

ARDAK Low Level Decomposition (LLD) Element Descriptions

FRINGE

Holidays: Holidays provides for payment of salary for time not worked for particular days as specified by Federal designation (Federal Holidays). The Fair Labor Standards Act (FLSA) does not require payment for time not worked, such as vacations or holidays (federal or otherwise). These benefits are generally a matter of agreement between an employer and an employee (or the employee's representative).

Sick: Sick provides for payment of salary for sick leave, usable by employees with little or no advance notice, to recuperate from illness, seek medical care, or care for family members. Currently, there are no federal legal requirements for paid sick leave. Sick time is generally either allocated or accrued, at the employer's discretion. Allocation consists of granting a specific number of days over a specific period of time. Accrual consists of 'earning' sick time based on hours worked.

Vacation: Vacation provides for payment of salary for time not worked, usable at the individual employee's discretion, with advance notice to the employer, and contingent upon approval by the employer. The Fair Labor Standards Act (FLSA) does not require payment for time not worked, such as vacations or holidays (federal or otherwise). These benefits are generally a matter of agreement between an employer and an employee (or the employee's representative).

Other PTO: Other Paid Time Off provides for payment of salary for time not worked and not otherwise included in Holidays or Sick, such as Bereavement Leave, Military Reservist Duty Assignment, or civil Jury Duty, etc. Other PTO may contain the sum total of the employee's discretionary paid leave if the employer has adopted a PTO strategy in lieu of Sick/Vacation.

FICA/Medicare/UI: The Federal Insurance Contributions Act (FICA) is a federal law that requires employers to withhold three separate taxes from the wages paid to employees. FICA currently comprises a 6.2 percent Social Security tax and a 1.45 percent Medicare tax. (Note: A 0.9 percent Medicare surtax when the employee earns over \$200,000 is **not** included, as this scenario is considered atypical). An additional 2.2 percent is levied, representative of average State Unemployment Insurance expenses.

Group Health: Group health insurance coverage is a policy that is purchased by an employer and is offered to eligible employees of the company (and often to the employees' eligible dependents) as a benefit of working for that company. A group health insurance plan is a key component of many employee benefits packages that employers provide for employees. The majority of Americans have group health insurance coverage through their employer or the employer of a family member. One of the advantages for employees in a group health plan is the contribution most employers make toward the cost of the health coverage premium – in many cases, employers pay one-half or more of the monthly premium for an employee. Another advantage is that most employers have established Premium Only Plans (often called POP plans) that allow employees to pay any employee-required contributions to premiums on a pre-tax basis. Between the employer contributions, which aren't taxable for employees, and the POP plan, employer-provided health insurance is significantly subsidized due to these tax breaks. With group health insurance, the risk is spread over the company -- the number of participants covered. There are several types of group health insurance plans including HMO, PPO, etc. Group Health coverage also typically includes provisions for dental care/insurance plans, vision care plans, and prescription medication expenses.

Short Term Disability: Short-Term Disability (STD) pays employees a portion of income for a short period of time after the employee runs out of sick leave. Depending on the plan, STD generally will pay employees for between 9 and 52 weeks (or 1 year). Disability insurance is private insurance that replaces some of the employee's income if an injury or illness prevents the employee from working. Disability insurance is important because it can ease the financial burden on a household when someone has a serious illness or injury. The main difference between disability insurance and workers' compensation insurance is that for disability insurance, the injury or illness does not need to be work-related. Some employers provide group disability insurance policies as part of their benefits packages.

Long Term Disability: Long-Term Disability (LTD) pays employees a portion of income after the employee runs out of both sick leave and STD. Depending on the plan, LTD may pay employees for a specific number of years, like 2 years or 5 years, or until the employee turns a specific age, like 65.

Life Insurance: A life insurance policy is a contract with an insurance company. In exchange for premium payments, the insurance company provides a lump-sum payment, known as a death benefit, to designated beneficiaries upon the insured's death. Benefits are often expressed as multiples of an employee's annual salary.

AD&D Insurance: Accidental death and dismemberment (AD&D) insurance provides employees added financial security in sudden, tragic circumstances. An AD&D policy will pay the policy's face amount, or death benefit, to the beneficiary if the insured accidentally dies or suffers dismemberment. "Accidental death" under the policy generally means a death caused by an unforeseen circumstance unrelated to the body. In other words, the death cannot be caused in any way by illness or the insured's physical condition. In addition to covering accidental death, AD&D policies pay if the insured suffers an accidental dismemberment. In most cases, the policy provides a scheduled benefit, or a specified portion of the death benefit, for dismemberment. For example, if the insured accidentally loses one arm or one leg, the policy might pay half of the death benefit. Further, if the insured loses two or more limbs (any combination of arms and legs), then he or she might receive the entire face value (death benefit) under the policy.

Salary Continuation: Provides for supplemental salary compensation in specific instances, such as corporate divestitures or spin-offs. Salary Continuation is negotiable and is also considered atypical.

Workers Compensation: Workers' compensation is a state-mandated insurance program that provides compensation to employees who suffer job-related injuries and illnesses. Each state has its own laws and programs for workers' compensation. In general, an employee with a work-related illness or injury can get workers' compensation benefits regardless of who was at fault -- the employee, the employer, a coworker, a customer, or some other third party. In exchange for these guaranteed benefits, employees usually do not have the right to sue the employer in court for damages for those injuries.

Retirement Plan: Represents costs and fees associated with the contributions to and administration of an employee retirement savings offering. A Retirement Plan is a savings and investment plan that provides income to employees during retirement. It is often created by companies for employees. A defined benefit plan (pension) and a defined contribution plan (401(k)) are both types of retirement plans.

A defined-benefit plan is an employer-sponsored retirement plan where employee benefits are provided based on a formula using factors such as salary history and duration of employment. Investment risk and portfolio management are entirely under the control of the company. There are also restrictions on when and how employees can withdraw these funds without penalties.

A defined-contribution plan is a retirement plan in which a certain amount or percentage of money is set aside each year by a company for the benefit of the employee. There are restrictions as to when and how employees can withdraw these funds without penalties. There is no way to know how much the plan will ultimately provide the employee upon retiring. The amount contributed is fixed, but the benefit is not.

Other: Represents the provision for any other miscellaneous fringe benefit expenses incurred and not otherwise included elsewhere, such as subsidized employee meals, employee paid training, employer sponsored child care, anticipated 'bench' time, etc.

Total Fringe: Represents the combined sum of all Fringe factors.

OVERHEAD

Occupancy: Represents various expenses specifically incurred in sustainment of entity facilities occupancy. The discrete component elements of occupancy cost considerations comprising the Occupancy factor are; Rent, Real Estate Taxes, Personal Property Taxes, Insurance, Maintenance, Utilities, Facility Security, and IT Infrastructure cost, among others.

Indirect Labor: Indirect Labor represents wages paid to workers that perform tasks that do not directly contribute to the production of goods or performance of services on a specific contract. Examples include, but are not limited to support workers who help enable others to produce goods, human relations, matrix level management, QA service director (for the cost center), security staff (related to contract security) and other labor expenses that cannot be charged to a specific program or contract.

Depreciation/Amortization (Includes CAS410): Represents depreciation and amortization expenses incurred by the entity. Depreciation is the process by which a company allocates a tangible asset's cost over the duration of its useful life. Each time a company prepares its financial statements, it records a depreciation expense to allocate a portion of the cost of the buildings, machines or equipment it has purchased to the current fiscal year. The purpose of recording depreciation as an expense is to spread the initial price of the asset over its useful life. For intangible assets, such as brands and intellectual property, this process of allocating costs over time is called amortization. This item includes expenses allocated in accordance with the DCAA (Defense Contract Audit Agency) CAS (Cost Accounting Standards) Part 9904.410 Allocation of business unit general and administrative expenses to final cost objectives.

Other (Admin, Education & Breakage): Represents the provision for any other miscellaneous overhead expenses incurred and not otherwise included elsewhere, such as achievement awards, athletic facilities, educational/tuition assistance, employee discounts, employer-provided cell phones, etc.

Total Overhead: Represents the combined sum of all Overhead factors.

G&A

Bid and Proposal (Sales): Bid and Proposal Sales costs are the costs of preparing bids, proposals, and applications for potential activities such as Government and non-Government grants, contracts and other agreements, including the development of scientific, cost, and other data needed to support such bids, proposals, and applications. Does not include the costs of effort sponsored by a grant or cooperative agreement, or required in the performance of a contract.

Bid and Proposal (R&D): Bid and Proposal Research and Development costs are qualified as (a) falling within one of the following four categories: (1) basic research, (2) applied research, (3)

development, or (4) systems and other concept formulation studies; and (b) not being “sponsored by a grant or required in the performance of a contract.”

Corporate/Cost Center Officers & Expenses: Represents expenses associated with sustained support of the corporate entity facilities and its associated named executive officers. Considerations include executive compensation packages, “mahogany row” executive office accommodations, administrative support staff, transportation costs, travel expenses, professional association organization fees, membership dues, etc.

Employee Stock & Stock options: These plans are contracts between a company and its employees that give employees the right (but not the obligation) to buy a specific number of the company’s shares at a fixed price within a certain period of time. The concept driving stock options is alignment of incentives between the eligible employees and shareholders of a company (executive performance). Employee stock options plans should not be confused with the term "ESOPs," or Employee Stock Ownership Plans, which are retirement plans.

Other (Remedial, Legal, etc.): Represents various other general and administrative expenses incurred by the entity and not included elsewhere, such as environmental remediation costs, organizational restructuring costs, corporate legal fees, and litigation expenses.

Total G&A: Represents the combined sum of all G&A factors.

Decomposition Wrap Rate: The resultant Wrap Rate is calculated as follows:

$$(1 + \textit{Total Fringe}) * (1 + \textit{Total Overhead}) * (1 + \textit{Total G\&A})$$