

**Purchase Order Attachment VEI
VALUE ENGINEERING INCENTIVE**

(Applicable if this purchase order is \$100,000 or more and is issued in support of a prime contract containing FAR clause 52.248-1)

(a) This clause applies to cost reduction proposals initiated and developed by the Seller for changing the drawings, designs, specifications, or other requirements of this, the instant purchase order. This clause does not, however, apply to any such proposal unless it is identified by the Seller, at the time of its submission to Lockheed Martin, as a proposal submitted pursuant to this clause. The cost reduction proposals contemplated are those that (i) would require, in order to be applied to the instant purchase order, a change to the instant purchase order; and (ii) would result in savings to Lockheed Martin and/or the Government by providing either of the following:

(1) Less costly items than those specified herein without impairing any of their essential functions and characteristics such as service life, reliability, economy of operation, ease of maintenance, and necessary standardized features.

(2) Items, regardless of the acquisition cost, which produce collateral savings in Lockheed Martin or Government-furnished property, operations, maintenance, or other areas which exceed any increased acquisition cost, without impairing any of the items' essential functions and characteristics.

(b) Cost reduction proposals, as defined herein, shall be processed expeditiously and in the same manner as prescribed for any proposal which would necessitate issuance of a purchase change order. As a minimum, the following information shall be submitted by the Seller with each proposal:

(1) A description of the difference between the existing purchase order requirement and the proposed change, and the comparative advantages and disadvantages of each.

(2) An itemization of the requirements of the purchase order which must be changed if the proposal is adopted and a recommendation as how to make each such change (e.g., suggested revision).

(3) An estimate of the reduction in performance costs, if any, that will result from adoption of the proposal, taking into account the costs of implementation by the Seller, and the basis for the estimate.

(4) A prediction of any effects the proposed change would have on other costs to Lockheed Martin or the Government; such as Lockheed Martin or Government-furnished property costs, costs of related items, and costs of maintenance and operation.

(5) A statement of the time by which a change order adopting the proposal must be issued so as to obtain the maximum cost reduction during the remainder of the instant purchase order, noting any effect on the purchase order delivery schedule.

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(6) The dates of any previous submissions of the proposal to Lockheed Martin or the Government, the numbers of any purchase orders under which submitted, and the previous actions by Lockheed Martin or the Government, if known.

(c) Lockheed Martin shall not be liable for any delay in acting upon any proposal submitted pursuant to this clause. The decision of Lockheed Martin as to the acceptance of any such proposal under the instant purchase order shall be final. Lockheed Martin may accept, in whole or in part, any cost reduction proposal submitted pursuant to this clause by issuing a change order to the instant purchase order which will identify the cost reduction proposal on which it is based.

(d) If a cost reduction proposal submitted pursuant to this clause is accepted and applied to the instant purchase order, an equitable adjustment in the purchase order price and in any other affected provisions of the instant purchase order shall be made in accordance with this clause and the Changes clause of the instant purchase order. The equitable adjustment shall be established by determining the effect on the Seller's cost of performance of the instant purchase order, taking into account the Seller's cost of implementing the change. When the cost of performance of the instant purchase order is reduced as a result of the change, the purchase order price shall be reduced by * percent (*%) of the total estimated decrease in the Seller's cost of performance. When the cost of implementing the change precludes a reduction in the cost of performing the instant purchase order, any equitable adjustment which increases the purchase order price shall be in accordance with the Changes clause rather than under this clause.

(e) Cost reduction proposals submitted under the provisions of any other purchase order may also be submitted for consideration pursuant to the terms of this clause.

(f) The Seller may restrict Lockheed Martin's or the Government's right to the use of data provided on any sheet of a value engineering proposal or of supporting data submitted pursuant to this clause, in accordance with the terms of the following legend if it is marked on such sheet:

"This data is furnished pursuant to the Value Engineering Incentive clause of Purchase Order Number _____ and shall not be disclosed outside Lockheed Martin or the Government, or be duplicated, used, or disclosed, in whole or in part, for any purpose other than to evaluate a Value Engineering proposal submitted under said clause. This restriction does not limit Lockheed Martin's or the Government's right to use information contained in this data if it is or has been obtained from another source, or is otherwise available, without limitations. If such a proposal is accepted by Lockheed Martin by issuance of a change to the instant purchase order under said clause and the Changes clause of the instant purchase order after the use of this data in such evaluation, Lockheed Martin or the Government shall have the right to duplicate, use, and disclose any data reasonably necessary to the full utilization of such proposal as accepted, in any manner and for any purpose whatsoever, and have others so do."

(*As stated on the face of the instant purchase order.)