



**COST REIMBURSEMENT AND FEDERAL ACQUISITION REGULATION (FAR) FLOWDOWN PROVISIONS FOR SUBCONTRACTS/PURCHASE ORDERS FOR NON-COMMERCIAL ITEMS UNDER A U.S. GOVERNMENT PRIME CONTRACT**

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**SECTION I: COST REIMBURSEMENT PROVISIONS**

1. ALLOWABLE COST AND PAYMENT.

(a) Invoicing. LOCKHEED MARTIN shall make payments to the SELLER when requested as work progresses, but not more often than once every 2 weeks, in amounts determined to be allowable by LOCKHEED MARTIN in accordance with the terms of this Contract and Subpart 31.2 of the FAR; and agency supplements as appropriate, in effect on the date of this Contract. If the Contract is with an educational institution, FAR Subpart 31.3 shall apply; and if with a non-profit organization other than an educational institution, FAR Subpart 31.7 shall apply. The SELLER may submit to the LOCKHEED MARTIN Purchasing Representative, in such form and reasonable detail as the representative may require, an invoice or voucher supported by a statement of the claimed allowable cost for performing this Contract.

(b) Reimbursing costs.

(1) For the purpose of reimbursing allowable costs (except as provided in subparagraph (2) below, with respect to pension, deferred profit sharing, and employee stock ownership plan contributions), the term "costs" includes only:

(i) Those recorded costs that, at the time of the request for reimbursement, the SELLER has paid by cash, check, or other form of actual payment for items or services purchased directly for the Contract.

(ii) When the SELLER is not delinquent in paying costs of contract performance in the ordinary course of business, costs incurred, but not necessarily paid, for:

- (A) Materials issued from the SELLER's inventory and placed in the production process for use on the Contract;
- (B) Direct labor;
- (C) Direct travel;
- (D) Other direct in-house costs; and
- (E) Properly allocable and allowable indirect costs, as shown in the records maintained by the SELLER for purposes of obtaining reimbursement under Government contracts.

(iii) The amount of progress payments that have been paid to the SELLER's subcontractors under similar cost standards.

(2) SELLER contributions to any pension, profit sharing, or employee stock ownership plan funds that are paid quarterly or more often may be included in indirect costs for payment purposes; provided, that the SELLER pays the contribution to the fund within 30 days after the close of the period covered.

Payments made 30 days or more after the close of a period shall not be included until the SELLER actually makes the payment. Accrued costs for such contributions that are paid less often than quarterly shall be excluded from indirect costs for payment purposes until the SELLER actually makes the payment.

(3) Notwithstanding the audit and adjustment of invoices or vouchers under paragraph (g) below, allowable indirect costs under this Contract shall be obtained by applying indirect cost rates established in accordance with paragraph (d) below.

(4) Except as otherwise expressly provided to the contrary in these Provisions or in the Schedule of this Contract, any statements in specifications or other documents incorporated in this Contract by reference designating performance of services or furnishing of materials at the SELLER's expense or at no cost to LOCKHEED MARTIN shall be disregarded for purposes of cost reimbursement under this clause.

(c) Small business concerns. A small business concern may be paid as often as every 2 weeks and may invoice and be paid for recorded costs for items or services purchased directly for the Contract, even though the concern has not yet paid for those items or services.

(d) Final indirect cost rates. LOCKHEED MARTIN shall reimburse SELLER on the basis of final annual indirect cost rates and the appropriate bases established by SELLER and the Government in effect for the period covered by the indirect cost rate proposal. Such rates and bases shall not change any n<T\*YJ'ACÁ' Tw1.úéÊâr(7)-15 appropriate adjustment when the final rates for that period are established.

(f) Quick closeout procedures. When the SELLER and LOCKHEED MARTIN agree, the quick closeout procedures of Subpart 42.7 of the FAR may be used.

(g) Audit. At any time or times before final payment, LOCKHEED

reduced by amounts found by LOCKHEED MARTIN or the Government not to constitute allowable costs or (2) adjusted for prior overpayments or underpayments.

(h) Final payment.

- (1) The SELLER shall submit a completion invoice or voucher, designated as such, promptly upon completion of the work,

(c) 52.232-20 LIMITATION OF COST (APR 1984) (Applicable if this Contract is fully funded; See Notes 1 and 2)