

2. AMENDMENT/MODIFICATION NO P00076	3. EFFECTIVE DATE 16 Sep 00	4. REQUISITION/PURCHASE REQ. NO. SEE BLOCK 14	5. PROJECT NO. (if applicable) N/A
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6. ISSUED BY DEPARTMENT OF THE AIR FORCE OC-ALC/DIR OF CONTRACTING/AIRCRAFT 3001 STAFF DRIVE, STE 2AG87A TINKER AFB, OK 73145-3020 JANICE LOVE/LADAC/ (405) 739-5423	CODE FA8102	7. ADMINISTERED BY (if other than item 6) DCMC BOEING LONG BEACH ADMINISTRATIVE CONTRACTING OFFICER C071-0079 2401 E. WARDLOW ROAD LONG BEACH, CA 90807-5309 PAYMENT OFFICE: HQ0339 SCD: C
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8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State and ZIP Code) THE BOEING COMPANY. AIRCRAFT & MISSILE SYSTEMS CONTRACTS MANAGER C071-0105 2401 E. WARDLOW ROAD LONG BEACH, CA 90807-5309 CEC NO: CODE 43999 FACILITY CODE	(3)	9A. AMENDMENT OF SOLICITATION NO.
		9B. DATED (SEE ITEM 11)
	X	10A. MODIFICATION OF CONTRACT/ORDER NO. F34601-99-C-0001
		10B. DATED (SEE ITEM 13) 01 JAN 99

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

The above numbered solicitation is amended as set forth in item 14. The hour and dated 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 and 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 PAGE 2

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

(3)	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
	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: 10 USC 2304 (c) (1)
	D. OTHER (Specify type of modification and authority)

E. IMPORTANT: Contractor () is not, (X) is required to sign this document and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (organized by UCF section headings, including solicitation/contract subject matter where feasible.)
NOTE TO CONTRACTOR AND PAYING OFFICE:
 SUBMISSION OF INVOICE/VOUCHER AND PAYMENT SHALL BE IN ACCORDANCE WITH PART I, SECTION G OF THE BASIC CONTRACT.

PR Number: FD2030-00-00836; EA Number: 00-AVSx-10141

DUPLICATE ORIGINAL

Except as provided herein, all items 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) W. A. James, Senior Manager Contracts & Pricing B-1B Program	16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print) JANICE S. LOVE CONTRACTING OFFICER
15B. CONTRACTOR/OFFEROR <i>W. A. James</i> (Signature of person authorized to sign)	15C. DATE SIGNED 9/6/00
16B. UNITED STATES OF AMERICA BY <i>Janice S. Love</i> (Signature of Contracting Officer)	16C. DATE SIGNED 6 Sep 2000

FIRST: The Accounting and Appropriation Data is hereby changed as follows:

CA 97X4930 FA24 6S0 47E4 FSDZYJ 011000 00000 000000 525700 F2570H

From: \$ 855,474.00
 Obligate \$10,647,583.00
 To: \$11,503,057.00

THE FOLLOWING NEW ENGINEERING ASSIGNMENT IS HEREBY ASSIGNED AS FOLLOWS:

SECOND: Engineering Assignment 00-AVSx-10141, dated 28 Aug 2000, is hereby authorized and attached. Funds in the amount of \$10,647,583.00 are obligated for CLINs 1013AA and 1013AB as listed below. At this time the Contractor is authorized to proceed with CLINs 1013AA and 1013AB only.

BASIC

Contract Type: Cost Plus Incentive Fee (CPIF)

ACRN	CLIN	DESCRIPTION	TARGET	MIN. FEE	MAX. FEE
CA	1013AA	D2 Software Update- Post Preliminary Design Review (Cost thru First Post CDR In-Process Review)	\$9,752,892.00	N/A	N/A
CA	1013AB	Incentive Fee for Cost Performance, In support of CLIN 1013AA	\$ 894,691.00 <i>576,115</i>	\$452,182.00 <i>4-2-07</i> <u>275,379</u>	\$1,240,477.00 <i>1,215,830</i> <u>2,456,309</u>

Share Ratio (Under Target): 64.25/35.75
 Share Ratio (Over Target): 54.25/45.75
 (See the attached "Incentive Fee Calculation")

Note: At the First Post CDR In-Process Review the Government will direct the Contractor to proceed or not to proceed with CLINs 1013AC, 1013AD and 1013AE and the Engineering Assignment will be modified accordingly.

TBD	1013AC	D2 Software Update- Post Preliminary Design Review (Cost thru completion)	\$17,835,682.00	N/A	N/A
TBD	1013AD	Incentive Fee for Cost Performance, In support of CLIN 1013AC	\$ 876,915.00	\$443,197.00	\$1,215,830.00

Share Ratio (Under Target): 64.25/35.75
 Share Ratio (Over Target): 54.25/45.75
 (See the attached "Incentive Fee Calculation")

TBD	1013AE	Incentive Fee for Software Quality In support of CLIN 1013AC (See the attached "Incentive Fee Calculation")	\$ 759,260.00	\$383,734.00 <i>576,115</i> <u>1,279,113</u>	\$1,052,703.00 <i>2,456,309</i> <u>3,735,422</u>
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Avionics Flight Software (AFS) OPTION

Contract Type: CPIF

The Contractor hereby grants the Government the unilateral right to exercise this D2 AFS Software Option on or before 15 November 2000 as set forth in the following Option CLINs. Notification of the intent to exercise this Option will be given 2 weeks prior to exercise of the Option.

ACRN	CLIN	DESCRIPTION	TARGET	MIN. FEE	MAX. FEE
TBD	1013AF	D2 Software Update - AFS Cost	\$12,383,690.00	N/A	N/A
TBD	1013AG	Incentive Fee for Cost Performance, In support of CLIN 1013AF Share Ratio (Under Target): 66.88/33.12 Share Ratio (Over Target): 56.88/43.12 (See the attached "Incentive Fee Calculation")	\$ 860,126.00	\$482,125.00	\$1,138,777.00
TBD	1013AH	Incentive Fee for Software Quality In support of CLIN 1013AF (See the attached "Incentive Fee Calculation")	\$ 368,625.00	\$206,625.00	\$ 488,047.00

Note: If the Option is not exercised the following Basic targets will be utilized for fee computation in accordance with Provision Third for cost (FAR 52-216-10), Provision Fourth for Software Quality Incentive Fee calculation and Provision Seventh which incorporates the spread sheet providing total incentive fee calculations.

Target Cost	\$27,588,574.00				
Target Fee(cost)	\$ 1,771,606.00	(min. fee)	\$895,379.00	(max. fee)	\$2,456,307.00
Target Fee(S/W)	\$ 759,260.00	(min. fee)	\$383,734.00	(max. fee)	\$1,052,703.00

The AFS only effort is summarized below:

Target Cost	\$12,383,690.00				
Target Fee(cost)	\$ 860,126.00	(min. fee)	\$482,125.00	(max. fee)	\$1,138,777.00
Target Fee(S/W)	\$ 368,625.00	(min. fee)	\$206,625.00	(max. fee)	\$ 488,047.00

If the Option is exercised the following Basic plus AFS targets will be utilized for fee computation in accordance with Provision Third for cost (FAR 52-216-10), Provision Fourth for Software Quality Incentive Fee calculation and Provision Seventh which incorporates the spread sheet providing total incentive fee calculations.

Target Cost	\$39,972,264.00				
Target Fee(cost)	\$ 2,631,732.00	(min. fee)	\$1,377,504.00	(max. fee)	\$3,595,084.00
Target Fee(S/W)	\$ 1,127,885.00	(min. fee)	\$ 590,359.00	(max. fee)	\$1,540,750.00

THIRD: In accordance with I-157 FAR 52.216-10 Incentive Fee, the following fill-ins are provided for EA 00-AVXs-10141 applicable to CLINs 1013AB, 1013AD and 1013AG.

Basic (CLIN 1013AB)

FAR 52-216-10 -- INCENTIVE FEE (MAR 1997)
 (e) (1) 35.75 45.75 12.7% 4.6%

Basic (CLIN 1013AD)

FAR 52-216-10 -- INCENTIVE FEE (MAR 1997)
 (e) (1) 35.75 45.75 6.8% 2.5%

Option (CLIN 1013AG)

FAR 52-216-10 -- INCENTIVE FEE (MAR 1997)
 (e) (1) 33.12 43.12 9.2% 3.9%

FOURTH: As a result of the Cost Plus Incentive Fee (CPIF) Arrangement for EA 00-AVXs-10141, the following incentive fee clause for Software Quality is incorporated into Part I – The Schedule Section B. This clause for Software Quality is applicable to CLINs 1013AE and 1013AH.

D2 Software (SW) Quality Incentive Fee Computation

This clause defines the quality incentive fee computation associated with SW Quality. The SW quality incentive fee shall be computed in accordance with the following formulas.

For the Basic, CLIN 1013AE
 (Does not apply if Option is exercised)

If $Q = Q_t$, Incentive Fee = Target Fee
 If $Q < Q_t$, Incentive Fee = Target Fee + $[(Q_t - Q) \div (Q_t \times 0.2)] \times (\text{Max Fee} - \text{Target Fee})$
 If $Q > Q_t$, Incentive Fee = Target Fee - $[(Q - Q_t) \div (Q_t \times 0.2)] \times (\text{Target Fee} - \text{Min Fee})$

Where:

Q = SW Quality Factor (defined below)

$Q_t = 1.585$

Target Fee = The Target Fee Amount set forth in CLIN 1013AE

Min Fee = The Minimum Fee Amount set forth in CLIN 1013AE

Max Fee = The Maximum Fee amount set forth in CLIN 1013AE

For the Option, CLINs 1013AE and CLIN 1013AH
 (Includes the Basic plus the AFS effort)

If $Q = Q_t$, Incentive Fee = Target Fee
 If $Q < Q_t$, Incentive Fee = Target Fee + $[(Q_t - Q) \div (Q_t \times 0.2)] \times (\text{Max Fee} - \text{Target Fee})$
 If $Q > Q_t$, Incentive Fee = Target Fee - $[(Q - Q_t) \div (Q_t \times 0.2)] \times (\text{Target Fee} - \text{Min Fee})$

Where:

Q = SW Quality Factor (defined below)

$Q_t = 3.17$

Target Fee = The Target Fee Amounts set forth in CLINs 1013AE and 1013AH

Min Fee = The Minimum Fee Amounts set forth in CLINs 1013AE and 1013AH

Max Fee = The Maximum Fee amounts set forth in CLINs 1013AE and 1013AH

Where the computation results in an amount greater than or equal to the Maximum Fee for the SW Quality Incentive, the Contractor shall be paid the Maximum Fee associated with the SW Quality Incentive. Where the computation results in an amount less than or equal to the Minimum Fee for the SW Quality Incentive, the Contractor shall be paid the Minimum Fee associated with the SW Quality Incentive.

A Q Board is established for the purpose of providing the PCO the SW Q Factor. The Q Board shall provide the PCO the SW Q Factor not later than the completion of FCA/PCA. The Q Board shall be composed of two (2) members each from Boeing and SPO Engineering. The Q Factor shall be calculated as follows:

$$\text{SW Q Factor} = \text{Sum of (applicable problems found during flight test period x applicable weight factor)}$$

All D2 problems found during the Flight Test period as a result of SW changes made under EA 00-AVSx-10141 shall be evaluated by the Q Board. The Flight Test period is from First Flight Test Readiness Review through the last D2 test flight or last ground test that may be required subsequent to the last test flight.

F F R R

The following shall not apply in the calculations under this clause:

- a) Problems that cannot be detected in the lab (including BAC1-11) or during ground test.
- b) Pre-existing problems that are not identified in EA 00-AVSx-10141.
- c) Problems that have already been accounted for in Q Factor (ie same root cause / SW error).

All other problems are applicable in the calculation of the Software Quality Incentive.

The SW Q Board shall utilize the following criteria to assign a weighting factor to each applicable flight test problem. Averaging between consecutive weight factors is acceptable.

Weight Factor = .1

- Prevents the operator's accomplishment of an operational capability.
- Jeopardizes personnel safety.

Weight Factor = .07

- Adversely affects the operator's accomplishment of an operational or mission essential capability for which an alternative work-around solution is not known.

Weight Factor = .05

- Adversely affects the operator's accomplishment of an operational capability for which an alternative work-around solution is known.

Weight Factor = .03

- A major operator inconvenience or annoyance
- Maintenance issue for which an alternative workaround solution is not known.

Weight Factor = .01

- A minor operator inconvenience or annoyance.
- Maintenance issue for which an alternative workaround solution is known.

In the event of disagreement to determine the Q factor, the PCO shall be the final authority to resolve the discrepancies.

Prior to completion and computation of the SW Quality Incentive Fee payable under this clause, the SW Quality Incentive Fee under CLINs 1013AE and 1013AH shall be paid to the Contractor as set forth in Provision Sixth.

FIFTH: This Provision allows for "Refund of Overpayment of Incentive Fee", as stated herein:

In the event that final computation of Incentive Fee (for either the Cost Performance Incentive Under CLINs 1013AB, 1013AD or 1013AG, or Quality Performance Incentive under CLINs 1013AE or 1013AH) results in a condition where the total fee paid to the Contractor for the affected incentive (i.e., the Cost Performance Incentive or the Software Quality Performance Incentive) exceeds the computed fee for that incentive, the contractor shall remit a credit in the amount of the overpayment within 30 days of determination by the PCO of such overpayment of fee.

SIXTH: This Provision provides a schedule for monthly payment of fee. This payment schedule is based on the negotiated target fee.

BASIC

BASIC	1013AB (Cost Incentive)	1013AD (Cost Incentive)	1013AE (S/W Quality Incentive)
Sep 2000	63,906		
Oct 2000	127,813		
Nov 2000	127,813		
Dec 2000	127,813		
Jan 2001	127,813		
Feb 2001	127,813		
Mar 2001	191,720		
Apr 2001		48,717	42,181
May 2001		48,717	42,181
Jun 2001		48,717	42,181
Jul 2001		48,717	42,181
Aug 2001		48,717	42,181
Sep 2001		48,717	42,181
Oct 2001		48,717	42,181
Nov 2001		48,717	42,181
Dec 2001		48,717	42,181
Jan 2002		48,717	42,181
Feb 2002		48,717	42,181
Mar 2002		48,717	42,181
Apr 2002		48,717	42,181
May 2002		48,717	42,181
Jun 2002		48,717	42,181
Jul 2002		48,717	42,181
Aug 2002		48,717	42,181
Sep 2002		48,726	42,183
Oct 2002			
Nov 2002			
Dec 2002			
TOTAL	894,691	876,915	759,260

AFS

AFS	1013AG (Cost Incentive)	1013AH (S/W Quality Incentive)
Nov 2000	16,540	7,088
Dec 2000	33,081	14,177
Jan 2001	33,081	14,177
Feb 2001	33,081	14,177
Mar 2001	33,081	14,177
Apr 2001	33,081	14,177
May 2001	33,081	14,177
Jun 2001	33,081	14,177
Jul 2001	33,081	14,177
Aug 2001	33,081	14,177
Sep 2001	33,081	14,177
Oct 2001	33,081	14,177
Nov 2001	33,081	14,177
Dec 2001	33,081	14,177
Jan 2002	33,081	14,177
Feb 2002	33,081	14,177
Mar 2002	33,081	14,177
Apr 2002	33,081	14,177
May 2002	33,081	14,177
Jun 2002	33,081	14,177
Jul 2002	33,081	14,177
Aug 2002	33,081	14,177
Sep 2002	33,081	14,177
Oct 2002	33,081	14,177
Nov 2002	33,081	14,177
Dec 2002	49,642	21,289
TOTAL	860,126	368,625

The Contracting Officer may adjust the payment schedule set forth in this clause to increase or decrease the scheduled fee. The adjustment will be based upon performance against the established Target Cost for the Cost Performance Incentive or the established Q Factor, as set forth in the Provision FOURTH , for the Software Quality Performance Incentive.

SEVENTH: The attached spreadsheet labeled "Incentive Fee Calculation", which provides the calculation of the incentive fee, is hereby incorporated into the contract and applies to the Post D-2 engineering assignment. The parties agree that the specific equations and their relationships as presented in this spreadsheet will be used to determine the final incentive fee for this effort.

EIGHTH: As a result of Provisions **FIRST** through **SEVENTH** above, the total amount obligated on the contract is hereby changed as follows:

From: \$52,547,618.00
 Increase: \$10,647,583.00
 To: \$63,195,201.00

NEGOTIATED

INCENTIVE FEE CALCULATION -- EA 00-AVSX-10141, BLOCK D2 SOFTWARE UPDATE
BASIC
Filename: Incent fee cal basic.xls

I. PURPOSE

This Attachment sets forth the methodology and specific equations that will be utilized to calculate the incentive fee due the Contractor under the CPIF and Software Quality Incentive Fee arrangements established for EA 00-AVSX-10141, Block D2 Software Upgrade. If the basic effort only is authorized. In support of the calculation of the total incentive fee due under this multiple incentive arrangement, this attachment provides the following:

- The factors used in the calculation of the incentive fee
- The total incentive fee values negotiated for EA 00-AVSX-10141
- The breakout of this total incentive fee between the Cost Incentive (CPIF) and the Software Quality Incentive
- The computation of the incentive fee earned under the Cost Incentive
- The computation of the incentive fee earned under the Software Quality Incentive
- The computation of the total incentive fee earned

Items in this Attachment enclosed by a solid box are variables (e.g., total allowable cost, Software Quality Factor, etc.) that will be established as set forth herein at time of incentive fee computation. (Target values are used in the solid boxes as an example for the calculations depicted in this spreadsheet.)

Items in this Attachment enclosed by a dashed box are the resulting values of the equations set forth herein and will be computed in accordance with said equations. (Target values are used in the solid boxes as an example for the calculations depicted in this spreadsheet.)

II. INCENTIVE FEE FACTORS/VALUES

The following factors and values will be used in the calculation of the Incentive fee in this Attachment:

Actual Allowable Cost Incurred	27,360,703	(Total allowable cost incurred)
SAW Quality Board "q" value < Q:	1.585	(Software Quality Factor computed 1AW Provision Fourth of P00076, if q < Q)
SAW Quality Board "q" value > Q:	1.585	(Software Quality Factor computed 1AW Provision Fourth of P00076, if q > Q)
Negotiated Target Cost:	27,360,703	
Negotiated Target Profit %:	0.0925	
Negotiated Optimistic Cost Under-run Reduction:	0.1	
Negotiated Optimistic Profit %:	0.1425	
Negotiated Pessimistic Cost Over-run Reduction:	1.1	
Negotiated Pessimistic Profit %:	0.0425	

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III. TOTAL INCENTIVE FEE VALUES

Total Target Cost, Total Target Fee, Total Minimum Fee, and Total Maximum Fee for EA 00-AVSx-10141 with the Basic contract authorized were established as follows:

ELEMENTS	OPTIMISTIC		TARGET		PESSIMISTIC	
	PROFIT RATE	UNDER RUN	PROFIT RATE	TARGET	OVER RUN	PROFIT RATE
COST LESS COM		24,624,633	0.1	27,360,703	1.1	30,096,773
COM		205,084		227,871		250,658
PROFIT	0.1425	3,509,010	0.0925	2,530,865	0.0425	1,279,113
PRICE		28,338,727		30,119,439		31,626,544

The Under/Over Target Share Ratios were established as follows:

Under Target Share Ratio

Contractor's Share -- Under Target = $[(\text{Target Profit} - \text{Optimistic Profit}) / (\text{Target Cost} - \text{Optimistic Cost})] \times (-100)$

Contractor's Share -- Under Target = 35.75

Government's Share -- Under Target = 64.25

Over Target Share Ratio

Contractor's Share -- Over Target = 45.75

Government's Share -- Over Target = 54.25

IV. INCENTIVE SPLIT BETWEEN COST INCENTIVE AND SOFTWARE QUALITY INCENTIVE

The total incentive fee values established for EA 00-AVSx-10141 are split between the two incentives with 70 percent allocated to the Cost Incentive and 30 percent to the Software Quality Incentive as follows:

	TOTAL PROFIT	COST PERFORMANCE 70%	SOFTWARE QUALITY 30%
MAX	3,509,010	2,456,307	1,052,703
TARGET	2,530,865	1,771,606	759,260
MIN	1,279,113	895,379	383,734

V. COMPUTATION OF THE COST INCENTIVE FEE EARNED

UNDER/OVER TARGET COST COMPUTATION

ACTUAL COST PERF =	UNDER TARGET 27,360,703	OVER TARGET 27,360,703	(Total allowable cost incurred)
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NEGOT TARGET COST	27,360,703	27,360,703	(Total allowable cost incurred)
- ACTUAL COST PERFORMANCE	27,360,703	27,360,703	
- UNDER/OVER AMOUNT	0	0	(Negotiated Target Cost - Actual Cost Performance)

COST INCENTIVE CALCULATION

COST INCENTIVE = UNDERTARGET OR OVERTARGET COST X 70% X KTRS UNDERTARGET OR OVERTARGET SHARE RATIO + (70% X TOTAL TARGET PROFIT)

COST INCENTIVE CALCULATION = 1,771,606

VI. COMPUTATION OF THE SOFTWARE QUALITY INCENTIVE FEE EARNED

Qual Fee (q < Basic Q) = Target Fee + [(Q - q) / (Q x .20)] x (Max Fee - Target Fee)
 = \$759,260

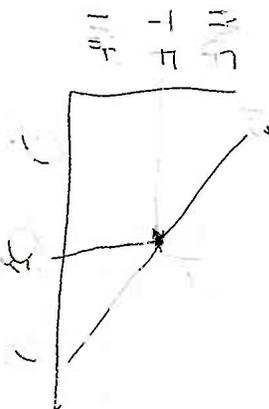
Qual Fee (q > Basic Q) = Target Fee - [(q - Q) / (Q x .20)] x (Target Fee - Min Fee)
 = \$759,260

WHERE:

- d = deviation from the Target Qual = 20%
- q = SWW Quality Board calculated > Q = 1,585
- q = SWW Quality Board calculated < Q = 1,585
- Q = Target SWW Quality(BASIC) = 1,585

VII. COMPUTATION OF THE TOTAL INCENTIVE FEE EARNED

TOTAL INCENTIVE FEE EARNED = COST INCENTIVE FEE EARNED + SOFTWARE QUALITY INCENTIVE FEE EARNED



Established by TOPS/Technical Team
 Software Quality Factor computed IAW Provision Fourth of P00076.
 If q > 1,902, then q = 1,902 for purposes of calculation
 Software Quality Factor computed IAW Provision Fourth of P00076.
 If q < 1,268, then q = 1,268 for purposes of calculation
 Established by TOPS/Technical Team

NEGOTIATED

INCENTIVE FEE CALCULATION -- EA 00-AVSX-10141, BLOCK D2 SOFTWARE UPDATE
BASIC WITH OPTION EXERCISED *A, lename: Incent fee all basicopt neg.xls*

I. PURPOSE

This Attachment sets forth the methodology and specific equations that will be utilized to calculate the incentive fee due the Contractor under the CPIF and Software Quality Incentive Fee arrangements established for EA 00-AVSX-10141, Block D2 Software Upgrade, if both the basic effort and the AFS Option are authorized. In support of the calculation of the total incentive fee due under this multiple Incentive arrangement, this attachment provides the following:

- The factors used in the calculation of the incentive fee
- The total incentive fee values negotiated for EA 00-AVSX-10141
- The breakout of this total incentive fee between the Cost Incentive (CPIF) and the Software Quality Incentive
- The computation of the incentive fee earned under the Cost Incentive
- The computation of the incentive fee earned under the Software Quality Incentive
- The computation of the total incentive fee earned

Items in this Attachment enclosed by a solid box are variables (e.g., total allowable cost, Software Quality Factor, etc.) that will be established as set forth herein at time of incentive fee computation. (Target values are used in the solid boxes as an example for the calculations depicted in this spreadsheet.)

Items in this Attachment enclosed by a dashed box are the resulting values of the equations set forth herein and will be computed in accordance with said equations (Target values are used in the solid boxes as an example for the calculations depicted in this spreadsheet.)

II. INCENTIVE FEE FACTORS/VALUES

The following factors and values will be used in the calculation of the incentive fee in this Attachment:

Actual Allowable Cost Incurred:	39,574,917	(Total allowable cost incurred)
SWW Quality Board "q" value < Q:	3.170	(Software Quality Factor computed IAW Provision Fourth of P00076, If q < Q)
SWW Quality Board "q" value > Q:	3.170	(Software Quality Factor computed IAW Provision Fourth of P00076, If q > Q)
Negotiated Target Cost:	39,574,917	
Negotiated Target Profit %:	0.0950	
Negotiated Optimistic Cost Under-run Reduction:	0.105	
Negotiated Optimistic Profit %:	0.145	
Negotiated Pessimistic Cost Over-run Reduction:	1.105	
Negotiated Pessimistic Profit %:	0.045	

III. TOTAL INCENTIVE FEE VALUES

Total Target Cost, Total Target Fee, Total Minimum Fee, and Total Maximum Fee for EA 00-AVSX-10141 with the Basic contract and the AFS Option authorized were established as follows:

ELEMENTS	OPTIMISTIC		TARGET		PESSIMISTIC	
	PROFIT RATE	UNDER RUN	PROFIT RATE	TARGET	OVER RUN	PESSIMISTIC
COST LESS COM		0.105			1.105	43,730,283
COM	355,626		397,347			439,068
PROFIT	5,135,835		3,759,617		1,967,863	
PRICE	40,911,011		43,731,881		46,137,214	

The Under/Over Target Share Ratios were established as follows:

Under Target Share Ratio

Contractor's Share -- Under Target = $[(\text{Target Profit} - \text{Optimistic Profit}) / (\text{Target Cost} - \text{Optimistic Cost})] \times (-100)$

Contractor's Share -- Under Target = 33.12

Government's Share -- Under Target = 66.88

Over Target Share Ratio

Contractor's Share -- Over Target = $[(\text{Target Profit} - \text{Pessimistic Profit}) / (\text{Target Cost} - \text{Pessimistic Cost})] \times (-100)$

Contractor's Share -- Over Target = 43.12

Government's Share -- Over Target = 56.88

III. INCENTIVE SPLIT BETWEEN COST INCENTIVE AND SOFTWARE QUALITY INCENTIVE

The total incentive fee values established for EA 00-AVSX-10141 are split between the two incentives with 70 percent allocated to the Cost Incentive and 30 percent to the Software Quality Incentive as follows:

	TOTAL PROFIT	COST PERFORMANCE 70%	SOFTWARE QUALITY 30%
MAX	5,135,835	3,595,084	1,540,750
TARGET	3,759,617	2,631,732	1,127,885
MIN	1,967,863	1,377,504	590,359

IV. COMPUTATION OF THE COST INCENTIVE FEE EARNED

UNDER/OVER TARGET COST COMPUTATION

ACTUAL COST PERFORM =	UNDER TARGET 39,574,917	OVER TARGET 39,574,917	
	(Total allowable cost incurred)	(Total allowable cost incurred)	
NEGOT TARGET COST	39,574,917	39,574,917	(Total allowable cost incurred)
- ACTUAL COST PERFORMANCE	39,574,917	39,574,917	(Negotiated Target Cost - Actual Cost Performance)
- UNDER/OVER AMOUNT	0	0	

COST INCENTIVE CALCULATION

COST INCENTIVE = UNDERTARGET OR OVERTARGET COST X 70% X KTRS UNDERTARGET OR UNDERTARGET SHARE RATIO + (70% X TOTAL TARGET PROFIT)

COST INCENTIVE CALCULATION = **2,631,732** **2,631,732**

V. COMPUTATION OF THE SOFTWARE QUALITY INCENTIVE FEE EARNED

Qual Fee (q < Basic Q) = Target Fee + ((Q - q) / (Q x 20)) x (Max Fee - Target Fee)
 = **\$ 1,127,885**

Qual Fee (q > Basic Q) = Target Fee - ((q - Q) / (Q x 20)) x (Target Fee - Min Fee)
 = **\$ 1,127,885**

WHERE:

d = deviation from the Target Qual = **20%**
 q = SWW Quality Board calculated > Q **3.170**
 q = SWW Quality Board calculated < Q **3.170**
 Q = Target SWW Quality(BASIC) = **3.170**

Established by TOPS/Technical Team
 Software Quality Factor computed IAW Provision Fourth of P00076.
 If q > 1.902, then q = 1.902 for purposes of calculation
 Software Quality Factor computed IAW Provision Fourth of P00076.
 If q < 1.268, then q = 1.268 for purposes of calculation
 Established by TOPS/Technical Team

VII. COMPUTATION OF THE TOTAL INCENTIVE FEE EARNED

TOTAL INCENTIVE FEE EARNED = COST INCENTIVE FEE EARNED + SOFTWARE QUALITY INCENTIVE FEE EARNED