

## INCENTIVE PRICE REVISION - FIRM TARGET (Jan 2006)

(a) General. The supplies or services identified in the Agreement as item numbers \_\_\_\_\_ 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 Agreement and (2) subject to price revision in accordance with the terms of this clause shall be identified as such in a modification to this Agreement.

(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 Agreement.

(c) Data Submission. (1) Within \_\_\_\_\_ days after the end of the month in which the Seller has delivered the last unit of supplies and completed the services specified by item number in paragraph (a) above, the Seller shall submit on the Company's Contract Pricing Proposal form 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 Company 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 Company has overpaid the Seller, the Seller shall repay the excess to the Company 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 Company's receipt of the data required by paragraph (c) above, the Company and the Seller shall promptly establish the total final price of the items specified in (a) above by applying to final negotiated cost an adjustment for profit or loss, as follows:

(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 for supplies delivered (or services performed) and accepted by the Company 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 loss, 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) Agreement Modification. The total final price of the items specified in paragraph (a) above shall be evidenced by a modification to this Agreement, signed by the Seller and the Company. This price shall not be subject to revision, notwithstanding any changes in the cost of performing the Agreement, 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 or credits are explicitly permitted or required by this or any other clause in this Agreement.

(f) Adjusting Billing Prices. (1) Pending execution of the Agreement 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 Agreement.

(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 Agreement will be substantially greater than the target cost.

(3) Any billing price adjustment shall be reflected in an Agreement modification and shall not affect the determination of the total final price under paragraph (d) above. After the Agreement 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.

(g) Quarterly Limitation on Payments Statement. This paragraph (g) shall apply until final price revision under this Agreement 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 Company under this Agreement, and for each quarter thereafter, the Seller shall submit to the Company a statement, cumulative from the beginning of the Agreement, showing:

(i) The total Agreement price of all supplies delivered (or services performed) and accepted by the Company 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 Company and for which final prices have not been established;

(iii) The portion of the total target profit (used in establishing the initial Agreement 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 Company 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 Company (including amounts applied or to be applied to liquidate progress payments).

(2) Notwithstanding any provision of this Agreement authorizing greater payments, if on any quarterly statement the amount under subdivision (1)(iv) above exceeds the sum due the Seller, as computed in accordance with subdivisions (1)(i), (ii), and (iii) above, the Seller shall immediately refund or credit to the Company the amount of this excess. The Seller may, when appropriate, reduce this refund or credit by the amount of any applicable tax credits due the Seller under 26 U.S.C. 1481 and by the amount of 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.

(3) 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 Company has overpaid the Seller, the Seller shall repay the excess to the Company 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 Agreement may provide for payment on a cost-plus-a-percentage-of-cost basis. The Seller shall:

(1) Insert in each price redetermination or incentive price revision subcontract the substance of paragraph (g), above, and of this paragraph (h), modified to omit mention of the Company and to reflect the position of the Seller as purchaser and of the subcontractor as vendor, and to omit that part of subparagraph (g)(2) above relating to tax credits; and

(2) Include in each cost-reimbursement subcontract a requirement that each lower-tier price redetermination or incentive price revision subcontract contain the substance of paragraph (g) above and of this paragraph (h), modified as required by subparagraph (1) above.

(i) Termination. If this Agreement 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 Company 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 Agreement.

(j) Equitable Adjustment Under Other Clauses. If an equitable adjustment in the contract price is made under any other clause of this Agreement 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.

(k) Exclusion From Target Price and Total Final Price. If any clause of this Agreement provides that the Agreement 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.

(l) Separate Reimbursement. If any clause of this Agreement expressly provides that the cost of performance of an obligation shall be at Company expense, that expense shall not be included in any target price or in the total final price, but shall be reimbursed separately.

(m) 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 Agreement price, the term "Agreement price" includes the total target price, or, if it has been established, the total final price. When any of these clauses requires that the Agreement price be increased or decreased as a result of changes in the obligation of the Seller 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 Agreement.