LETTER CONTRACT BETWEEN THE FEDERAL AVIATION ADMINISTRATION AND ***[Insert Organization]***

Company  
ATTN:   
Address  
City, State, Zip

Subject: ***[Insert solicitation number and project description]***

Date: ***[Insert date]***

Dear ***[Insert name]***,

This letter constitutes an authorization for you to commence work on proposed contract number ***[Insert contract number]***. The work authorized by this letter is described in your proposal of ***[Insert date of proposal, other appropriate reference to the SOW, and performance period]***.

1. **AMS 3.2.4-22 LIMITATION OF GOVERNMENT LIABILITY (OCT 2019)** 
   * + 1. In performing this contract, the Contractor is not authorized to make expenditures or incur obligations exceeding ***[Insert amount]*** dollars.
       2. The maximum amount for which the Government will be liable if this contract is terminated is ***[Insert*** ***amount]*** 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.

1. **DEFINITIZATION SCHEDULE**
2. Date for submission of the contractor’s price proposal, required cost or pricing data, and if required, subcontracting plans: ***[Insert date for submission]***
3. Date for start of negotiations: ***[Insert date of negotiations]***
4. Target date for definitization: ***[Insert date for definitization]***

Note: Definitization should occur within 180 days after the date of the ceiling-priced/letter contract or before completion of 40% of the work to be performed, whichever occurs first. When appropriate, extensions beyond 180 days or 40% completion of the work to be performed may be made upon the demonstrated need due to emergency)

1. **SPECIAL PROVISIONS:**
2. AMS 3.2.4-21 EXECUTION AND COMMENCEMENT OF WORK (OCT 2019)

The Contractor must 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 must proceed with performance of the work, including purchase of necessary materials.

1. AMS 3.2.4-23 CONTRACT PRICE DEFINITIZATION (OCT 2019)
   1. A ***[Insert contract type]*** contract is contemplated. The Contractor agrees to begin promptly negotiating with the Contracting Officer the price and any price related terms of a ***[Insert contract*** ***type]*** contract. 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.
   2. The schedule for negotiating the price of this contract is ***[Insert target date for definitization of the contract price 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].***
   3. If agreement on the contract price is not reached by the target date in paragraph above, or within any extension of it granted by the Contracting Officer (CO), the CO may, with the approval of the Chief of CO, determine a reasonable price or fee, subject to Contractor appeal as provided in the "Contract Disputes" clause. In any event, the Contractor must proceed with completion of the contract, subject only to the "Limitation of FAA Liability" clause.
   4. After the CO’s determination of price or fee, the contract must be governed by:
      * All clauses required by the FAA Acquisition Management System 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);
      * All clauses required by law as of the date of the CO’s determination; and
      * Any other clauses, terms, and conditions mutually agreed upon.
   5. To the extent consistent with subparagraph above, all clauses, terms, and conditions included in this letter contract must continue in effect, except those that by their nature apply only to a letter contract.
   6. The definitive contract resulting from this letter contract will include a total negotiated ***[Insert the description of the amount mutually agreed for the price ceiling, e.g. firm-fixed-price, total estimated-cost-plus-fixed-fee, or other appropriate description]*** in no event to exceed ***[Insert the mutually agreed amount of the price ceiling]***.
2. AMS 3.2.4-24 PAYMENTS OF ALLOWABLE COSTS BEFORE DEFINITIZATION (OCT 2019) (\*NOTE: ***Only use clause when a letter/ceiling priced contract is contemplated and a cost reimbursement definitized contract is anticipated)***
3. **Reimbursement rate.** Pending the completion of the negotiation to definitize the estimated cost and fee of this letter contract, the Government will promptly reimburse the Contractor for all allowable costs under this contract at the following rates:
   * + One hundred percent of approved costs representing payments to subcontractors under fixed-price subcontracts; provided, that the Government's payments to the Contractor must not exceed 80 percent of the allowable costs of those subcontractors.
     + One hundred percent of approved costs representing cost- reimbursement subcontracts; provided, that the Government's payments to the Contractor must not exceed 85 percent of the allowable costs of those subcontractors.
     + Eighty-five percent of all other approved costs.
4. **Limitation of reimbursement.** To determine the amounts payable to the Contractor under this letter contract, the Contracting Officer will determine allowable costs in accordance with the applicable cost principles in the FAA Acquisition Management System. The total reimbursement made under this paragraph must not exceed 85 percent of the maximum amount of the Government's liability, as stated in this contract.
5. **Invoicing.** Payments must 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.
6. **Allowable costs. For the purpose of determining allowable costs, the term costs includes:** 
   * + Costs that the contractor has incurred and recorded at the time of the request for reimbursement;
     + 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:
       - Materials issued from the Contractor's stores inventory and placed in the production process for use on the contract;
       - Direct labor;
       - Direct travel;
       - Other direct in-house costs; and
       - Properly allocable and allowable indirect costs as shown on the records maintained by the Contractor for purposes of obtaining reimbursement under Government contracts; and
       - The amount of payments that have been paid to the Contractor's subcontractors under similar cost standards.
7. **Small business concerns.** A small business concern may receive more frequent payments than every 2 weeks and may invoice and be paid for recorded costs for items or services purchased directly for the contract, even though it has not yet paid for such items or services.
8. **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.
9. AMS 3.1-1 CLAUSES AND PROVISIONS INCORPORATED BY REFERENCE (JULY 2019)

This screening information request (SIR) or contract, as applicable, incorporates by reference the provisions or clauses listed below with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make the full text available, or offerors and contractors may obtain the full text via Internet at: <https://fast.faa.gov/contractclauses.cfm>.

1. Other clauses and provisions applicable to this letter contract are hereby incorporated - See Attachment XXXX, if applicable.
2. 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, if applicable.
3. **ADMINISTRATION**
4. Purchase Request Number, if applicable: ***[Insert Purchase Request Number]***
5. Funding Citation, if applicable: ***[Insert Funding Citation]***
6. In the event of contract termination, calculation of payments due under this authorization will be accomplished under the provisions of clauses ***[Insert appropriate termination clauses]***.
7. The Contracting Officer's Representative (COR) is ***[contracting.officer@faa.gov]***; telephone number is ***[Insert phone number]***.

If you have any questions, please contact the Contracting Officer at ***[contracting.officer@faa.gov]*** or ***[Insert phone number]***.

Sincerely,

***[Insert CO’s Name]***

Contracting Officer

***[Insert Office Name/Code e.g., AAQ]***

***[Insert Office Address]***