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252.270-7002 Pilot Program to Incentivize Contracting with Employee-Owned Businesses.

As prescribed in [270.105\(c\)](#), use the following clause:

Pilot Program To Incentivize Contracting With Employee-Owned Businesses (Nov 2024)

(a) *Definition.* As used in this clause—

Qualified business means an S corporation as defined in [26 U.S.C. 1361\(a\)\(1\)](#) for which 100 percent of the outstanding stock is held through an employee stock ownership plan as defined in [26 U.S.C. 4975\(e\)\(7\)](#).

(b) *Limitations on subcontracting.* In performance of the contract, the Contractor shall not expend more than 50 percent of the amount paid under the contract on subcontracts, unless—

- (1) The subcontract is awarded to a qualified business;
- (2) The contract is for products and the subcontract is for materials not available from another qualified business; or
- (3) A waiver is granted.

(c) *Reporting requirement.* Not later than 30 days after the end of the contract period of performance, the Contractor shall submit to the Contracting Officer the following information in writing:

- (1) The number of years the Contractor has been wholly-owned by its employee stock ownership plan.
- (2) Challenges, if any, the Contractor experienced in attracting and retaining a talented workforce in a competitive market due to the Contractor's corporate ownership structure.
- (3) Challenges, if any, the Contractor experienced that hinder its ability to contract with DoD to scale its technologies and capabilities due to the Contractor's corporate ownership structure.
- (4) Challenges, if any, the Contractor experienced, due to its corporate ownership structure, in obtaining capital necessary to bridge funding gaps, for example, between prototype demonstration and full-scale development.

(End of clause)

Parent topic: [252.270 RESERVED](#)