

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT		1. CONTRACT ID CODE	PAGE OF PAGES 1 5
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2. AMENDMENT/MODIFICATION NO. P00001	3. EFF. DATE 02-01-2010	4. REQUISITION/PURCHASE REQ. NO. 0020052682	5. PROJECT NO. (If applicable)
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6. ISSUED BY DHS - Customs & Border Protection Department of Homeland Security 1331 Pennsylvania Ave, NW Procurement Directorate - NP 1310 Washington DC 20229	CODE 70050800	7. ADMINISTERED BY (If other than Item 6) DHS - Customs & Border Protection Department of Homeland Security 1331 PENNSYLVANIA AVE, NW Procurement Directorate - NP 1310 Washington DC 20229	CODE
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8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State and Zip Code) DEFENSE SUPPORT SERVICES LLC 901 LINCOLN DRIVE WEST STE 200 MARLTON NJ 08053-3131 CODE 139847276 FACILITY CODE	9A. AMENDMENT OF SOLICITATION NO.	9B. DATED (SEE ITEM 11)	10A. MODIFICATION OF CONTRACT/ORDER NO. HSBP1010C00002 /	10B. DATED (SEE ITEM 13) 11-13-2009
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11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers is extended, is not extended. Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)
SEE ATTACHED ACCOUNTING AND APPROPRIATION DATA

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

<input type="checkbox"/> A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
<input type="checkbox"/> B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (Such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103 (b).
<input checked="" type="checkbox"/> C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF: FAR 43.103(A)(3)
<input type="checkbox"/> D. OTHER (Specify type of modification and authority)

E. IMPORTANT: Contractor is not is required to sign this document and return 1 copies to issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)
SEE ATTACHED PAGES

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print) (b) (6) SENIOR DIRECTOR, CONTRACT ADMINISTRATION	16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print) STEPHANIE ALEXANDER Contracting Officer
15B. CONTRACTOR/OFFEROR (Signature of person authorized to sign) (b) (6)	15C. DATE SIGNED 01 FEB 10
16B. UNITED STATES OF AMERICA BY (b) (6)	16C. DATE SIGNED 2-1-10

The purpose of this modification is to (1) make administrative corrections and revisions; (2) obligate funding in the amount of (b) (4) for Full Performance of National Aircraft Maintenance and Logistics Support Services (NAMLS) during the period of February 1, 2010 through September 30, 2010; and (3) incorporate DD Form 254 and the Incentive Fee Schedule. Accordingly, Contract HSBP1010C00002 is modified as follows:

1. Under SECTION A-Standard Form 26, Block 7, correct the Contractors address to read as follows:

Defense Support Services, LLC,
901 Lincoln Drive West, Suite 200
Marlton, NJ 08053-3131.

2. Under SECTION B-SUPPLIES OR SERVICES AND PRICES/COSTS, make the following changes:

- Add Line Items 00020 through 00090 under "Schedule of Supplies/Services" as attached hereto.
- Add Line Items 00020 through 00090 under "Accounting and Appropriation Information" as attached hereto.
- Add Line Items 00020 through 00090 under "Delivery Schedule" as attached hereto.
- Revise CBP Clause B.2 "Determination of Incentive Fee" to add definitions for "Launch" and "Mission". As such, replace Clause B.2 in its entirety with the revised Clause B.2 attached hereto.

3. Under SECTION H-SPECIAL CONTRACT REQUIREMENTS, make the following changes:

- a. Replace CBP Clause H.3 "Security Procedures (May 2003), in its entirety with the following:

H.3 SECURITY PROCEDURES (OCT 2009) (MODIFIED)

A. Controls

1. The Contractor shall comply with the U.S. Customs and Border Protection (CBP) administrative, physical and technical security controls to ensure that the Government's security requirements are met.
2. All Government furnished information must be protected to the degree and extent required by local rules, regulations, and procedures. The Contractor shall comply with all security policies contained in CBP Handbook 1400-05C, Information Systems Security Policies and Procedures Handbook.
3. All services provided under this contract must be compliant with the Department of Homeland Security (DHS) information security policy identified in DHS Management Directive (MD) 4300.1, Information Technology Systems Security Program and DHS 4300A, Sensitive Systems Handbook.
4. All Contractor employees under this contract must wear identification access badges when working in CBP facilities. Prior to Contractor employees' departure/separation, all badges, building passes, parking permits, keys and pass cards must be given to the Contracting Officer's Technical Representative (COTR), Supervisory Aviation Maintenance Officer, or Aviation Maintenance Inspector as appropriate. The COTR, Supervisory Aviation Maintenance Officer, or Aviation Maintenance Inspector will ensure that the cognizant Physical Security official is notified so that access to all buildings and facilities can be revoked. NOTE: For contracts within the National Capitol Region (NCR), the Office of Internal Affairs, Security Management Division (IA/SMD) should be notified if building access is revoked.
5. All Contractor employees must be registered in the Contractor Tracking System (CTS) database by the Contracting Officer (CO) or COTR. The Contractor shall provide timely start information to the CO/COTR or designated government personnel to initiate the CTS registration. Other relevant information will also be needed for registration in the CTS database such as, but not limited to, the contractor's legal name, address, brief job description, labor rate, Hash ID, schedule and contract specific information. The CO/COTR or designated government personnel shall provide the Contractor with instructions for receipt of CTS registration information. Additionally, the CO/COTR shall immediately notify IA/SMD of the contractor's departure/separation.
6. The Contractor shall provide employee departure/separation date and reason for leaving to the CO/COTR in accordance with CBP Directive 51715-006, Separation Procedures for Contractor Employees. Failure by the

Contractor to provide timely notification of employee departure/separation in accordance with the contract requirements shall be documented and considered when government personnel completes a Contractor Performance Report (under Business Relations) or other performance related measures.

B. Security Background Investigation Requirements

1. In accordance with DHS Management Directive (MD) 11055, Suitability Screening Requirements for Contractors, Part VI, Policy and Procedures, Section E, Citizenship and Residency Requirements, contractor employees who require access to sensitive information must be U.S. citizens or have Lawful Permanent Resident (LPR) status. A waiver may be granted, as outlined in MD 11055, Part VI, Section M (1).
2. Contractor employees that require access to DHS IT systems or development, management, or maintenance of those systems must be U.S. citizens in accordance with MD 11055, Part VI, Section E (Lawful Permanent Resident status is not acceptable in this case). A waiver may be granted, as outlined in MD 11055, Part VI, Section M (2)
3. Provided the requirements of DHS MD 11055 are met as outlined in paragraphs 1 and 2 above, contractor employees requiring access to CBP facilities, sensitive information or information technology resources are required to have a favorably adjudicated background investigation (BI) or a single scope background investigation (SSBI) prior to commencing work on this contract. Exceptions shall be approved on a case-by-case basis with the employee's access to facilities, systems, and information limited until the Contractor employee receives a favorably adjudicated BI or SSBI. A favorable adjudicated BI or SSBI shall include various aspects of a Contractor employee's life, including employment, education, residences, police and court inquires, credit history, national agency checks, and a CBP Background Investigation Personal Interview (BIPI).
4. The Contractor shall submit within ten (10) working days after award of this contract a list containing the full name, social security number, place of birth (city and state), and date of birth of employee candidates who possess favorably adjudicated BI or SSBI that meets federal investigation standards.. For employee candidates needing a BI for this contract, the Contractor shall require the applicable employees to submit information and documentation requested by CBP to initiate the BI process.
5. Background Investigation information and documentation is usually submitted by completion of standard federal and agency forms such as Questionnaire for Public Trust and Selected Positions or Questionnaire for National Security Positions; Fingerprint Chart; Fair Credit Reporting Act (FCRA) form; Criminal History Request form; and Financial Disclosure form. These forms must be submitted to the designated CBP official identified in this contract. The designated CBP security official will review the information for completeness.
6. The estimated completion of a BI or SSBI is approximately sixty (60) to ninety (90) days from the date of receipt of the properly completed forms by CBP security office. During the term of this contract, the Contractor is required to provide the names of contractor employees who successfully complete the CBP BI or SSBI process. Failure of any contractor employee to obtain and maintain a favorably adjudicated BI or SSBI shall be cause for dismissal. Continuous failure to provide contractor employees who meet CBP BI or SSBI requirements may be cause for termination of the contract.

C. Security Responsibilities

1. The Contractor shall ensure that its employees follow the general procedures governing physical, environmental, and information security described in the various DHS CBP regulations identified in this clause. The contractor shall ensure that its employees apply proper business practices in accordance with the specifications, directives, and manuals required for conducting work under this contract. Applicable contractor personnel will be responsible for physical security of work areas and CBP furnished equipment issued under this contract.
2. The CO/COTR may require the Contractor to prohibit its employees from working on this contract if continued employment becomes detrimental to the public's interest for any reason including, but not limited to carelessness, insubordination, incompetence, or security concerns.
3. Work under this contract may require access to sensitive information as defined under Homeland Security Acquisition Regulation (HSAR) Clause 3052.204-71, Contractor Employee Access, included in the solicitation/contract. The Contractor shall not disclose, orally or in writing, any sensitive information to any person unless authorized in writing by the CO.
4. The Contractor shall ensure that its employees who are authorized access to sensitive information, receive training pertaining to protection and disclosure of sensitive information. The training shall be conducted during and after contract performance.

5. Upon completion of this contract, the Contractor shall return all sensitive information used in the performance of the contract to the CO/COTR. The Contractor shall certify, in writing, that all sensitive and non-public information has been purged from any Contractor-owned system.

D. Notification of Contractor Employee Changes

1. The Contractor shall notify the CO/COTR via phone, facsimile, or electronic transmission, immediately after a personnel change become known or no later than five (5) business days prior to departure of the employee. Telephone notifications must be immediately followed up in writing. Contractor's notification shall include, but is not limited to name changes, resignations, terminations, and reassignments to another contract.
2. The Contractor shall notify the CO/COTR and program office (if applicable) in writing of any proposed change in access requirements for its employees at least fifteen (15) days, or thirty (30) days if a security clearance is to be obtained, in advance of the proposed change. The CO/COTR will notify the Office of Information and Technology (OIT) Information Systems Security Branch (ISSB) of the proposed change. If a security clearance is required, the CO/COTR will notify IA/SMD.

E. Non-Disclosure Agreements

When determined to be appropriate, Contractor employees are required to execute a non-disclosure agreement (DHS Form 11000-6) as a condition to access sensitive but unclassified information.

(End of Clause)

- b. Add Clause H.26 PRE-EXISTING CONDITIONS, as stated below:

H.26 PRE-EXISTING CONDITIONS

(a) The Department of Homeland Security, Customs and Border Protection (CBP), agrees to reimburse the contractor, and the contractor shall not be held responsible, for any liability (including without limitation, a claim involving strict or absolute liability and any civil fine or penalty), expense, or remediation cost, but limited to those of a civil nature, which may be incurred by, imposed on, or asserted against the contractor arising out of any condition, act, or failure to act which occurred before the contractor assumed responsibility on 01 February 2010. To the extent the acts or omissions of the contractor cause or add to any liability, expense or remediation cost resulting from conditions in existence prior to 01 February 2010, the contractor shall be responsible in accordance with the terms and conditions of this contract.

(b) The obligations of the Department of Homeland Security, Customs and Border Protection (CBP) under this clause are subject to the availability of appropriated funds.

(c) The contractor has the duty to inspect the facilities and sites and timely identify to the contracting officer those conditions which it believes could give rise to a liability, obligation, loss, damage, penalty, fine, claim, action, suit, cost, expense, or disbursement or areas of actual or potential noncompliance with the terms and conditions of this contract or applicable law or regulation. The contractor has the responsibility to take corrective action, as directed by the contracting officer and as required elsewhere in this contract.

(End of Clause)

4. Under SECTION J-LIST OF ATTACHMENTS, make the following changes:

- a. Revise List of Attachments as follows:

<u>Attachment No.</u>	<u>No. of Pages</u>	<u>Attachment Title</u>
1	69	Performance Work Statement
2	31	Quality Assurance Surveillance Plan
3	1	Applicable Area Wage Determination References
3A	1	Applicable Collective Bargaining Agreements References
4	3	Incentive Fee Schedule
5	5	Contract Security Classification Specification (DD-254)
6	3	Contractor Employee Separation Clearance (CBP 242)

- b. Replace Attachment 1, Performance Work Statement (PWS) in its entirety with the revised Attachment 1, Performance Work Statement attached hereto. For identification purposes, revisions to the following PWS sections have been made:
 - C.1.1 SCOPE
 - C.5.1.5 AVIATION FUEL AND POL MANAGEMENT PROGRAM,
 - C.5.1.10 AIRCRAFT SUPPORT EQUIPMENT,
 - C.5.1.12 SURVIVAL EQUIPMENT,
 - C.5.1.13 QUALITY CONTROL PLAN,
 - C.5.1.14 LOGS AND RECORDS,
 - C.5.3.1 LEVELS OF OPERATIONS (*re-titled and revised*)
 - C.5.3.2.3 UNIFORMS
 - C.5.3.6 HAZARDOUS WASTE MANAGEMENT,
 - C.5.4.2 SPECIFIC INFORMATION TECHNOLOGY (IT) REQUIREMENTS,
 - APPENDIX 1 TYPES OF AIRCRAFT BY LOCATION/FLIGHT HOUR PROJECTIONS/SITE HOUR PROJECTIONS/LEVELS OF OPERATIONS (*re-titled and revised*),
 - APPENDIX 6 SURVIVAL EQUIPMENT,
 - APPENDIX 10 CONTRACT DELIVERABLES
 - APPENDIX 11 CONTRACT SECURITY CLASSIFICATION SPECIFICATIONS (DD254) is hereby replaced with FORWARD AREA REFUELING POINT LOCATIONS (*Newly Added*).
 - c. Replace Attachment 2, Quality Assurance Surveillance Plan (QASP) in its entirety with the revised Attachment 2, QASP attached hereto.
 - d. Replace Attachment 3, Applicable Area Wage Determination (AWD) References with the revised Attachment 3, Applicable Area Wage Determination (AWD) References, attached hereto. The revised Attachment 3 has an effective date of February 1, 2010, in accordance with FAR 52.222-41. For identification purposes, Pensacola, Florida and Sacramento, California were added as Places of Performance under this contract. The Contractor shall have thirty (30) days from the date of this modification to submit a proposal for any cost impact as a result of these Area Wage Determinations being incorporated into the contract.
 - e. Add Attachment 3A, Applicable Collective Bargaining Agreements References. Complete copies of each reference will be provided to the Contractor on a separate Compact Disc (CD).
 - f. Incorporate the attached Incentive Fee Schedule as Attachment 4.
 - g. Incorporate the attached Contract Security Classification Specification (DD-254) as Attachment 5.
5. This modification increases the total obligated amount is by (b) (4) from \$1,342,153 to \$63,802,332. Therefore, the amount in Block 15G of the Standard Form (SF) 26 is hereby changed to read \$63,802,332.
6. Except as modified herein, all other terms and conditions of the subject contract remains unchanged and in full force and effect.

SECTION B SUPPLIES OR SERVICES & PRICES OR COSTS

B.1 SCHEDULE OF SUPPLIES/SERVICES

ITEM #	DESCRIPTION	QTY	UNIT	UNIT PRICE	EXT. PRICE
10	CLIN00010 - Phase-In	1.000	AU	(b) (4)	(b) (4)
20	CLIN0002 - Program Management	1.000	AU	(b) (4)	(b) (4)
30	CLIN0003 - Labor/ODCs	1.000	AU	(b) (4)	(b) (4)
40	CLIN0004 - Materials	1.000	AU	(b) (4)	(b) (4)
50	CLIN0004 - Materials	1.000	AU	(b) (4)	(b) (4)
60	CLIN0004 - Materials	1.000	AU	(b) (4)	(b) (4)
70	CLIN0004 - Materials	1.000	AU	(b) (4)	(b) (4)
80	CLIN0005 - Travel	1.000	AU	(b) (4)	(b) (4)
90	CLIN0006 - Training	1.000	AU	(b) (4)	(b) (4)

Total Funded Value of Award:

\$63,802,332.00

B.2 ACCOUNTING and APPROPRIATION DATA

ITEM #	ACCOUNTING and APPROPRIATION DATA	AMOUNT
10	6100.2575USCSGLCS0922100100Z00008112AM01 OM0082575	(b) (4)
20	6100.2575USCSGLCS0922100100Z00010112AM01 FO0132575	(b) (4)
30	6100.2575USCSGLCS0922100100Z00010112AM01 FO0132575	(b) (4)
40	6100.2219USCSGLCS0922100100Z00010112AM01 FO0132219	(b) (4)
50	6100.2575USCSGLCS0922100100Z00010112AM01 FO0132575	(b) (4)
60	1516.2655USCSGLCS0922100100Z00010112AM01 FO0132655	(b) (4)
70	1511.319CUSCSGLCS0922100100Z00010112AM01 FO013319C	(b) (4)
80	6100.2575USCSGLCS0922100100Z00010112AM01 FO0132575	(b) (4)
90	6100.2575USCSGLCS0922100100Z00010112AM01 FO0132575	(b) (4)

B.3 DELIVERY SCHEDULE

DELIVER TO:	ITEM #	QTY	DELIVERY DATE
Customs and Border Protection 1300 Pennsylvania Avenue N W Washington, DC 20229	10	1.000	01/31/2010
	20	1.000	09/30/2010
	30	1.000	09/30/2010
	40	1.000	09/30/2010
	50	1.000	09/30/2010
	60	1.000	09/30/2010
	70	1.000	09/30/2010
	80	1.000	09/30/2010
	90	1.000	09/30/2010

B.2 DETERMINATION OF INCENTIVE FEE

Incentive Fees

This contract includes multiple incentive fees that emphasize Operational Performance (aircraft launch rates, mission completion, and satisfactory inspection results) and Cost Performance. Because the Government considers Operational Performance to be more important than Cost Performance, the target incentive fee will be divided as follows: 60% Operational Performance/40% Cost Performance. The overall target fee will be **(b) (4) (Base Year and Option Year 1); and (b) (4) (Option Years 2 through 9)** of the target cost of the contract. The maximum fee will be **(b) (4)** of the target cost of the contract, for each year. As an incentive for the contractor to exercise exceptional cost control, the additional fee (difference between the target fee and maximum fee) can only be earned in the category of Cost Performance. The minimum fee available in both categories is zero percent. Fees relating to Operational Performance will be awarded quarterly and based upon the calculation of fees described below. Fees relating to Cost Performance will be awarded following the completion of the appropriate period of performance by applying the cost sharing ratio formula that relates total allowable costs incurred to the Target Cost.

Operational Performance Incentive

The target (as well as maximum) fee available in this category is **(b) (4) (Base Year and Option Year 1); and (b) (4) (Option Years 2 through 9)** of the Target Cost. The minimum fee available is zero percent. Fee related to Operational Performance is impacted by the following three variables:

1. Launch rate
2. Mission completion
3. Aircraft inspection

The primary calculation is a ratio obtained by multiplying percentage launch rate by percentage mission completion. For example a launch rate of 90 percent and a mission completion rate of 90 percent equals a performance ratio of 81 percent. The contractor would then receive 10 percent times .81 or 81 percent of the available operational performance fee. If either figure is less than 90 percent, there is zero operational performance fee. The aircraft inspection factor is a negative incentive. Each aircraft that fails an inspection would result in the loss of one-third of the operational fee. If three aircraft fail an inspection, 100 percent of the fee earned for Launch Rate and Mission Completion for that quarter is forfeited.

Launch rate. The percentage of operational requests that are responded to with the numbers, types, and properly configured aircraft. This is not an operational readiness rate. Launch rates are not calculated based upon the status of each aircraft in the fleet. It is a measurement of the ability of the contractor to provide an aircraft in response to a specific operational request. On a quarterly basis, the Government will determine the number of requests that were properly responded to as a percentage of aircraft requested. All support sites will be rolled into one percentage. The contractor will not be penalized for this Incentive Fee metric for situations which are beyond the contractor's control. Examples of such situations include, but not limited to, the following: an aircraft is not available for launch because it is being painted by a third party vendor; an aircraft is not available for launch because is undergoing a Government directed modification; non-availability of Government aircrew to perform required maintenance test flights or ground runs, etc.

Launch Definition:

- Fixed-wing: When the Pilot In Command (PIC) has accepted the aircraft for flight AND the aircraft speed passes V1. Or, in the case of fixed wing aircraft without a V1 speed, the aircraft wheels break ground from the runway.
- Rotor-wing: When the PIC has accepted the aircraft for flight AND the aircraft is placed into forward takeoff motion.

Any failure occurring prior to accomplishment of the above would be a "launch incomplete"; afterward would be considered a "mission incomplete".

If there was a "no launch" attributed to a maintenance event on the designated launch aircraft but a second aircraft was available and was launched to complete the mission (an unscheduled launch), the contractor still achieves a no-launch for the designated aircraft because the contractor had declared it airworthy and ready for launch when it fact it was not.

Mission Completion. The percentage of missions that were fully completed versus the number flown. To be considered a completed mission, all systems under the control of the contractor must have functioned properly and not contributed to the inability of the crew to complete its assigned mission. If systems malfunction, the contractor will not be held accountable for this Incentive Fee metric if all three of the following are true:

1. The inoperative equipment was not the fault of the contractor. For example, failure to perform a scheduled maintenance, failure to perform a required test, or failure to repair or replace equipment the Government had noted was inoperative or not fully functional.
2. The problem was not foreseeable by the contractor.
3. The problem was beyond the contractor's control to have avoided.

Mission definition: A mission is defined as a flight, or series of flights conducted to complete a specific purpose.

- A mission ends when the expressed purpose of the mission is complete, or the entire crew, or aircraft configuration, is changed. For example, if an aircraft lands to complete a configuration change such as having a FLIR camera installed, then the next subsequent flight would be considered a new mission.
- Missions may include multiple launches and extend into a separate calendar day.
- Refuel stops do not constitute an end to a mission. However, if an aircraft is shut down to refuel then continues with a mission an additional launch will occur. Aircraft receiving "hot refuel" would not be considered to have conducted an additional launch as the aircraft was not shut down.
- Multiple missions may be conducted during a single flight after an aircraft has launched.

On a quarterly basis, the Government will determine the number of missions as a percentage of missions flown that were not completed due to contractor performance or failure to perform contractual requirements. All support sites will be rolled into one percentage.

The launch rate and mission completion rate percentages will then be multiplied together to obtain a fee related to operational performance. There will be zero incentive fee if either percentage is below 90 percent as shown in the Operational Performance Incentive Fee Matrix shown below.

The statistics will be calculated by the contractor and verified by the Government.

Results of Government Aircraft Inspections. During each quarter, the Government will inspect at least 34 aircraft. These inspections will be conducted by the Government on a "no notice" basis. For each aircraft that fails a Government inspection, the contractor will forfeit one-third of the earned fee earned for that quarter. If three aircraft fail an inspection, 100 percent of the fee earned for Launch Rate and Mission Completion for that quarter is forfeited. See Tab 8 of Attachment 5 (Government Aircraft Inspections) for details.

Incentive Fee Matrix for Operational Performance

		Launch Rate Percentage															
		1.00	0.99	0.98	0.97	0.96	0.95	0.94	0.93	0.92	0.91	0.90	0.89	0.88	0.87	0.86	0.85
Mission Completion Rate Percentage	1.00	1.00	0.99	0.98	0.97	0.96	0.95	0.94	0.93	0.92	0.91	0.90					
	0.99	0.99	0.98	0.97	0.96	0.95	0.94	0.93	0.92	0.91	0.90	0.89					
	0.98	0.98	0.97	0.96	0.95	0.94	0.93	0.92	0.91	0.90	0.89	0.88					
	0.97	0.97	0.96	0.95	0.94	0.93	0.92	0.91	0.90	0.89	0.88	0.87					
	0.96	0.96	0.95	0.94	0.93	0.92	0.91	0.90	0.89	0.88	0.87	0.86					
	0.95	0.95	0.94	0.93	0.92	0.91	0.90	0.89	0.88	0.87	0.86	0.86					
	0.94	0.94	0.93	0.92	0.91	0.90	0.89	0.88	0.87	0.86	0.86	0.85					
	0.93	0.93	0.92	0.91	0.90	0.89	0.88	0.87	0.86	0.86	0.85	0.84					
	0.92	0.92	0.91	0.90	0.89	0.88	0.87	0.86	0.86	0.85	0.84	0.83					
	0.91	0.91	0.90	0.89	0.88	0.87	0.86	0.86	0.85	0.84	0.83	0.82					
	0.90	0.90	0.89	0.88	0.87	0.86	0.86	0.85	0.84	0.83	0.82	0.81					
	0.89																
0.88																	
0.87																	
0.86																	
0.85																	

Delayed Launches. The inability to launch aircraft in a timely manner due to the fault of the Contractor could result in missed missions. Unfortunately, the Government currently has no tool for capturing delayed launch data and the impact it has on meeting mission requirements. Therefore, the Contractor's performance in this regard cannot be measured objectively. However, specific information relating to missions missed due to delayed launches will be used to reflect unsatisfactory performance in the Contractor Performance Reports.

Cost Incentive Fee

The amount of Cost Incentive Fee earned is based on a formula that relates total allowable costs incurred to the Target Cost. This formula (share ratio) provides, within limits, for increases in fee above the Target Fee when total allowable costs incurred are less than the Target Cost. Likewise, the formula provides for a decrease in fee when total allowable costs incurred exceed the Target Cost. Specifically, the fee payable shall be the Target Fee increased by (b) (4) (dependent on contract year) for every dollar that the total allowable cost is less than the Target Cost or decreased by (b) (4) (dependent on contract year) for every dollar that the total allowable costs exceeds the Target Cost. The target fee available in this category is (b) (4) (dependent on contract year) of the Target Cost. The maximum fee available in this category is (b) (4) of the Target Cost and the minimum is zero percent.

Following is an example of how the Cost Incentive Fee would be structured for a contract with the following: a Target Cost of \$70,000,000, a target Fee of 3%, a maximum fee of 5%, and a 75% Government/25% Contractor share ratio:

Minimum Cost:	\$64,400,000		
Target Cost:	\$70,000,000		
Maximum Cost:	\$73,360,000		
	<u>Target</u>	<u>Maximum</u>	
Cost Performance	\$840,000	\$2,240,000	

Total Incentive Fee Structure

Following is an example of the Total Incentive Fee structure for this contract with the following: a Target Cost of \$70,000,000, a target Fee of 3%, a maximum fee of 5%, and a 75% Government/25% Contractor share ratio:

	<u>Target (3%)</u>	<u>Maximum (5%)</u>
Operational Performance (60%):	\$1,260,000	\$1,260,000
Cost Performance (40%):	\$840,000	\$2,240,000
Total Fees:	\$2,100,000	\$3,500,000
Minimum Cost: \$64,400,000		
Target Cost: \$70,000,000		
Maximum Cost: \$73,360,000		

Using this Fee structure, following is an example of how the Operational and Cost Performance Incentive Fees would be calculated based on the stated performance results for a given 12-month period of performance:

Operational Performance:

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
Launch Rate	90%	92%	85%	92%
Mission Completion Rate	90%	93%	100%	90%
Failed Aircraft Inspections	1	3	0	2
Fee Available:	\$315,000	\$315,000	\$315,000	\$315,000
Performance Ratio: @	<u>.81</u>	<u>.86</u>	<u>.85</u>	<u>.83</u>
Operational Performance Fee Earned:	\$255,150	\$270,900	\$0	\$261,450
Deductions for Failed Aircraft Inspections:	<u>(\$85,050)</u>	<u>(\$270,900)</u>	<u>(\$N/A)</u>	<u>(\$174,300)</u>
Total Fees Earned:	\$170,100	\$0*	\$0**	\$87,150

* -No fee earned because of three failed aircraft inspections
 ** -No fee earned because of the Launch Rate being less than 90%

Cost Performance:

Should the Contractor's total allowable costs for the period of performance come in below the Target Cost at \$67,000,000, the Cost Incentive Fee earned would be calculated as follows:

Target Cost:	\$70,000,000
Less Total Allowable:	<u>\$67,000,000</u>
Amount below Target:	\$3,000,000
Multiplied by:	<u>\$0.25</u>
Increased Fee:	\$750,000
Plus Target Fee:	<u>\$840,000</u>
Total Cost Fee Earned:	\$1,590,000

Likewise, should the Contractor's total allowable costs for the same period of performance come in over the Target Cost at \$72,000,000, the Cost Incentive Fee earned would be calculated as follows:

Total Allowable Cost:	\$72,000,000
Less Target Cost::	<u>\$70,000,000</u>
Amount above Target:	\$2,000,000
Multiplied by:	<u>\$0.25</u>
Decreased Fee:	\$500,000
Target Fee:	\$840,000
Less Decreased Fee:	<u>\$500,000</u>
Total Cost Fee Earned:	\$340,000

Total Operational and Cost Performance Fee Earned for the 12-month period of performance under the following two scenarios:

Scenario 1 (Total Allowable Costs) = \$67,000,000

Operational Performance Fee Earned:	\$257,250
Total Cost Performance Fee Earned:	<u>\$1,590,000</u>
Total Operational and Cost Fee Earned:	\$1,847,250

Scenario 2 (Total Allowable Costs) = \$72,000,000

Operational Performance Fee Earned:	\$257,250
Total Cost Performance Fee Earned:	<u>\$340,000</u>
Total Operational and Cost Fee Earned:	\$597,250

[END OF SECTION B]