



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 1: COST REIMBURSEMENT PROVISIONS

1. ALLOWABLE COST AND PAYMENT.

- (a) **Invoicing.** LOCKHEED MARTIN shall make payments to the CONTRACTOR 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, but only if the contractor is an educational institution. Indirect cost rates and bases shall be based on 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 monetary ceiling, contract obligation, or specific cost allowance or disallowance provided for in this Contract. The rates and bases shall be deemed incorporated into this Contract upon execution.

- (e) **Billing Rates.** There shall be included as allowable indirect costs such overhead rates as may be established by CONTRACTOR and the cognizant Government Agency in accordance with the principles of the Federal Acquisition Regulation and applicable FAR Supplement. Pending establishment of final overhead rates for any period, CONTRACTOR shall be reimbursed at billing rates approved by the cognizant Government Agency, which billing rates may be revised from time to time subject to such approval and subject to appropriate adjustment when the final rates for that period are established.
- (f) **Quick closeout procedures.** When the CONTRACTOR 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 MARTIN or the Government may audit the CONTRACTOR's invoices or vouchers and statements of cost. Any payment may be (1) 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 CONTRACTOR shall submit a completion invoice or voucher, designated as such, promptly upon completion of the work, but no later than one year (or longer, as LOCKHEED MARTIN may approve in writing) from the completion date. Upon approval of that invoice or voucher, and upon the CONTRACTOR's compliance with all terms of this Contract, LOCKHEED MARTIN shall promptly pay any balance of allowable costs and that part of the fee (if any) not previously paid.
 - (2) The

D. **AMENDMENTS REQUIRED BY PRIME CONTRACT.**

CONTRACTOR agrees that upon the request of LOCKHEED MARTIN it will negotiate in good faith with LOCKHEED MARTIN relative to amendments to this Contract to incorporate additional provisions herein or to change provisions hereof, as LOCKHEED MARTIN may reasonably deem necessary in order to comply with the provisions of the applicable prime contract or with the provisions of amendments to such prime contract. If any such amendment to this Contract causes an increase or decrease in the estimated cost of, or the time required for, performance of any part of the work under this Contract, an equitable adjustment shall be made pursuant to the "Changes" Clause of this Contract.

E. **FAR SUPPLEMENT (FARS) FLOWDOWN CLAUSES.**

REFERENCE TITLE

1. **The following FARS clauses apply to this Contract :**

- (a) 52.215-2 **AUDIT AND RECORDS-NEGOTIATION** (AUG 1996) (Insert "and the LOCKHEED MARTIN Purchasing Representative" after "the Contracting Officer or representatives of the Contracting Officer" or after "...representatives of the Contracting Officer who are employees of the Government", where indicated throughout the clause. If this is a cost-type contract with an educational institution or other non-profit organization, add ALTERNATE II (JAN 1997).)
- (b) 52.222-2 **PAYMENT FOR OVERTIME PREMIUMS** (JUL 1990) (Insert ZERO in the Blank; See Notes 2 and 3)
- (c) 52.232-20 **LIMITATION OF COST** (APR 1984) (Applicable if this Contract is fully funded; See Notes 1 and 2)
- (d) 52.232-22 **LIMITATION OF FUNDS APR 1984** (Applicable if this Contract is incrementally funded; See Notes 1 and 2)
- (e) 52.233-3 **PROTEST AFTER AWARD** (AUG 1996) ALT I (JUN 1985) (In the event LOCKHEED MARTIN's customer has directed LOCKHEED MARTIN to stop performance of the work under the prime contract under which this contract is issued pursuant to FAR 33.1, LOCKHEED MARTIN may, by written order to SELLER, direct SELLER to stop performance of the work called for by this Contract; "30 days" means "20 days" in paragraph (b)(2); Note 1 applies except the first time it appears in paragraph (f); in paragraph (f) add after "33.104(h)(1)" "and recovers those costs from LOCKHEED MARTIN"; See Note 2.)
- (f) 52.242-15 **STOP-WORK ORDER** (AUG 1989) with ALTERNATE I (APR 1984) (See Notes 1 and 2.)
- (g) 52.243-2