



GOVERNMENT SUBCONTRACTS - ALL AGENCIES PROGRESS PAYMENTS

Progress Payments shall be made to the CONTRACTOR when requested as work progresses within thirty (30) days after receipt of each progress payment request, which may not be submitted more frequently than monthly, in amounts approved by LOCKHEED MARTIN, under the following conditions:

(a) Computation of amounts.

- (1) Unless the CONTRACTOR requests a smaller amount, each progress payment shall be computed as (i) _____ percent of the CONTRACTOR's cumulative total costs under this Contract, as shown by records maintained by the CONTRACTOR for the purpose of obtaining payment under LOCKHEED MARTIN contracts, plus (ii) progress payments to subcontractors (see paragraph (j) below), all less the sum of all previous progress payments made by LOCKHEED MARTIN under this Contract. Cost of money that would be allowable under 31.205-10 of the Federal Acquisition Regulation shall be deemed an incurred cost for progress payment purposes.
- (2) The following conditions apply to the timing of including costs in progress payment requests:
 - (i) The costs of supplies and services purchased by the CONTRACTOR directly for this Contract may be included only after payment by cash, check, or other form of actual payment.
 - (ii) Costs for the following may be included when incurred, even if before payment, when the CONTRACTOR is not delinquent in payment of the costs of contract performance in the ordinary course of business:
 - (A) Materials issued from the CONTRACTOR's stores inventory and placed in the production process for use on this Contract.
 - (B) Direct labor, direct travel, and other direct in-house costs.
 - (C) Properly allocable and allowable indirect costs.
 - (iii) Accrued costs of CONTRACTOR contributions under employee pension, profit sharing, and stock ownership plans shall be excluded until actually paid unless --
 - (A) The CONTRACTOR's practice is to contribute to the plans quarterly or more frequently; and
 - (B) The contribution does not remain unpaid 30 days after the end of the applicable quarter or shorter payment period (any contributions remaining unpaid shall be excluded from the CONTRACTOR's total costs for progress payments until paid).
 - (iv) If the Contract is subject to the special transition method authorized in Cost Accounting Standard (CAS) 410, Allocation of Business Unit General and Administrative Expense to Final Cost Objective, General and Administrative expenses (G&A) shall not be included in progress payment requests until the suspense account prescribed in CAS 410 is less than --
 - (A) Five million dollars; or
 - (B) The value of the work-in-process inventories under contracts entered into after the suspense account was established (only a pro rata share of the G&A allocable to the excess of the inventory over the suspense account value is includable in progress payment requests under this Contract).

- (3) The CONTRACTOR shall not include the following in total costs for progress payment purposes in subparagraph (a)(1)(i) above:
 - (i) Costs that are not reasonable, allocable to this Contract, and consistent with sound and generally accepted accounting principles and practices.
 - (ii) Costs incurred by subcontractors or suppliers.
 - (iii) Costs ordinarily capitalized and subject to depreciation or amortization except for the properly depreciated or amortized portion of such costs.
 - (iv) Payments made or amounts payable to subcontractors or suppliers, except for -
 - (A) Completed work, including partial deliveries, to which the Contractor has acquired title; and
 - (B) Work under cost-reimbursement or time-and-material subcontracts to which the Contractor has acquired title.
- (4) The amount of unliquidated progress payments may exceed neither (I) the progress payments made against incomplete work (including allowable unliquidated progress payments to subcontractors) nor (ii) the value, for progress payment purposes, of the incomplete work. Incomplete work shall be considered to be the supplies and services required by this Contract, for which delivery and invoicing by the Contractor and acceptance by the Government are incomplete.
- (5) The total amount of progress payments shall not exceed _____ percent of the total contract price.
- (6) If a progress payment or the unliquidated progress payments exceed the amounts permitted by subparagraphs (a)(4) or (a)(5) above, the Contractor shall repay the amount of such excess to LOCKHEED MARTIN on demand.

(b) Liquidation.

Except as provided in the Termination clause of this Contract, all progress payments shall be liquidated by deducting from any payment under this Contract, other than advance or progress payments, the unliquidated progress payments, or _____ percent of the amount invoiced, whichever is less. The Contractor shall repay to LOCKHEED MARTIN any amounts required by a retroactive price reduction, after computing liquidations and payments on past invoices at the reduced prices and adjusting the unliquidated progress payments accordingly. LOCKHEED MARTIN reserves the right to unilaterally change from the ordinary liquidation rate to an alternate rate when deemed appropriate for proper contract financing.

(c) Reduction or suspension.

LOCKHEED MARTIN may reduce or suspend progress payments, increase the rate of liquidation, or take a combination of these actions, after finding on substantial evidence any of the following conditions:

- (1) The CONTRACTOR failed to comply with any material requirement of this Contract (which includes paragraphs (f) and (g) below).
- (2) Performance of this Contract is endangered by the CONTRACTOR's (i) failure to make progress or (ii) unsatisfactory financial condition.
- (3) Inventory allocated to this Contract substantially exceeds reasonable requirements.