**252.232-7007 Limitation of Government’s Obligation.**

As prescribed in [232.705-70](http://www.acq.osd.mil/dpap/dars/dfars/html/current/232_7.htm#232.705-70), use the following clause:

LIMITATION OF GOVERNMENT’S OBLIGATION (APR 2014)

(a) Contract line item(s) *[Contracting Officer insert after negotiations]* is/are incrementally funded. For this/these item(s), the sum of $ *[Contracting Officer insert after negotiations]*  of the total price is presently available for payment and allotted to this contract. An allotment schedule is set forth in paragraph (j) of this clause.

(b) For item(s) identified in paragraph (a) of this clause, the Contractor agrees to perform up to the point at which the total amount payable by the Government, including reimbursement in the event of termination of those item(s) for the Government’s convenience, approximates the total amount currently allotted to the contract. The Contractor is not authorized to continue work on those item(s) beyond that point. The Government will not be obligated in any event to reimburse the Contractor in excess of the amount allotted to the contract for those item(s) regardless of anything to the contrary in the clause entitled “Termination for Convenience of the Government.” As used in this clause, the total amount payable by the Government in the event of termination of applicable contract line item(s) for convenience includes costs, profit, and estimated termination settlement costs for those item(s).

(c) Notwithstanding the dates specified in the allotment schedule in paragraph (j) of this clause, the Contractor will notify the Contracting Officer in writing at least ninety days prior to the date when, in the Contractor’s best judgment, the work will reach the point at which the total amount payable by the Government, including any cost for termination for convenience, will approximate 85 percent of the total amount then allotted to the contract for performance of the applicable item(s). The notification will state (1) the estimated date when that point will be reached and (2) an estimate of additional funding, if any, needed to continue performance of applicable line items up to the next scheduled date for allotment of funds identified in paragraph (j) of this clause, or to a mutually agreed upon substitute date. The notification will also advise the Contracting Officer of the estimated amount of additional funds that will be required for the timely performance of the item(s) funded pursuant to this clause, for a subsequent period as may be specified in the allotment schedule in paragraph (j) of this clause or otherwise agreed to by the parties. If after such notification additional funds are not allotted by the date identified in the Contractor’s notification, or by an agreed substitute date, the Contracting Officer will terminate any item(s) for which additional funds have not been allotted, pursuant to the clause of this contract entitled “Termination for Convenience of the Government.”

(d) When additional funds are allotted for continued performance of the contract line item(s) identified in paragraph (a) of this clause, the parties will agree as to the period of contract performance which will be covered by the funds. The provisions of paragraphs (b) through (d) of this clause will apply in like manner to the additional allotted funds and agreed substitute date, and the contract will be modified accordingly.

(e) If, solely by reason of failure of the Government to allot additional funds, by the dates indicated below, in amounts sufficient for timely performance of the contract line item(s) identified in paragraph (a) of this clause, the Contractor incurs additional costs or is delayed in the performance of the work under this contract and if additional funds are allotted, an equitable adjustment will be made in the price or prices (including appropriate target, billing, and ceiling prices where applicable) of the item(s), or in the time of delivery, or both. Failure to agree to any such equitable adjustment hereunder will be a dispute concerning a question of fact within the meaning of the clause entitled “Disputes.”

(f) The Government may at any time prior to termination allot additional funds for the performance of the contract line item(s) identified in paragraph (a) of this clause.

(g) The termination provisions of this clause do not limit the rights of the Government under the clause entitled “Default.” The provisions of this clause are limited to the work and allotment of funds for the contract line item(s) set forth in paragraph (a) of this clause. This clause no longer applies once the contract is fully funded except with regard to the rights or obligations of the parties concerning equitable adjustments negotiated under paragraphs (d) and (e) of this clause.

(h) Nothing in this clause affects the right of the Government to terminate this contract pursuant to the clause of this contract entitled “Termination for Convenience of the Government.”

(i) Nothing in this clause shall be construed as authorization of voluntary services whose acceptance is otherwise prohibited under 31 U.S.C. 1342.

(j) The parties contemplate that the Government will allot funds to this contract in accordance with the following schedule:

|  |  |
| --- | --- |
| On execution of contract | $ \_\_\_\_\_\_\_\_ |
| (month) (day), (year) | $ \_\_\_\_\_\_\_\_ |
| (month) (day), (year) | $ \_\_\_\_\_\_\_\_ |
| (month) (day), (year) | $ \_\_\_\_\_\_\_\_ |

(End of clause)

**\* \* \* \* \***

**232.1004 Procedures.**

(b) *Establishing performance-based finance payment amounts.*

(i) The contracting officer should include in a solicitation both the progress payments and performance-based payments provisions and clauses prescribed in this part, when considering both types of payment methods. Only one type of financing will be included in the resultant contract, except as may be authorized on separate orders subject to FAR 32.1003(c)).

(ii) The contracting officer shall analyze the performance-based payment

schedule using the performance-based payments (PBP) analysis tool. The PBP analysis

tool is on the DPC website in the Cost, Pricing & Finance section, Performance Based

Payments - Guide Book & Analysis Tool tab, at

<http://www.acq.osd.mil/dpap/cpic/cp/Performance_based_payments.html>.

(A) When considering performance-based payments, obtain from the offeror/contractor a proposed performance-based payments schedule that includes all performance-based payments events, completion criteria and event values along with

the projected monthly expenditure profile in order to negotiate the value of the performance events such that the performance-based payments are not expected to result in an unreasonably low or negative level of contractor investment in the contract.

If performance-based payments are deemed practical, the Government will evaluate

and negotiate the details of the performance-based payments schedule.

(B) For modifications to contracts that already use performance-based payments financing, the basis for negotiation must include performance-based payments. The PBP analysis tool will be used in the same manner to help determine

the price for the modification;

(iii) The contracting officer shall document in the contract file that the

performance-based payment schedule provides a mutually beneficial settlement

position that reflects adequate consideration to the Government for the improved contractor cash flow.

(c) *Instructions for multiple appropriations*. If the contract contains foreign military sales requirements, the contracting officer shall provide instructions for distribution of the contract financing payments to each country’s account.

**\* \* \* \* \***

**252.232-7012 Performance-Based Payments—Whole-Contract Basis.**

As prescribed in [232.1005-70](https://www.acq.osd.mil/dpap/dars/dfars/html/current/232_10.htm#232.1005-70)(a)(1), use the following clause:

PERFORMANCE-BASED PAYMENTS—WHOLE-CONTRACT BASIS (APR 2020)

(a) Performance-based payments shall form the basis for the contract financing payments provided under this contract, and shall apply to the whole contract. The performance-based payments schedule (Contract Attachment \_\_\_\_) describes the basis for payment, to include identification of the individual payment events, evidence of completion, and amount of payment due upon completion of each event.

(b) In accordance with 10 U.S.C. 2307(b)(4)(A), the Contractor’s financial statements shall be in compliance with Generally Accepted Accounting Principles in order to receive performance-based payments.

(c)(1) The Contractor shall, in addition to providing the information required by FAR 52.232-32, submit information for all payment requests using the following format:

|  |  |  |
| --- | --- | --- |
| Current performance-based payment(s) event(s) addressed by this request: | | |
| Contractor shall identify— | Amount | Totals |
| (1a) Negotiated value of all previously completed performance-based payment(s) event(s); |  |  |
| (1b) Negotiated value of the current performance-based payment(s) event(s); |  |  |
| (1c) Cumulative negotiated value of performance-based payment(s) events completed to date (1a) + (1b); and |  |  |
| (2) Total costs incurred to date. |  |  |

(2) Incurred cost is determined by the Contractor’s accounting books and records, to which the Contractor shall provide access upon request of the Contracting Officer. An acceptable accounting system in accordance with DFARS [252.242-7006](https://www.acq.osd.mil/dpap/dars/dfars/html/current/252242.htm#252.242-7006) is not required for reporting of incurred costs under this clause. If the Contractor’s accounting system is not capable of tracking costs on a job order basis, the Contractor shall provide a realistic approximation of the allocation of incurred costs attributable to this contract in accordance with the Contractor’s accounting system. FAR 52.232-32(m) does not require certification of incurred costs.

(d) *Security for financing.*

(1) Title to the property described in paragraph (f) of the clause at FAR 52.232-32, Performance-Based Payments, is the preferred security for receipt of performance-based payments.

(2)(i) If the Contractor’s accounting system is not capable of identifying and tracking through the build cycle the property that is allocable and properly chargeable to this contract, the Contracting Officer may consider acceptance of one or a combination of the following alternative forms of security sufficient to constitute adequate security for the performance-based payments and so specify in the contract, consistent with FAR 32.202-4:

(A) A paramount lien on assets.

(B) An irrevocable letter of credit from a federally insured financial institution.

(C) A bond from a surety, acceptable in accordance with FAR part 28.

(D) A guarantee of repayment from a person or corporation of demonstrated liquid net worth, connected by significant ownership interest to the Contractor.

(E) Title to identified Contractor assets of adequate worth.

(ii) Paragraph (f) of the clause at FAR 52.232-32 does not apply to the extent that the Contractor and the Contracting Officer agree on alternative forms of security. In the event the Contractor fails to provide adequate security, as required in this contract, no financing payment will be made under this contract. Upon receipt of adequate security, financing payments will be made, including all previous payments to which the Contractor is entitled, in accordance with the terms of the provisions for contract financing. If at any time the Contracting Officer determines that the security provided by the Contractor is insufficient, the Contractor shall promptly provide such additional security as the Contracting Officer determines necessary. In the event the Contractor fails to provide such additional security, the Contracting Officer may collect or liquidate such security that has been provided and suspend further payments to the Contractor; and the Contractor shall repay to the Government the amount of unliquidated financing payments as the Contracting Officer at his sole discretion deems repayable.

(End of clause)

**252.232-7013 Performance-Based Payments—Deliverable-Item Basis.**

As prescribed in [232.1005-70](https://www.acq.osd.mil/dpap/dars/dfars/html/current/232_10.htm#232.1005-70)(a)(2), use the following clause:

PERFORMANCE-BASED PAYMENTS-DELIVERABLE-ITEM BASIS (APR 2020)

(a) Performance-based payments shall form the basis for the contract financing payments provided under this contract and shall apply to Contract Line Item Numbers (CLIN(s)) \_*[Contracting Officer insert applicable CLIN(s)]*\_. The performance-based payments schedule (Contract Attachment \_\_\_\_) describes the basis for payment, to include identification of the individual payment events, CLINs to which each event applies, evidence of completion, and amount of payment due upon completion of each event.

(b) In accordance with 10 U.S.C. 2307(b)(4)(A), the Contractor’s financial statements shall be in compliance with Generally Accepted Accounting Principles in order to receive performance-based payments.

(c)(1) The Contractor shall, in addition to providing the information required by FAR 52.232-32, submit information for all payment requests using the following format:

|  |  |  |
| --- | --- | --- |
| Current performance-based payment(s) event(s) addressed by this request: | | |
| Contractor shall identify— | Amount | Totals |
| (1a) Negotiated value of all previously completed performance-based payment(s) event(s); |  |  |
| (1b) Negotiated value of the current performance-based payment(s) event(s); |  |  |
| (1c) Cumulative negotiated value of performance-based payment(s) event(s) completed to date (1a) + (1b); and |  |  |
| (2) Total costs incurred to date. |  |  |

(2) Incurred cost is determined by the Contractor’s accounting books and records, to which the Contractor shall provide access upon request of the Contracting Officer. An acceptable accounting system in accordance with DFARS [252.242-7006](https://www.acq.osd.mil/dpap/dars/dfars/html/current/252242.htm#252.242-7006) is not required for reporting of incurred costs under this clause. If the Contractor’s accounting system is not capable of tracking costs on a job order basis, the Contractor shall provide a realistic approximation of the allocation of incurred costs attributable to this contract in accordance with the Contractor’s accounting system. FAR 52.232-32(m) does not require certification of incurred costs.

(d) *Security for financing.*

(1) Title to the property described in paragraph (f) of the clause at FAR 52.232-32, Performance-Based Payments, is the preferred security for receipt of performance-based payments.

(2)(i) If the Contractor’s accounting system is not capable of identifying and tracking through the build cycle the property that is allocable and properly chargeable to this contract, the Contracting Officer may consider acceptance of one or a combination of the following alternative forms of security sufficient to constitute adequate security for the performance-based payments and so specify in the contract, consistent with FAR 32.202-4:

(A) A paramount lien on assets.

(B) An irrevocable letter of credit from a federally insured financial institution.

(C) A bond from a surety, acceptable in accordance with FAR part 28.

(D) A guarantee of repayment from a person or corporation of demonstrated liquid net worth, connected by significant ownership interest to the Contractor.

(E) Title to identified Contractor assets of adequate worth.

(ii) Paragraph (f) of the clause at FAR 52.232-32 does not apply to the extent that the Contractor and the Contracting Officer agree on alternative forms of security. In the event the Contractor fails to provide adequate security, as required in this contract, no financing payment will be made under this contract. Upon receipt of adequate security, financing payments will be made, including all previous payments to which the Contractor is entitled, in accordance with the terms of the provisions for contract financing. If at any time the Contracting Officer determines that the security provided by the Contractor is insufficient, the Contractor shall promptly provide such additional security as the Contracting Officer determines necessary. In the event the Contractor fails to provide such additional security, the Contracting Officer may collect or liquidate such security that has been provided and suspend further payments to the Contractor; and the Contractor shall repay to the Government the amount of unliquidated financing payments as the Contracting Officer at his sole discretion deems repayable.

(End of clause)