

Common Terms and Conditions Guide
Section 3 – Administrative Clauses

Clause Number: 3011
Effective: 10/15/2002
Page: 1 of 2

Limitation of Buyer's Obligation

- (a) Of the total price of this contract, the sum set forth in the section of the Schedule entitled "Contract Funding" is presently available for payment and allotted to this contract. It is anticipated that from time to time additional funds will be allotted to this contract until the total price is allotted.
- (b) Seller agrees to perform, or have performed, work up to the point at which, in the event of termination of this contract pursuant to the Termination for Convenience clause of this contract, the total amount payable by Buyer (including amounts payable in respect of lower-tier subcontracts and settlement costs), pursuant to paragraph (e) of FAR 52.249-2, would, in the exercise of reasonable judgment by Seller, approximate the total amount at the time allotted to this contract. Seller will not be obligated to continue performance of the work beyond such point. Buyer will not be obligated in any event to pay or reimburse Seller in excess of the amount from time to time allotted to this contract, anything to the contrary in the Termination for Convenience clause hereof notwithstanding.
- (c) It is contemplated that the funds presently allotted to this contract will cover the work to be performed, as limited by the provisions of paragraph (b) above, in the period set forth in the section of the Schedule entitled "Contract Funding." In the event funds allotted are considered by Seller to be inadequate to cover the work to be performed until the date set forth in the aforesaid section of the Schedule, or an agreed date in substitution thereof, Seller will notify Buyer in writing if, within the next 30 days, the work will reach a point where, in the event of termination of this contract pursuant to the Termination for Convenience clause hereof, the total amount payable by Buyer (including amounts with respect to lower-tier subcontracts and settlement costs), pursuant to paragraph (e) of FAR 52.249-2, will approximate 85% of the total amount then allotted to this contract. The notice will state the estimated date when such point will be reached and the estimated amount of additional funds required to continue performance to the above date or an agreed substitution date. Seller will, 30 days prior to the date set forth in the section of the Schedule entitled "Contract Funding" or agreed substitution date, advise Buyer in writing as to the estimated amount of additional funds that will be required for timely performance of this contract for a further period as may be specified in the contract or otherwise agreed to by the parties. If, after such notification, additional funds are not allotted by the date set forth in the section of the Schedule entitled "Contract Funding" or by an agreed date in substitution thereof, Buyer will, upon written request of Seller, terminate this contract pursuant to the provisions of the Termination for Convenience clause of this contract on such date or the date set forth in the request, whichever is later.
- (d) When additional funds are allotted for continued performance of the work under this contract, Buyer and Seller will agree as to the period of subcontract performance which will be covered by such funds, and the provisions of paragraphs (b) and (c) above will apply in like manner to such additional allotted funds and period of performance pertaining thereto. This contract will be amended accordingly.

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Page: 2 of 2

- (e) If Seller incurs additional costs or is delayed in the performance of the work under this contract solely by reason of the failure of Buyer to allot additional funds in amounts sufficient for the timely performance of 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) 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 Disputes clause of this contract.
- (f) Buyer may, at any time prior to notice of termination and, with the consent of Seller, after notice of termination, allot additional funds for this contract.
- (g) The provisions of this clause with respect to termination will in no way be deemed to limit the rights of Buyer under the Cancellation for Default clause of this contract. This clause will become inoperative upon the allotment of funds for the total price of this contract except for rights and obligations then existing under this clause.
- (h) Nothing in this clause will affect the right of Buyer to terminate this contract pursuant to the Termination for Convenience clause of this contract.