**DEPARTMENT OF THE AIR FORCE**

**XXX AFB**

LETTER CONTRACT BETWEEN THE DEPARTMENT OF THE AIR FORCE

AND

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

CONTRACT NUMBER F1XXXX- \_\_\_- \_\_\_\_\_\_\_\_\_\_\_\_

CONTRACT FOR: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 (BRIEF DESCRIPTION)

DEFINITION: A letter contract is a written preliminary contractual document that authorizes the contractor to begin immediately manufacturing supplies or performing services.

I. FAR 52.216-24 LIMITATION OF GOVERNMENT LIABILITY (APR 1984)

 (a) In performing this contract, the Contractor is not authorized to make expenditures or incur obligations exceeding\*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_dollars.

 (b) The maximum amount for which the Government shall be liable if this contract is terminated is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_dollars.

\*NOTE: The maximum liability of the Government inserted above shall be the estimated amount necessary to cover the Contractor’s requirements for funds before definitization. However, it shall not exceed 50 percent of the estimated cost of the definitive contract unless approved in advance by the official that authorized the letter contract.

II. DEFINITIZATION SCHEDULE:

 (a) Date for submission of the contractor’s price proposal, required cost or pricing data, and if required, make-or-buy and subcontracting plans: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 (b) Date for start of negotiations: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 (c) Target date for definitization: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 (180 days after the date of letter contract above or before completion of 40 percent of the work to be performed, whichever comes first)

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III. SPECIAL PROVISIONS:

A. FAR 52.216-23 EXECUTION AND COMMENCEMENT OF WORK (APR 1984)

 The Contractor shall indicate acceptance of this letter contract by signing three copies of the contract and returning them to the Contracting Officer not later than \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[*insert date*]. Upon acceptance by both parties, the Contractor shall proceed with performance of the work, including purchase of necessary material.

B. DoD FAR SUP 252.217-7027 CONTRACT DEFINITIZATION (OCT 1998)

The definitive contract resulting from this undefinitized action shall not exceed ($\_\_\_\_\_\_\_\_\_\_\_\_).

C. FAR 52.216-25 CONTRACT DEFINITIZATION (OCT 1997)

 (a) A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_[*insert specific type of contract*] definitive contract is contemplated. The Contractor agrees to begin promptly negotiating with the Contracting Officer the terms of a definitive contract that will include (1) all clauses required by the Federal Acquisition Regulation (FAR) on the date of execution of the letter contract, (2) all clauses required by law on the date of execution of the definitive contract, and (3) any other mutually agreeable clauses, terms, and conditions. The Contractor agrees to submit a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_[*insert specific type of proposal (e.g., fixed-price or cost-and-fee)] proposal and cost or pricing data supporting its proposal*.

 (b) The schedule for definitizing this contract is [*insert target date for definitization of the contract and dates for submission of proposal, beginning of negotiations, and, if appropriate, submission of make-or-buy and subcontracting plans and cost or pricing data*]:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_,

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_,

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_,

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_,

 (c) If agreement on a definitive contract to supersede this letter contract is not reached by the target date in paragraph (b) above, or if granted by the Contracting Officer, the Contracting Officer may, with the approval of the head of the contracting activity, determine a reasonable price or fee in accordance with Subpart 15.4 and Part 31 of the FAR, subject to Contractor appeal as provided in the Disputes clause.. In any event, the Contractor shall proceed with completion of the contract, subject only to the Limitation of Government Liability clause.

 (1) After the Contracting Officer’s determination of price or fee, the contract shall be governed by-

 (i) All clauses required by the FAR on the date of execution of this letter contract for either fixed-price or cost-reimbursement contracts, as determined by the Contracting Officer under this paragraph (c);

 (ii) All clauses required by law as of the date of the Contracting Officer’s determination; and

 (iii) Any other clauses, terms, and conditions mutually agreed upon.

 (2) To the extent consistent with subparagraph (c)(1) above, all clauses, terms, and conditions included in this letter contract shall continue in effect, except those that by their nature apply only to a letter contract.

 *Alternate 1*  (APR 1984) In letter contracts awarded on the basis of price competition, add the following paragraph (d) to the basic clause:

 (d) The definitive contract resulting from this letter contract will include a negotiated \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_[*insert “price ceiling” or “firm fixed price* “ ] in no event to exceed

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_[*insert the proposed price upon which the award was based*].

D. FAR 52.216-26 PAYMENTS OF ALLOWABLE COSTS BEFORE DEFINITIZATION (DEC 2002)

a) *Reimbursement rate.* Pending the placing of the definitive contract referred to in this letter contract, the Government will promptly reimburse the Contractor for all allowable costs under this contract at the following rates:

(1) One hundred percent of approved costs representing financing payments to subcontractors under fixed-price subcontracts; provided, that the Government’s payments to the Contractor will not exceed 80 percent of the allowable costs of those subcontractors.

(2) One hundred percent of approved costs representing cost-reimbursement subcontracts; provided, that the Government’s payments to the Contractor shall not exceed 85 percent of the allowable costs of those subcontractors.

(3) Eighty-five percent of all other approved costs.

(b) *Limitation of reimbursement.* To determine the amounts payable to the Contractor under this letter contract, the Contracting Officer shall determine allowable costs in accordance with the applicable cost principles in Part 31 of the Federal Acquisition Regulation (FAR). The total reimbursement made under this paragraph shall not exceed 85 percent of the maximum amount of the Government’s liability, as stated in this contract.

(c) *Invoicing*. Payments shall be made promptly to the Contractor when requested as work progresses, but (except for small business concerns) not more often than every 2 weeks, in amounts approved by the Contracting Officer. The Contractor may submit to an authorized representative of the Contracting Officer, in such form and reasonable detail as the representative may require, an invoice or voucher supported by a statement of the claimed allowable cost incurred by the Contractor in the performance of this contract.

(d) *Allowable costs*. For the purpose of determining allowable costs, the term “costs” includes --

(1) Those recorded costs that result, at the time of the request for reimbursement, from payment by cash, check, or other form of actual payment for items or services purchased directly for the contract;

(2) When the Contractor is not delinquent in payment of costs of contract performance in the ordinary course of business, costs incurred, but not necessarily paid, for –

(i) Supplies and services purchased directly for the contract and associated financing payments t subcontractors, provided payments determined due will be made--

(A) In accordance with the terms and conditions of a subcontract or invoice; and

(B) Ordinarily within 30 days of the submission of the Contractor’s payment request to the Government;

(ii) Materials issued from the Contractor’s stores inventory and placed in the production process for use on the contract;

(iii) Direct labor;

(iv) Direct travel;

(v) Other direct in-house costs; and

(vi) Properly allocable and allowable indirect costs as shown on the records maintained by the Contractor for purposes of obtaining reimbursement under Government contracts; and

(3) The amount of financing payments that the Contractor has paid by cash, check, or other forms of payment to subcontractors.

(e) *Small business concerns*. A small business concern may receive more frequent payments than every 2 weeks.

(f) *Audit*. At any time before final payment, the Contracting Officer may have the Contractor’s invoices or vouchers and statements of costs audited. Any payment may be --

(1) Reduced by any amounts found by the Contracting Officer not to constitute allowable costs; or

(2) Adjusted for overpayments or underpayments made on preceding invoices or vouchers

Letter Contract No: F1XXXX\_\_-\_\_\_\_\_\_\_\_\_\_\_\_ between the Air Force and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

E. FAR 52.252-2 CLAUSES INCORPORATED BY REFERENCE (JUN 1988)

This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available.

F. Other clauses and provisions applicable to this letter contract are hereby incorporated - See Attachment 1.

G. The schedule of minimum wage rates to be paid under this letter contract will be issued as modification to the contract effective retroactively to the date of award and will be negotiated during definitization.

IV. ADMINISTRATION: Purchase Request Number\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

A. The sums to be expended by the Government hereunder are chargeable to the following allotments, the available balances of which are sufficient to cove the same:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 (fund citation) (amount)

B. The overall administrative responsibility for this contract lies in the Chief of Contracting, XXXXXXXXXXX, , XXXXXXXXXX AFB, XXXXX.

C. Payments will be made by DFAS-LI/FPVD, 3 Arkansas Road, Limestone, ME, 04751-1500

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Type of contract contemplated:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 (buyer)

This instrument has been negotiated pursuant to Section 2304(a)(2) of Title 10 U.S. Code.Letter Contract No: F16602- \_\_\_-\_\_\_\_\_\_\_\_\_\_between the Air Force and\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(Contractor’s Signature) (Contracting Officer Signature) (Priority Rating- See FAR 11.603)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 (Contractor’s Name)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(Address) (Approving Officer’s Signature)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(City, State, Zip + 4) (Approving Officer’s Name/Title)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(A/C & Telephone Number) (Date of Contract - Today’ Date)

**(AUTHORITY AS PER AF FAR SUP 5317.7404-1)**