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|---|----------------------------|---|---|------------------------|
| AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT | | | 1. CONTRACT ID CODE | PAGE OF PAGES 1 1 |
| 2. AMENDMENT/MODIFICATION NO. P00002 | 3. EFF. DATE 04-09-2010 | 4. REQUISITION/PURCHASE REQ. NO. 0020052682 | 5. PROJECT NO. (If applicable) | |
| 6. ISSUED BY DHS - Customs & Border Protection Department of Homeland Security 1300 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 1300 Pennsylvania Ave, NW Procurement Directorate - NP 1310 Washington DC 20229 | | CODE |
| 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. X HSBP1010C00002 / | |
| | | | 10B. DATED (SEE ITEM 13) 11-13-2009 | |

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). |
| X | 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 <input type="checkbox"/> is not <input checked="" type="checkbox"/> is required to sign this document and return <u>1</u> 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) Defense Support Services, LLC | 16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print) STEPHANIE ALEXANDER Contracting Officer |
| (b) (6) | 15C. DATE SIGNED 4/15/2010 |
| (b) (6) | 16C. DATE SIGNED 4-15-10 |

PREVIOUS EDITION UNUSABLE

STANDARD FORM 30 (REV. 10-83)
Prescribed by GSA FAR (48 CFR) 53.243

The purpose of this modification is to (1) obligate additional funding in the amount of (b) (4) under CLIN 0004 to cover the cost of repairs for two incident/accident damaged aircraft (AS-350 and C-550); (2) obligate additional funding in the amount of (b) (4) under CLIN 0004 for the acquisition of AS-350 float kits (4 each) and GDL-90 Automatic Dependent Surveillance-Broadcast (ADS-B) universal access transceivers (16 each) for the UH-60 aircraft; and (3) make administrative revisions to Section B.2, Section J's Attachment 1 (Performance Work Statement), and Attachment 2 (Quality Assurance Surveillance Plan). Accordingly, Contract HSBP1010C00002 is modified as follows:

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

- Add Line Items 00100 through 00110 under "Schedule of Supplies/Services" as attached hereto.
- Add Line Items 00100 through 00110 under "Accounting and Appropriation Information" as attached hereto.
- Add Line Items 00100 through 00110 under "Delivery Schedule" as attached hereto.
- Revise CBP Clause B.2 "Determination of Incentive Fee" to further define "Launch Rate". As such, replace Clause B.2 in its entirety with the revised Clause B.2 attached hereto.

As a result of the foregoing, PART D-COST REIMBURSEMENT CLIN 0004 is revised as follows:

CLIN 0004 MATERIAL AND AIRCRAFT REPAIRABLES

| | From | Increase By | To |
|------------|---------|-------------|---------|
| EST. COST: | (b) (4) | (b) (4) | (b) (4) |

To effect this change, "Part I-The Schedule" contained on Page 2A has been revised and is attached hereto.

Accordingly, the Base Year Total is revised as follows:

BASE YEAR TOTAL ALL CLINs

| | From | Increase By | To |
|------------|---------|-------------|--------------|
| EST. COST: | (b) (4) | (b) (4) | \$64,850,598 |

To effect this change, "Part I-The Schedule" contained on Page 2B has been revised and is attached hereto.

The Total Estimated Cost (including all option periods) is hereby added to the Schedule as follows:

TOTAL ESTIMATED COST (INCLUDING PHASE-IN, BASE AND ALL OPTION PERIODS OF PERFORMANCE) FOR ALL CLINs

| | From | Increase By | To |
|------------|---------|-------------|---------------|
| EST. COST: | (b) (4) | (b) (4) | \$940,667,732 |

To effect this change, "Part I-The Schedule" contained on Page 2T has been revised and is attached hereto.

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

- a. Revise page numbering for Attachment No. 1 as follows:

| <u>Attachment No.</u> | <u>No. of Pages</u> | <u>Attachment Title</u> |
|-----------------------|---------------------|----------------------------|
| 1 | 70 | Performance Work Statement |

- b. Replace Attachment 1, Performance Work Statement (PWS) in its entirety with the revised Attachment 1, Performance Work Statement attached hereto. Page numbering has been added to the PWS, and for identification purposes, revisions to the following PWS sections have been made:

- C.1.1.15: Deleted paragraph referencing CARMAC update/replacement during period of performance.

- C.4: Added statement clarifying that common hand tools are not cost reimbursable.
- C.5.1.4: Added statement clarifying that Aircraft Servicing includes the cleaning of windshields.
- C.5.1.6.1: Added the requirement to provide repair capability of UAS communication equipment as specified by COTR.
- C.5.1.6.3: Added new section requiring navigation system database update subscriptions and loading.
- C.5.1.6.4: Added new section requiring the updating/loading of new frequencies and codes into Wulfsburg radios.
- C.5.1.6.5: Added new section requiring the initial loading of data into SATRACK system components.
- C.5.1.8: To streamline and consolidate relevant sections of the PWS, moved ECP and SB section here from former location at C.5.1.16.
- C.5.1.9 and C.5.1.10: Former Airframe, Powerplant and Propeller section at C.5.1.8 was divided into these two sections to add clarity and detail to requirements. Sentences added allowing CBP to waive certain section requirements.
- C.5.1.11: To streamline and consolidate relevant sections of the PWS, moved Aircraft Inspections section here from former location at C.5.1.19.
- C.5.1.12 through C.5.1.17, including subsections: Sections renumbered as part of overall PWS realignment, no text changes.
- C.5.2.1.1: Deleted reference to CBP inventory location.
- Appendix 1: Notes are provided for each revision.
- Appendix 10: Added new Contract Deliverable (A038 – P-3 Inventory Report) and corrected a few PWS section references.
- Appendix 11: Added a Forward Area Refueling Point for Del Rio.

c. Attachment 2, Quality Assurance Surveillance Plan (QASP) in its entirety with the revised Attachment 2, QASP attached hereto. Attachment 2 has been revised to add page numbering and further define "Launch Rate".

3. This modification increases the total obligated amount is by (b) (4), from \$63,802,332 to \$66,192,751. Therefore, the amount in Block 15G of the Standard Form (SF) 26 is hereby changed to read \$66,192,751.

4. 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) |
| 100 | CLIN0004 - Materials | 1.000 | AU | (b) (4) | (b) (4) |
| 110 | CLIN0004 - Materials | 1.000 | AU | (b) (4) | (b) (4) |

Total Funded Value of Award:

\$66,192,751.00

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) |
| 100 | 6100.2575USCSGLCS0922100100Z00009112AM01 OM0082575 | (b) (4) |
| 110 | 1516.2655USCSGLCS0922105000Z00006112AM01 OM0082655 | (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 |
| | 100 | 1.000 | 09/30/2010 |
| | 110 | 1.000 | 09/30/2010 |

PART I – THE SCHEDULE
SECTION B – SUPPLIES OR SERVICES AND PRICES/COSTS

The Contractor shall provide all labor, material, equipment, tools, data, and etc (total logistics support) to meet the requirements of the Performance Work Statement (PWS) (Attachment (1)), terms and conditions of the contract, and Contractor’s proposal (as incorporated into said contract) in support of Customs and Border Protection Aircraft fleet.

PART A –PHASE-IN (DEC 1 – JAN 31, 2010) - - FIRM FIXED PRICE (IAW FAR 16.202-1) CONTRACT LINE ITEM

| CLIN | DESCRIPTION | QUANTITY | TOTAL FIRM FIXED PRICE |
|------|---|----------|------------------------|
| 0001 | PHASE-IN IAW THE PWS, Attachment (1), & Contractor’s Proposal | 1 LOT | (b) (4) |

FULL PERFORMANCE (FEB 1, 2010 THROUGH SEP 30 2010) CLINS
PART B – FIRM FIXED PRICE (IAW FAR 16.202-1) CONTRACT LINE ITEM - -

| CLIN | DESCRIPTION | QUANTITY/ UNIT | FIXED UNIT PRICE | TOTAL FIRM FIXED PRICE |
|------|--------------------------------------|-------------------|------------------|------------------------|
| 0002 | PROGRAM MANAGEMENT (DIRECT LABOR) | 8/MO | (b) (4) | (b) (4) |

PART C – COST PLUS INCENTIVE FEE (IAW FAR 16.304) CONTRACT LINE ITEM - -

| CLIN | DESCRIPTION | | |
|------|--|--|---|
| 0003 | AIRCRAFT MAINTENANCE & LOGISTICS SUPPORT (EXCLUDING PROGRAM MANAGEMENT) Cost Plus Incentive Fee for all labor (excluding Program Management), Other Direct Costs (ODC’s including EDP Support) and applicable burdens necessary to meet the requirements of the PWS (Attachment (1)). | TARGET COST (INCLUDING COM) TARGET FEE (b) (4) TARGET COST PLUS INCENTIVE FEE MAXIMUM FEE (b) (4) MINIMUM FEE (0%) PROPOSED SHARING RATIOS: -GOVERNMENT%/CONTRACTOR% | (b) (4) <u>\$0.00</u> (b) (4) |

PART D – COST REIMBURSEMENT CONTRACT LINE ITEMS -

| CLIN | DESCRIPTION | EST. COST: |
|------|--|------------|
| 0004 | MATERIAL AND AIRCRAFT REPAIRABLE (Reimbursement shall be limited to subcontractor labor cost for Aircraft repairables, vendors’ material invoices, shipping charges and applicable G&A) | (b) (4) |
| 0005 | TRAVEL (Reimbursement shall be limited to FAR 31.205-46 and applicable G&A) | (b) (4) |
| 0006 | TRAINING (Allowable on a case-by-case basis IAW Para. C.5.3.2.4 of PWS- If allowable, reimbursement shall be limited to registration fee, course cost, testing fee, text material cost, related travel costs (IAW FAR 31.205-46), and applicable G&A) | (b) (4) |

PART E – NOT SEPARATELY PRICE (NSP) CONTRACT LINE ITEMS

| CLIN | DESCRIPTION | COST |
|----------------------------|--|------------------------|
| 0007 | Contract Deliverables (Appendix 10 of Attachment (1) PWS) | NSP |
| 0008 | Submission of Standard Form 294 and 295 via eSRS IAW FAR 52.219-9 and Clause H.14 | NSP |
| BASE YEARS TOTAL ALL CLINS | | <u>\$64,850,598.00</u> |

PART E – NOT SEPARATELY PRICE (NSP) CONTRACT LINE ITEMS

| CLIN | DESCRIPTION | COST |
|------|--|------|
| 9006 | Contract Deliverables (Appendix 10 of Attachment (1) PWS) | NSP |
| 9007 | Submission of Standard Form 294 and 295 via eSRS IAW FAR 52.219-9 and Clause H.14 | NSP |

PART E – PHASE OUT (AUG 1, 2018 – SEP 20, 2018) - - FIRM FIXED PRICE (IAW FAR 16.202-1) CONTRACT LINE ITEM

| CLIN | DESCRIPTION | QUANTITY | TOTAL FIRM FIXED PRICE |
|---|--|----------|---------------------------|
| 9008 | PHASE-OUT IAW THE PWS, Attachment (1), & Contractor's Proposal | 1 LOT | <u>\$0.00</u> |
| NINTH OPTION TOTAL COST ALL CLINS | | | <u>\$98,435,645</u> |
| TOTAL ESTIMATED COST (INCLUDING PHASE-IN, BASE AND ALL OPTION PERIODS OF PERFORMANCE) FOR ALL CLINS | | | <u>\$940,667,732</u> |

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 properly scheduled operational request. On a quarterly basis, the Government will determine the number of properly scheduled 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 it is undergoing a Government directed modification; non-availability of Government aircrew to perform required maintenance test flights or ground runs, lack of a proper schedule by the Government, etc.

NOTE: "properly scheduled" is an aircraft requested by the Government in a particular mission configuration twenty-four hours prior to the expected launch time.

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 in 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 | AREA OF ZERO INCENTIVE FEE | | | | | | | | | | | | | | | | |
| 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 | | |
| Cost Performance | <u>Target</u> \$840,000 | <u>Maximum</u> \$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%): | <u>\$840,000</u> | <u>\$2,240,000</u> |
| 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: | \$500,000 |

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: \$1,590,000

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: \$340,000

Total Operational and Cost Fee Earned: \$597,250

[END OF SECTION B]