

32.304-3 Asset formula.

(a) Under *guaranteed loans* made primarily for working capital purposes, the agency *shall* normally limit the guarantee, by use of an asset formula, to an amount that does not exceed a specified percentage (90 percent or less) of the contractor's investment (*e.g.*, payrolls and inventories) in defense production contracts. The asset formula *may* include all items under defense contracts for which the contractor would be entitled to payment on performance or termination. The formula *shall* exclude-

- (1) Amounts for which the contractor has not done any work or made any expenditure;
- (2) Amounts that would become due as the result of later performance under the contracts; and
- (3) Cash collateral or bank deposit balances.

(b) Progress payments are deducted from the asset formula.

(c) The agency *may* relax the asset formula to an appropriate extent for the time actually necessary for contract performance, if the contractor's working capital and credit are inadequate.

Parent topic: [32.304 Procedures.](#)