

ORDER FOR SUPPLIES OR SERVICES

1. CONTRACT/PURCH. ORDER/ AGREEMENT NO. W9113M-04-D-0001	2. DELIVERY ORDER/ CALL NO. 0007	3. DATE OF ORDER/ CALL (YYYYMMDD) 2006 Dec 05	4. REQ./ PURCH. REQUEST NO. W31RPD7324SBKC	5. PRIORITY
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6. ISSUED BY US ARMY SPACE & MISSILE DEFENSE COMMAND P.O. BOX 1500 HUNTSVILLE AL 35807-3801	CODE W9113M	7. ADMINISTERED BY (if other than 6) DCM LOCKHEED MARTIN MISSILES & SPACE P.O. BOX 3504 SUNNYVALE CA 94088-3504	CODE S0543A	8. DELIVERY FOB <input checked="" type="checkbox"/> DESTINATION <input type="checkbox"/> OTHER (See Schedule if other)
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9. CONTRACTOR LOCKHEED MARTIN SPACE SYSTEMS COMPANY NAME MISSILES AND SPACE OPERATIONS AND 1111 LOCKHEED MARTIN WAY ADDRESS SUNNYVALE CA 94088-3504	CODE 06887	FACILITY	10. DELIVER TO FOB POINT BY (Date) (YYYYMMDD) SEE SCHEDULE	11. MARK IF BUSINESS IS <input type="checkbox"/> SMALL <input type="checkbox"/> SMALL DISADVANTAGED <input type="checkbox"/> WOMEN-OWNED
			12. DISCOUNT TERMS	
13. MAIL INVOICES TO THE ADDRESS IN BLOCK See Item 15				

14. SHIP TO SEE SCHEDULE	CODE	15. PAYMENT WILL BE MADE BY DFAS-COLUMBUS CENTER DFAS-CO/WEST ENTITLEMENT OPERATION P.O. BOX 182381 COLUMBUS OH 43218-2381	CODE HQ0339	MARK ALL PACKAGES AND PAPERS WITH IDENTIFICATION NUMBERS IN BLOCKS 1 AND 2.
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16. TYPE OF ORDER	DELIVERY/ CALL	<input checked="" type="checkbox"/>	This delivery order/call is issued on another Government agency or in accordance with and subject to terms and conditions of above numbered contract.
	PURCHASE		Reference your quote dated Furnish the following on terms specified herein. REF:

ACCEPTANCE, THE CONTRACTOR HEREBY ACCEPTS THE OFFER REPRESENTED BY THE NUMBERED PURCHASE ORDER AS IT MAY PREVIOUSLY HAVE BEEN OR IS NOW MODIFIED, SUBJECT TO ALL OF THE TERMS AND CONDITIONS SET FORTH, AND AGREES TO PERFORM THE SAME.

NAME OF CONTRACTOR	SIGNATURE	TYPED NAME AND TITLE	DATE SIGNED (YYYYMMDD)
<input checked="" type="checkbox"/> If this box is marked, supplier must sign Acceptance and return the following number of copies: 1			

17. ACCOUNTING AND APPROPRIATION DATA/ LOCAL USE
See Schedule

18. ITEM NO.	19. SCHEDULE OF SUPPLIES/ SERVICES	20. QUANTITY ORDERED/ ACCEPTED*	21. UNIT	22. UNIT PRICE	23. AMOUNT
SEE SCHEDULE					

* If quantity accepted by the Government is same as quantity ordered, indicate by X. If different, enter actual quantity accepted below quantity ordered and encircle.	24. UNITED STATES OF AMERICA	25. TOTAL \$69,000,000.00
		26. DIFFERENCES

27a. QUANTITY IN COLUMN 20 HAS BEEN
 INSPECTED RECEIVED ACCEPTED, AND CONFORMS TO THE CONTRACT EXCEPT AS NOTED

b. SIGNATURE OF AUTHORIZED GOVERNMENT REPRESENTATIVE	c. DATE (YYYYMMDD)	d. PRINTED NAME AND TITLE OF AUTHORIZED GOVERNMENT REPRESENTATIVE
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e. MAILING ADDRESS OF AUTHORIZED GOVERNMENT REPRESENTATIVE	28. SHIP NO.	29. DO VOUCHER NO.	30. INITIALS
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f. TELEPHONE NUMBER	g. E-MAIL ADDRESS	<input type="checkbox"/> PARTIAL <input type="checkbox"/> FINAL	32. PAID BY	33. AMOUNT VERIFIED CORRECT FOR
36. I certify this account is correct and proper for payment.				
a. DATE (YYYYMMDD)	b. SIGNATURE AND TITLE OF CERTIFYING OFFICER			
			31. PAYMENT <input type="checkbox"/> COMPLETE <input type="checkbox"/> PARTIAL <input type="checkbox"/> FINAL	34. CHECK NUMBER
35. BILL OF LADING NO.				

37. RECEIVED AT	38. RECEIVED BY	39. DATE RECEIVED (YYYYMMDD)	40. TOTAL CONTAINERS	41. S/R ACCOUNT NO.	42. S/R VOUCHER NO.
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Section B - Supplies or Services and Prices

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
0001	MKV Task Order 0007 CPAF Statement of Work entitled, "Multiple Kill Vehicle Payload System Development, Engagement Management, Component Development and Testing, Task Order 0007," dated 4 December 2006. FOB: Destination PURCHASE REQUEST NUMBER: W31RPD7324SBKC				
				ESTIMATED COST	
				BASE FEE	
				SUBTOTAL EST COST + BASE	
				MAX AWARD FEE	
				TOTAL EST COST + FEE	\$0.00

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
0001AA	MKV Task Order 0007 CPAF See CLIN 0001 for description. This CLIN is for COST only. FOB: Destination				
				ESTIMATED COST	
				BASE FEE	
				SUBTOTAL EST COST + BASE	
				MAX AWARD FEE	
				TOTAL EST COST + FEE	\$57,500,001.00
	ACRN AA CIN: 00000000000000000000000000000000				\$833,333.00

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
0001AB	MKV Task Order 0007 CPAF See CLIN 0001 for description. This CLIN is for Award Fee only. FOB: Destination				
				ESTIMATED COST	
				BASE FEE	
				SUBTOTAL EST COST + BASE	
				MAX AWARD FEE	
				TOTAL EST COST + FEE	\$11,499,999.00
	ACRN AA				\$166,667.00
	CIN: 00000000000000000000000000000000				

CLAUSES INCORPORATED BY FULL TEXT

AWARD FEE:

a. The contractor's performance hereunder shall be evaluated in accordance with the process described in the Award Fee Determination Plan clause in Section H hereto.

b. Following is a list by award fee period of the Award Fee Available, Award Fee Earned, and Award Fee Not Earned Removed From Contract, applicable to this contract:

<u>AWARD FEE PERIOD</u>	<u>AWARD FEE AVAILABLE</u>	<u>AWARD FEE EARNED</u>	<u>AWARD FEE NOT EARNED REMOVED FROM CONTRACT</u>
First	\$ *	\$ **	\$ **
Second	\$ *	\$ **	\$ **
Third	\$ *	\$ **	\$ **

*To be completed in the definitization mod. The maximum total award fee pool for the execution of this undefinitized task order is [REDACTED].

**To be completed award award fee evaluations.

Section C - Descriptions and Specifications

STATEMENT OF WORK

MULTIPLE KILL VEHICLE PAYLOAD SYSTEM DEVELOPMENT

Engagement Management

Component Development and Testing

TASK ORDER NUMBER 0007

4 December 2006

1.0 TASK DESCRIPTION

This Task Order defines the Engagement Management component development and test activity. The contractor shall design, develop, and demonstrate engagement management algorithms and evaluate them in all-digital and processor/seeker-in-the-loop test beds.

2.0 TASK

2.1 Background

The Missile Defense Agency wants to acquire MKV payload systems as an integral part of the Ballistic Missile Defense System. The Agency plans to use an evolutionary, spiral approach to achieve increasingly greater and more robust capability over time against ballistic missiles in the ascent, mid-course and exo-atmospheric terminal phases of flight. The plan is to first demonstrate a multiple kill vehicle against ballistic missiles in the ascent and midcourse phases of flight from missile defense booster components. The goal is to fly in the Test bed during Block 12 (1 January 2012 – 31 December 2013)/Block 14 (1 January 2014 – 31 December 2015).

The payload system consists of two major components; the carrier vehicle and the kill vehicles. A critical capability of the Carrier Vehicle is its ability to manage the kill vehicle engagements relying on target information from the Ballistic Missile Defense System and the Carrier Vehicle sensor. The critical algorithm chain includes target object map correlation, multi-target tracking, target discrimination and data fusion.

As the Government integrates the payload into the Ballistic Missile Defense System, we are conducting a formal requirements capture process and gauging the technology maturity of our major components. To assess our progress in meeting a multiple kill vehicle capability, we have established critical program knowledge points. One such knowledge point is the demonstrated ability to manage a multiple kill vehicle engagement. In addition, we will assess major component technologies and conduct component development and testing to demonstrate the required readiness level.

2.2 Task 0007 Scope

The scope of Task Order 0007 is to develop a real-time, all-digital and processor/seeker-in-the-loop test bed. We will exploit this test bed to demonstrate the capability of the payload system software to manage kill vehicle engagements.

2.2.1 Engagement Management Algorithm Development

The contractor shall design and develop engagement management algorithms for the payload system. These carrier vehicle algorithms shall accomplish target object map receipt (initial and updates) and correlation, weapon to target assignment (initial and update including enabling formation flying), kill vehicle navigation initialization, guidance and control, and carrier vehicle endgame through target intercept.

The contractor shall demonstrate the model and simulation of kill vehicle algorithms for kill vehicle to carrier vehicle communication; target acquisition; KV formation flying and coordination through target intercept; aim-point determination and assignment; and guidance control.

2.2.2 Engagement Management Processor Breadboard Fabrication

The contractor shall procure and/or develop Carrier Vehicle breadboard hardware to allow real time execution of the engagement management software. This hardware shall exhibit the similar computing capabilities and general processor architecture that we envision for the flight system.

2.2.3 Seeker Signal Processor Breadboard Fabrication and Algorithm Development

The contractor shall develop and/or procure the necessary Carrier Vehicle seeker signal processor hardware and software to acquire the targets, process the sensor image and establish and maintain multiple object tracks to allow real time execution of the Carrier Vehicle seeker data processing software.

2.2.4 Phase 1 – Digital Simulation Test Bed

- **Non-Real-Time Digital Algorithm Demonstration**

The contractor shall demonstrate functionality and performance of the Carrier Vehicle engagement management algorithms in a simulation with three dimensional visualization capabilities. The early Engagement Management simulation is a non-realtime demonstration of test bed algorithms which perform Kill Vehicle assignment based on threat lethality ranking, Kill Vehicle kinematic capability, and Kill Vehicle state at the time of assignment. The target detection, tracking, discrimination, and ranking algorithms will be modeled only to the fidelity needed to fully exercise the assignment algorithms.

- **Discreet Digital Simulation Test Bed Demonstration (M on M engagement demonstration, Formation Flying engagement demonstration)**

The contractor shall implement updated engagement management algorithms in a discrete event, full payload fidelity and functionality, non-real-time desktop simulation. The contractor shall use a simulation which incorporates a government-furnished Open Architecture System Interface Standard (OASIS) framework. The simulation shall include OASIS compliant models down to the component level facilitating integration and test of

other best-of-breed algorithms. The simulation shall have the capability to display the results of the Engagement Management algorithm performance using a 3D graphical presentation. The simulation testbed shall include a high fidelity kill vehicle simulator to ensure proper evaluation of the formation flying functionality.

2.2.5 Phase 2 – Digital Simulation Test Bed with Carrier Vehicle Processor-In-The-Loop

- **Real-Time Processor-In-The-Loop Test Bed Demonstration (M on M, Formation Flying Demonstration)**

The contractor shall demonstrate engagement management algorithm performance by executing Carrier Vehicle software developed from the phase 1 algorithms on the breadboard processor in a real time processor-in-the-loop environment. The digital simulation portion of this testbed shall have real time, full functionality to accurately assess the algorithm/software/processor performance and functionality. The government will provide the real time OASIS simulation framework to allow incorporation of hardware into the test bed.

2.2.6 Phase 3 – Digital Simulation Test Bed with Seeker In-the-Loop

- **Real-Time Seeker In-the-Loop Test Bed Demonstration (M on M engagement demonstration, Formation Flying engagement demonstration)**

The contractor shall extend the functionality of the Processor-in-the-loop Test Bed to include the sensor hardware developed in the Carrier Vehicle Seeker Component Development and Test activity (Task Order 0006). This test bed shall also include an appropriate dynamic scene generator/projection system to project infrared energy through the seeker optics and onto the focal plane array. The contractor shall integrate the Seeker Breadboard Signal Processor hardware and software into the test bed. The contractor shall use the Seeker-in-the-Loop test bed to demonstrate the performance of the engagement management software/algorithms.

2.3 Software Development

The contractor shall follow the MKV program Software Development Plan for this Task Order.

3.0 DELIVERABLES	CDRL	Submittal
Briefing Packages	A001	As Required
Technical Reports	A00D	As Required
Knowledge Point Report	A00Y	October 2009
Final Report	A004	March 2010
Cost Performance Report	A007	Monthly
Integrated Master Schedule	A00C	As required
Engagement Management Algorithm Description	A00T	As required

Documents

Non-Real-Time Digital Algorithm Demonstration Test Plan	A00R	90 days prior to demonstration event
Non-Real-Time Digital Algorithm Demonstration Assessment Report	A00Y	30 days after demonstration event
Discreet Digital Simulation Test Bed Integration Assessment Report	A00Y	30 days after each demonstration event
Real-Time Processor-In-The-Loop Test Bed Test Plan	A00R	90 days prior to initial demonstration event
Real-Time Processor-In-The-Loop Test Bed Assessment Report	A00Y	30 days after each demonstration event
Real-Time Seeker In-the-Loop Test Bed Test Plan	A00R	90 days prior to initial demonstration event
Real-Time Seeker In-the-Loop Test Bed Assessment Report	A00Y	30 days after each demonstration event
MKV Payload digital Simulation builds used for Task Order 7 (Source Code, Simulation Design Description Documents and User Manuals)	A0AA	As required

4.0 MISSION ASSURANCE. We structure a mission assurance plan on sound auditable engineering processes including quality and product assurance. Mission assurance is an integral part of sound engineering practices. The contractor shall implement a plan to achieve mission success and shall identify in the Integrated Master Schedule the audit points where they will evaluate mission assurance implementation. The contractor shall document the audit criteria.

5.0 PERIOD OF PERFORMANCE: 5 December 2006 – 31 May 2010.

6.0 TASK ORDER MONITOR

The Task Order Monitor for this effort is [REDACTED]. Alternate Task Order Monitor for this effort is [REDACTED].

Section G - Contract Administration Data

ACCOUNTING AND APPROPRIATION DATA

AA: 97 7 0400 2501 36 2216 40603894C00 255Y W31RPD7324SBKC 7HES01 S01021

AMOUNT: \$1,000,000.00

CIN 00000000000000000000000000000000: \$1,000,000.00

CLAUSES INCORPORATED BY FULL TEXT

IMPLEMENTATION OF AND EXPLANATION OF THE RELATIONSHIP OF THE LIMITATION OF FUNDS (LOF) CLAUSE TO FEE OBLIGATIONS: The amount of funds estimated to be required for full performance, including fee(s); the amount of funds allotted pursuant to the Contract Clause hereof entitled, Limitations of Funds; the amount of funds currently obligated for fee; and the estimated period of performance covered by the funds allotted are set forth below. Amounts obligated for fee are separate from and are not to be commingled with the amounts allotted for costs and are not available to the contractor to cover costs in excess of those allotted to the contract for cost.

a. CLIN 0001:

(1) Amount Required for Full Funding, Including Fee(s):	██████████
(2) Amount Allotted Under the LOF Clause for Payment of Costs:	██████████
(3) Amount Separately Obligated for Payment of Fee:	██████████
(4) Total Amount Allotted and Obligated:	\$1,000,000
(5) Net Amount Required for Full Funding:	██████████
(6) Estimated Period of Performance the Allotted Amount Will Cover:	15 January 2007

* This is the undefinitized NTE amount for performance of this task order.

Section H - Special Contract Requirements

AWARD FEE DETERMINATION PLAN

3. AWARD FEE DETERMINATION PROCESS

- 3.1 Within five (5) working days after completion of each award fee period, the contractor submits a written self-evaluation in their format.
- 3.2 Within fifteen (15) working days after completion of each award fee evaluation period, the award fee review board evaluates the contractor's performance according to criteria and information in paragraph 4.0 and submits its recommendation to the fee determining official.
- 3.3 The fee determining official gives the contractor a written decision that discusses contractor performance, specifies the amount of fee earned, and describes areas of emphasis for the next award fee period. The fee determining official will give this document to the contractor within thirty (30) working days after the end of each period.
- 3.4 The Contracting Officer will modify the contract to incorporate the fee determining official's fee decision within three (3) business days after the decision.
- 3.5 The final dates for completing the key performance events criteria are described in paragraphs 5.3 through 5.5. Failure to complete the key performance events by the respective final date will weigh very heavily against the contractor's opportunity to earn any award fee set forth below. However, the Government will subjectively consider all facts and circumstances (to include Government's cooperation and interaction) leading up to the completion in determining the final award fee.

4. PERFORMANCE AND EVALUATION CRITERIA

4.1 KEY Performance Events

The contractor shall submit detailed entrance and exit criteria for completion of each key performance event no later than 31 January 2007. Government will provide concurrence/comments on the "agreed-to" entrance/exit criteria no later than 31 March 2007.

- 4.1.1 Key Performance Event I: Successfully demonstrate M on M engagement in the digital simulation test bed as described in the agreed-to entrance/exit criteria.
- 4.1.2 Key Performance Event II: Successfully demonstrate the digital simulation test bed with carrier vehicle processor-in-the-loop capability as described in the agreed-to entrance/exit criteria.
- 4.1.3 Key Performance Event III: Successfully demonstrate the digital simulation test bed with carrier vehicle seeker-in-the-loop capability as described in the agreed-to entrance/exit criteria.
- 4.2 Cost/Control Management: Contractor successfully performs task order within established yearly and total cost controls.

5. AWARD FEE POOL

- 5.1 The total award fee pool is [REDACTED] of Task Order 0007's negotiated cost. The following table specifies the Award Fee Periods and associated Award Fee Pool percentages.

Award Fee Period	Event	Award Fee Pool Percentage
Period 1	Key Performance Event I	[REDACTED]
Period 2	Key Performance Event II	[REDACTED]
Period 3	Key Performance Event III	[REDACTED]
	Cost/Control Management	[REDACTED]

- 5.2 Award Fee available for key performance events I, II, and III – The available award fee pool for each period is based on the contractor's ability to successfully accomplish the entrance and exit criteria for each key performance event by the timetable described below. If the contractor completes a key performance event prior to or on the first date listed in the schedule performance chart below, [REDACTED] of the award fee pool assigned to that key performance event will be available for the earned fee. The Government may progressively reduce the available award fee pool for each key performance event in accordance with the tables below. The Government will not apply such sliding scale reductions to the available award fee pool in a purely mechanical manner, but instead, will subjectively consider all facts and circumstances (to include Government cooperation and interaction) leading up to successful key performance event completion. In addition, the Government will not penalize the contractor for acts, circumstances and events that are beyond the reasonable control of the contractor and their subcontractors. Once the Government's Award Fee Review Board has determined the final available award fee pool for the key performance event based on contractor's performance and achievement of each key performance event entrance and exit criteria, the fee determining official will make the final determination on the fee earned. The Cost/Control Management award fee pool is not subject to the sliding scale reduction for each period.

- 5.3 Key Performance Event I – Award Fee Pool Sliding-Scale

Completion Date	Available Award Fee Pool
by 15 December 2007	[REDACTED]
by 15 January 2008	[REDACTED]
by 31 January 2008	[REDACTED]
by 15 February 2008	[REDACTED]
28 February 2008 or later	[REDACTED]

- 5.4 Key Performance Event II – Award Fee Pool Sliding-Scale

Completion Date	Available Award Fee Pool
by 31 May 2009	[REDACTED]
by 30 June 2009	[REDACTED]
by 31 July 2009	[REDACTED]
by 31 August 2009	[REDACTED]
30 September 2009 or later	[REDACTED]

- 5.5 Key Performance Event III – Award Fee Pool Sliding-Scale

Completion Date	Available Award Fee Pool
by 28 February 2010	[REDACTED]
by 31 March 2010	[REDACTED]
by 30 April 2010	[REDACTED]

by 31 May 2010	
30 June 2010	

6. CONTRACT TERMINATION

In the event the Government cancels any portion of Task Order 0007 pursuant to the "Termination" provisions of the task order, the fee determining official determines the award fee based on the contractor's progress.

7. EQUITABLE CONSIDERATIONS

The Government will subjectively consider acts, circumstances and events (to include Government actions and interactions) beyond the reasonable control of contractor/subcontractors in applying the above award fee provisions for Task Order 0007. Any Government modifications to Task Order 0007 under the Changes Clause of the contract will entitle the contractor to submit a request for equitable adjustment to the above award fee provisions pursuant to provisions of the Changes Clause.

PRE-NEGOTIATED AWARD FEE

Pre-negotiated Fee Arrangements:

The [REDACTED] Award Fee in the basic contract is waived for this task order. The Award Fee established for this task order is [REDACTED]

Section I - Contract Clauses

CLAUSES INCORPORATED BY FULL TEXT

52.216-23 EXECUTION AND COMMENCEMENT OF WORK (APR 1984)

The Contractor shall indicate acceptance of this letter contract by signing three copies of the contract and returning them to the Contracting Officer not later than 27 Nov 06. Upon acceptance by both parties, the Contractor shall proceed with performance of the work, including purchase of necessary materials.

(End of clause)

52.216-24 LIMITATION OF GOVERNMENT LIABILITY (APR 1984)

(a) In performing this contract, the Contractor is not authorized to make expenditures or incur obligations exceeding [REDACTED] dollars.

(b) The maximum amount for which the Government shall be liable if this contract is terminated is [REDACTED] dollars.

(End of clause)

52.216-25 CONTRACT DEFINITIZATION (OCT 1997)

(a) A CPAF definitive contract is contemplated. The Contractor agrees to begin promptly negotiating with the Contracting Officer the terms of a definitive contract that will include (1) all clauses required by the Federal Acquisition Regulation (FAR) on the date of execution of the letter contract, (2) all clauses required by law on the date of execution of the definitive contract, and (3) any other mutually agreeable clauses, terms, and conditions. The Contractor agrees to submit a CPAF proposal no later than sixty (60) days after the effective date of this undefinitized task order..

(b) The schedule for definitizing this contract is 120 days after the issue date of the undefinitized task order.

(c) If agreement on a definitive contract to supersede this letter contract is not reached by the target date in paragraph (b) above, or within any extension of it granted by the Contracting Officer, the Contracting Officer may, with the approval of the head of the contracting activity, determine a reasonable price or fee in accordance with Subpart 15.4 and Part 31 of the FAR, subject to Contractor appeal as provided with completion of the contract, subject only to the Limitation of Government Liability clause.

(1) After the Contracting Officer's determination of price or fee, the contract shall be governed by--

(i) All clauses required by the FAR on the date of execution of this letter contract for either fixed-price or cost-reimbursement contracts, as determined by the Contracting Officer under this paragraph (c);

(ii) All clauses required by law as of the date of the Contracting Officer's determination; and

(iii) Any other clauses, terms, and conditions mutually agreed upon.

(2) To the extent consistent with subparagraph (c)(1) above, all clauses, terms, and conditions included in this letter contract shall continue in effect, except those that by their nature apply only to a letter contract.

(End of clause)

52.216-26 PAYMENTS OF ALLOWABLE COSTS BEFORE DEFINITIZATION (DEC 2002)

(a) Reimbursement rate. Pending the placing of the definitive contract referred to in this letter contract, the Government will promptly reimburse the Contractor for all allowable costs under this contract at the following rates:

(1) [REDACTED] of approved costs representing financing payments to subcontractors under fixed-price subcontracts, provided that the Government's payments to the Contractor will not exceed [REDACTED] of the allowable costs of those subcontractors.

(2) [REDACTED] of approved costs representing cost-reimbursement subcontracts; provided, that the Government's payments to the Contractor shall not exceed [REDACTED] of the allowable costs of those subcontractors.

(3) [REDACTED] of all other approved costs.

(b) Limitation of reimbursement. To determine the amounts payable to the Contractor under this letter contract, the Contracting Officer shall determine allowable costs in accordance with the applicable cost principles in Part 31 of the Federal Acquisition Regulation (FAR). The total reimbursement made under this paragraph shall not exceed [REDACTED] of the maximum amount of the Government's liability, as stated in this contract.

(c) Invoicing. Payments shall be made promptly to the Contractor when requested as work progresses, but (except for small business concerns) not more often than every 2 weeks, in amounts approved by the Contracting Officer. The Contractor may submit to an authorized representative of the Contracting Officer, in such form and reasonable detail as the representative may require, an invoice or voucher supported by a statement of the claimed allowable cost incurred by the Contractor in the performance of this contract.

(d) Allowable costs. For the purpose of determining allowable costs, the term "costs" includes--

(1) Those recorded costs that result, at the time of the request for reimbursement, from payment by cash, check, or other form of actual payment for items or services purchased directly for the contract;

(2) When the Contractor is not delinquent in payment of costs of contract performance in the ordinary course of business, costs incurred, but not necessarily paid, for--

(i) Supplies and services purchased directly for the contract and associated financing payments to subcontractors, provided payments determined due will be made--

(A) In accordance with the terms and conditions of a subcontract or invoice; and

(B) Ordinarily within 30 days of the submission of the Contractor's payment request to the Government;

(ii) Materials issued from the Contractor's stores inventory and placed in the production process for use on the contract;

(iii) Direct labor;

(iv) Direct travel;

(v) Other direct in-house costs; and

(vi) Properly allocable and allowable indirect costs as shown on the records maintained by the Contractor for purposes of obtaining reimbursement under Government contracts; and

(3) The amount of financing payments that the Contractor has paid by cash, check, or other forms of payment to subcontractors.

(e) Small business concerns. A small business concern may receive more frequent payments than every 2 weeks.

(f) Audit. At any time before final payment, the Contracting Officer may have the Contractor's invoices or vouchers and statements of costs audited. Any payment may be (1) reduced by any amounts found by the Contracting Officer not to constitute allowable costs or (2) adjusted for overpayments or underpayments made on preceding invoices or vouchers.

(End of clause)