

3i Company  
A Proposal  
for Contract to Render Services to  
Covington and Burling

1. 3i Company proposes to render the following services to Covington and Burling (C&B):
  - 1.1 Scanning current publications and other materials designated by C&B.
  - 1.2 Selecting documents as a result of scanning in accordance with instructions and criteria established by C&B.
  - 1.3 Make or otherwise acquire one copy of all documents or data selected for incorporation into the system.
  - 1.4 Abstract significant information from the documents selected.
  - 1.5 Index significant information from the documents selected so that, using suitable question formulation, such information can be reliably and efficiently retrieved from the computer.
  - 1.6 Prepare the indexing data assigned to each document for loading into the computer. Load the data into the computer twice each month.
  - 1.7 Prepare twenty sets of aperture cards for all selected documents and distribute such cards in accordance with C&B instructions.
  - 1.8 Prepare, at least twice each month, forty copies of a Current Awareness Bulletin highlighting documents or data recently incorporated into the system and determined by C&B to be of special interest. Distribute this bulletin in accordance with C&B instructions.
  
2. Payment for the services described in paragraph one above is to be on the basis of time and material charges except for the following items on a fixed cost or other basis:
  - 2.1 Fixed cost per aperture card delivered. \$0.13/CARD

Covers outside contracting cost for aperture card preparation plus 10%. No charge to C&B for replacement of illegible or mechanically defective cards delivered under new contract. Inhouse clerical and production costs are included under time and materials charges (see Section 3 below).
  
  - 2.2 Fixed cost per document loaded into the computer.

From 300 to 450 documents per month	\$7.61
From 400 to 550 documents per month	\$6.71
From 500 to 650 documents per month	\$6.33

2.2 (contd.)

Includes computer time and time of operator and key punching, supplies, etc. No charge to C&B for reloading of computer in the event of erroneous initial loading.

2.3 Fixed cost per page for Xeroxing documents as provided in 1.3. \$0.10

Does not include operation of 3-2-1 machine and related rental, supplies and operators time which are includable on a time and materials basis.

2.4 Ordinary and necessary travel expenses will be on an actual basis as incurred.

3. Time and materials cost will be charged in accordance with the following:

3.1 Only 3i employees working directly on the contract will charge their time to the contract. This time charge will be billed to C&B in accordance with the formula outlined in paragraph 3.3 below. C&B will not be billed for sick leave, vacations and other excused absences except to the extent that these charges are included in overhead rate.

3.2 Employees performing services not directly related to this contract will not charge time to this contract. Employees on this contract exclude service and administrative personnel whose responsibilities involve work on other contracts or corporate matters.

3.3 An hourly rate for each employee will be developed as follows:

One dollar of direct labor	\$1.00	36.4%
Overhead @70% of direct labor	<u>.70</u>	<u>25.5</u>
Total cost of sales	\$1.70	61.9%
General and administrative expenses at 30% of cost of sales	<u>.51</u>	<u>18.6</u>
Total	\$2.21	80.5
Profit @ approximately 20% of sales	<u>.54</u>	<u>19.5</u>
Billing Price	<u>\$2.75</u>	<u>100.0%</u>

Enclosed is a copy of page 8 of the audit report prepared by the independent accountants of 3i Company for the year ended June 30, 1968, which is the basis for the overhead and G&A rates included in the foregoing calculation. We have been advised orally that the Department of Defense has accepted these rates for billing purposes.

3.4 Proposals are attached establishing the maximum aggregate billing values which 3i may incur in the performance of the services described above at three different levels of service:

- From 300 to 450 documents per month - Exhibit A
- From 400 to 550 documents per month - Exhibit B
- From 500 to 650 documents per month - Exhibit C

Within the range of documents established above, the manning levels billed on the exhibits should be adequate to completely process a document within a thirty day period from identification.

C&B will advise 3i at which level of activity 3i will be expected to perform. In the event, during the performance of the contract, C&B desires 3i to change from one level of service to another C&B will give 3i ninety days notice.

3.5 The maximum billing to C&B for time charges will be the lower of:

- A. Actual charge during the contract period.
- B. Ninety percent of the charges for the level of services selected by C&B from the alternatives presented in paragraph 3.4.

Determination of the proper charge will be made monthly on a cumulative basis for the contract period.

3.6 All materials and equipment rentals will be charged on the basis of direct cost to 3i exclusive of any overhead or handling charges and will not be subject to any maximum amount.

4. 3i will also perform Special Requests and Special Projects on instructions of C&B as follows:

4.1 Answering questions:

- a. For services of computer, computer operators, key punching, materials and supplies:

First three hundred minutes of computer time	\$9.00 per minute
Each minute in excess of three hundred minutes	\$10.00 per minute
Minimum monthly charges (unused portion of monthly guarantee cannot be used for other computer services)	\$2,700 per month

- b. TWX and telephone charges will be billed at cost. For services of non-computer personnel and other materials and supplies as required, on a time and materials basis as described in section 3 above.

4.2 Special Requests and Special Projects:

- a. For services of all personnel plus materials and supplies as required, charges will be on a time and materials basis as described in section 3 above.
- b. 3i will provide estimates on any Special Project. C&B may elect to authorize 3i to perform these Special Projects on a time and materials basis in which case C&B will be billed for total cost; or, C&B may elect to authorize 3i to perform on a fixed price basis in which case the billing will be at 110% of the estimate.

4.3 For services involving utilization of computer personnel on Special Request and Special Project the following rates apply:

Computer time	\$125.00/hour
Computer operators	\$ 11.00/hour
Keypunch operators	\$ 8.25/hour
Senior computer programmer/ analyst	\$ 25.40/hour
Junior computer programmer/ analyst	\$ 16.50/hour

4.4 Analysis of estimated costs on certain Special Projects is attached. (Exhibit D).

5. 3i proposes that the following be utilized to establish the standards of performance that 3i must adhere to:
  1. Scanning Reports - 3i will provide reports of journals scanned on request or in accordance with a schedule established by C&B.
  2. Progress Reports - Semi-monthly (or more frequently at 3i's option). 3i will furnish to C&B on all documents: (a. date identified, b. date abstracted and indexed, c. date aperture card mailed, d. date computer loaded).
  3. 3i will provide office space to a representative of C&B on a full time basis if desired.
  4. 3i will provide C&B with full access to its books and accounting records pertinent to the C&B contract.
  5. 3i will establish and operate an integrated work order accounting system to provide full control of cost in connection with Special Requests and Special Projects.
  6. 3i will consult with C&B relative to work methods and systems and will put into effect reasonable recommendations by C&B.
  7. 3i recognizes C&B's right to direct its work effort in accordance with the priorities established by C&B.