

SPECIAL CONTRACT REQUIREMENTS

H-900 PRICING AND PAYMENT

Material: Material priced at time of award of the contract represents the fixed commodity price for a six-month period. Those prices will be adjusted semi-annually throughout the life of the contract in accordance with Economic Price Adjustments (EPA) pursuant to clause 52.216-9030. The EPA will only apply to material. The bases to be used for the adjustment to each Federal Supply Class (FSC) are as follows:

FSC: Bureau of Labor Statistics (BLS) Category

- 6810 BLS Index – WPU06 (Chemicals and allied products)
- 6820 BLS Index – WPU06 (Chemicals and allied products)
- 6840 BLS Index – WPU06 (Chemicals and allied products)
- 6850 BLS Index – WPU06 (Chemicals and allied products)

FSC: ICIS Pricing and Bureau of Labor Statistics (BLS) Categories

- 9150* ICIS Pricing Base Oils (Americas), Group II, Motiva G.C. 200/220 - 20%
- BLS Index - WPU057 (Refined petroleum products) - 10%
- BLS Index - PCU324191324191 (Petroleum lubricating oil and grease mfg) - 50%
- BLS Index - WPU064101 (Inedible fats and oils) - 10%
- BLS Index – WPU06140197 (Aromatics) - 10%

*A blended index is used for FSC 9150 and weighted based on the percentages listed for the above categories. These weights are assigned per the composition of the material.

Supply Chain Support: Fixed Pricing is established for the level of performance to support demands over a 9-year period which includes a 5-year base period (1 year of transition and 4 years of ordering), one 3 year ordering option period and a second 2 year ordering option period. All fees will be paid against the referenced Contract Line Item Number (CLIN) on the delivery order.

- a. **Transition Fee:** A fixed dollar amount is established for the first year to cover transition and implementation costs. The fee will be paid in accordance with established milestones as defined by the approved transition plan.
- b. **Management Fee:** A fixed annual dollar amount is established to cover fixed costs incurred in the overall management of the supply chain. This fee is applicable throughout the entire contract term and is paid monthly.
- c. **Throughput Fee:** A fixed percentage is established to cover expenses that vary with the volume of business such as the costs of transportation and warehousing. The fee is applied to each NSN unit price and is paid on each delivery order issued. This fee is applicable throughout the entire contract.

H-901 FILL RATE METRIC

Fill Rate (FR): The amount of time measured from receipt of order to shipment. Although the contractor is required to meet the Time Definite Delivery (TDD) Standards outlined in the Statement of Work (SOW), the Fill Rate will be measured based on ship date rather than delivery receipt date. Monthly fill rates will be computed to assess contractor performance and identify problems as they occur. The annual performance Fill Rate% will be computed using the formula below:

Fill Rate % will be measured on the formula below:

$$FR\% = (TRS/TRR) * 100$$

Where: FR% = Fill Rate (rounded to the nearest tenth)

TRS = Total orders shipped complete within the designated measurement times

TRR = Total orders received in a specific performance period

The following Fill Rate charts illustrate the disincentives.

Performance Period 1: (Completion of Transition Period thru contract completion)	
Fill Rate	Disincentive
90% or greater	0
88% - 89.9%	-3%
85.1% - 87.9%	-5%
85% or less	-10%

The disincentive will be calculated based on the total value of all delivery order(s) not shipped complete in accordance with the defined fill rate standards for each defined 12 month performance period. The disincentive amount will be deducted in a lump sum from the management fee paid in the period(s) immediately following the 12 month performance period.

NSNs added after contract award will be granted a full Production Lead Time (PLT) based on Government system data prior to being subject to the Fill Rate metric. All delivery orders received within the initial PLT will not be subject to the metric.

The Contracting Officer will provide a monthly metric report to the contractor within fourteen (14) calendar days from the end of the preceding month. The Contractor will have fourteen (14) calendar days to challenge individual delivery orders or the calculations for the metrics in writing to the Contracting Officer. The challenge shall include the rationale and any supporting evidence. The Contracting Officer will approve/disapprove the challenge request within 14 calendar days after receipt. If the contractor does not submit a timely challenge, then no adjustment will be made to the monthly metric.

H-902 BACKORDER

The total number of Backorders for a period will be categorized by the number of calendar days the orders are late. The degree of disincentive increases proportionate with the age of the backorders as shown in the following chart:

Backorder Category	Number of Calendar Days Late	Disincentive Percentage
A	0-14	0%
B	15-20	-3%
C	21-50	-8%
D	51-80	-15%
E	>81	-25%

The calculation of the backorder disincentive fee is as follows:

Backorder Disincentive Fee =

$$\begin{aligned}
&[(\text{Value of Category A Backorders}) \times \text{Disincentive \% for Category A}] \\
&+ \\
&[(\text{Value of Category B Backorders}) \times \text{Disincentive \% for Category B}] \\
&+ \\
&[(\text{Value of Category C Backorders}) \times \text{Disincentive \% for Category C}] \\
&+ \\
&[(\text{Value of Category D Backorders}) \times \text{Disincentive \% for Category D}] \\
&+ \\
&[(\text{Value of Category E Backorders}) \times \text{Disincentive \% for Category E}]
\end{aligned}$$

Example: Total Value of All Backorders: \$6,000,000

Category	Calendar Days Late	Value of Backorders	Disincentive %	Disincentive Calculation
A	0-7	\$750,000	0%	\$0
B	8-20	\$2,000,000	-3%	(\$60,000)
C	21-50	\$1,500,000	-8%	(\$120,000)
D	51-80	\$1,000,000	-15%	(\$150,000)
E	>81	\$750,000	-25%	(\$187,500)
Totals		\$6,000,000		\$517,500

Backorder Disincentive amount = \$517,500

The Backorder disincentive will be tracked monthly and calculated on an annual basis. The disincentive will be calculated based on the total value of all late delivery order(s) in each of the above categories for each defined 12 month performance period. The disincentive amount will be deducted in a lump sum from the management fee paid in the period(s) immediately following the 12 month performance period. Backorder disincentives will commence with Contract Year 3 (Performance Year 2).

Orders excluded from the Fill Rate metric are excluded from the Backorder disincentive.

H-903 SMALL BUSINESS SUBCONTRACTING

In purchasing material to satisfy this contract, the Contractor must ensure that small businesses account for at least 50% of all dollars spent annually for delivered supplies, computed as follows: Value of items delivered each year from contractor-owned stock which the Contractor purchased from Small businesses divided by the total value of all items delivered each year from contractor owned stock. Item

values will be computed by multiplying the unit price of the items at the time of delivery order issuance by the quantity shipped.

The following incentives and disincentives apply:

No incentive or disincentive will apply to a small business performance range of 50% – 65%.

A 2% incentive will apply to any additional material dollars going to small business above 65%. For example, if the Contractor provides \$100M worth of subcontracted material in a given performance period and the Contractor subcontracts \$67M to small businesses, the Contractor will receive an incentive of \$40,000. Calculation is as follows:

$$\$67M - \$65M (65\% \text{ Goal}) = \$2M \times 2\% = \$40,000.$$

A disincentive of 5% will apply to any reduction of material dollars going to small business below 50%. For example, if the Contractor provides \$100M worth of subcontracted material in a given performance period (\$50M representing 50% of that amount) and the Contractor only subcontracts \$48M to small business, the Contractor will be charged a disincentive through a lump sum reduction of the Management fee payment in the amount of \$100,000. Calculation is as follows:

$$\$50M (50\% \text{ Min Goal}) - \$48M = \$2M \times 5\% = \$100,000.$$

Due to the importance of small business participation in this program, the disincentive associated with this metric is intentionally more stringent. The total incentive for small business subcontracting is not defined beyond the regulatory standards as included in the approved subcontracting plan, e.g. no specific category of small business entities is required for the attainment of the goal.

Performance for the Small Business Subcontracting Metric will be tracked on an annual basis and shall be reflected on the Small Business Subcontract spend analysis report.

H-906 PRICING OF ITEMS ADDED TO THE CONTRACT

The Government will notify the contractor at the time an item is contemplated to be added to this contract. The contractor shall provide a proposal for the item within three days of notification from the contracting officer. The negotiated price will be in effect for the remaining life of the contract and will be included in all future EPA adjustments.