

## **PURCHASE ORDER ATTACHMENT TC-020**

### **FIXED PRICE INCENTIVE PURCHASE ORDERS**

**Note: Addendum to Attachment TC-001, “Raytheon General Terms and Conditions of Purchase”**

#### **INCENTIVE PRICE REVISION-FIRM TARGET**

##### **A. General**

The supplies or services identified in the purchase order as Items are subject to price revision in accordance with this clause; provided, that in no event shall the total final price of these items exceed the ceiling price of        Dollars (\$        ). Any supplies or services that are to be (1) ordered separately under, or otherwise added to, this purchase order and (2) subject to price revision in accordance with the terms of this clause shall be identified as such in a modification to this purchase order.

##### **B. Definition**

“Costs,” as used in this clause, means allowable costs in accordance with Part 31 of the Federal Acquisition Regulation (FAR) in effect on the date of this purchase order.

##### **C. Data Submission**

1. Within 30 days after the Seller has delivered the last unit of supplies and completed the services specified by the purchase order, the Seller shall submit in the format of table 15-2, FAR 15.408 or in any other form on which the parties agree:
  - i. A detailed statement of all costs incurred up to the end of that month in performing all work under the items;
  - ii. An estimate of costs of further performance, if any, that may be necessary to complete performance of all work under the items;
  - iii. A list of all residual inventory and an estimate of its value; and
  - iv. Any other relevant data that the Buyer may reasonably require.
2. If the Seller fails to submit the data required by subparagraph (1) above within the time specified and it is later determined that the Buyer has overpaid the Seller, the Seller shall repay the excess to the Buyer immediately. Unless repaid within 30 days after the end of the data submittal period, the amount of the excess shall bear interest, computed from the date the data were due to the date of repayment, at the rate established in accordance with the Interest clause.

##### **D. Price Revision**

Upon the Buyer's receipt of the data required by paragraph (C) above, the Buyer and the Seller shall promptly establish the total final price of the items specified in the purchase order by applying to final negotiated cost an adjustment for profit or less, as follows:

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1. On the basis of the information required by paragraph (C) above, together with any other pertinent information, the parties shall negotiate the total final cost incurred or to be incurred by supplies delivered (or services performed) and accepted by the Buyer and which are subject to price revision under this clause.
2. The total final price shall be established by applying to the total final negotiated cost an adjustment for profit or less, as follows:
  - i. If the total final negotiated cost is equal to the total target cost, the adjustment is the total target profit.
  - ii. If the total final negotiated cost is greater than the total target cost, the adjustment is the total target profit, less                      percent of the amount by which the total final negotiated cost exceeds the total target cost.
  - iii. If the final negotiated cost is less than the total target cost, the adjustment is the total target profit plus                      percent of the amount by which the total final negotiated cost is less than the total target cost.

E. Contract Modification

The total final price of the items specified in paragraph (A) above shall be evidenced by a modification to this purchase order, signed by the Seller and the Buyer. This price shall not be subject to revision, notwithstanding any changes in the cost of performing the purchase order, except to the extent that:

1. The parties may agree in writing, before the determination of total final price, to exclude specific elements of cost from this price and to a procedure for subsequent disposition of those elements; and
2. Adjustments of credits are explicitly permitted or required by this or any other clause in the purchase order.

F. Adjusting Billing Prices

1. Pending execution of the purchase order modification (see paragraph (E) above), the Seller shall submit invoices or vouchers in accordance with billing prices as provided in this paragraph. The billing prices shall be the target prices shown in this purchase order.
2. If at any time it appears from information provided by the Seller under subparagraph (G) (2) below that the then-current billing prices will be substantially greater than the estimated final prices, the parties shall negotiate a reduction in the billing prices. Similarly, the parties may negotiate an increase in billing prices by any or all of the difference between the target prices and the ceiling price, upon the Seller's submission of factual data showing that final cost under this purchase order will be substantially greater than the target cost.
3. Any billing price adjustment shall be reflected in a purchase order modification and shall not affect the determination of the total final price under paragraph (d) above. After the purchase order modification establishing the total final price is executed, the total amount paid or to be paid on all invoices or vouchers shall be adjusted to reflect the total final price, and any resulting additional payments, refunds, or credits shall be made promptly.

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G. Quarterly Limitation on Payments Statement

This paragraph G shall apply until final price revision under this purchase order has been completed.

1. Within 45 days after the end of each quarter of the Seller's fiscal year in which a delivery is first made (or services are first performed) and accepted by the Buyer under this purchase order, and for each quarter thereafter the Seller shall submit to the Buyer a statement; cumulative from the beginning of the purchase order, showing:
  - i. The total purchase order price of all supplies delivered (or services performed) and accepted by the Buyer and for which final prices have been established;
  - ii. The total costs (estimated to the extent necessary) reasonably incurred for, and properly allocable solely to, the supplies delivered (or services performed) and accepted by the Buyer and for which final prices have not been established;
  - iii. The portion of the total target profit (used in establishing the initial purchase order price or agreed to for the purpose of this paragraph (G) that is in direct proportion to the supplies delivered (or services performed) and accepted by the Buyer and for which final prices have not been established-increased or decreased in accordance with subparagraph (d) (2) above, when the amount stated under subdivision (ii), immediately above, differs from the aggregate target costs of the supplies or services; and
  - iv. The total amount of all invoices or vouchers for supplies delivered (or services performed) and accepted by the Buyer (including amounts applied or to be applied to liquidate progress payments).
3. Notwithstanding any provision of this purchase order authorizing greater payments, if on any quarterly statement the amount under subdivision (1)(iv), above exceeds the sum due to the Seller, as computed in accordance with subdivisions (1)(i), (ii), and (iii) above, the Seller shall immediately refund or credit to the Buyer against existing unpaid invoices or vouchers covered by such statement the amount of this excess less the cumulative total of any previous refunds or credits effected under this clause. If any portion of the excess has been applied to the liquidation of progress payments, then that portion may, instead of being refunded, be added to the unliquidated progress payment account consistent with the Progress Payments clause. The Seller shall provide complete details to support any claimed reductions in refunds.
4. If the Seller fails to submit the quarterly statement within 45 days after the end of each quarter and it is later determined that the Buyer has overpaid the Seller, the Seller shall repay the excess to the Buyer immediately. Unless repaid within 30 days after the end of the statement submittal period, the amount of the excess shall bear interest, computed from the date the quarterly statement was due to the date of repayment, at the rate established in accordance with the Interest clause.

H. Subcontracts

No subcontract placed under this subcontract may provide for payment on a cost-plus-a-percentage-of-cost basis.

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I. Disagreements

If the Seller and the Buyer fail to agree upon the total final price within 60 days (or within such other period as the Buyer may specify) after the date on which the data required by paragraph (C) above are to be submitted, the Seller shall submit a claim in accordance with the "Disputes" clause of this purchase order.

J. Termination

If this contract is terminated before the total final price is established, prices of supplies or services subject to price revision shall be established in accordance with this clause for (1) completed supplies and services accepted by the Buyer and (2) those supplies and services not terminated under a partial termination. All other elements of the termination shall be resolved in accordance with other applicable clauses of this purchase order.

K. Equitable Adjustment Under Other Clauses

If an equitable adjustment in the purchase order price is made under any other clause of this purchase order before the total final price is established, the adjustment shall be made in the total target cost and may be made in the maximum dollar limit on the total final price, the total target profit, or both. If the adjustment is made after the total final price is established, only the total final price shall be adjusted.

L. Exclusion From Target Price and Total Final Price

If any clause of this purchase order provides that the purchase order price does not or will not include an amount for a specific purpose, then neither any target price nor the total final price includes or will include any amount for that purpose.

M. Separate Reimbursement

If any clause of this purchase order expressly provides that the cost of performance of an obligation shall be at Government expense, that expense shall not be included in any target price or in the total final price, but shall be reimbursed separately.

N. Taxes

As used in the Federal, State, and Local Taxes clause or in any other clause that provides for certain taxes or duties to be included in, or excluded from, the contract price, the term "contract price" includes the total target price or, if it has been established, the total final price. When any of these clauses requires that the contract price be increased or decreased as a result of changes in the obligation of the Buyer to pay or bear the burden of certain taxes or duties, the increase or decrease shall be made in the total target price or, if it has been established, in the total final price, so that it will not affect the Seller's profit or loss on this contract.

O. Provisioning and Options

Parts, other supplies, or services that are to be furnished under this purchase order on the basis of a provisioning document or Buyer option shall be subject to price revision in accordance with this clause. Any prices established for these parts, other supplies, or services under a provisioning document of Buyer option shall be treated as target prices. Target cost and profit covering these parts, other supplies, or services may be established separately, in the aggregate, or in any combination, as the parties may agree.

**END OF DOCUMENT**

The text of this document shall not be changed except by written agreement between Buyer and Seller.