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Attachment 2

**CONTRACT INCENTIVE FEE PLAN
100 Gigabit per second (Gbps) Ethernet Encryptor (100G EE)**

APPROVED: _____ DATE: _____
Fee Determining Official

1.0 Introduction

This contract fee plan prescribes the responsibilities, procedures, and criteria required to evaluate contractor performance and to determine the amount of fee to be earned by the contractor pursuant to the incentive provisions of the contract. This exhibit describes the fee arrangements for CLIN 0001 of this cost plus incentive fee (CPIF) contract. The contract target cost and the contract fee pool are as set forth in the contract schedule (Section B). Each section details criteria for determining fee available to be earned/lost during contract performance. This fee plan describes the complete structure and approach for fee determinations for the 100 Gigabit per second (Gbps) Ethernet Encryptor (100G EE).

2.0 Definitions

The 100G EE is a development and production contract. The following definitions apply to this contract fee plan:

The FDO is the individual responsible for making a determination for each incentive event detailed in this plan. The FDO for this contract is the Director, Information Assurance Office.

Incentive Event is a schedule milestone as defined in Appendix A.

Incentive Fee Pool is the total of the available incentive fee for the life of the contract.

Incentive Fee Earned is that portion of the incentive fee pool allocated to a particular incentive event that the FDO determines has been earned by the contractor based on the Government's evaluation of the contractor's performance.

Unearned Incentive Fee is the balance of the incentive fee allocation remaining after paying the contractor the incentive fee earned for a given incentive.

3.0 General

3.1 Overall Contract Fee Limitation

The total amount of incentive fee earned under this contract shall not exceed the amounts set forth in the contract schedule. In accordance with this incentive fee plan, the contractor may be required to pay the Government a sum due to cost or schedule performance. These negative incentive payments will be determined only in accordance with the incentive fee criteria of this plan.

Contract fee is incentive fee only. The incentive fee pool is applied to two incentives as follows:
_____ of the fee will be applied to the schedule incentive. The maximum fee which can be lost due to each incentive is set forth in (b)(3) Appendix A of this plan. (b)(4)

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4.0 Cost Incentive

4.1 Philosophy

The contract cost philosophy is to provide a cost incentive to encourage sound financial management and cost containment. The fee recoupment for overrun of the target cost shall be based on the Government/contractor share ratio [redacted] overrun of target cost and [redacted] hereafter, until the total cost incentive fee pool identified in Appendix A is depleted. The maximum fee loss is calculated at the CLIN level for each CLIN individually. (b)(3) (b)(4)

4.2 Cost Incentive Structure

Fee earned or lost pursuant to the cost incentive shall be determined as follows:

When the total allowable cost of CLIN 0001 is greater than 100 percent of the target cost of this CLIN, the incentive fee payable shall be the Target Fee reduced by [redacted] for each dollar of total allowable cost in excess of the contract target cost for the first [redacted] overrun of target cost and [redacted] for each dollar thereafter until depleted. The application of this formula will yield the fee allocated to the cost incentive that can be retained. (b)(3) (b)(4)

Fee lost due to the cost incentive shall be subject to the provisions in Section 7.0, Disposition of Unearned Fee. The amount of the repayment will be in accordance with the terms of this fee plan.

4.3 Cost Incentive Payment

The percentage of fee billable from the available incentive fee pool on this contract is subject to EVM requirements and will be based on the budgeted cost of work performed (BCWP) and not the actual cost of work performed (ACWP). To ensure that fee is not over-billed based on cost overruns, the contractor must provide the methodology that they will utilize and they must submit it to the Contracting Officer for written approval.

5.0 Schedule Incentive

5.1 Schedule Incentive

Successful completion of the End Product Acceptance Review (EPAR).

- Required delivery date (03/31/2016)

5.2 Incentive Calculation

- Entrance and Exit criteria are based on the 100G EE Functional Specification, Section 4, Quality Assurance Provisions, in its entirety.
 - The Schedule Incentive Fee, which is [redacted] total incentive fee pool, can be decreased for days late as in Appendix A. (b)(3) (b)(4)

5.3 Schedule Incentive Payment [redacted] (b)(3)

The incentive fee pool allocated to the schedule incentive will be paid on an interim basis during contract performance on the following schedule:

[Redacted Table Content]	(b)(3) (b)(4)
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(b)(3)
(b)(4)

5.4 Contractor Self-Insurance. The contractor shall not self-insure any provisions of this fee plan; insurance costs incurred for this purpose are unallowable.

6.0 Termination for Convenience

Termination for default is not addressed in this fee plan. If the Government terminates this contract for convenience, the amount of incentive fee the contractor is entitled to shall be determined as follows:

- (a) The incentive fee allocated to cost will be a matter of equitable adjustment in accordance with the Termination Clause of the contract.
- (b) The amount of incentive fee allocated to schedule to be determined after the date the termination becomes effective will not be considered earned or earnable and, therefore, will not be paid.

7.0 Disposition of Unearned Fee

All unearned incentive fee shall be removed from further consideration of payment under the terms of the contract and this fee plan, thereby reducing contract value.

8.0 Fee Repayment

The total amount of incentive fee earned under this contract shall not exceed the amounts set forth in the contract schedule. In accordance with this incentive fee plan, the contractor may be required to pay the Government a sum due to cost or schedule performance. These incentive payments will be determined only in accordance with the incentive fee criteria of this plan. Retention of interim schedule payments shall be subject to successful completion of the final milestone. At such time as the Government calculates the final schedule incentive fee earned, the difference between the schedule incentive fee billed and fee earned shall be returned to the Government. At such time as the Government calculates the final cost penalties, the incentive fee earned for the cost incentive will be revised to reflect the change. The difference between the cost incentive fee billed and fee earned shall be returned to the Government. Since the cost penalties apply to the entire contract, the period of performance must be completed before final

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settlement of cost penalties is calculated.

(b)(3)

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APPENDIX A: INCENTIVE FEE ALLOCATIONS

(a) Maximum Amount of Incentive Fee that Can Be Lost Due to Cost Incentive : \$TBD

(b)(3)
(b)(4)

(b) Incentive Fee Schedule Events Milestones: \$TBD

Milestone	Description	Milestone Delivery Date	Incentive Fee Available*
1	Successful completion of EPAR.	03/31/2016	<input type="text"/>
	Total Schedule Incentive Fee		<input type="text"/>

*The allocations reflect the percentage of the total incentive fee pool that will be allocated to schedule/deliverable. All will be computed and expressed in dollars at conclusion of negotiations.

Fee associated with any of the above scheduled milestones will be reduced if the milestone is not achieved on the agreed upon (negotiated) date and the contractor is at fault. No reduction will be imposed if the schedule slip is due to no fault of the contractor:

(b)(3)
(b)(4)

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