Change is Happening with Contract Terminations









Phone: (256) 704 - 9866

Email: DFix@RedstoneGCI.com

David (Dave) Fix, CPA, CFE Director

- 35+ Years with Defense Contract Audit Agency
 - Regional Audit Manager (DCAA Adjunct Instructor as well)
 - Regional Special Programs Manager
 - Chief, Investigative Support
 - Branch Manager (CONUS & OCONUS), Supervisory Auditor, Technical Specialist, Auditor
- 36 Years as Air Force Reservist-last duty: Chief, Contracting Inspections, Air Force Reserve Command, Robins AFB, Georgia
- 3 –plus years with Redstone
 - Business Systems, CAS, FAR, DFARS, Forward Pricing Proposals, Claims

BS in Accounting, State University of NY at Buffalo; MS, Accounting – Western New England College (now University); Graduate of Department of Defense Executive Leadership Development Program; CPA (Active Licenses) – Alabama, Georgia, & North Carolina; Certified Fraud Examiner (CFE)





Learning Objectives

- ✓ Understanding the termination process [INCLUDING A CLASS EXERCISE]
- ✓ Identify the FAR clauses applicable to terminations of contracts awarded [INCLUDING FAR OVERHAUL ANNOUNCED CHANGES]
- Distinguish between entitlement and quantum
- ✓ Identify common pitfalls in contract terminations
- ✓ Identify sources for assisting with the termination settlement proposal through audit support



Factors Leading to Government Contract Terminations

- Reductions within Government agencies
- Changing government programs and priorities (T4C)
- FYs 2025/6 National Defense Authorization
 Act
- Modernization of weapon platforms
- Reduction in what was contracted (partial termination)
- Failure to perform (T4D)
- Changes in regulations: FAR OVERHAUL



Class Exercise - Assume No Rules....



- ☐ One side of the room is Government
- ☐ Other side of the room is Contractor
- Go through with questions on each side and discuss
- ☐ How could this be done better?
- ☐ Let's see how the regulations/processes compare



Complete or Partial Termination



FAR 49.100, General Principles, Scope of subpart

Contracting officers have the authority and responsibility to terminate contracts in whole or in part for the convenience of the Government or for default

FAR Part 49, Termination of Contracts



Two Types of Terminations:

1. Termination for Default (T4D) – FAR 49.401(a)

Termination for default is generally the exercise of the Government's contractual right to completely or partially terminate a contract because of the contractor's actual or anticipated failure to perform its contractual obligations. This could be executed by FAR 52.249-8 through FAR 52.249-10 (T4D Clauses)

2. Termination for Convenience of the Government (T4C)- FAR 49.502 (a)–(e)

The Government may terminate performance of work under this contract in whole or, from time to time, in part if the Contracting Officer determines that a termination is in the Government's interest. The Contracting Officer shall terminate by delivering to the Contractor a Notice of Termination specifying the extent of termination and the effective date. Executed through contract clauses in the FAR 52 series, examples below:

- FAR 52.249-2 (Fixed-Priced)
- FAR 52.249-6 (Cost-Reimbursable)

Phases & Timelines (All Done in Writing)



Suspension of Work (FAR 52.242-14)

Contracting officer direction to suspend contract defined work at a <u>defined date</u>.
<u>Contractor can make a request for equitable adjustment (REA)</u> but as soon as practical and not later than the date of the final contract payment. <u>Think REA right now.</u>

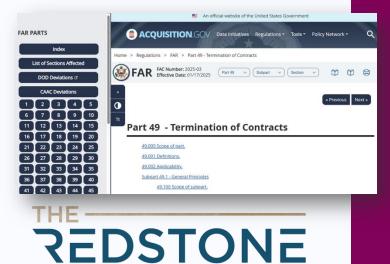
Stop Work (FAR 52.242-15)

- Contracting officer directs contractor to stop work either all or in part for a period of (usually) 90 days.
 - Although there can be agreed to extensions within this 90-day period, a decision is to be made to --
 - Cancel stop work order and continue with the contractual effort
 - Terminate the work covered by the contract

Contract Termination (FAR 52.249 Series, "Terminations," FAR 52.212-4 (Commercial items, FAR Part 12) & FAR 52.243 Series, "Changes")

- Submission of inventory disposal schedules (FAR 49.206-3) SF 1428 reported to TCO as directed within <u>120 days</u> of effective termination date [not required in commercial item contracts]
- Submission of a termination settlement proposal (FAR 49.206-1(a)) due date:
 - One year after the effective date of termination (Can be extended by TCO)
 - For example, SF 1436 for Total Cost Method with SF 1439 for Accounting Background

The Rules



FAR Part 49 – Termination of Contracts

- Establishes policies and procedures
 - Complete or partial termination
 - Convenience or default
- Prescribes contract clauses (FAR 52.249 Series)*
- Provides instructions on the <u>forms</u> to use for termination settlement proposals (FAR 49.602)
- Prescribes prime contractors to use FAR Part 49 to settle subcontracts
 - Subcontractor has no contractual rights against the Government upon the termination of a prime contract (FAR 49.108-1)
- Provides for equitable adjustments due to the changes clause (FAR 52.243 Series)
 - Partial terminations (example)

^{*} Commercial items contracts are not subject to FAR Part 49 and will use FAR 52.212-4.

The Rules



FAR Part 31.205-42, Termination Costs

- Special treatment
 - Costs that would not have arisen except for the contract termination
- Common Items
 - Costs of items that can be used on other contracts will not be allowable costs
- Costs continuing after termination
 - Costs that cannot be discontinued immediately will generally be allowable
- Settlement costs [Important]
 - Generally allowable costs for preparation of the settlement proposal (e.g., accounting, clerical, legal)
 - Storage costs
 - Indirect costs related to salary and wages [that are normally indirect can be directly charged as termination settlement costs] shall be limited to payroll taxes, fringe benefits, occupancy, and immediate supervision costs
 - <u>Takeaway here:</u> think of separate accounts for capturing these costs

Contracting Officer Responsibilities



FAR Part 49.101

- Determining whether it is in the Government's interest to terminate the contract
- Determining the type of contract termination
- Issuing notices:
 - Suspension of Work (FAR 52.242-14)
 - Stop Work (FAR 52.242-15)
 - Termination (FAR 52.249 (Series))
- Issuing cure notices and/or show cause letters as applicable (FAR 49.607(a))
 - Required in a T4D
- Release of any excess funds (if not delegated to Termination Contracting Officer, TCO)

Notice of Termination



FAR Part 49.102(a)

- Termination type and applicable contract clause stating the contract number
- Effective date
- Extent of termination
- Applicable special instructions
- Delineate steps the contractor should take to minimize the impact on personnel if the termination, together with all other outstanding terminations, will result in a significant reduction in the contractor work force

Termination Notice Example



DEPARTMENT OF THE ARMY

CORPS OF ENGINEERS, 1

October 22, 2024



Serial Letter C-0008

SUBJECT: Notice of Termination for the Convenience of the Government, Contract



Dear Mr.

You are hereby notified that Contract is terminated for the convenience of the Government in accordance with (IAW) Federal Acquisition Regulation (FAR) Clause 52.249-2, "Termination for Convenience of the Government (Fixed-Price) (April 2012), Alternate I (September 1996)." This termination results from the Government's determination that the supplies or services covered by the contract as solicited in the Statement of Work are no longer needed.

You were previously issued a suspension of work notice on 42.1305 and FAR Clause 52.242-14 which provided you direction to suspend all work at that time. The Government will pay and reimbursable allowable contract costs and expenses incurred to date IAW the FAR Clause 52.249-2. Full settlement of any termination costs and expenses can be made only after you submit a complete and timely settlement proposal. Upon receipt of your proposal, and after completion of an audit by the Defense Contract Audit Agency, if necessary, the Government will negotiate a fair and final agreement with you. The Government's intent is to close out this contract efficiently and quickly as practicable.

This letter enumerates some of your obligations from this date forward.

- (a) Contract No. ("the contract") is completely terminated effective the date of this Notice.
- (b) In furtherance of your duties under FAR 49.104 and 52.249-2, you shall immediately take the following steps for cessation of work and notification to immediate subcontractors:
- (1) Stop all work, make no further shipments, and place no further orders or provide no services, relating to the contract, except for-
 - (i) The continued portion of the contract, if any;
 - (ii) Work-in-process or other materials that you may wish to retain for your own account; or



Termination Contracting Officer (TCO) Responsibilities



FAR Part 49.105

- Promptly hold a <u>conference</u> with prime contractor to delineate actions to be done (15 items in FAR 49.105(c))
- Direct the action of the prime contractor
- Examine the settlement proposal submitted by the prime contractor, and when appropriate, the settlement of the subcontractor proposals
- Negotiate the prime contractor's settlement proposal
- TCO may have others assisting such as legal, auditors, contract specialists/CORs, and associated functions related to inventory
- Furnish status reports as needed
- Release funding as required

Termination Conference Example



TERMINATION CONFERENCE



Termination for Convenience:

- Federal Acquisition Regulation (FAR) Part 2: The exercise of the Government's right to completely or partially terminate performance of work under a contract when it is in the Government's interest.

Purpose of the Termination Conference:

- Mutual understanding of timelines and requirements from both parties
- General principles relating to the settlement of any settlement proposal, including obligations of the contractor;
 - FAR 52.249-1 through FAR 52.249-5, and FAR Part 49.502: When the Government terminates a fixed price contract, the contractor is permitted to recover allowable costs incurred during performance, reasonable profit for the work performed, settlement expenses and some continuing or post-termination costs. Total recovery is limited by the total contract price including any equitable adjustments.
 - Refer to termination notice paragraph (g)(2) and FAR 49.206-1(a):

TIMELINE FOR SUBMISSION OF FINAL TERMINATION SETTLEMENT PROPOSAL

- . The final settlement proposal must be submitted within one year from the effective date of the termination unless a written extension is submitted and approved by the Contracting Officer.
- Termination for Convenience Notification (Serial Letter
- · Final Termination Settlement Proposal due no later than

DETAILS OF FINAL TERMINATION SETTLEMENT PROPOSAL

- . The final settlement proposal shall be in sufficient detail to allow evaluation by the Government
- The Contractor must show the terminations costs with sufficient certainty so that the determination of the amount of damages will be more than mere speculation.
- Settlement proposals in excess of \$2M must be accompanied by certified cost or pricing data and will be audited by the Defense Contract Audit Agency.
- Refer to termination notice paragraph (g)(3) and FAR 49.206-1(a):
 - . The final settlement proposal shall include resolution of all outstanding requests for equitable adjustment under the contract. This includes all costs associate with the suspension of work.
- Extent of the termination, point at which work is stopped, and status of any plans, drawings, and information that would have been delivered had the contract been
 - Contract terminated in whole. At the point at which work was stopped, and in accordance with the Partial Clearance for Construction, the contractor mobilized and completed installation of the New Alaska Barriers, delivered a generator and provided design submittals (Work In Progress).



Prime Contractor Duties (FAR 49.104)

After receipt of the termination notice:

- Stop work on terminated contract part and stop placing subcontracts
- Terminate all subcontracts related to terminated part
- Advise TCO of any special circumstances
- Perform the continued contract portion and submit promptly any request for an <u>equitable adjustment</u> of price for the continued portion if the termination is partial
- Preserve and protect property
- Notify TCO of any legal issues from subcontracts
- Submit settlement proposal with required supporting schedules withing one year
 - SF 1435 Inventory Method (*Preferred* –FAR 49.206-2(a))
 - SF 1436 Total Cost Method (Requires TCO approval FAR 49.206-2(b))
 - SF 1439 Schedule of Accounting Information
 - SF 1428 Inventory Disposal Schedule (TCO may require)
 - SF 1437 Settlement for Cost-Reimbursement Contracts
- FAR Part 31, Contract Cost Principles and Procedures Required (FAR Part 49.113)

ALTHOUGH NOT A SPECIFIC OVERALL DUTY, EMPHASIS SHOULD BE ON COST MITIGATION

Understanding the Termination Process: Fixed-Priced Contracts Settlement Proposals (FAR 49.206-2)

	SETTLEMENT F							Expi	ratio	n Date: 2	nber: 9000-0012 2/28/2026
OMB cont	k Reduction Act Statement - This in Act of 1995. You do not need to a roll number for this collection is 900 comments relating to our time est ervices Administration, Regulatory FOR USE BY A FI.	00-0012. We imate, includ Secretariat	e estimate that it ling suggestions Division (M1V10	will take for redu :B), 180	2.5 hours cing this b 0 F Street,	to read urden, o NW, W	the instruction and other and other and other and other ashington,	tions, gather raspects of t DC 20405.	the fa his col	cts, and ans lection of in	swer the questions. formation to: U.S.
TUIC DD	POSAL APPLIES TO (Check one				COMPAN		NED-PRI	CE SUBC	UNI	KACTOR	
	ME CONTRACT WITH THE GOVE		SUBCONTRA PURCHASE O		COMI AI						
	RACT OR PURCHASE ORDER NUMB		IPURCHASE C	KUEK	STREET	ADDRE	ss				
	CONTRACTOR WHO SENT NO	TICE OF TE	RMINATION		CITY AND	STATE	E (Include	ZIP Code)			
NAME											
ADDDEC	S (Include ZIP Code)				NAME OF	- GOVE	RNMENT	AGENCY			
ADDRES	s (include zir Gode)										REFERENCE NUMBER
					GOVERNA	MENT PR	IME CONTI	CACT NUMBE	CON	TRACTORS	REFERENCE NUMBER
NAME OF	payable under the contract have b	ieen assigne	a, give the follow	ving:	FFFFFF	VE DAT	E OF TER	MINATION	_		
NAME OF	AGGIGNEE				EFFECTI	VE DAI	E OF IER	MINATION			
ADDDEC	S (Include ZIP Code)				PROPOS		1050	- 10	IE OIL	ONE	
AUURES	S (Include ZIP Gode)				PROPOS	AL NUN	MBER	C	HECK	INTERIM	FINAL
CE 1420	SCHEDULE OF ACCOUNTING IN	FORMATIO	N						_		1 HOSE
ar 1439.	SUREDULE OF ACCOUNTING IN	FURMATIO	N IS			IS NO	ATTACH	ED (If not, e)	plain l	netow)	
	SECTION I - STAT	TIS OF C	ONTRACTO	D OP	DED AT	CCCC	CTIVE D	ATE OF T	EDM	INATION	
	SECTION 1 - STAT	US OF C	UNIKACIO		IISHED	EFFE	CHVED			OR NOT	
				FIR		HAND			MME		TOTAL
	ODUCTS COVERED BY TERMIN		PREVIOUSLY	DAVM		_					COVERED BY
	CONTRACT OR PURCHASE ORD	EK	SHIPPED AND INVOICED	RES	NT TO BE EIVED DUGH PROPOSAL		TO BE COMPLETED (Partial termination only)		NOT TO BE		
				inv	DICING	DICING PROPUSAL termin			1)y) (
	(a)	QUANTITY	(b)		(c)	_	(d)	(e)	-	(f)	(g)
		S S		-		-			-		
		QUANTITY				-			-		_
		S									
		QUANTITY							-		
		QUANTITY		-		-			-		
		, s	CTION II - P	PODC	SED SE	11115	NAL NIT		_		
	1	31	CHON II - F	KOFC				lv where	TC	OTAL	FOR USE OF
NUMBER	l r	ГЕМ			previo	us propo) and (c) on sal has bee	(filed)	ROP	CONTRACTING	
NOMBER		(a)			PREVIOUSLY DECREASE THIS PROPI			OPOSAL	SEBY POSAL DATE (d)		AGENCY ONLY
1	METALS	(d)			(0		(-)		(0)	(e)
2	RAW MATERIALS (other than me	tale)			-		_	-			
3	PURCHASED PARTS				-						
4	FINISHED COMPONENTS										
- 5	MISCELLANEOUS INVENTORY				-						
- 6	WORK-IN-PROCESS										
7	SPECIAL TOOLING AND SPECIA	AL TEST EQ	UIPMENT								
- 8	OTHER COSTS (from Schedule E										
9	GENERAL AND ADMINISTRATIV	E EXPENS	ES (from Schedu	ile C)							
10	TOTAL (Items 1 to 9 inclusive)										
11	PROFIT (explain in Schedule D)										
12	SETTLEMENT EXPENSES (from Schedule E)										
13	TOTAL (Items 10 to 12 inclusive)										
14	SETTLEMENTS WITH SUBCONTRACTORS (from Schedule F)										
15	ACCEPTABLE FINISHED PRODUCT										
16	GROSS PROPOSED SETTLEMENT (Items 13 thru 15)										
17	DISPOSAL AND OTHER CREDITS (from Schedule G)										
18	NET PROPOSED SETTLEMENT (Item 16 less 17)										
19	ADVANCE, PROGRESS & PART										
20	NET PAYMENT REQUESTED (I	tem 18 less	19)								
			ed for any infor	mation	is insuffic	cient, o	ontinue o				
	ZED FOR LOCAL REPRODUCTION	ON									35 (REV. 3/2016)
Previous e	dition is NOT usable							Prescribed	by GS	A - FAR (48	3 CFR) 53.2
									_		

FAR 49.206-2 NOT Impacted by FAR Overhaul

Two Different Methods for Termination Settlement Proposals (TSPs)

- 1. Inventory Basis [Preferred] left
- 2. Total Cost Basis [Needs TCO approval] right

Pro Tip: FAR 49.112-1 – consider requesting a partial payment when submitting TSP via an SF 1440!

	SETTLEMENT	PROPOS	SAI	_ (TOTA	L CC	ST BA	ISIS)						ber: 90 2/28/202	000-001 26
nswer .5 hou	work Reduction Act Statement - This information or these questions unless we display a valid Offi urs to read the instructions, gather the facts, an s of this collection of information to: General S	ce of Managem d answer the qu	ent an estion	d Budget (OMI is. Send only (B) control comments	number. The relating to o	e OMB co our time es	ntroi numbe Ilmate, inclu	for this coile ding suggest	ction is 9 ions for r	educing	 We e this burd 	stimate tha	d it will tak
.,	FOR USE BY A FI													
	PROPOSAL APPLIES TO (Check one)					COMPAN								
	A PRIME CONTRACT WITH THE SOVERNMENT	UBCONTRAC	TOR	PURCHASE	ORDER									
	ONTRACT OR PURCHASE ORDER NUM	BER(S).				STREET A	DDRESS							
	CONTRACTOR WHO SENT NO	TICE OF T	ERI	MINATION		CITY AND	STATE (include ZIF	Code)					
NAME														
						NAME OF	GOVERN	IMENT AG	ENCY					
ADDR	ESS (Include ZIP Code)					COVERNI	ACUT DO	ME CONT	RACT NUMI	eeloo	NTD A	TOP'S	DECEDEN	ICE NUM
lf mon	neys payable under the contract have bee	n annianad a	due fi	no following:		GOVERN	MENT PRI	ME CONTI	CACT NOME	BERICO	NIRAC	JIOKSI	KEPEKEN	ICE NUM
	OF ASSIGNEE	iii assiyiisu, g	ive u	ie ioliowing.		FEFECTIV	E DATE	OF TERMIN	IATION	_				
ADDR	ESS (Include ZIP Code)					PROPOSA	AL NUMB	ER		CHECK	ONE			
										IN	TERIM		FIN/	AL
SF 143	39, SCHEDULE OF ACCOUNTING INFOR	MATION		IS		IS N	OT ATTA	CHED (If	noz, explain	below)				
	SECTION I - STAT	US OF C	TMC	RACT O			EFFE	TIVE D						
PI	RODUCTS COVERED BY TERM		L		FIR					UNFINISHED OR NOT				OTAL
	CONTRACT OR PURCHASE OF	RDER	PREVIOUSLY			ON HAND			COMMENCED SUBSEQUENTLY NOT TO			T TO BE	COVERE BY	
			INVOICED BE RE			MENT TO PAYMENT NOT TO BE RECEIVED			COMPLETED			MPLETE	NTRA	
	(a)		(b) THR			ROUGH THROUGH DICING INVOICING		AND INVOICED*					ORDE	
	(4)	QUANTITY	\vdash	(0)								19		
		\$												
		QUANTITY												
		\$												
		QUANTITY												
		\$			DODO	055.05		AENT.						
N			CI.	ION II - P	ROPU	(USe Co	iumns (b	and (c) of	ily where				500	
M	ITE	:M				previo		al has be	ASE OR		OPOS			USE OF
E	(a)				PREVIOUSLY DECREASE BY PROPOSED PROPOSAL			SE BY THIS	THIS TO DATE			AGEN	CY ONL
1	DIRECT MATERIAL					PROP	USED	PRO	PUSAL					
2	DIRECT LABOR													
3	INDIRECT FACTORY EXPENSE (fro	om Schedule	A)											
4	SPECIAL TOOLING AND SPECIAL	TEST EQUI	PME	NT (SF 142	8)									
5	OTHER COSTS (from Schedule B)		_											
6	GENERAL AND ADMINISTRATIVE		(fron	n Schedule	<i>(</i>)									
	PROFIT (Explain in Schedule D)	9)										\rightarrow		
7		8)												
7	TOTAL COSTS (Items 7 and													
7	TOTAL COSTS (Items 7 and DEDUCT FINISHED PRODUCT INV		ОВ	E INVOICED)*									
7 8 9			ОВ	EINVOICE)*									
7 8 9 10 11	DEDUCT FINISHED PRODUCT INV TOTAL (Item 9 less Item 10) SETTLEMENT EXPENSES (from Sc	OICED OR 1	ОВ	EINVOICE)*									
7 8 9 10 11 12	DEDUCT FINISHED PRODUCT INV TOTAL (Item 9 less Item 10) SETTLEMENT EXPENSES (from Sc TOTAL (Items 11 and 12)	OICED OR 1)*									
7 8 9 10 11 12 13	DEDUCT FINISHED PRODUCT INV TOTAL (Item 9 less Item 10) SETTLEMENT EXPENSES (from Sc TOTAL (Items 11 and 12) SETTLEMENT WITH SUBCONTRA	OICED OR T	n Sol	nedule F))*									
7 8 9 10 11 12 13 14 15	DEDUCT FINISHED PRODUCT INV TOTAL (Item 9 less Item 10) SETTLEMENT EXPENSES (from Sc TOTAL (Items 11 and 12) SETTLEMENT WITH SUBCONTRA' GROSS PROPOSED SETTLEMENT	hedule E) CTOR\$ (from	n Sch	nedule F))*									
7 8 9 10 11 12 13 14 15	DEDUCT FINISHED PRODUCT INV TOTAL (Item 9 less Item 10) SETTLEMENT EXPENSES (from 5c TOTAL (Items 11 and 12) SETTLEMENT WITH SUBCONTRA- GROSS PROPOSED SETTLEMENT DISPOSAL AND OTHER CREDITS	oiced or 1 hedule E) CTORS (from (Items 13 th (from Schedi	n Sol Iru 1- ule G	nedule F))*									
7 8 9 10 11 12 13 14 15 16	DEDUCT FINISHED PRODUCT INV TOTAL (Item 9 less Item 10) SETTLEMENT EXPENSES (from Sc TOTAL (Items 11 and 12) SETTLEMENT WITH SUBCONTRA GROSS PROPOSED SETTLEMENT DISPOSAL AND OTHER CREDITS NET PROPOSED SETTLEMENT (Ite	DICED OR 1 hedule E) CTOR\$ (from (Items 13 th (from Schedi	n Soh nru 14 ule G	nedule F) i)										
7 8 9 10 11 12 13 14 15	DEDUCT FINISHED PRODUCT INV TOTAL (Item 9 less Item 10) SETTLEMENT EXPENSES (from 5c TOTAL (Items 11 and 12) SETTLEMENT WITH SUBCONTRA GROSS PROPOSED SETTLEMENT DISPOSAL AND OTHER CREDITS MET PROPOSED SETTLEMENT (Ith ADVANCE, PROGRESS & PARTIA	hedule E) CTORS (from (Items 13 th (from Sched) em 15 less 10 L PAYMENT	n Sol aru 1- ule G 6) S (fro	nedule F)										
7 8 9 10 11 12 13 14 15 16 17 18	DEDUCT FINISHED PRODUCT INV TOTAL (Items 9 leas Item 16) SETTLEMENT EXPENSES (from 5c TOTAL (Items 11 and 12) SETTLEMENT WITH SUBCONITAL GROSS PROPOSED SETTLEMENT DISPOSAL AND OTHER CREDITS NET PROPOSED SETTLEMENT ADVANCE, PROGRESS & PATILA DEVANCE, PROGRESS & PAT	hedule E) CTORS (from (Items 13 th (Ifrom Schedule E) 13 th (Ifrom Schedule E) 14 PAYMENT ID (Item 17 to (Item 17	n Sch aru 1- ule G S) S (fro	medule F) 1)) om Schedule 2)	e H)	terminatio	on, in w	hich the	total cos	t repo	rted i	n Section	on II sh	hould b
7 8 9 10 11 12 13 14 15 16 17 18 19	DEDUCT FINISHED PRODUCT INV TOTAL (Item 9 less item 10) SETILEMENT EXPENSES (ron 5. SETILEMENT EXPENSES (ron 5. SETILEMENT EXPENSES (ron 5. SETILEMENT WITH SUBCONTRA GROSS PROPOSED SETILEMENT DISPOSAL AND OTHER CREDITS NET PROPOSED SETILEMENT (item 6. DAVANCE, PROGESS & PARTIES DAVANCE, PROGESS & PARTIES TO SETILEMENT (item 6. SETILEMENT (item	hedule E) CTORS (from (Items 13 th (from Schedile E) L PAYMENT D) (Item 17 le used in the continuea Column (b).	n Sch aru 14 ule G S (fra ss 18 he et I por (c).	nedule F) i) om Schedule ii) vent of a period of the cond (e). Sec	e H) partial contrac tion I.	t and the	deduct	ion for fi	nished pro	t repo	rted i	n Section, Section	ion II si	hould b
7 8 9 10 11 12 13 14 15 16 17 18 19	DEDUCT FINISHED PRODUCT INV TOTAL (Items 9 leas Item 16) SETTLEMENT EXPENSES (from 5c TOTAL (Items 11 and 12) SETTLEMENT WITH SUBCONITAL GROSS PROPOSED SETTLEMENT DISPOSAL AND OTHER CREDITS NET PROPOSED SETTLEMENT ADVANCE, PROGRESS & PATILA DEVANCE, PROGRESS & PAT	hedule E) CTORS (from (Items 13 th (from Schedile E) L PAYMENT D) (Item 17 le used in the continuea Column (b).	n Sch aru 14 ule G S (fra ss 18 he et I por (c), i	nedule F) i) om Schedule ii) vent of a period of the cond (e). Sec	e H) partial contrac tion I.	t and the	deduct	ion for fi	nished pro	t repo	rted i Item 1	n Secti 10, Sect	ion II sl	hould b

Cost-Type Contracts Settlement Proposals (FAR 49.303-3)

- ✓ SF 1437 [Right] is for cost-type contracts one page form
- ✓ Generally little or no inventory
- ✓ Can voucher out costs via an SF 1034 as regular billing

FAR 49.303-3 Re-Numbered in FAR Overhaul

TREET ADDRESS OVERNMENT PRIME CONTRACT NUMBER REPERENCE NUMBER ITY AND STATE (include ZIP Code) EFFECTIVE DATE OF TERMINATION ITEM TOTAL PREVIOUSLY SUBMITTED TO DATE (a) (b) (c) (c) (d) INCREASE OR DECREASE BY THIS PROPOSAL INCREASE OR DECREASE BY THIS PROPOSED INCREASE O	SETTLEMENT PROPOSAL FOR TYPE CON			Expiration [MB Control Number: 9000-0012 piration Date: 2/28/2026					
DRECORD with terminated cost-remoursement type subcontracts. PROPOGAL NUMBER	answer these questions unless we display a valid Office of Manager like 2.5 hours to read the instructions, gather the facts, and answer th	nent an e quest	d Budget (OMB) control numb ons. Send only comments rela	er. The (atina to o	OMB control numb ur time estimate. I	per for this collection natuding suggestion	ils 9 s for	000-0012. We es reducing this burd	timate that it i	
PROPOSAL NUMBER PRATIAL FINAL F	o be used by prime contractors submitting settlement proposals	on cost	reimbursement type contrac	ts under	Part 49 of the F	ederal Acquisition	Reg	ulation. Also suit	able for use	
TREET ADDRESS GOVERNMENT PRIME CONTRACT NUMBER ITY AND STATE (INClude ZIP Code) ITEM TOTAL PREVIOUSLY SUBMITTED (B) (C) (D) (D) (D) (D) (D) (D) (D	OMPANY			PR	DPOSAL NUMB	ER	CHECK ONE			
ITY AND STATE (Include ZIP Code) ITEM TOTAL PREVIOUSLY SUBMITTED (a) (b) (c) INCREASE OR DECREASE BY THIS PROPODAL (d) INTREMEDIATE (d) INTREMEDIATE BY THIS PROPODAL (D) INTR								PARTIAL	FINAL	
ITEM (a) (b) (c) (c) (d) (d) 1. DIRECT MATERIAL \$ \$ \$ \$ \$ \$ \$ 2. DIRECT LABOR 3. INDIRECT FACTORY EXPENSE 4. SPECIAL TOOLING AND SPECIAL TEST EQUIPMENT 5. OTHER COSTS 6. GENERAL AND ADMINISTRATIVE EXPENSE 7. TOTAL COST (filems 1 thrul o) \$ \$ \$ \$ \$ 8. FEE 9. SETTLEMENT EXPENSES 10. SETTLEMENT (filems 1 thrul o) \$ \$ \$ \$ 8. FEE 9. SETTLEMENT EXPENSES 11. GETTLEMENT (Filems 7 thrul 10) \$ \$ \$ \$ 8. FEE 10. SETTLEMENT EXPENSES 11. GETTLEMENT (filems 1 thrul o) \$ \$ \$ \$ \$ 8. FEE 11. SETTLEMENT (filems 1 thrul o) \$ \$ \$ \$ \$ \$ 8. FEE 12. SETTLEMENT (filems 1 thrul o) \$ \$ \$ \$ \$ \$ 8. FEE 13. NET PROPOSED SETTLEMENT (filems 1 thrul o) \$ \$ \$ \$ \$ \$ 14. PRIOR PAYMENTS TO CONTRACTORS 15. NET PAYMENT REQUESTED (filem 13 less 14) \$ \$ \$ \$ \$ 16. NET PAYMENT REQUESTED (filem 13 less 14) \$ \$ \$ \$ \$ \$ 17. OTAL COST (filems 1 thrul o) \$ \$ \$ \$ \$ \$ \$ 18. NET PAYMENT REQUESTED (filem 13 less 14) \$ \$ \$ \$ \$ \$ 19. OERTIFICATE 10. A) STO THE CONTRACTOR ONN CHARGES, (1) The proposed settlement (exclusive of charges set from in item 10) and supporting schedules and explanations in the prepared from the boots of account and records of the Contractor in accountainous with recognized commercial accounting practices, they include only they charge set schedules are for an in resonables. 19. A) STO THE CONTRACTOR ONN CHARGES, (1) The proposed settlement (exclusive of charges set from in item 10) and supporting schedules and explanations in the remained proposal or of this contract, they have been prepared with throwselege and highly all they all or many be said directly of indirectly as the abust of element of a terminal between proposals or its immediate subcontractors, or many be said directly of indirectly as the abust of element of a terminal between proposals or its immediate subcontractors (or in charges as the charges as studies are fair and resonables. 19. (1) AT TO THE CONTRACTOR OR CHARGES, (1) The proposed settlement of the contractor or an interested proposals or the internation of the contractor or an interested proposals or	TREET ADDRESS			GO	ERNMENT PRIM	E CONTRACT NUM	BER	REFERENCE N	UMBER	
(a) (b) (c) (c) (d) (d) (d) (d) (e) (d) (d) (e) (e) (e) (e) (e) (e) (e) (e) (e) (e	ITY AND STATE (Include ZIP Code)			EFF	ECTIVE DATE	OF TERMINATION	_			
(a) (b) (c) (c) (d) (d) (d) (d) (e) (d) (d) (e) (e) (e) (e) (e) (e) (e) (e) (e) (e										
1. DIRECT MATERIAL 2. DIRECT LABOR 3. INDIRECT FACTORY EXPENSE 4. SPECIAL TOOLING AND SPECIAL TEST EQUIPMENT 5. OTHER COSTS 5. OTHER COSTS 6. GENERAL AND ADMINISTRATIVE EXPENSE 7. TOTAL COST (items 1 thru d) 8. FEE 9. SETTLEMENT EXPENSES 10. SETTLEMENT EXPENSES 11. GROSS PROPOSED SETTLEMENT (items 7 thru 10) 12. DISPOSAL AND OTHER CREDITS 13. NET PROPOSED SETTLEMENT (items 7 thru 10) 14. PRIOR PAYMENTS TO CONTRACTORS 15. NET PAYMENT REQUESTED (item 13 ises 14) 5. S. S. S. S. CERTIFICATE Inis is to certify that the undersigned, individually, and as an authorized representative of the Contractor, has examined this termination settlement proposal and that, to the browledge and belief of the undersigned. (a) AS TO THE CONTRACTOR'S OWN CHARGES. (1) The proposed settlement (exclusive of charges set forth in item 12) and supporting schedules and explanations in the prepared from the books of account and records of the Contractor in accordance with recognized commercial accounting practices, they include only those charges are stated are fair and reasonable. (b) AS TO THE SUBCONTRACTOR'S OWN CHARGES. (1) The proposed settlement (exclusive of charges set forth in item 12) and supporting schedules and explanations in the prepared from the books of account and records of the Contractor in accordance with recognized commercial accounting practices, they include only those charges are stated are fair and reasonable. (b) AS TO THE SUBCONTRACTOR'S CHARGES. (1) The Contractor has examined, or caused to be examined, to an extent it considered adequate in the circumstance, minimal threat immediate subcontractors by their subcontractors; by their subcontractors; or the account of immediate subcontractors with the contractor of the resonableness of the subcontractors with the minimal subcontractors of the contractor of an immediate subcontractors or the minimal subcontractors with increment where a caused the subcontractors with the contractor or the minimal subcontractors with increment with the contractor or			SUBMITTED		BY THIS P	ROPOSAL		DATE		
2. DIRECT LABOR 3. INDIRECT FACTORY EXPENSE 4. SPECIAL TOOLING AND SPECIAL TEST EQUIPMENT 5. OTHER COSTS 6. GENERAL AND ADMINISTRATIVE EXPENSE 7. TOTAL COST (items if thru d) 7. TOTAL COST ((-)	+	(b)	_	(0	:)	Ļ	(d)		
3. INDIRECT FACTORY EXPENSE 4. SPECIAL TOOLING AND SPECIAL TEST EQUIPMENT 5. OTHER COSTS 6. GENERAL AND ADMINISTRATIVE EXPENSE 7. TOTAL COST (items 1 thru d) 7. TOTAL COST (items 1 thru d) 8. \$ 8. \$ 8. \$ 8. \$ 8. SETILEMENT EXPENSES 10. SETILEMENT EXPENSES 11. GROSS PROPOSED SETILEMENT (items 7 thru 10) 12. DISPOSAL AND OTHER CREDITS 13. NET PROPOSED SETILEMENT (items 11 items 12) 13. NET PROPOSED SETILEMENT (item 11 items 12) 14. PRIOR PAYMENTS TO CONTRACTOR 15. NET PAYMENT REQUESTED (item 13 items 14) 15. NET PAYMENT REQUESTED (item 13 items 14) 16. SETILEMENTS WITH SUBSECTION (Items 14) 17. SETILEMENTS WITH SUBSECTION (Items 14) 18. NET PAYMENT REQUESTED (item 13 items 14) 19. SETILEMENTS WITH SUBSECTION (Items 15) 19. SETILEMENTS WITH SUBSECTION (Items 16) 19. SETILEMENTS 1		\$		2			\$			
4. SPECIAL TOOLING AND SPECIAL TEST EQUIPMENT 5. OTHER COSTS 6. GENERAL AND ADMINISTRATIVE EXPENSE 7. TOTAL COST (fiend 1 thru d) 8. \$ 8. \$ 8. \$ 8. \$ 8. \$ 8. \$ 9. SETTLEMENT EXPENSES 10. SETTLEMENT EXPENSES 11. GROSS PROPOSED SETTLEMENT (fiems 7 thru 10) 12. DISPOSAL AND OTHER CREDITS 13. NET PROPOSED SETTLEMENT (fiems 7 thru 10) 14. DISPOSAL AND OTHER CREDITS 15. NET PAYMENT TO CONTRACTOR 15. NET PAYMENT TO CONTRACTOR 15. NET PAYMENT REQUESTED (film 13 less 14) 15. NET PROPOSED SETTLEMENT (film 11 less 12) 16. S 17. S 18. S 18. S 19. S 19. S 19. S 10. OERTIFICATE 10. CERTIFICATE 10. S 10. S 10. S 10. DISPOSAL AND OTHER CREDITS 10. S		\perp		\perp			\vdash			
S. OTHER COSTS 6. GENERAL AND ADMINISTRATIVE EXPENSE 7. TOTAL COST (Items 1 thru 0) 8. SEE 9. SETILEMENT SWITH SUBCONTRACTORS 10. SETILEMENTS WITH SUBCONTRACTORS 11. GROSS PROPOSED SETILEMENT (Items 7 thru 10) 12. DISPOSAL AND OTHER CREDITS 13. NET PROPOSED SETILEMENT (Items 11 iess 12) 5. S. S. S. S. 14. PRIOR PAYMENTS TO CONTRACTOR 15. NET PAYMENT REQUESTED (Item 13 iess 14) 8. S. S. S. S. CERTIFICATE Inis is to certify that the undersigned, individually, and as an authorized representative of the Contractor, has examined this termination settlement proposal and that, to the browledge and belief of the undersigned. Individually, and as an authorized representative of the Contractor of the		\perp		\perp			\vdash			
5. GENERAL AND ADMINISTRATIVE EXPENSE 7. TOTAL COST (items 1 thru 6) 8. FEE 9. SETILEMENT EXPENSES 11. GETTLEMENT EXPENSES 11. GETTLEMENT EXPENSES 11. GROSS PROPOSED SETILEMENT (items 7 thru 10) 12. DISPOSAL AND OTHER CREDITS 13. NET PROPOSED SETILEMENT (items 17 thru 10) 14. PRIOR PAYMENTS TO CONTRACTOR 15. NET PAYMENT BEQUESTED (item 13 less 14) 15. NET PAYMENT REQUESTED (item 13 less 14) 16. SETILEMENT (item 17 thrus 11 less 14) 17. SETILEMENT (item 17 thrus 11 less 14) 18. SETILEMENT SETILEMENT (item 17 less 14) 19. SETILEMENT SETILEMENT SETILEMENT (item 17 less 14) 19. SETILEMENT SETILEMENT SETILEMENT (item 17 less 14) 19. SETILEMENT SETILEMENT SETILEMENT (item 17 less 14) 19. SETILEMENT SETILEMENT (item 17 less		\perp								
8. FEE 9. SETILEMENTS WITH SUBCONTRACTORS 10. SETILEMENTS WITH SUBCONTRACTORS 110. GROSS PROPOSED SETILEMENT (Items 7 mu 10) 12. DISPOSAL AND OTHER CREDITS 13. NET PROPOSED SETILEMENT (Items 13 incs 12) 14. PRIOR PAYMENTS TO CONTRACTOR 15. NET PAYMENT REQUESTED (Item 13 incs 14) 15. NET PAYMENT REQUESTED (Item 13 incs 14) 16. SETILEMENTS WITH SUBCONTRACTOR 16. NET PAYMENT REQUESTED (Item 13 incs 14) 17. SETILEMENTS WITH SUBCONTRACTOR 18. SETILEMENT (Item 14) 18. Is to certify that the undersigned, individually, and as an authorized representative of the Contractor, has examined this termination settlement proposal and that, to the to nowledge and belief of the undersigned. (a) AS TO THE CONTRACTOR'S OWN CHARGES. (1) The proposed settlement (axiousles of charges as farth in item 10) and supporting schedules and explanations in the termination settlement proposal or claim sociulat and records of the Contractor in accordance with recognized commercial accounting practices, they include only those charges allocate the termination settlement proposal or claim sociulated and section of the Contractor in accordance with recognized commercial accounting practices, they include only those charges allocate in the includes subcontractors. The intended subcontractor is a first an advanced as accounting practices, they include only those charges as stated are first and resounced. (b) AS TO THE SUBCONTRACTOR'S CHARGES. (1) The Contractor has examined, or caused to be examined, to an extent it considered adequate in the circumstance, and a state of the settlement of the settlement of the accordance with recognized in good that an extent it considered adequate in the circumstance and account of immediate subcontractors (accounts of proposals filted aparts these immediate subcontractors in the immediate subcontractors in the immediate subcontractors in the immediate subcontractor in the immediate subcontractors in the immediate subcontractor in the immediate subcontractor in the immediate subcontractor in the immediate subcon	5. OTHER COSTS	\perp		\perp			L			
3. FEE 3. SETILEMENT EXPENSES 40. SETILEMENT WITH SUBCONTRACTORS 41. GROSS PROPOSED SETILEMENT (flems 7 tinu 10) 43. NET PROPOSED SETILEMENT (flems 11 less 12) 43. NET PROPOSED SETILEMENT (flems 11 less 12) 44. FRIOR PAYMENTS TO CONTRACTOR 5. S. S. S. 45. FRIOR PAYMENTS TO CONTRACTOR 5. S. S. S. 46. PRIOR PAYMENT REQUESTED (flem 13 less 14) 5. CERTIFICATE CERTIFICATE (a) A 5 TO THE CONTRACTOR'S OWN CHARGES. (1) The proposed settlement (actualise of charges set forth in flem 10) and supporting schedules and explanations in the lemma framework of contractor in accordance with recognized commercial accounting practices. They include only those charges allocate the femmated portion of this contract, they have been prepared from the contractors of contractors of the contractors of the contractors of the contractors of the contractor in accordance with recognized commercial accounting practices. They include only those charges allocate the femmated portion of this contract, they have been prepared with knowledge that they will, or may, be used directly or indirectly as the basis of detellment proposal or cleam against an alegery of the Unified States, and the contractors as stated are far and reasonable. (p) A5 TO THE SUBCONTRACTOR'S CHARGES, (1) The Contractor has examined, or caused to be examined, to an extent it considered adequate in the circumstances, and the settlement of the contractor has necessary to the contractor and the contractor would make if remember the proposals first appropriate these of the account of immediate subcontractors (exclusive of proposals first apparent these immediates subcontractors on would make if remember they to Geometric exclusive and the contractor would make if remember to the contractor has necessary to the settlements of the contractor has necessary to the contractor has necessary to the contractor appropriate certificates with respect to their termination settlements with its immediate subcontractors. The Contractor of the proposals first appropriate certificat							L			
S. SETTLEMENT EXPENSES 10. SETTLEMENTS WITH SUBCONTRACTORS 11. GROSS PROPOSED SETTLEMENT (Items 7 inv. 10) 12. DISPOSAL AND OTHER CREDITS 13. NET PROPOSED SETTLEMENT (Item 11 iess 12) 14. PRIOR PRAYMENTS TO CONTRACTOR 15. NET PAYMENT REQUESTED (Item 13 iess 14) 15. NET PAYMENT REQUESTED (Item 13 iess 14) 16. SETTLEMENT REQUESTED (Item 13 iess 14) 17. SETTLEMENT REQUESTED (Item 13 iess 14) 18. Is to certify that the undersigned, individually, and as an authorized representative of the Contractor, has examined this termination settlement proposal and that, to the behaviorized or the contractor of the Contract		\$		\$			\$			
10. SETTLEMENTS WITH SUBCONTRACTORS 11. GROSS PROPOSED SETTLEMENT (thems 7 thru 10) 12. DISPOSAL AND OTHER CREDITS 13. NET PROPOSED SETTLEMENT (them 11 less 12) 14. PRIOR PAYMENTS TO CONTRACTOR 15. NET PAYMENT REQUESTED (them 13 less 14) 15. NET PAYMENT REQUESTED (them 13 less 14) 16. NET PAYMENT REQUESTED (them 13 less 14) 16. NET PAYMENT REQUESTED (them 13 less 14) 17. S 18. NET PAYMENT REQUESTED (them 13 less 14) 18. NET PAYMENT REQUESTED (them 13 less 14) 19. S 10.	·· · ·	\perp					L			
11. GROSS PROPOSED SETTLEMENT (Items 7 Innu 10) 12. DISPOSAL AND OTHER CREDITS 13. NET PROPOSED SETTLEMENT (Item 11 less 12) 15. S 16. PRIOR PAYMENTS TO CONTRACTOR 15. S 16. S 16. PRIOR PAYMENT BEQUESTED (Item 13 less 14) 16. S 17. S 18. S 18. S 18. S 19. S	9. SETTLEMENT EXPENSES	\perp					L			
12. DIBPOSAL AND OTHER CREDITS 13. NET PROPOSED SETTLEMENT (Item 11 less 12) \$ \$ \$ \$ \$ 14. PRIOR PAYMENTS TO CONTRACTOR \$ \$ \$ \$ 15. NET PAYMENT REQUESTED (Item 13 less 14) \$ CERTIFICATE CERTIFICATE CERTIFICATE CIVIL CONTRACTOR S \$ \$ \$ CERTIFICATE CERTIFICATE CIVIL CONTRACTOR S S \$ \$ CERTIFICATE In in it to certify that the undersigned, individually, and as an authorized representative of the Contractor, has examined this termination settlement proposal and that, to the to contedge and belief of the undersigned. (a) AS TO THE CONTRACTOR'S OWN CHARGES, (1) The proposed settlement (<u>exclusive of charges set forth in item 10</u>) and supporting schedules and explanations in temperated from the books of abcount and records of the Contractor in accordance with recognized commercial accounting practices, they include only those charges allocated in the contractor of the contractor in accordance with recognized commercial accounting practices, they include only those charges allocated interest proposals of the administration settlement proposals of the immediate subcontractors (exclusive of proposals first against these immediate subcontractors adequate in the circumstances, ministration in the contractor of immediate subcontractors on charges are allocated in the settlement subcontractor on the settlement of the proposal first against these immediate subcontractors in comment were backantally in the form of this contract, and (4) The Contractor has no information leading it to doubt (1) the responsableness of the settlements with immediate subcontractors will provide the ministration of the settlements with immediate subcontractors will provide the ministration of the settlements with immediate subcontractors will provide the ministration of the settlements with immediate subcontractors will provide the ministration the settlements with immediate subcontractors will contractor wil		\perp					L			
13. NET PROPOSED SETTLEMENT (Item #11 less #12) \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	11. GROSS PROPOSED SETTLEMENT (Items 7 thru 10)	\perp					L			
14. PRIOR PAYMENTS TO CONTRACTOR \$ \$ \$ \$ CERTIFICATE CERTIFICATE (a) A TO THE CONTRACTOR'S GWN CHARGES, (1) The proposed settlement (asculately or charges set forfi. In item. 1g) and supporting schedules and explanations in the township of the undersigned. (Individually, and as an authorized representative of the Contractor, has examined this termination settlement proposal and that, to the be nowledge and belief of the undersigned. (a) A TO THE CONTRACTOR'S GWN CHARGES, (1) The proposed settlement (asculately of charges set forfi. In item. 1g) and supporting schedules and explanations is the ferminated portion of this contract, they have been prepared from a accordance with recognized commercial accounting practices, they include only those charges alicals the ferminated portion of this contract, they have been prepared with knowledge that they will, or may, be used directly or indirectly as the basis of estiment proposal or charges in the settlement proposal or charges in the contractor has a pagent of the United States, and the contractor are far and reasonable. (b) A TO THE SUBCONTRACTOR'S CHARGES, (1) The Contractor has examined, or caused to be examined, to an extent considered adequate in the circumstances. (c) A TO THE SUBCONTRACTOR'S CHARGES, (1) The Contractor has examined, or caused to be examined, to an extent of considered adequate in the circumstances in proposals of the subcontractors in a subcontractor is considered adequate in the contractor would make if reinterment by the Government were violed; (3) The contractor has received from all as immediate subcontractors appropriate certificates with respect to their termination settlements proposals of the subcontractors and in the contractor would make if reinterment by the Government were violed; (3) The Contractor has received from all as immediate subcontractors appropriate certificates with respect to their termination settlements proposals, which oretificates with respect to their termination settlements proposals, which certificates ar	12. DISPOSAL AND OTHER CREDITS	\perp					L			
Is. NET PAYMENT REQUESTED (Item 13 less 14) S CERTIFICATE Itis is to certify that the undersigned, individually, and as an authorized representative of the Contractor, has examined this termination settlement proposal and that, to the bioxided part of the undersigned. (a) AS TO THE CONTRACTORS OWN CHARGES, (1) The proposed settlement (<u>exclusive of charges set forth in item 10</u>) and supporting schedules and explanations his emprepared from the books of account and records of the Contractor in accordance with recognized commercial accounting practices, they include only hose charges allocated the terminated point of this contract, they have been prepared with knowingle that they will, or may, be used directly or indirectly as the basis of settlement of a terminat retirement proposal or claim against an agency of the United States, and the charges as istaired are fair and reasonable. (b) AS TO THE QUIDCONTRACTORS ("CHARGES, I) The Contractor has examined, or caused to be examined, to an extent it considered adequate in the circumstances, imministion settlement proposals of its immediate subcontractions were accounted immediate subcontractions own charges are fair and reasonable, the charges are alicable to the terminated portion of contract, and the estimated post on contract, and the estimated post of contracts or has received from all its immediate subcontractions appropriate certificates with respect to their termination contract, and the estimated subcontractions or the remarkable post on the contract or has received from all its immediate subcontractions appropriate certificates with respect to their termination contract, and the estiments understances and contracts of the contractor has received from all its immediate subcontractors by contractive from a late of the account of the manifest proposals, with contract and the estimate of the contractor has received from all its immediate subcontractors to the contractor has received from all its immediate subcontractors to the contractor has received from	13. NET PROPOSED SETTLEMENT (Item 11 less 12)	-		-			-			
CERTIFICATE Inis is to certify that the undersigned, individually, and as an authorized representative of the Contractor, has examined this termination settlement proposal and that, to the b rowledge and belief of the undersigned. (a) AS TO THE CONTRACTORS OWN CHARGES, (1) The proposed settlement (exclusive of charges set forth in item. (g) and supporting schedules and explanations he sen prepared them the books of account and records of the Contractor in accordance with recognized commercial accounting practices; they include only those charges allow the terminated portion of this contract, they have been prepared with knowledge that they will, or may, be used directly or indirectly as the basis of settlement of a terminal etiliement proposals of it all many proposals of the United States; and the charges as stated are fair and reasonable. (b) AS TO THE SUBCONTRACTORS CHARGES, (1) The Contractor has examined, or caused to be examined, to an extent it condicated adequate in the circumstances, miniation settlement proposals of the immediate subcontractor is recorded to good that had are not more favorable to its immediate subcontractor appropriate certificates with respect to their termination settlement proposals, which is subcontractors to the contractor from all its immediate subcontractors appropriate certificates with respect to their termination settlement proposals, which is subcontractors to the contractor from all its immediate subcontractors appropriate certificates with respect to their termination settlement proposals, which is subcontractors to a received from all its immediate subcontractors appropriate certificates with respect to their termination in ordinates of the propriate certificates with respect to their termination in ordinates and propriate certificates with respect to the termination incontractor and its contractor or the propriate certificates with respect to the termination incontractor propriates certificates with respect to the termination incontractor and its contractor will pro	14. PRIOR PAYMENTS TO CONTRACTOR	\$		\$			\$			
his is to certify that the undersigned, individually, and as an authorized representative of the Contractor, has examined this termination settlement proposal and that, to the b nowledge and belief of the undersigned. (a) AD TO THE CONTRACTOR'S OWN CHARGES (1) The proposed settlement <u>exclusive of charges as both in then 10)</u> and supporting schedules and explanations in seen prepared term the books of about and records of the Contractor in accordance with recognized domination about practices, bely located only bose charges allow the terminated portion of this contract, they have been prepared with knowledge that they will, or may, be used directly or indirectly as the basis of settlement of a termination proposal or claim against an agency of the United States, and the charges as stated are fair and reasonable. (b) AD TO THE SUBCONTRACTOR'S CHARGES, (1) The Contractor has examined, or caused to be examined, to an extent it considered adequate in the crimination settlement proposals of the immediate subcontractors (exclusive of proposals, filed against these timesdate subcontractors, by their subcontractors, by their subcontractors (2) The settlement account of immediate subcontractors (exclusive of proposals, filed against these timesdate subcontractors by their subcontractors, by their subcontractors (2) The settlement account of immediate subcontractors (exclusive of proposals, filed against these timesdate subcontractors (2) The settlements will be immediate subcontractors to the settlements will be immediate subcontractors (2) The settlements will be subcontractors for the manual contractor from all its immediate subcontractors or the manual contractor for the proposal or the manual contractor of the internation and proposal contractors or the manual contractor or the manual contractor or the manual contrac	15. NET PAYMENT REQUESTED (Item 13 less 14)	\$		\$			\$			
ministion settlement proposals of its immediate subcontractors (exclusive of proposals filed against these immediate subcontractines by their subcontractines: (a) The settlement an account of immediate subcontractors own charges are refat and reasonable, the charges are allocable to the terminated portion of this contract, and the settlements we spotiated in good tath and are not more favorable to its immediate subcontractors. And those that the Contractor would make if reimbursement by the Government were solved, (3) The Contractor has received from all its immediate subcontractors appropriate certificates with respect to their termination extent proposals, which certificates and (4) The Contractor has no information leading it to doud (f) the reasonableness of the settlements with its minerable subcontractors but the charges for them are allocable to this contract. Upon receit by the Contractor of any contractor of a settlements with its minerable subcontractors. Contractor of the area calcable to this contract, Upon receit by the Contractor of any contractors. As used above, includes suppoints. OTE: The Contractor shall, under conditions stated in FAR 15.403, be required to submit a Certificate of Current Cost or Pricing Data (see FAR 15.406-2 and 15.408 Table 15-2 and 15.4	nowledge and belief of the undersigned: (a) AS TO THE CONTRACTOR'S OWN CHARGES. (1) The een prepared from the books of account and records of the Cor the terminated portion of this contract, they have been prepar etilement proposal or claim against an agency of the United State.	propo tractor ed with es; and	sed settlement (<u>exclusive of</u> in accordance with recogniz knowledge that they will, o the charges as stated are fa	charges ed comr may, b ir and re	set forth in item mercial accounting e used directly dissonable.	<u>110</u>) and supporting ng practices; they i or indirectly as the	ng so nclu basi	thedules and exp de only those ch s of settlement o	planations ha arges alloca of a terminat	
AME OF CONTRACTOR BY (Signature of authorized official) TITLE DATE	remination settlement proposals of its immediate subcontractors a account of immediate subcontractors own charges are fair: ovolved; (3) The Contractor has received from all its immediate to its immediate subcatantially in the form of this certificate; and (4) The Contractor in that the charges for them are allocable to this contract. Upon r or credit them promptly with the amounts so received, to the exter	(exclused and re- ediate a subconi has no eceipt to t that it	live of proposals filed agains sonable, the charges are a subcontractors that those the ractors appropriate certifical information leading it to dou by the Contractor of amounts has not previously done so.	t these in the country of the covering the territory of the covering the territory of the t	mmediate subco to the terminat ontractor would respect to their t reasonableness g settlements with n "subcontractor	intractors by their sed portion of this make if reimburse ermination settlem of the settlements the its immediate sure, as used above,	cont emer ent p with boor incli	ontractors): (2) T ract, and the se t by the Govern proposals, which more remote su ntractors, the Cor udes suppliers.	The settlements woment were certificates abcontractor will p	
TITLE DATE	OTE: The Contractor shall, under conditions stated in FAR 15.40	13, be r	equired to submit a Certifica	e of Cur	rent Cost or Pric	ing Data (see FAR	15.4	106-2 and 15.408	Table 15-2	
	AME OF CONTRACTOR		BY	(Signati	ire of authorized	official)				
			No.							
AME OF SUPERVISORY ACCOUNTING OFFICIAL TITLE			тп	LE				DATE		
	AME OF SUBERVISORY ACCOUNTING OFFICIAL									



Contract in a Loss Status?



FAR 49.203, Adjustment for loss (on contract being terminated)

Not Impacted by the FAR Overhaul

- TCO shall not allow profit if it appears the contractor would have incurred a loss had the contract been completed
- Examples shown for the calculation using the inventory and total cost methods in DCAA's Contract Audit Manual, Chapter 12, Section 12-308
 - (https://www.dcaa.mil/Guidance/CAM-Contract-Audit-Manual/)
- If loss is due to Government changes, then consider an REA?

FAR 49.207, Limitation on settlements

 Amount payable to the contractor before credits and exclusive of settlement costs must not exceed the contract price

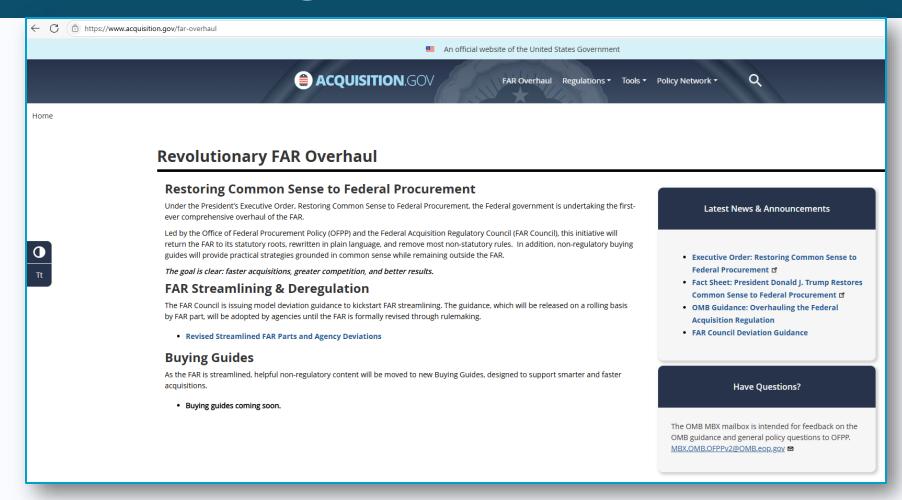
FAR Provisions Used in Contract Terminations (Including Commercial items – FAR Part 12)

Prescribed contract clauses:

- FAR 52.249 (Termination T4C & T4D) [Still referenced in FAR Part 49 Overhaul STILL STATES TO USE FAR PART 31 COST PRINCIPLES]
 - T4C FAR 52-249-1 through 52.249-7
 - T4D FAR 52-249-8 through 52.249-10
- FAR Part 49 Termination of Contracts
- FAR Part 31 Contract Cost Principles and Procedures
 - FAR 49.113 identifies that FAR Part 31 be used in termination settlement proposals [AT THE TIME OF THE CONTRACT-FAR OVERHAUL DID NTO CHANGE]
- FAR 52.243 (Changes and uses -1 through -7 depending upon the contract)
 - Equitable adjustment may be made for contract changes NOT part of original contract scope
- FAR 52.242-14 Suspension of Work
 - CO may suspend, delay, or interrupt all or part of work for the convenience of the Government
- FAR 52.242-15 Stop-Work Order
 - Contracting Officer may, at any time, by written order to the Contractor, require the Contractor to stop all, or any part, of the work called for by this contract
- FAR 52.212-4 Commercial Products and Services (FAR Part 12)
 - FAR 52.212-4 (l) Termination for the Government's convenience [Not Subject to CAS, FAR Part 31, or Audit]
 - FAR 52.212-4 (m) Termination for cause
 - FAR 52.212-4 implements FAR 12.403, "Terminations" and FAR Part 49 does NOT apply
 - No specific prescribed form for termination submission to the Government



Regulation Changes: FAR Overhaul





FAR Overhaul - Contract Terminations

FAR 31.205-42 Termination costs.

Contract terminations generally give rise to the incurrence of costs or the need for special treatment of costs that would not have arisen had the contract not been terminated. The following cost principles peculiar to termination situations are to be used in conjunction with the other cost principles in subpart 31.2:

Lined-Out since it was "interpreted" that it may allow unallowable costs

FAR 49.113 Cost principles.

The cost principles and procedures in the applicable subpart of part 31 shall, subject to the general principles in 49.201, (a) be used in asserting, negotiating, or determining costs relevant to termination settlements under contracts with other than educational institutions, and (b) be a guide for the negotiation of settlements under contracts for experimental, developmental, or research work with educational institutions (but see 31.104).

FAR Part 31 requirement linedout, BUT perhaps not eliminated.



FAR Overhaul - Contract Terminations

FAR 49.108-7 Government assistance in settling subcontracts.

In unusual cases the TCO may determine, with the consent of the prime contractor, that it is in the Government's interest to provide assistance to the prime contractor in the settlement of a particular subcontract. In these situations, the Government, the prime contractor, and a subcontractor may enter into an agreement covering the settlement of one or more subcontracts. In these settlements, the subcontractor shall be paid through the prime contractor as part of the overall settlement with the prime contractor.

Govt. not going to assist prime contractors with subcontractor settlements

The following non-regulatory sections and subsection are moving to the *FAR Companion Guide*: 49.108-7 Government assistance in settling subcontracts, **49.113 Cost principles**, and 49.405 Completion by another contractor.

Sections eliminated from FAR BUT placed into an upcoming FAR Companion Guide



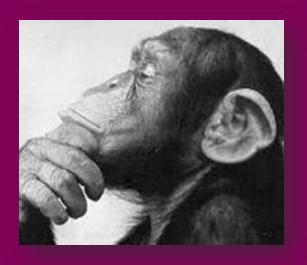
Requests for **Equitable** Adjustment **Under the** Changes Clauses

FAR 52.243 Series



- Contractor has a right to a contract adjustment price for changes made by the contracting officer (for example, changes to drawings, specifications, etc.)
- FAR 49.208, Equitable adjustment after partial termination
 - Request for equitable adjustment (REA) in the price of the continued unterminated fixed-priced portion of the contract
 - Contracting officer (CO) may keep this responsibility
 - Termination contracting officer (TCO) ensures REA is not included in the termination settlement proposal (double counting)
- Not uncommon for REAs to be part of a contract termination
- Could be related to costs during suspension of the contract (FAR 52.242-14(c)) or Stop-Work Order (FAR 52.242-15(b))
- Entitlement vs. Quantum resolution

Distinguishing Between Entitlement & Quantum

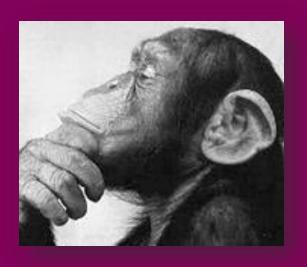


From DCAA's CAM 12-802.1 (Auditing Delay/ Disruption Requests for Equitable Adjustment (REAs) or Claims)

- Entitlement relates to whether the **contractor has been impaired by Government action** and therefore has a right to a
 monetary adjustment
- Entitlement is a *legal question*; however, the auditor should provide the requestor with any meaningful observations regarding the contractor's entitlement to recover delay damages
- Entitlement is not incorporated into DCAA audit findings



Distinguishing Between Entitlement & Quantum



From DCAA's CAM 12-802.1 (Auditing Delay/Disruption Requests for Equitable Adjustment (REAs) or Claims)

- Quantum is the amount of the monetary adjustment, assuming the contractor's assertion of entitlement is proven valid. The audit effort should be directed toward examining the contractor's proposed or claimed costs (quantum) to determine if they are acceptable if the contractor were entitled to recover.
- At a minimum, evaluate:
 - If the amount proposed/claimed was incurred or estimated,
 - If the contractor has source documents to establish that it incurred the costs
 - If the costs submitted have been correctly allocated or charged to the contract or REA/claim
 - If the costs submitted are allowable, pursuant to FAR 31.205 and the provisions of the contract
 - FAR 49.113 identifies that FAR Part 31 be used in termination settlement proposals [subject to FAR Overhaul changes]



Common Pitfalls in Contract Terminations



This Photo by Unknown Author is licensed under CC BY-SA-NC

- Did a contracting officer terminate your contract or was it from another source?
- Do you know what to do?
- What are you documenting?
- Know the potentially NEW REQUIREMENTS: Do you understand the FAR regulations, especially FAR Part 31, Cost Principles?
- Do you know what the deadlines are?
- Do you know what forms to use?
- Are you prepared for audit?



Sources to Help Through Audit Support



Defense Contract Audit Agency (DCAA) Website:

https://www.dcaa.mil for overall contract audit guidance. **Termination audit program** (see the appropriate one of the 17100 code)

https://www.dcaa.mil/Guidance/Directory-of-Audit-Programs/

DCAA's Contract Audit Manual – Chapter 12:

https://www.dcaa.mil/Guidance/CAM-Contract-Audit-Manual/

DCAA's Termination Settlement Proposal Adequacy Checklist Tool:

https://www.dcaa.mil/ChecklistsAndTools/

Acquisition.GOV – FAR 49.602 for Settlement & Inventory Forms:

https://www.acquisition.gov/far/part-49#FAR_49_602

Redstone Government Consulting, Inc.

https://redstonegci.com

See Redstone GCI's Blogs on the *next slide*



Redstone Government Compliance Blogs Terminations



What Should I Do if My Contract or Grant is Affected by Executive Orders?

This blog goes over the impact of recent Presidential Executive orders.

https://info.redstonegci.com/blog/what-should-i-do-if-my-contract-or-grant-is-affected-by-executive-orders

Common Mistakes in Termination Proposals for Government Contracts

This blog goes over understanding the regulations, documentation needed, and knowing what to do. https://info.redstonegci.com/blog/common-mistakes-in-termination-proposals-for-government-contracts

What Should I Do Now that the Government Has Terminated My Contract?

This blog goes over the **forms to be used** (SF 1435 – Inventory Method; SF 1436 – Total Cost Method & associated forms)

There is an avenue for termination settlements when both the government and the contractor may be at an impasse. This is a Contract Disputes Act claim. A Contract Disputes Act is a claim for money that provides for a written demand by one of the contracting parties seeking, as a matter of right, the payment of money in a sum certain, the adjustment or interpretation of contract terms, or other relief arising under or relating to the contract.

https://info.redstonegci.com/blog/what-should-i-do-now-that-the-government-hasterminated-my-contract



Takeaways

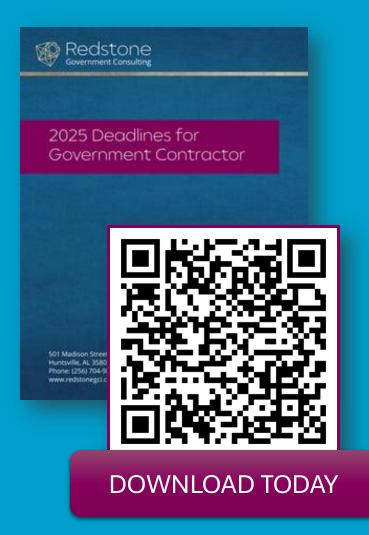


- Maintain communication!
- Ensure you are obtaining contract direction from a person authorized (Just an email, DOGE, etc. – this should be coming from the CO)
- Termination process may start with a suspension or stop work notice, but it does not need to be so; could just jump to termination
- Know your regulations regarding the termination and what needs to be done
- Ensure that you have a notice of suspension of work, stop work or termination that is *in writing*
- Attend the termination conference lead by either CO or TCO
- Know and adhere to the deadlines
- Prepare now for your termination settlement proposal: capture costs in separate charge numbers for the termination effort as well as retain source documents
- Audited? DCAA audit (See FAR 49.107(a) TINA threshold currently \$2M – changing in October 2025)
- Communicate with CO or TCO through negotiations; if a subcontractor, then prime contractor

Questions and Discussion









©Copyright 2025. Redstone Government Consulting, Inc.

2025 Critical Deadlines for Government Contractors

This guide provides you with all of the essential information and dates you need to know, including:

- Important deadlines for your internal departments
 - Accounting,
 - Human Resources,
 - Contracts & Subcontracts, and
 - Government Compliance
- Contract performance and delivery deadlines
- Deadlines for reporting and compliance requirements
- Deadlines for audits and reviews





SUBSCRIBE



Expert Insights for GovCon

Get the latest strategies, regulatory updates, and best practices to navigate GovCon compliance challenges, optimize operations, and drive success.

- Government Contracting Trends
- DCAA & DCMA Audit Updates
- FAR & Accounting Compliance
- Contracts & Subcontracts Administration
- HR & Employment Law for Government Contractors
- Project Management & Cost Control
- ERP & Software Best Practices









info@RedstoneGCI.com www.RedstoneGCI.com

501 Madison Street SE, Ste .100 Huntsville, AL 35801 (256) 704 - 9800