

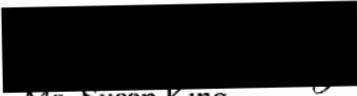
Comprehensive Small Business Subcontracting Plan
BAE Systems
DBA: Electronics Solutions / Electronic Systems
Divisional Comprehensive Plan

For utilization of: Small, Small Disadvantaged, Woman Owned, Service Disabled Veteran Owned, Veteran Owned, and Hub Zone Small Businesses, Historically Black Colleges and Universities and Minority Institutions, and Alaskan Native Corporations and Indian Tribes.


This plan is prepared in accordance with Section 834 of Public Law 101-189 and is pursuant to Federal Acquisition Regulations (FAR) Subpart 19.7 and 52.219-9, DFAR 252-219-7004. This plan is applicable to all Department of Defense contracts or subcontract entered into by BAE Systems' facilities listed herein.


Section 866, PL 112-81; extended the program to December 31, 2014


Effective: October 1, 2013 through September 30, 2014

 9/19/2013
Ms. Susan King Date
Manager, Comprehensive Subcontracting Plan
Electronic Systems
BAE Systems Inc.
65 Spit Brook Road
Nashua, NH 03060

Approvals:

 9/19/13
Mr. Paul Kling Date
Deputy VP, Operations
Electronic Systems
BAE Systems Inc.
65 Spit Brook Road
Nashua, NH 03060

 9/19/13
Mr. Dan Gobel Date
President, Electronic Systems
BAE Systems, Inc.
65 Spit Brook Road
Nashua, NH 03060


Ms. Veronica J. Smith Date
Deputy Director, Small Business Office
Defense Contract Management Agency


 9-23-13
Ms. Margaret Trimble-Williams Date
Acting Director, Small Business Office
Defense Contract Management Agency

Table of Contents

1.	INTRODUCTION	3
2.	COMPANY OVERVIEW	3
3.	MANUFACTURING SITES AND CONTACTS INCLUDED - COMPREHENSIVE SUBCONTRACTING PLAN	3
4.	SMALL BUSINESS OVERVIEW AND COMMITMENT	5
5.	COMPANY POLICY & MANAGEMENT COMMITMENT	5
6.	RESPONSIBLE COMPANY INDIVIDUAL	5
7.	SMALL BUSINESS PLAN GOALS.....	6
8.	SMALL BUSINESS AREA CHAMPIONS.....	8
9.	FLOW DOWN TO SUBCONTRACTORS	10
10.	GOALS METHODOLOGY.....	10
11.	METHOD TO ASSURE EQUITABLE OPPORTUNITY	11
12.	INDIRECT AND OVERHEAD ALLOCATION.....	12
13.	PLANNED INITIATIVES TO INCREASE VOLUME	13
14.	INDUSTRY CATEGORIES.	14
15.	SIZE/STATUS REPRESENTATION AND VERIFICATION	14
16.	STUDIES, SURVEYS AND REPORTING	15
17.	OUTREACH EFFORTS	15
18.	ORGANIZATION CHARTS	17
19.	TRAINING	18
20.	RECORD SYSTEMS.....	19
	APPENDIX A – APPLICABLE REGULATIONS.....	20
	APPENDIX B – ITEMS TO BE SUBCONTRACTED	21
	APPENDIX C – HISTORICAL SMALL BUSINESS PARTICIPATION-PERCENTAGES	22
	APPENDIX D – POLICY STATEMENT	23
	APPENDIX E –SMALL BUSINESS POLICY.....	24
	APPENDIX F- ADDENDUM CHALLENGES FACING GFY2014.....	27

INTRODUCTION:

COMPANY OVERVIEW

BAE Systems is a global defense, aerospace and security company with approximately 93,500 employees worldwide. The company delivers a full range of products and services for air, land and naval forces, as well as advanced electronics, security, information technology solutions and support services. Electronics Systems (ES) combines experience in signal processing and data management with an in-depth knowledge of worldwide signal environments. Electronic Systems supplies systems that meet customer mission requirements in all aspects of active and passive signal exploitation, information management, mission management systems and signal attack.

ES Business areas include integrated avionics requirements for military tactical aircraft, advanced radar warning, radar jamming, electronic warfare systems, electronic combat and self-protection systems; and state-of-the-art laser, infrared, and millimeter-wave and technologies to design and build missile seekers, mission subsystems, and laser systems.

BAE Systems, Electronic Systems is one of the four Product/Service Sectors within BAE Systems Inc. and is the constituent of the CSP, referred to as "BAE Systems" in this plan. Mr. Dan Gobel, President of Electronic Systems, has responsibility for this Sector.

1. MANUFACTURING SITES AND CONTACTS INCLUDED- COMPREHENSIVE SUBCONTRACTING PLAN

SITE	LINE OF BUSINESS	Contacts	PHONE	EMAIL	DUNS #	CAGE CODE
65 Spit Brook, Nashua NH	Electronic Systems	Susan King	603-885-2966	susan.king@baesystems.com	005149120 007205920	94117 31637
1250 24th St NW Washington, DC	Electronic Systems	Susan King	603-885-2966	susan.king@baesystems.com	173363052 620837836	0ADD7 4B7S2
2 Forbes Rd Lexington, MA	Electronic Systems	Susan King	603-885-2966	susan.king@baesystems.com	007185718	81395
65 River Rd Hudson, NH	Electronic Systems	Susan King	603-885-2966	susan.king@baesystems.com	007181493	3L667
144 DW Highway Bldg. 15/24 Merrimack, NH	Electronic Systems	Susan King	603-885-2966	susan.king@baesystems.com	007185452	6A684
95 Canal St Nashua, NH	Electronic Systems	Susan King	603-885-2966	susan.king@baesystems.com	007182335	7P325
6100 Western Pl Fort Worth, TX	Electronic Systems	Susan King	603-885-2966	susan.king@baesystems.com	617796284	49VG4
9300 Wellington Rd Manassas, VA	Electronic Systems	Susan King	603-885-2966	susan.king@baesystems.com	177856163	1RU44
1300 N. 17 th St., Suite 200 Arlington, VA	Electronic Systems	Susan King	603-885-2966	susan.king@baesystems.com	034455217 023385003	1U0U2 48DR9
42 Nagog Park Acton, MA 01720	Electronic Systems	Susan King	603-885-2966	susan.king@baesystems.com	788241169 145588393	4P6V1 32EZ7
132 Osigian Blvd Suite 100 Warner Robins, GA	Electronic Systems	Susan King	603-885-2966	susan.king@baesystems.com	786096102	4KK04

6500 Tracor Ln Austin, TX	Electronic Systems	Susan King	603-885-2966	susan.king@baesystems.com	787526839	19397
450 Pulaski Rd Greenlawn, NY	Electronic Systems	Susan King	603-885-2966	susan.king@baesystems.com	795958482 083489893	72314 80249
999 Bishop St 2700, Honolulu, HI	Electronic Systems	Susan King	603-885-2966	susan.king@baesystems.com	146582726	3U4E4
164 Totowa Rd Wayne, NJ	Electronic Systems	Susan King	603-885-2966	susan.king@baesystems.com	194956751	0D0D0
100 Campus Rd #1 Totowa, NJ 07512	Electronic Systems (Relocation of Yonkers NY)	Susan King	603-885-2966	susan.king@baesystems.com	007186526	81413
11487 Sunset Hills Rd Reston VA	Electronic Systems	Susan King	603-885-2966	susan.king@baesystems.com	117278614 928194554	1LB70 1BXC7
645 Harvey Road Manchester, NH 03103	Electronic Systems	Susan King	603-885-2966	susan.king@baesystems.com	147531805	3VTS8
1801 McCarthy Milpitas, CA 95035	Electronic Systems	Susan King	603-885-2966	susan.king@baesystems.com	014390079	50773
350 Collins Rd NE Cedar Rapids, IA	Electronic Systems	Susan King	603-885-2966	susan.king@baesystems.com	018619986	081U3
1400A Duke St Alexandria, VA 22314	Electronic Systems (Falls Church VA relocation)	Susan King	603-885-2966	susan.king@baesystems.com	043672083	1WB74
2000 Taylor St, Fort Wayne, IN	Electronic Systems	Susan King	260-434-5681	susan.king@baesystems.com	938276292	63760
**600 Main Street, Johnson City, NY	Electronic Systems	Susan King	260-434-5681	susan.king@baesystems.com	043183123 014525500	89954 8U543
1930 S Vineyard Ave Ontario, CA	Electronic Systems	Susan King	260-434-5681	susan.king@baesystems.com	803547520 007185890	63631 12705
3131 Story Road, Irving, TX	Electronic Systems	Susan King	260-434-5681	susan.king@baesystems.com	130388044	3X2T2
1800 Alexander Bell Dr Reston, VA	*Network Systems / IS Business	Laurie Liuag	858-675-1747	laurie.liuag@baesystems.com	165670139 928194554	4B7U7 1BXC7
1410 Wall St Bellevue, NE	*Network Systems / IS Business	Laurie Liuag	858-675-1747	laurie.liuag@baesystems.com	039832233	0H0J7
124 Gaither Dr 100 Mount Laurel, NJ	*Network Systems / IS Business	Laurie Liuag	858-675-1747	laurie.liuag@baesystems.com	059014258	2N028
6315 Hillside Ct F Columbia, MD	*Network Systems / IS Business	Laurie Liuag	858-675-1747	laurie.liuag@baesystems.com	791395440	4CF90
6 New England Executive Pl Burlington, MA	ES- Technology Solutions	Greg Wade	781-273-3388 X210	greg.wade@baesystems.com	787647192	1S983
10920 Technology Place San Diego CA	*Network Systems / IS Business	Laurie Liuag	858-675-1747	laurie.liuag@baesystems.com	797032372 145614116	12436 1QKS0
**1098 Clark Street Endicott NY 13760	Electronic Systems	Susan King	603-885-2966	susan.king@baesystems.com	043183123	89954

2. SMALL BUSINESS OVERVIEW AND COMMITMENT

BAE Systems respects the opportunity to participate in the Department of Defense Comprehensive Subcontracting "Test Program (CSP)". This opportunity allows the establishment of cross sector goals, top down management engagement, and the use of Small Businesses (SB), Small Disadvantaged Businesses (SDB), including Alaska Native Corporations (ANC) and Indian tribes; Woman Owned Small Businesses (WOSB); Historically Underutilized Business Zone Small Businesses (HUB Zone); Veteran Owned Small Businesses (VOSB); and Service Disabled Veteran Owned (SDVOSB) Small Businesses.

BAE Systems received a "Highly Successful", Low Risk, annual program review rating from the Defense Contract Management Agency for the CSP program participation for the fourth consecutive year. DOD related spend with small business diversity suppliers has significantly improved through collaborative efforts and shared best practices, which was green for the 1st time. BAE Systems realizes the importance of increased small business participation and the benefits to the United States government and to the economic recovery.

BAE Systems recognizes concentration on the success of the CSP "Test Program" as a valuable asset to the success of our internal programs and to the Department of Defense in achieving the congressionally mandated Small Business goals. BAE Systems, Inc. President & CEO Linda Hudson issued and disseminated a corporate U.S. Small Business compliance policy #312 throughout the company to establish cross sector goals, top down management engagement, and the use of SB, SDB, WOSB, Hub zone, VOSB, and SDVOSB small businesses. See Appendix E attached.

Electronic Systems publishes and posts a Small Business Policy statement throughout the organization. (See Appendix D)

3. COMPANY POLICY & MANAGEMENT COMMITMENT

BAE Systems direction and guidance to procurement agents, small business liaison officers, and functions included in supplier source selection is fully compliant with the provisions of Public Law 100-180 section 806, Public law 103-355 section 7106 , Public Law 105-135 section 502, Public Law 106-50 section 502, and all regulations issued by government agencies to support this legislature. Terms and Conditions applied to purchase orders also support the requirements of the Federal Acquisition Regulation (FAR) 52.219-9 and Subpart 19.7 and the Defense Federal Acquisitions Regulation (DFAR) Subpart 219.7.

4. RESPONSIBLE COMPANY INDIVIDUAL

Susan M. King
Comprehensive Small Business Plan Manager
65 Spit Book Road
Mail Stop NHQ01-361
Nashua, NH 03060
Office: (603) 885-2966 Mobile: [REDACTED]
Fax: (603) 885-8675
susan.king@baesystems.com

Ms. Susan King reports directly to Mr. Paul Kling, Deputy Vice President BAE Systems, Operations. Mr. Kling reports to Mr. Steve Schneps, Vice President of Operations. Mr. Schneps reports to Mr. Dan Gobel, President of BAE Systems, Electronic Systems Sector.

The Comprehensive Small Business Plan Manager responsibilities:

- Appointed to develop the strategy, implement, and manage the Comprehensive Subcontracting Plan.
- Negotiate the CSP with the DCMA Program Manager of the DCMA CSP Program Division.
- Collaborate with Small Business Working Group (SBWG) to implement small business initiatives in the Supply Chain process through collaboration, strategic agreements, and identification of supplier diversity programs and Outreach efforts.
- Provide the development and tracking of the BAE Systems Small Business Plan goals and target initiatives, and identified and provide small business Industry opportunities.
- Represent BAE Systems on government inquiries pertaining to Small Business and Socio-economic participation. Support the Department of Defense CSP Test Study efforts.
- Report Supplier Diversity performance (scorecard) on a monthly basis to the Operations Supply Chain/Subcontracts team, BAE Systems management, and site Small Business Champions (SBC).
- Management and oversight of all Small Business Programs including Mentor Protégé.
- Prepare the Comprehensive Subcontracting Plan, Summary Subcontracting Reports (SSR's), and review and approval of the Individual Subcontracting Plans (ISR's).
- Ensure that small business plans are prepared for all U.S. government related contracts. Review and approve of small business proposals plans.
- Communicate Legislative updates and changes to policy and Federal Register revisions.

5. SMALL BUSINESS PLAN GOALS

In FY2013, BAE Systems Supplier Partnerships directed continued process improvements to further enhance Small Business Opportunity in the proposal process. The New Business Material Proposal Group uses the Material Cost Management System (MCMS) to price all material. MCMS was improved again to select CSP participant suppliers automatically when best value pricing is available. Additional Q4 planned improvements to MCMS, include specific proposal performance reporting and summary performance reporting against embedded annual CSP goals.

BAE Systems considers the use of Historically Black Colleges and Universities and/or Minority institutions (HBCU/MIs) (per DFARS 219.705-4). BAE Systems includes the use of an HBCU/MI partner when opportunities present themselves and align with business requirements. Currently we are engaged with two HBCU's; George Mason University being utilized on the Clear Align Mentor Protégé (MP) contract and California State University, Fullerton, being utilized on the Cristek, Interconnect MP contract. The HBCU's will be utilized throughout the MP contract performance period effective October 01, 2012.

- Supplier Partnerships Leadership Team (SPLT): The SPLT includes Senior Level Procurement Management from the BAE Systems ES Sector and is specifically chartered to ensure successful implementation of the BAE Systems Comprehensive Small Business Plan. The SPLT leads the development of plans, and special initiatives agreements which result in the individual sectors' material and services acquisitions meeting required supplier category goals in the aggregate for the BAE Systems CSP. Where execution of necessary projects fail to make adequate progress, ensure corrective actions are taken and engage senior Operations and Sector management where required.

- Execute to the Comprehensive Subcontracting Plan through the sector Subcontracts and Supply Chain organizations and Business Area Leadership Team.
 - Monitor and address Small Business issues at the National BAE Systems, level
 - Leverage strengths and opportunities of the BAE Systems sites while mitigating weaknesses. Comprehensive Plan renewal: guide and support Supplier Diversity Manager in negotiations; work sector and Operations Leadership stakeholder review and approval of negotiation parameters.
 - Meet regularly to review performance to goals, initiative status, and set any necessary corrective action plans
- Scorecards: Monthly Supplier Diversity performance Scorecards are generated and comprised of a series of charts and reports depicting both Direct and Indirect DOD Spend against the plan goals. Scorecards are reported to BAE Systems executives and Supply Chain personnel.

SBIR Activity: BAE Systems maintains an active SBIR capture team led by Technology Solutions (TS) business area. This effort is supported by ES Operations and Engineering Operations, subject matter experts (SME's), BAE Systems Fellows, and Business Development (BD). The Government SBIR data base is searched by key word/phrase to identify companies for targeted technology topics to evaluate for potential matches. NDA's (non-disclosure agreements) are executed with selected companies and feedback is provided to the Government agency technical point of contact for the SBIR contract for candidate assessment of the SBIR Company's performance and maturity of the technology. BAE Systems is a sponsor of the "Beyond Phase II" conference and attends the annual Navy Opportunity Forum. Several new SBIR engagements have resulted and are listed below. A brief description of each technology of interest is included.

1. Mayflower Communications: Cognitive Software Defined Radio (SDR) MIMO for JTRS
 2. Maverick: Novel Rapid Thermal Processing (RTP) system for High Temperature Power Devices Applications
 3. QuinStar: Next Generation Ultra-linear Super High Frequency/Extremely High Frequency (SHE/EHF) Solid State Power Amplifiers
 4. Auruga: Solid-state High-efficiency Transmit Module
- Strategic "Best Value" approach to procurements: Proposals and quotes received within a best value competitive range are allowed to be awarded to other than a large business low bidder where program budget permits. BAE Systems considers this type of award a reasonable business decision as it contributes to the DOD contract requirements relating to small business concerns, customer small business requirements and the CSP goals, while maintaining a fair and reasonable price.
 - Veteran / Service Disabled Veteran inclusion: BAE Systems continues to increase Veteran and Service Disabled Veteran opportunism and work with small business advocates and procurement agents to solicit, and fairly consider veteran owned small business suppliers.

The National Veteran Small Business Coalition (NVSBC) presented Paul Kling, Deputy VP of Operations, BAE Systems, Electronic Systems Sector with the Service Disabled Veteran Owned award at the Veteran Entrepreneur Training Symposium (VETS2013) on June 11, 2013 in Reno, Nevada for going above and beyond to make their acquisitions process-friendly for Veterans and taking significant actions to increase contracting or subcontracting opportunities.



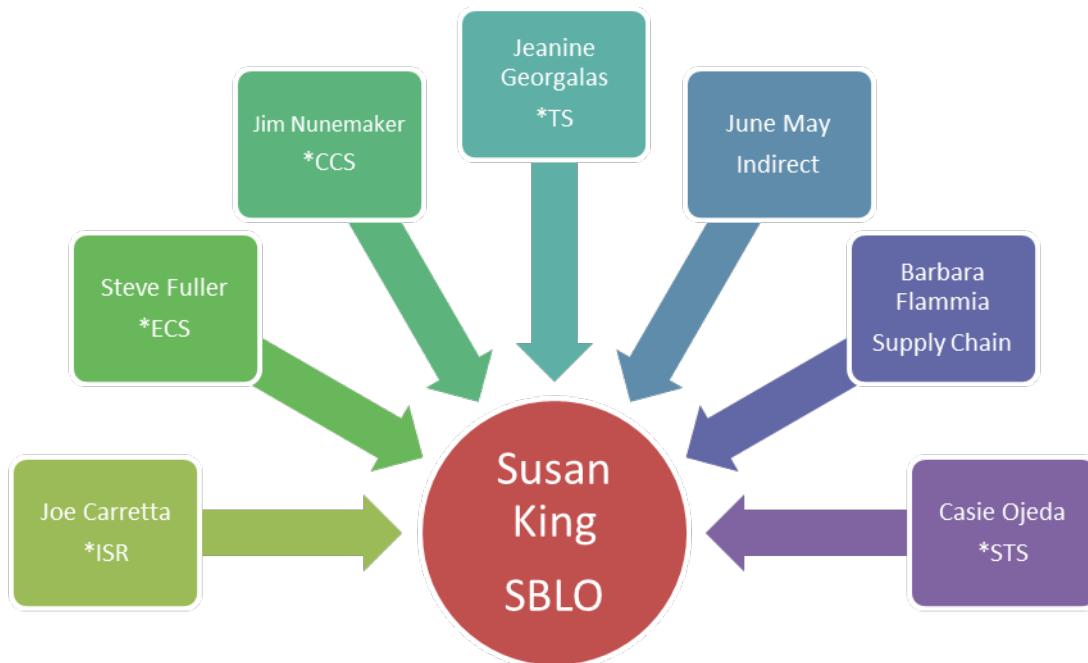
- Education: BAE Systems has implemented an extended small business team with appointed “Small Business Champions” (SBC) to improve communication back to the program level to monitor small business progress to plan goals and report any new small business opportunities. A one day communication forum was held in March to train on small business requirements and leverage new ideas. Bi-weekly meetings take place monitoring actions to increase small business inclusion.

Small Business Champions:

The small business champions continue to lead a cross functional effort to EDUCATE, MOTIVATE, and INFLUENCE the business across the enterprise for achievement of SB supplier opportunity maximization, corporate objective alignment, and to distinguish BAE Systems as a premier advocate for SB inclusion for the benefit of our customers

In March 2013, a two day offsite was held with the SBC's of each business unit to place further concentration on driving small business inclusion and awareness within the program environment. Small Business Champions (SBC) for each ES business area report dotted line into the Small Business office. Susan King, SBLO, a Subcontracts Operations Director, and a Supply Chain Representative collaborate to execute the small business subcontracting plan to MEET the Supplier Diversity plan goals. Information is shared through the SBC's and Subcontract Directors supporting each Business Area (BA) to the Operations Directors to fully integrate the small business plan.

**ECS- Electronic Combat Systems ,CCS- Communications & Control Solutions,ISR- Intelligence, Surveillance and Reconnaissance, STS- Survivability & Targeting Solutions, CAS- Commercial Aircraft Solutions, TS-Technology Solutions*



2013 has proven to be a year of improving the training, deliverables, and overall collaborative approach to managing the material spend by way of the designated business area small business champions. Reporting and tracking of the risks and opportunities impacting the small business subcontracting plan is done monthly.

GFY 2014 SMALL BUSINESS SPEND FORECAST

The following matrix indicates both dollar and percentage goals for the Comprehensive Small Business Subcontracting Plan. Please note; we are projecting another decrease in overall material spend and find it difficult to predict what the future defense budgets will look like for GFY2014. Consequently, the goals reflected are our guess analysis at this time. Small business subcontracting performance in all Socio economic categories continues to increase despite the difficult economic times. BAE Systems, ES will continue to persevere to improve performance goals in all small business categories with focus on small and small disadvantaged business goals.

Small Business Category	2014 Estimated Spend	2014 Comprehensive Subcontracting Plan Goals
Small	\$291,784,509	41.3%
SDB	\$ 35,325,000	5.0%
WOSB	\$ 44,509,501	6.3%
HUB Zone	\$ 21,195,000	3.0%
VOSB	\$ 33,205,501	4.7%
SDVOSB	\$ 22,608,000	3.2%
LB	\$414,715,512	58.7%

Base: \$706,500,021

The forecast analyses by commodity groups, NAICS codes and percentages of total dollar spend represented are found in Appendix B "Items to be Subcontracted, DOD specific commodity table."

5. FLOW DOWN TO SUBCONTRACTORS

BAE Systems incorporates the Federal Acquisition Regulation (FAR) Clause 52.219-8 "Utilization of Small Business Concerns" in all government subcontracts that offer subcontracting opportunities. FAR Clause 52-219-9 Small Business Subcontracting Plan and Defense Federal Acquisition Regulation (DFAR) 252-219-7003 Small Business and Small Disadvantaged Subcontracting Plan are imposed on all applicable DOD purchase orders and subcontracts.

BAE Systems requires that all subcontractors (except for small business concerns) that receive subcontracts in excess of \$650,000 (\$1,500,000 for construction) to adopt a plan that complies with the requirements of the clause at 52.219-9 Small Business Plan. BAE Systems complies with maintaining records on each Subcontract solicitation resulting in an award of more than \$150,000 indicating whether small business concerns were solicited and "if not, why not", in all small business categories and the reason the award was not made to a small business concern.

Further, BAE Systems ensures that its subcontractors with required subcontracting plans understand and agree to submit the ISR and/or the SSR into the eSRS system. Semiannual tracking of submissions occur.

BAE Systems will provide its prime contract number, its DUNS number, and the e-mail address of the official responsible for acknowledging or rejecting the reports, to all first-tier subcontractors with subcontracting plans so they can enter this information into the eSRS when submitting their reports; and require that each subcontractor with a required subcontracting plan provide the prime contract number, its own DUNS number, and the e-mail address of the official responsible for acknowledging or rejecting the reports, to its subcontractors with subcontracting plans.

6. GOALS METHODOLOGY

BAE Systems has used the following process to develop FY2014 goals. A monthly progress scorecard on these goals is reported to the Comprehensive Small Business Plan Manager and Senior BAE Systems management staff.

The following analysis points are used to generate Small Business Spend and Goals

- Analysis of Previous Years Spend
 - a. Dollars and Small Business Goals
 - i. Dollars and Percentages Achieved
 - 1. Reasons any Goals were significantly exceeded
 - ii. Identify all Goals not Achieved
 - 1. Reasons for achievement/non-achievement
 - b. Spend by Commodity Groups
 - i. Commodity Group spend by Small Business Category
 - ii. Identify Commodities to move between Large and Small Business categories
- Identify Company Growth/Sustainment Goals
 - a. Organic and Acquisition/ Divestiture
 - i. Percentage of Growth (expected change of subcontracting opportunities)
- Identify Expected Large Programs
 - Percentage of Spend change
- Procurements are made available to small businesses where a qualified small business is known or, in cases where the incumbent supplier is not the only known source and/or customer directed.

7. METHOD TO ASSURE EQUITABLE OPPORTUNITY

This Comprehensive Small Business Subcontracting Plan offers BAE Systems the opportunity to incorporate best practices from each of its participating facilities’.

- Small Business Liaison Officers are identified at each Sector and consult regularly and collaborate with Procurement personnel. The INC. Small Business Working Group actively shares information on valued small businesses as well as managing of the small business outreach events.
- Small Business Champions work within each business unit to identify small business subcontracting opportunities, monitor program performance, and administer improvement plans when needed.
- Mentor Protégé Program (MPP) BAE Systems monitors programs for possible protégés to add to the BAE Systems Mentor Protégé Program. BAE Systems successfully graduated a “Credit Only” Mentor Protégé agreement on 7/31/2010 with Wells Technology, a Native American, SDB, HUB Zone Company. Despite the difficult economic times, Wells Technology has experienced 110% growth reporting sales > \$2.7M. We continue the aftercare and informal mentorship for mutual benefits.
- Two new MPP agreements were approved by the Army Office of Small Business Programs and are currently under contract. The period of performance for both funded Mentor Protégé agreements is October 01, 2012-September 30, 2015.
 - Clear Align Clear Align is the leading small business designer of advanced imaging and laser solutions. Clear Align is an 8(a) certified SDB, Hispanic-owned and woman-owned small business. The purpose of the Mentor Protégé agreement is to develop and sustain Clear Align as top tier supplier with BAE Systems supply base for the manufacture and procurement of several optics related items. Specifically, ISO9000 certification and CMMI training provided will benefit both the Mentor and Protégé.
 - Cristek Interconnects, Inc. is a woman-owned, HUB Zone certified small business, founded in 1985. Headquartered in Southern California, the firm designs and manufactures electronic connectors, cable & harness assemblies and other specialized electromechanical assemblies. The purpose of the Mentor Protégé agreement is to develop and sustain Cristek as a preferred supplier base for the manufacture and procurement of three gating items on the Terminal High Altitude Area Defense Missile (THAAD) program.
- BAE Systems actively participates in Small Business events at both the local and the National level. Sponsorships include the National Veterans Coalition, Minority Enterprise Development Week (MED), Navy Gold Coast, and the Reservation Economic Summit (RES) to name a few.
- Suppliers identified at these opportunity events are vetted through System for Award Management, “SAM” and added to an internal source list for future reference.
- BAE Systems Supplier Diversity Professionals are active members of local and National Minority business organizations and DOD Regional Councils for small business education and advocacy.
- Procurement personnel regularly receive inquiries from small business concerns through the use of BAE Systems Supplier Diversity Website.
- BAE Systems is active with the NH Procurement Technical Assistance Center (PTAC) who provides assistance to small business firms. BAE Systems attends local and National Small Business Matchmaker events.

- Sector SBLO is an executive member of the DOD New England Regional Council and actively participates in SBLO training and PTAC activities.
- BAE Systems has an Indirect Commodity Management organization (ICMO) for indirect procurements. The ICMO team is a BAE Systems Inc. function and has a dedicated staff in addition to members from all Divisional Procurement Sectors. All ICMO initiatives include Small Business participation and inclusion as appropriate.

8. INDIRECT AND OVERHEAD ALLOCATION

The BAE Systems Small Business goals in this plan include indirect purchase estimates. These estimates are calculated at the Sector level and are based upon the percentage of DOD direct commitment dollars to total direct commitment dollars. The allocation rate varies and is estimated for GFY2014 to be 45%-55% based on the preliminary material forecast by program project. This percentage of DOD spend is computed on the day of the monthly scorecard or SSR report. This percentage of DOD spend determines the proportional percent of indirect dollars to be applied to that sector's small business goals. These sector's small business goals and corresponding dollar projections are then combined to achieve the BAE Systems small business goals.

$$\text{Indirect Allocation Rate} = \frac{\text{DOD Contract Spend (Direct Spend Only)}}{\text{All Contracts Spend (Direct Spend Only)}}$$

The resulting indirect allocation rate is then applied to all Indirect Spend by business category to determine the amount of Indirect Spend to be applied to the SSR Report.

Actual indirect spend by business category (X) Indirect allocation rate = DOD allocated Indirect dollars.

This same mathematical process is used to determine the proportionate share of indirect to be applied to each business category.

Procurement system commitment records and journal entry records from accounts payable and credit are used to determine both indirect and direct subcontracting dollars.

Indirect Spend Impact: The BAE Systems Indirect Commodity Management Organization is a division of BAE Systems Inc. which negotiates Indirect Long Term Service Agreements (LTSA) for the benefit of BAE Systems and its customers. Out of necessity many of these LTSA's are made with large companies as they are the only sources which can service the company on a Nation-Wide basis. In the final analysis, BAE Systems' Indirect Spend reflects this necessity of utilizing large businesses, which in turn impacts performance against the DOD small business goals.

The following list is representative of the products and services that are included in the indirect and overhead projections:

- Capital equipment
- Construction
- Furniture
- Computing, Software
- General services
- Maintenance, repair and operations (MRO)
- Utilities
- Test Equipment
- Contract Labor
- Office Supplies

9. PLANNED INITIATIVES TO INCREASE VOLUME

As part of BAE Systems Supply Chain approach, use of “Preferred Suppliers” (required sources for applicable commodities unless special exemption granted) are embedded in our commodity strategy.

The Preferred Supplier Strategy is executed through the Material Cost Management System (MCMS) material pricing software on all ES proposals. MCMS has several planned enhancements in process to provide a new robust small business participation “Opportunity Spend” forecast management reporting, proposal specific small business inclusion management reporting, and overall improvements to “Opportunity Spend” status reports.

Included below are BAE Systems three new initiatives aimed at improving small business participation.

The following table outlines the new GFY 2014 Planned Initiatives:

Initiative	Objective	Executive Champion/ Title	Subject Matter Expert(s)	Milestones	Metrics
Metrology	Move Metrology procurements to a SB category	Chuck Marden	Dan Ferns	1. Identify supplier/work scope 2. Assess opportunities 3. Move spend from Lg. to SB	1. Evaluation complete 12/2013 2. Identify target spend 3. Award \$500K by 9/2014
OASYS Integration	Bring OASYS into the SB Program	Susan King	Susan King	1. System integration 2. Identify # of parts to move to ISPA's 3. Identify Lg. candidate spend to move to Small Bus. Partner(s)	1. Begin effort by 10/2013 2. Report how many P/N's Incorporated into *ISPA (s) 3. Report dollar value moved to Small Bus. 6/2014.
Commercial items in support of Computer Technology	Resource selected items to qualified small or SDB business category	Steve Harran	Gloria Vuolo	1. Identify potential candidates 2. Evaluate capability/credentials 3. Signed agreement	1. Supplier identified 2. Evaluation complete by 6/2014 3. Execute agreement and issue PO by 8/2014. Award 300K

**ISPA-integrated supplier partner agreement*

10. INDUSTRY CATEGORIES

The following two tables represent the Target Industry Category Goals and Forecast Spend:

TARGET OPPORTUNITY/CATEGORY GFY 2014	Small \$	TARGETED Small %			ANTICIPATED PROCUREMENT BASE
Connectors 423690	\$12M	85%			\$14M
Target Result Milestones	1. Award \$2M by 01/2014 2. \$8M by 05/2014 3. \$12M by 09/2014				

TARGET OPPORTUNITY/CATEGORY GFY 2014	Small \$	TARGETED Small %	SDB \$	TARGETED SDB %	ANTICIPATE PROCUREMENT BASE
Test Equipment 423830	\$8M	50%	\$8M	50%	\$16M
Target Result Milestones	1. Award \$5M by 06/2014 2. Award \$8M by 09/2014		1. Award \$5M by 06/2014 2. Award \$8M by 09/2014		

(Note: The TE commodity is targeted for expansion in the current model) ** SDVOSB removed per DCMA direction below dated 9/9/2013. (Reference Federal Register IV. A. 2., same reference paragraph that speaks to target timetables/goals.)

BAE Systems, Electronic Systems (ES) has signed an Integrated Supplier Partnering Agreement (ISPA) with an SDB/ SDVOSB supplier partner for the connector commodity. Commitments against the ISPA will occur incrementally throughout the year based on actual manufacturing demand for those components under our Supplier Managed Inventory planning (SMI) system. Evaluation of this effort after a year of performance has resulted in a decision to move the requirements from the SDB partner to Veterans Trading Co. (VTC). The Test equipment commodity will remain with the SDB/SDVOSB partner and will continue to expand as the business allows.

11. SIZE/STATUS REPRESENTATION AND VERIFICATION

BAE Systems monitors and maintains its Small Business Supplier Database for accuracy.

BAE Systems, acting in good faith, relies on written representations by subcontractors regarding their status as a SB, SDB, WOSB, HUB Zone, VOSB and HBCU/MI. The subcontractor provides written representation to BAE SYSTEMS certifying its status as a SB, SDB, WOSB, HBCU/MI, HUBZ, VOSB and SDVOSB bi-annually.

Notice is provided to subcontractors concerning penalties for misrepresentations of business status for the purpose of obtaining a subcontract that is to be included as part or all of a goal contained in the contractor's subcontracting plan.

12. STUDIES, SURVEYS AND REPORTING

BAE Systems will cooperate in studies and surveys as may be requested or required. In response to special requests from the Comprehensive Subcontracting Program Division DCMAC-CC Program Manager (PM), BAE Systems will provide data and reports as available.

Susan King, ES SBLO actively participates in the DOD-CSP Test Study. Additionally, an industry team has been actively working the development of a proposed plan for the future CSP.

BAE Systems adheres to the requirements for SSR "Summary Subcontract Report" and eSRS-electronic Summary Reporting System and will comply in accordance with the instructions provided DFARS 252.219. *(BAE Systems has also agreed to include in the SSR high level military services reporting for the US Army, Navy, Air Force, and the Missile Defense agencies).*

Quarterly reporting on the CSP target initiatives, industry categories, and small business performance will be submitted to the DCMA CSP Program Manager.

Mentor Protégé will be submitted in accordance with the DCMA MOU and DFARS Appendix I-112-2.

Upon expulsion from the Program or Program termination, the contractor shall negotiate and establish individual subcontracting plans on all future DoD contracts that otherwise meet the requirements of Section 211 of Public Law 95-507.

13. OUTREACH EFFORTS

BAE Systems maintains a calendar of events for annual planned SB outreach; we actively sponsor and attend Government Agency outreach events throughout the year both at the sector and enterprise level.

Supplier Diversity Web page:

<http://www.baesystems.com/Businesses/EIS/SupplierCenter/SupplierDiversity/index.htm>

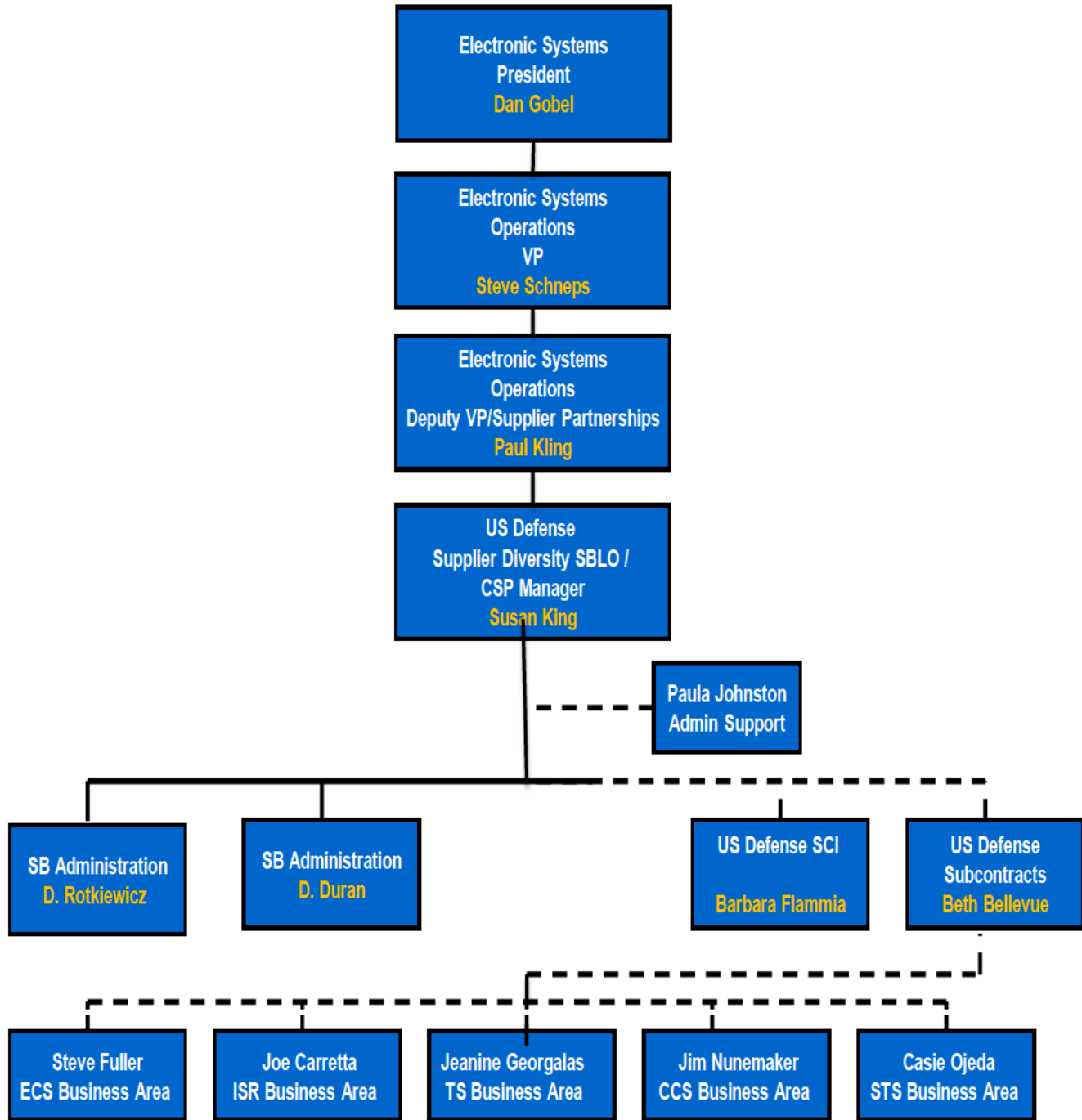
To facilitate communication with small business diversity suppliers; BAE Systems maintains a Supplier Diversity website available through the Intranet which includes links on BAE Systems.

2013 Calendar of Events

March 11-14	September 9-10
Las Vegas, NV RES 2013 Reservation Economic Summit & American Indian Business Trade Fair www.ncaied.org	Fairfax, VA National HUBZone Conference www.hubzonecouncil.org
March 21	September 10-12 On Hold
Fairfax, VA Veterans in Business Conference www.veteransbusinessconference.com	Long Beach, CA DOD Mentor Protégé Conference www.acq.osd.mil
April 3	September 10-12
Fairfax, VA Virginia Opportunity Fair 2013 www.vmsdc.org	Long Beach, CA National SBIR Beyond Phase II Conference www.beyondphaseii.com
April 25	September 25
Washington, DC Annual OSDBU Procurement Conference www.osdbu.gov	Springfield, VA NDIA National Small Business Conference www.ndia.org/meetings/3140
June 10-13	December
Reno, NV Veteran Entrepreneur Training Symposium www.veterantrainingsymposium.com	Tampa, FL SDVOSB/VOSB Technology Conference www.macdillsdvosb.net
August 6-8	Date TBD
St. Louis, MO Annual National Veteran Small Business Conference www.nationalveteransconference.com	Washington, DC Minority Enterprise Development www.medweek.gov
August 26-28	
San Diego, CA Navy Gold Coast www.navygoldcoast.org	

Electronic Systems Small Business Liaison Office

BAE SYSTEMS



BAE Systems Proprietary Information

Page 1

SB CHAMPION

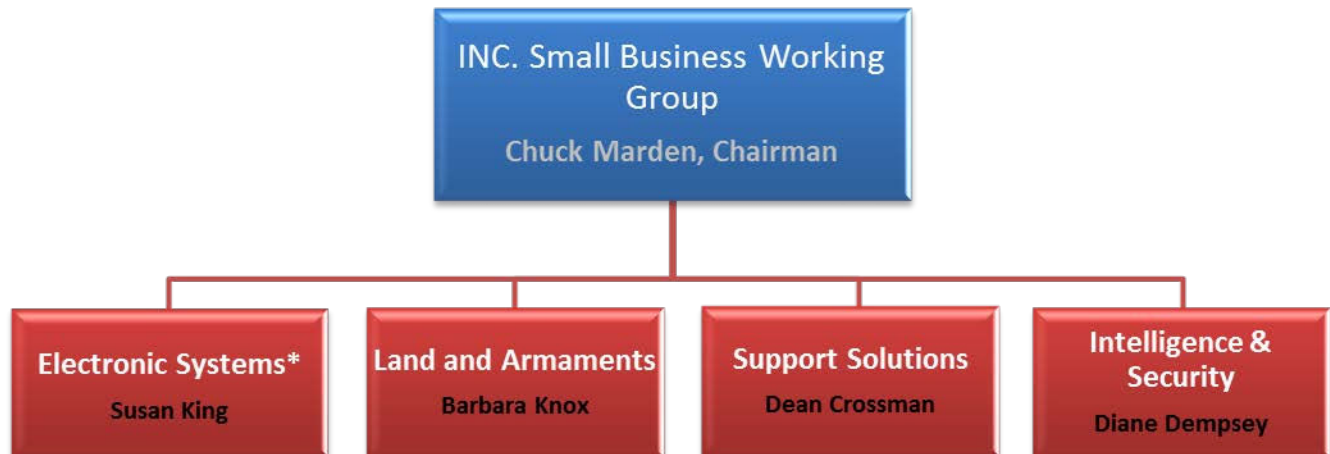
SB CHAMPION

SB CHAMPION

SB CHAMPION

SB CHAMPION

- The Small Business Working Group (SBWG) was formed at the corporate level to leverage small business best practices, share small business successes and improve coordination of the enterprise Small Business Outreach events. The SBWG meets actively every month. Legislative updates and process improvements are shared as well as updates from local area councils.



15. TRAINING

Training and direction is provided by the Small Business Liaison Officers throughout the company.

BAE Systems conducts has two primary training courses related to Procurement/Subcontracting that each have modules specific to US Government Small Business requirements. BAE Systems Internal training Course PE445W, The Subcontract Management Process, is part of the Functional Training Plan (FTP) for all Subcontract Administrators and Procurement/Subcontracts Managers. The SBLO participates as a presenter training on the small business program and compliance requirements.

The PM101G, the Subcontract Management Process for Project Managers, is included in the FTP for all Program Managers and Program Engineering Managers.

In 2012, a Compliance roadshow was launched to further communicate compliance importance. In 2013 a Small Business module was added to increase awareness of the small business obligations. Mandatory attendance by all Supply Chain personnel is required. A monthly compliance memo is also published to keep people apprised on critical information to include small business updates.

16. RECORD SYSTEMS

BAE Systems recognizes the importance of monitoring and reporting small business plan performance. The following records are maintained and available to BAE Systems personnel responsible for subcontracting opportunities represented in each BAE Systems business unit.

1. Oracle Enterprise Resource Planning (ERP) software database on all procurements maintained.
2. Organizations contacted in an attempt to locate sources that are SB, SDB, WOSB, HUB Zone, VOSB, SDVOSB and Hub Zone concerns.
3. Records of each subcontract solicitation resulting in an award of more than \$100,000 and indicate:
 - a. Whether SB, SDB (including ANCs and Indian tribes); WOSB, Hub zone, VOSB, SDVOSB and were solicited; and if not, why not.
 - b. When applicable, the reason the award was not made to a SB, SDB, WOSB, HUB Zone, VOSB, and SDVOSB concerns.
4. Records of Outreach efforts:
 - a. Active participation as sponsors, exhibitors, speakers, counselors, panelists, and hosts at small business Outreach events
 - b. Procurement Technical Assistance organizations (PTACS)
 - c. The Virginia Minority Supplier Development Council (VMSDC)
 - d. NDIA- New England Chapter
 - e. MARC- Mid-Atlantic Regional Council
 - f. BAE Systems small business forums
5. Records of internal guidance and encouragement provided to buyers through
 - a. Workshops and Seminars
 - b. On line L&D Net functional training profile
 - c. Senior Leadership extended staff meetings
 - d. Annual Compliance Roadshow
6. Small Business Bulletin is published and posted with metrics and important messages.
7. Compliance memo is published highlighting legislative updates and changes to the SB Plan

APPENDIX A – APPLICABLE REGULATIONS

This BAE Systems Comprehensive Subcontracting Plan has been prepared in accordance with FAR Part 19.7, "The Small Business Subcontracting Program"; the Federal Register Volume 65, Number 31; the DFARS, Subpart 219.7, "The Small Business Subcontracting Program", and DFARS Subpart 219.71, "Pilot Mentor-Protégé Program", DFARS, 226.3 "Historically Black Colleges and University and Minority Institutions"; and DFARS 252.219-7004, " Small Business Subcontracting Plan (Test Program)".

It is the intent of this BAE Systems Comprehensive Subcontracting Plan to address each of the elements set forth in paragraph (d) of the clause at FAR 52.219-9.

In accordance with DFARS 219.708, "Contract Clauses" the following regulations are considered not applicable to this plan: FAR 52.219-10, "Incentive Subcontracting Program"; FAR 52.219-16, "Liquidated Damages - Subcontracting Plan"; and DFARS 252.219-7003, "Small, Small Disadvantaged and Women-Owned Small Business Subcontracting Plan (DOD Contracts)"; and FAR 52.219-10, "Incentive Subcontracting Program".

Consistent with Section 402 of the U.S. Small Business Administration Reauthorization and Amendment Act of 1990, Public Law 101-574, Liquidated Damages, shall not apply to the test program. DAR Case 90-336 dated March 4, 1991, deletes FAR 52.219-16 (Liquidated Damages – Subcontracting Plan) and the application of liquidated damages to the test program in accordance with the public law.

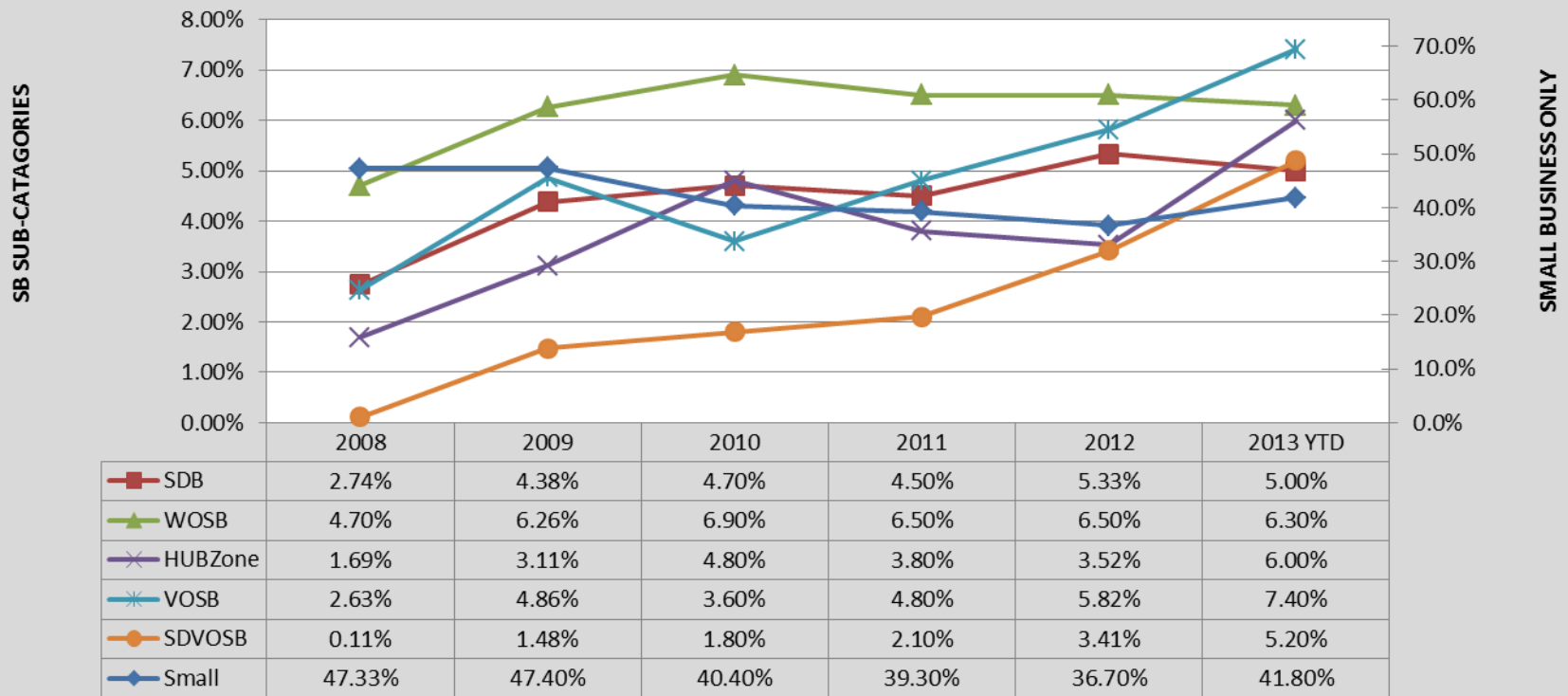
BAE Systems incorporates Federal Acquisition Regulation (FAR) Clause 52.219-8 "Utilization of Small Business Concerns" in all government subcontracts that offer subcontracting opportunities. FAR Clause 52-219-9 Small Business Subcontracting Plan and Defense Federal Acquisition Regulation Supplement (DFARS) 252-219-7003 Small Business and Small Disadvantaged Business Subcontracting Plan are imposed on all applicable DOD purchase orders and subcontracts.

**APPENDIX B- ITEMS TO BE SUBCONTRACTED
DOD SPECIFIC-
COMMODITY TABLE (pg. 1)**

COMMODITY DESCRIPTION	SDVOSB	SDVOSB %	HUBZONE	HUBZone %	SMALL	SMALL %	WOMEN	WOSB%	SDB	SDB%	VETERAN	VOSB%	LARGE	LARGE %	NAICS CODE
FABRICATIONS	0	0%	0	0%	1,205,227	51%	236,319	10%	118,159	5%	31,430	1.33%	1,157,363	43.0%	238390
MOULDINGS, NON-METALLIC,	0	0%	0	0%	2,111,449	68.31%	303,225	3.81%	160,113	5.18%	24,419	0.73%	979,532	31.7%	326150
RUBBER ITEMS	0	0%	0	0%	2,135,407	33.23%	106,507	4.65%	3,665	0.16%	6,184	0.27%	155,065	6.8%	326299
ELECTRONICS	0	0%	0	0%	2,073,819	100.00%	0	0%	0	0%	622,146	30%	0	0.0%	327113
MACHINED PARTS	0	0%	0	0%	12,717,000	100.00%	1,409,044	11.08%	746,488	5.87%	447,638	3.52%	0	0.0%	332999
OPTICAL ASSY	0	0%	0	0%	26,783,253	36.35%	2,780	0.01%	0	0%	141,769	0.51%	1,014,622	3.7%	333314
MOTORS, OTHER	0	0%	0	0%	4,737,417	34.23%	23,064	0.21%	0	0%	30,448	0.22%	3,102,539	65.8%	333618
MAJOR COMPUTER EQUIPMENT	0	0%	0	0%	12,223,580	36.12%	1,210,658	9.52%	0	0%	356,076	2.80%	493,420	3.3%	334119
ELECTRON TUBES	0	0%	0	0%	0	0%	0	0%	0	0%	0	0	1,641,415	100.0%	334411
PRINTED CIRCUIT BOARDS - OTHER	0	0%	0	0%	4,295,276	14.23%	301,847	1.00%	0	0%	54,332	0.18%	25,889,377	85.8%	334412
INTEGRATED CIRCUITS	0	0%	0	0%	52,256,131	71.12%	7,347,600	10.00%	4,041,180	5.50%	0	0%	21,219,869	28.3%	334413
ELECTRONICS (other Passives)	0	0%	0	0%	2,239,846	100.00%	0	0%	0	0%	0	0%	0	0.0%	334416
CONNECTOR, CONNECTOR ASSESSORIES	10,253,379	73%	10,253,379	73%	10,318,687	73.00%	0	0%	0	0%	10,253,379	73%	2,742,342	21.0%	334417
COMPUTER HARDWARE	0	0%	0	0%	3,597,166	40.86%	43,325	0.21%	0	0%	44,627	0.13%	13,890,759	53.1%	334511
ELECTRO MECHANICAL DEVICES	0	0%	0	0%	26,452,632	60.33%	7,446,510	17%	2,190,150	5.00%	683,327	1.56%	17,350,368	39.6%	334513
TEST EQUIPMENT	10,350,750	50%	10,350,750	50%	10,350,750	50%	792,834	3.62%	0	0%	10,350,750	50%	10,350,750	50.0%	334515
SOFTWARE	0	0%	0	0%	2,823,488	86.31%	3,598	0.11%	0	0%	0	0%	447,845	13.7%	334611
BATTERIES	0	0%	0	0%	7,144,191	86.31%	3,105	0.11%	0	0%	0	0%	1,133,171	13.7%	335911
ELECTRONIC EQUIPMENT, OTHER	0	0%	0	0%	10,850,081	10%	0	0%	11,935,089	11.00%	0	0%	37,650,727	30.0%	335999
AIRCRAFT EQUIPMENT - FLIGHT CONTROL SYSTEMS	0	0%	0	0%	5,165,328	73.12%	2,309,367	41.18%	0	0%	0	0%	1,839,072	26.3%	336412
AIRCRAFT EQUIPMENT	0	0%	0	0%	4,592,250	10%	3,184,500	20%	0	0%	2,236,125	5%	41,330,250	30.0%	336413
FASTENERS	0	0%	0	0%	706,500	20%	0	0%	706,500	20%	0	0%	2,826,000	80.0%	339993
AUTOMOTIVE	0	0%	0	0%	1,812,473	39.64%	0	0%	0	0%	0	0%	6,548	0.4%	423120
PHOTOGRAPHIC EQUIPMENT	0	0%	0	0%	1,134,342	50.00%	2,268,684	100.00%	0	0%	0	0%	1,134,342	50.0%	423410
ELECTRONIC EQUIPMENT	0	0%	0	0%	1,590,831	65.38%	0	0%	241,108	10.00%	0	0%	820,250	34.0%	423450
TERMINALS	0	0%	0	0%	4,776,304	80%	365,387	6.12%	0	0%	0	0%	1,194,076	20.0%	423610
CAPACITORS, RESISTORS	1,208,115	15%	0	0%	6,443,280	80%	0	0%	1,610,820	20%	1,208,115	15%	1,610,820	20.0%	423690
PLUMBING, HEATING, AIR-CONDITIONING	0	0%	0	0%	1,243,384	80%	31,233	5.87%	466,263	30%	3,636	0.62%	310,846	20.0%	423720
MECHANICAL ASSEMBLIES	0	0%	0	0%	23,606,440	70.00%	3,372,349	10%	1,008,332	2.99%	1,622,100	4.81%	10,117,046	30.0%	423830
INDUSTRIAL SUPPLIES	187,874	5%	0	0%	187,874	5%	0	0%	187,874	5%	187,874	5%	3,563,606	35.0%	423840
CHEMICAL	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	1,413,000	100.0%	424690
TESTING LAB	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	1,345,848	100.0%	541380
SITE SERVICES	0	0%	0	0%	6,310,418	51.48%	1,610,820	12%	805,410	6%	76,514	0.57%	6,513,082	48.5%	541611
SERVICES - LABOUR	0	0.0%	0	0%	3,322,767	50%	627,643	8%	0	0%	2,353,660	30%	3,322,767	50.0%	541712
SERVICES - LABOUR	0	0.0%	0	0%	10,809,450	30%	2,882,520	8%	0	0%	1,801,575	5%	25,222,050	70.0%	561320
SECURITY SERVICES	0	0.0%	0	0%	0	0%	0	0%	0	0%	0	0%	2,236,386	100.0%	561613
COLLEGES & UNIVERSITIES	0	0.0%	0	0%	0	0%	0	0%	0	0%	0	0%	1,636,307	100.0%	611310
BUILDINGS, OTHER	0	0.0%	0	0%	1,133,600	20.00%	0	0%	0	0%	0	0%	4,534,401	80.0%	811212
SERVICES - MAINTENANCE	0	0.0%	0	0%	327,730	50%	107,060	5.77%	0	0%	112,628	6.07%	327,730	50.0%	811310
SUBCONTRACTS (MAJORS)	0	0.0%	0	0%	5,793,300	10.0%	34,760	0.06%	6,951,960	12%	0	0%	52,139,700	90.0%	SUBCONTRACTS Other
MISCELLANEOUS INDIRECT	0	0.0%	0	0%	3,667,047	7.40%	143,709	0.29%	3,631,824	7.45%	0	0%	45,887,638	32.6%	Miscellaneous Indirect
MISCELLANEOUS DIRECT	0	0.0%	0	0%	552,005	11.73%	13,578	0.29%	234,099	5.00%	0	0%	4,129,371	88.2%	Miscellaneous Direct
ES TOTALS	22,600,118		21,204,129		285,891,321		42,860,024		35,099,040		33,314,751		420,608,700		708,500,021

APPENDIX C- HISTORICAL SMALL BUSINESS PARTICIPATION-PERCENTAGES

Electronic Solutions & Electronic Systems 6 Year Trend



APPENDIX D – POLICY STATEMENT

BAE SYSTEMS

Memorandum

To Distribution: ES Business Area VP/GMs:
ES VP Contracts, ES VP Finance, ES OPS -
Extended Staff; ES VP – Deputy GM

From Steve Schneps, Vice President
Operations, Electronic Systems

Date: August 04, 2011

Ref Public Law 95-507 (Small Business Act); as implemented through the Federal
Acquisition Regulations (FAR)

Subject Electronic Systems Supplier Diversity Small Business Policy Statement


An essential part of BAE Systems, Electronic Systems pursuit of excellence strategy includes small business utilization. This strategy recognizes the role small businesses play in the development of new and innovative products and services, creation of new jobs and overall significant contribution to our local communities and the United States economy.

Accordingly, we comply with the provisions of Public Law 100-180, Public Law 103-355, Public Law 106-50, Public Law 105-135, and regulations determined by federal agencies. BAE Systems continues to work attentively to seek out well qualified small, small disadvantaged, woman-owned, veteran-owned, service disabled veteran-owned and HUB Zone small businesses for the maximum practical opportunities to that will bring our customers the best overall value. BAE Systems has instituted Sourcing Strategies to further its commitment to small business utilization, resulting in strong performance in the area of small business utilization supporting US Government contract requirements.

BAE Systems, Electronic Systems is proud to be a participant of the Comprehensive Subcontracting Plan (CSP) that provides other initiatives and subcontracting opportunities for its small business partners.

Through these efforts, the BAE Systems CSP participant businesses have and will continue to fully maintain and commit to Small Business and Supplier Diversity program efforts.

Sincerely,


Steven V. Schneps
Vice President, Operations
Electronic Systems
BAE Systems

APPENDIX E – SMALL BUSINESS POLICY

PROPRIETARY & CONFIDENTIAL

BAE SYSTEMS

BAE Systems, Inc.
Management Policy

SUBJECT: U.S. Small Business
Program Compliance
NUMBER: 312
REVISION: Original
EFFECTIVE: July 1, 2012

[REDACTED]
Linda P. Hudson

1. POLICY

It is the policy of BAE Systems, Inc. that all Inc. Businesses located or otherwise operating in the United States shall comply with all applicable U.S. laws and regulations governing the utilization of Small Businesses in connection with U.S. government contracting activities.

Through leadership commitment, allocated resources, and enabling practices, Inc. Businesses will work diligently to seek out qualified small, small disadvantaged, woman-owned, veteran-owned, service disabled veteran-owned, and HUB Zone Small Businesses for procurement opportunities that will bring the best overall value to our U.S. government customers.

2. PURPOSE AND SCOPE

The Company recognizes that Small Business inclusion is an integral part of the federal acquisition process and commits to acting accordingly. Innovative and robust supplier engagements lead to successful Small Business program performance, increasing Small Business awards for the development of pioneering products and services, the creation of American jobs, and an overall significant contribution to local communities and the United States economy.

This policy establishes the requirements for Inc. Businesses to develop and maintain Supplier Diversity programs in connection with U.S. government contracting activities, as well as to maximize practical Small Business subcontracting opportunities in a manner consistent with applicable U.S. laws and regulations. Inc. Businesses will continue to demonstrate significant involvement and a strong commitment to support their Small Business programs.

Sector Presidents shall ensure that employees understand the requirements of this policy and have appropriate access to the resources necessary to comply with it. The Small Business Working Group (SBWG) shall serve to coordinate the implementation of this policy (including the collaboration of relevant tools and resources) across all Sectors.

3. DEFINITIONS

- 3.1 **Inc. Businesses** means BAE Systems, Inc. and its owned and/or managed businesses that are located or otherwise operating in the United States.
- 3.2 **Inc. Headquarters** means BAE Systems, Inc. and its executive and functional staff.

- 3.3 **NAICS** means the North America Industry Classification System maintained by the U.S. Department of Commerce (U.S. Census Bureau) to classify business establishments based on their type of economic activity.
- 3.4 **Sector** means the organizational unit immediately below the Inc. Headquarters level.
- 3.5 **Small Business** means a “for profit” concern (including its affiliates) that (a) is independently owned and operated, (b) does not exceed applicable NAICS code size standard criteria, and (c) is not dominant in the relevant field of operations for which it is bidding on U.S. government contracts.
- 3.6 **Small Business Liaison Officer** (SBLO) is appointed by the Sector President (or designee) and is responsible for implementing the Sector’s overall Small Business program, including to ensure that all required reporting is timely completed and to maximize opportunities afforded to qualified entities.
- 3.7 **Small Disadvantaged Business** means a Small Business¹ owned by individuals who each have a net worth (excluding home & firm equity) that does not exceed \$750,000, and the firm must be at least 51% unconditionally owned by one or more socially and economically disadvantaged individuals (or in the case of any publicly owned business, at least 51 percent of the voting stock is unconditionally owned by one or more socially and economically disadvantaged individuals), and whose management and daily business operations are controlled by one or more such individuals.
- 3.8 **Supplier Diversity** means the general use within a supply chain of a broad variety of Small Businesses and/or Small Disadvantaged Businesses.

4. APPLICABILITY

This policy applies to all Inc. Businesses located or otherwise operating in the United States. Inc. Headquarters and each Sector shall adopt written procedures, as applicable and to the extent necessary, to implement it.

5. REQUIREMENTS

- 5.1 Each Sector shall appoint a Small Business Liaison Officer. The SBLO shall be responsible for the administration and management of the Sector’s Small Business program, subcontracting plans, and reporting, and shall represent the Inc. Businesses within his or her Sector at government and industry sponsored seminars, conferences, and other Small Business outreach events.
- 5.2 The Inc. Procurement Council shall sponsor and oversee a Small Business Working Group (SBWG) consisting (as a minimum) of the SBLO from each Sector and a Chairperson appointed by the Council. The SBWG Chair shall be a Director-level or above Procurement functional leader from Inc. Headquarters or a Sector.

¹ Where authorized by the Small Business Administration, certain socially disadvantaged businesses may be exempt from the applicable size standards (e.g., businesses owned by certain ANC or Indian tribes), in which case they shall be nevertheless treated as a *Small Disadvantaged Business* for purposes of this policy.

- 5.3 The SBWG shall implement a collaborative Small Business program that optimizes Sector and Inc. Headquarters resources to meet applicable U.S. Government subcontracting goals. The SBWG shall provide a forum for communication of applicable U.S. Government and Company policies, as well as to coordinate Inc. Business participation at relevant industry events.

6. COOPERATION WITH FEDERAL AGENCIES

- 6.1 Inc. Businesses shall cooperate in any required U.S. Government-sponsored studies, surveys, or test programs regarding Small Businesses. Individual Subcontracting Reports (ISRs) and Summary Subcontracting Reports (SSRs) shall be timely filed utilizing the electronic government reporting system (e-SRS). Reports shall be submitted in accordance with electronic instructions, which shall be flowed down to all subcontractors to ensure awareness of all applicable Small Business reporting requirements.
- 6.2 Inc. Businesses shall submit all periodic reports to the U.S. Government as required by law, regulation and/or contract, and shall cooperate with the contracting agency and/or the Small Business Administration to validate the Inc. Business' compliance with its applicable Subcontracting Plan(s).

7. REFERENCES

- Small Business Administration (SBA); <http://www.sba.gov>
- Small Business Act of 1978, Public Law 95-507
- 13 CFR 125.3
- FAR 52.219-8, "Utilization of Small Business Concerns"
- FAR 52.219-9, "Small Business Subcontracting Plan"
- FAR 52.219-26, "Small Disadvantaged Business Participation Program"
- Deputy Under Secretary of Defense memorandum regarding e-SRS (available at http://www.acq.osd.mil/osbp/doing_business/e-srs.htm)

8. EXCEPTIONS

Exceptions to this policy require the prior written approval of the President & CEO of BAE Systems, Inc. or the Inc. SVP, Finance.

August 12, 2012

ADDENDUM: Appendix F

Significant challenges facing GFY2014 small business planning:

BAE Systems, ES remains very active in proposals and is experiencing the uncertainty of a very high level of quoting activity. Many are for follow-on business which does not easily lend itself to increasing small business opportunities without increasing cost and risk to schedule and technical compliance. Fulfillment of customer requirements includes partnering with other large businesses for technology capabilities. The customer directed large business sources also affect the ability to subcontract to small businesses.

There continues to be a high turnover of programs within Electronic Systems every year. The projected GFY 2014 commitments for ES are \$706M down from 851M in 2013. This is made up of > 500+ different DOD related projects, each with its own material requirements that include nearly every defense related technology. A significant amount of these are proposed business that the Government has not yet awarded. The no doubt decline in the US defense budget and its uncertainty make it exceptionally difficult to predict which awards will materialize. This requires continuous adjustments to our forecast planning. Due to the nature of our business it is not economically feasible to "transfer" parts from one supplier to another supplier in order to achieve a small business goal. Changes in suppliers on active programs affect delivery dates; add startup costs and first article qualification test requirements which add RISK to DOD programs.

As the government is well aware we are faced with sequestration, cutting of government spending, delays and cancellations of key programs. The result of this greatly affects our ability to plan and forecast. The defense budget is the primary source of funding for ES programs. This uncertainty also affects our industries ability to invest in our future. Some program impacts are noted below:

- DVE-FOS is in its final year of a 5 Year IDIQ worth \$1.9B. The program ends May 2014. The figures noted below show how the annual DVE-FOS contract value have decreased over the five (5) year period.

2010- \$187,852,808

2011- \$131,504,042

2012 - \$21,440,360

2013 - \$16,728,238

2014 - \$5,480,626

DVE-FOS SB	SB category	2013	2014
W MACHINE WORKS	WOSB, SDB	\$155K	\$56K
S&K	SDB, HUBZ	\$343K	\$123K
TWIN SERVICES INC	SDVOSB	\$119K	\$43K
		\$618K	\$222K

- The Check-6® program has significantly diminished and is entering the sustainment phase of the product lifecycle. In 2012, the Integrated Business Plan (IBP) for Check-6® was \$16M. IBP for 2013 is \$7M and declining each year. Anticipated orders are primarily for international prospects and spares deliverables.

As the Check-6® product enters the sustainment phase of the product lifecycle, the adjusted contract value projected is reflected below.

2012- \$16M
 2013- \$7M
 2014- \$5M
 2015- \$3M

Check 6 primary Small Business Suppliers:

CHECK SIX SB	SB category	2013	2014
TWIN SERVICES	SB,VOSB,SDVOSB	\$313K	\$102K
S&K	SB,SDB,HubZ,NAI	\$93K	\$43K
		\$406K	\$145K

- BAE Systems, ES recently received a request for proposal from Defense Logistics Agency for five (5) years of Spares. However, the most likely annual order quantity is only 120 compared to 1,000 units per month previously delivered.
- In 2012, BAE Systems won 72% of the Request for Task Execution Plan (RTEP) that the government competes between BAE Systems and DRS. To date; BAE Systems has received only 64% of the awards.
- Customer (LMCO) requested a proposal from BAE Systems for the JSF Support Equipment Program (~\$52M), but has ultimately decided to keep it internal to LMCO. This impacts our GY14 subcontracting opportunities significantly affecting our overall small business spend. The numbers below are representative of the impact.

Category	\$ Impact	Percentage
Small Business	\$37,744,000	71%
Woman Owned	\$11,325,000	21%
Veteran Owned	\$6,171,000	11%
HubZone	\$1,480,000	2%
Unknown	\$3,089,000	2%

- PFT T06 program has been cancelled due to the impact of sequestration.
- Digital Discovery, a Small Business, received a 50% reduction on a \$220,000 subcontract. DARPA 100G's program was cancelled due to the Prime Contract W909MY-13-C-0035 being terminated because of sequestration. Contract was awarded on 12/19/2012 for

\$1.2M. A Stop Work Order was issued to the supplier E-Band Communications Corp, classified as a small business, on 4/30/2013 for termination due to sequestration.

- Vermont Composites was acquired by the large business Kaman Composites. The forecast of \$4.65 anticipated \$4.65M was lost.
- Space Computers business became a large business. The Greenlawn, NY facility included in the CSP subcontracted a significant amount of work in support of the Spectral Infrared Remote imaging Test Transition (SPIRITT) program. Subcontracts awarded over a 3 year period ranged from \$1.1M to \$1.9M.

TWS (Thermal Weapon Sights), program was recently competed for a “winner take all” RFP for the remaining four years of the program. Despite all efforts, BAE System lost the program. One key supplier S&K Electronics, Inc. (NAICS: 334418) provides six (6) different unique flexes for the TWS program. The estimated impact to the small business plan is \$4.6M. Below is the specific impact to the Hub Zone category alone.

Supplier	SB Category	\$ Impact
S&K	SB,SDB,HubZ	\$4.6M