49.115 Settlement of terminated incentive contracts.

(a) *Fixed-price incentive contracts.* The TCO *shall* settle terminated fixed-price incentive (FPI) contracts under the provisions of paragraph (j) of the clause at 52.216-16, Incentive Price Revision-Firm Target, and 52.249-2, *Termination for Convenience* of the Government (Fixed-Price).

(1) *Partial termination.* Under a partially terminated contract, the TCO *shall* negotiate a settlement as provided in the termination clause of the contract, and paragraph (j) of the clause at 52.216-16, Incentive Price Revision-Firm Target, or paragraph (1) of the clause at 52.216-17, Incentive Price Revision-Successive Targets. The *contracting officer shall* apply the incentive price revision provisions to completed items accepted by the Government, including any for which the contractor *may* request reimbursement in the *settlement proposal*. The TCO *shall* reimburse the contractor at target price for completed articles included in the *settlement proposal* for which a final price has not been established. The TCO *shall* incorporate in the *settlement agreement* an appropriate reservation as to final price for these completed articles.

(2) *Complete termination.* If any items were delivered and accepted by the Government, the *contracting officer shall* establish prices under the incentive provisions of the contract. On the *terminated portion of the contract*, the provisions of the termination clause (see 52.249-2, *Termination for Convenience* of the Government (Fixed-Price)) *shall* govern and the provisions of the incentive clause *shall* not apply. The TCO responsible for the termination settlement will ensure, on the basis of evidence considered proper (including coordination with the *contracting officer*), that no portion of the costs considered in the negotiations under the incentive provisions are included in the termination settlement.

(b) *Cost-plus-incentive-fee contracts.* The TCO *shall* settle terminated cost-plus-incentive-fee contracts under the clause at 52.249-6, Termination (Cost-Reimbursement).

(1) *Partial termination.* Under a *partial termination*, the TCO *shall* limit the settlement to an adjustment of target fee as provided in paragraph (e) of the clause at 52.216-10, Incentive Fee. The *settlement agreement shall* include a reservation regarding any adjustment of target cost resulting from the *partial termination*. The *contracting officer shall* adjust the target cost, if required.

(2) *Complete termination.* The parties *shall* negotiate the settlement under the provisions of subpart 49.3 and the clause at 52.249-6, Termination (Cost Reimbursement). The fee *shall* be adjusted on the basis of the target fee, and the incentive provisions *shall* not be applied or considered.

Parent topic: Subpart 49.1 - General Principles