accident/Business Travel Accident Insurance
5. Dental
6. Medical
7. Vision
8. Retiree Health and Welfare Benefits
9. Worker’s Compensation

(iii) Reasonable administrative costs of providing voluntary benefit plans to employees that are 100% employee paid are allowable unless otherwise determined by the Contracting Officer. A summary of the administrative costs for these benefits will be provided to the Contracting Officer no later than February 1st after the program year has ended.

5.0 Displaced Workers Medical Benefits Program (DWMBP) (MODIFIED 0063)

The Contractor may provide Displaced Workers Medical Benefits to displaced workers if provision of such benefit is set forth in the Contractor’s workforce restructuring plan that is approved by DOE/NNSA (see Section J, Appendix A, Statement of Work, Chapter III Section 3.2 Reductions in Contractor Employment - Workforce Restructuring, Section 3.2.2.2).

Benefits under the DWMBP are available to displaced workers who are not eligible for health insurance coverage under another plan, e.g., another employer’s health plan, the Contractor’s retiree medical plan, a spouse’s medical plan or Medicare. Generally, DWMBP benefits are as follows (note: NNSA may approve Contractor workforce restructuring plans that include less years of coverage):

1. For the first 12-month period after the termination date, the Contractor shall continue to pay the employer portion of the medical premium and the separated
employee will pay a premium equal to the monthly premium paid by active employees for the type and level of coverage the separated Employee has at the termination Date.

2. Beginning in the second year after the termination date, the separated employee will be responsible for one-half of the full Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) rate for this coverage and the Contractor shall pay the remainder.

3. Beginning in the third and final year of the DWMBP, the separated employee will be responsible for paying the full COBRA. At the end of the third year the employee’s coverage eligibility ends.

6.0 Retirement Plans

The Contractor shall administer the following plans:

**Defined Benefit Plans:**
- NTESS Retirement Income Plan

**Nonqualified Benefit Plans:**
- NTESS 401(a)(17) Restoration Plan
- NTESS Mid-Career Retirement Plan
- NTESS Non-Qualified Pension Plan
- NTESS 415 Excess Benefit Plan

**Defined Contribution Plans:**
- NTESS Savings and Income Plan

(i) General Provisions
Reasonable costs involved in implementing, administering, and funding DOE/NNSA approved pension plans are allowable. Employer related administrative costs of the plans shall be paid out of plan assets, to the extent possible. Reasonable administrative costs associated with the effective administration of the plans include such items as publicizing, enrolling, maintaining records, and providing employees with assistance in understanding and collecting their benefits. In addition, only compensation reimbursed by DOE/NNSA under the Contract is authorized to be considered as pensionable earnings for purposes of the qualified plans.

(ii) Qualified Defined Contribution Plan

Contractor funds contributed on behalf of participating employees, who cancel their participation in the plan or whose employment is terminated, which are not vested pursuant to the provisions of the plan, shall be used to offset the Contractor's contributions obligated to be made on behalf of other participants in the plan. In the event this Contract with the Contractor is terminated, funds not committed to participants
pursuant to provisions of the Plans in effect at Sandia National Laboratories shall be returned to DOE/NNSA.

(iii) Non-Qualified Plans

The Contractor will be reimbursed for costs for the Nonqualified Plans only in accordance with the following:

1. As of the first day of the Base Term of the Contract, the NTESS 401 (a)(17) Restoration Plan will accept no new entrants. The only participants in this plan will be the individuals listed in Appendix B of the NTESS 401(a)(17) plan document as of May 1, 2017.

Eligible compensation for purposes of the NTESS 415 Excess Benefit Plan and/or NTESS 401(a)(17) Restoration Plan shall be limited only to the compensation reimbursed under the Contract. Benefits calculated on pension service and earnings under previous contracts continue to be allowed for reimbursement under this contract.

2. Any necessary changes to the NTESS 401(a) (17) Restoration Plan that need to be made to effect the participation and compensation limitations set forth in 6.0(iv)(1-2) of this Appendix, shall be made no later than 120 days after the effective date the Contract is awarded.

3. Sandia Corporation 415 Excess Benefit Plan shall be terminated no later than 120 days after the effective date of the Contract.

The Non-Qualified Plans are funded on a pay as you go basis. The plans and amendments thereof require approval of the Contracting Officer. No later than 60 days after the end of the fiscal year, the Contractor shall report the following data to the Contracting Officer: number of individuals receiving benefits, benefits amount paid to include supporting data to determine the benefit paid; and, any other data as requested by the Contracting Officer.

7.0 Paid/Unpaid Time Off (MODIFIED 0063)

The Contractor may implement the following paid and unpaid time off programs in accordance with the Contracting Officer approved plan, and in addition to Section 4.0, Group Insurance and Legally Required Payments, paragraph (ii).

(i) Holiday: Up to 11 holidays within a calendar year at the basic rate of pay.

(ii) Vacation: Up to 192 hours vacation accrual based on service, with an option to buy additional vacation hours, and vacation donation for an applicable emergency.

(iii) Sickness Absence: Up to 6 weeks of paid sickness absence at the basic rate of pay, and 20 weeks at a percentage of pay, to include 6 weeks of Family Leave.
(iv) Other Allowable Paid Leave:

(1) Paid Absence Up to 40 hours for bereavement, incidental family care, tribal appointments, and regulatory required time off, and up to 20 hours for voluntary firefighter time (excluding time incurred to travel or for training)

(2) Jury/Witness Duty

(3) Work Closure

(v) Unpaid Leave: Unpaid absences and leaves of absence may be granted in the following categories:

(1) Excused Unpaid Time: Up to 160 hours for one-time emergencies that require an employee’s immediate attention when no other options are available.

(2) Unpaid Leaves of Absence: Up to 12 months for Personal Leave of Absence or Child Care Leave of Absence; up to 36 months for Educational Leave of Absence or Special Leave of Absence; and up to 60 months for Military Leave of Absence.

(vi) Military Leave of Absence

Military Leave of Absence for training that is consistent with the provisions established in 5 U.S.C. 6323 shall, at minimum, comply with all applicable provisions of the Uniformed Services Employment and Reemployment Rights Act (USERRA). Such plan shall be subject to Contracting Officer approval if it provides more benefits than are required by law.

(vii) Security Leave (Suspension of Access Authorization)

If the access authorization of a contractor employee is suspended by direction of the Manager (as that term is defined in 10 C.F.R. 710.5), the Contractor may transfer the employee to work not requiring access authorization if such work is available, without reducing the employee's base compensation. If the Contractor determines that no work is available, which does not require access authorization or it is not in its best interest to provide such work, the Contractor may put the employee on unpaid leave until final disposition of the matter.

If at any stage of the access authorization procedure following a suspension or at the conclusion of the administrative review process provided under 10 CFR Part 710, the employee's access authorization is reinstated, the Contractor will offer the employee reinstatement in the same or a comparable position to the one held prior to suspension, if available.

8.0 Training and Education (MODIFIED 0063)

(i) General

(1) The training and education shall be directly related to the employee’s current position or to another position to which the employee may reasonably be moved.
(2) The Contractor shall establish written procedures outlining a system of approval for all requests for training and education. Such system shall provide an approval structure for in-house and outside training programs and educational assistance. Local colleges and universities will be utilized as primary sources.

(3) Per FAR 31.205-44, overtime compensation for training and education is unallowable.

(ii) Training

(1) Internal Training Programs - Internal training programs may include but are not limited to orientation, job training, supervisory training, and executive development. Such training programs may be conducted during employee’s workday or after hours. Reasonable costs of in-house training including necessary equipment, materials, and instructor personnel are allowable.

(2) External Training Programs - Employees may be selected by the Contractor to participate in job related training courses, technical meetings, professional society meetings, seminars, conferences, and other specialized training courses away from the site(s) facilities. Allowable costs for such training courses may include employee’s regular pay, travel and subsistence expenses in accordance with the Federal Travel Regulation, and the cost of tuition, fees, and course materials. Business travel and conference management shall be managed in accordance with the DOE/NNSA conference management requirements.

(iii) Education

Education costs may be paid to employees participating in the programs listed below, in accordance with the Contracting Officer approved plan.

<table>
<thead>
<tr>
<th>NTESS Program</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Time</td>
<td>For existing employees to pursue a graduate degree in a critical skill field. Employees must be enrolled in a full time graduate program to be eligible for reimbursement. The program is limited to a maximum of 2 years, or the length of the program, whichever is less.</td>
</tr>
<tr>
<td>Part Time</td>
<td>For employees pursuing graduate degree in a critical skill field while continuing to work 30 hours per week. Employees must be enrolled in a full time graduate program to be eligible for reimbursement.</td>
</tr>
<tr>
<td>Tuition Assistance</td>
<td>Tuition for employees taking courses or working toward an associate, bachelor, or graduate degree on-line or at a local university while working full-time. Employee working part time are eligible for half of a full-time employee’s benefit. Tax assistance will not be provided for any tuition assistance.</td>
</tr>
</tbody>
</table>

(iv) Retraining

When a layoff occurs or is contemplated, affected employees who have completed the service requirement, as determined by the Contractor, may be retrained to learn
necessary skills for jobs at SNL for which there are vacancies or for which the employees have transfer rights.

9.0 Travel, Relocation, and Subsistence

(i) The Contractor may pay transportation, lodging, meals, and incidental expenses for travel that is in conjunction with, and required for, the performance of work under this Contract. Travel costs shall be allowable to the extent they are incurred in accordance with the FAR, DEAR, and Federal Travel Regulation (FTR) and do not exceed the maximum per diem rates in effect at the time of travel set forth in the FTR, prescribed by the General Services Administration.

(ii) The Contractor may deviate from this Appendix in specific instances where it is determined and approved by the Contracting Officer to be economically advantageous to DOE/NNSA and to the extent such deviations conform to regulations and law. The Contractor will maintain records for audit review.

(iii) Relocation expenses shall be incurred in accordance with the provisions, limitations and exclusions of the FAR and the Federal Travel Regulation. Relocation provisions are allowable for exempt employees, non-exempt technologist employees, and union technical trades employees.

10.0 Recruiting

(i) The costs of recruitment of personnel including cooperative education programs, internship programs, nominal costs for promotional items for recruitment purposes, employment advertising, services of staffing sourcing vendors, services of employment agencies at rates not in excess of standard commercial rates, participation in corporate recruiting activities, campus recruiting, career fairs, and operation of recruiting stations are allowable.

(ii) Applicants who are requested by the Contractor to report for a pre-employment interview shall be allowed transportation expenses. Reasonable actual costs, not to exceed per diem, of lodging and meals and incidental expenses (M&IE) shall be allowed.

(iii) New or prospective employees may be reimbursed for costs of pre-employment physical examinations that are taken as specified by the Contractor if the prospective employee is actually placed on the payroll.

11.0 Special Employee Activities

(i) Recreation and Morale Building Benefits

Costs of conducting employee activities, including recreational programs and athletic programs for employees and their immediate families are allowable. The fees associated with employees and their immediate families participating in the recreation program through Lawrence Livermore National Laboratory are allowable under the cost ceiling.
for this program. The cost ceiling for this program shall not exceed $16 per employee, per year. Exceptions to this ceiling must be approved by the Contracting Officer.

(ii) Food Services

Net costs associated with the operation of a cafeteria at Sandia New Mexico are allowable. Net costs associated with the operation of a “Grab ‘N Go” food services at Sandia California are allowable.

(iii) Employee Recognition Programs

The Contractor may establish a recognition program for: Service Awards, Retirement Awards, Employee Recognition Awards, and Performance Awards, utilizing up to 0.185% of the base payroll of the prior fiscal year. Costs in excess of the authorized amounts shall require advance approval from the Contracting Officer. Upon request, the Contractor shall provide the Contracting Officer with a report that outlines the expenditures for each type of award category under the Program.

The contractor shall ensure documentation is maintained to validate the award criteria for this Program is being followed. The Contractor shall ensure employees are not eligible to receive more than one award for the same contribution/achievement, or receive an award in successive years for the same contribution/achievement. The following are the types of employee recognition as part of the overall Program.

- Service and Retirement Awards:

  The Contractor may recognize employees for significant service milestone anniversaries and retirements with non-cash awards such as a presentation of a plaque, certificate, and/or gift commensurate with the employee’s years of service.

- Employee Recognition Awards

  The Contractor may recognize employees or groups of employees who have made significant contributions to SNL with non-cash awards such as a plaque, certificate, photograph, and memorabilia. Light refreshments (coffee, tea, soda, water) is an allowable cost that may be incurred for, and provided at, the ceremony.

- Performance Awards

  The Contractor may recognize employees or groups of employees who have distinguished themselves by their significant contributions and outstanding performance in the course of their work. Cash and non-cash awards may be provided to employees or groups of employees, but cash awards shall not be duplicative of any other award or incentive programs.
(iv) Adoption Assistance Program

Reasonable costs associated with the Contractor’s Adoption Assistance Program are allowable. The Adoption Assistance program provides reimbursement of up to $2,500 per child for the expenses associated with adopting a child including reasonable and customary private/public adoption agency fees; legal fees; court fees; and temporary child care charges prior to placement in the employee’s home.

(v) Assignments to/from Honeywell International (Parent Company)

(1) The Contractor may loan, at no cost to the Government, individuals working under this Contract to other operations of parent company on a non-interference basis as determined by the Contractor. Loans longer than six months, regardless of the level of effort, require Contracting Officer approval.

(2) The Contractor may borrow employees from its parent corporation for incidental work under this Contract with prior Contracting Officer approval. Reimbursement of costs associated with a short-term assignment must be reasonable and allowable in accordance with this contract.

12.0 Community Involvement and Outreach (MODIFIED 0043)

The Contractor may authorize employees to participate in educational and community outreach in accordance with its Community Outreach Plan approved by the Contracting Officer. The salaries, wages, and fringe benefits of employees while engaged in such approved activities will be treated as allowable costs.

Educational and community outreach does not include activities conducted by elected or appointed officials during an employee's regularly scheduled work day. Compensation associated with educational and community outreach outside of the employee's normal work schedule shall not be reimbursed under the Contract. No later than November 1 of each year, the Contractor shall submit a report to the Contracting Officer on the types of usage and number of hours utilized in the prior fiscal year. The Contractor shall request Contracting Officer approval when changes are made to the Plan, or as directed by the Contracting Officer. Some examples of permissible educational and community outreach include, but are not limited to:

(i) Promotion of Science, Technology, Engineering, and Mathematics in the educational setting (elementary school through higher education institutions)
(ii) Science Bowl and Science Fairs
(iii) Blood bank drives
(iv) Charity drives
(v) United Way campaigns