

# 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](#)