The use of progress payments is a means of allowing partial payment, by a predetermined schedule, for item(s) or tasks not totally completed or when the product must be tested for acceptability by the University. Such progress payments are not considered to be payment in advance, since they are tied to measurable milestones or deliverables. Progress payments are most common with large development projects which may extend over a prolonged period of time, such as fabrication of a special piece of equipment or software program. The schedule of progress payments must be outlined in a contract which delineates the terms and conditions for the buyer and the seller. In this contract, progress payments should be tied to tangible progress such as product deliverables. Each product should be defined and, for each stage, the percentage or the amount of billing authorized should be clearly established. A certain percentage of the payments should be held back to guarantee ultimate completion of the contract. The interim payments may not exceed the costs incurred by the vendor. The contract should also require suitable surety such as performance bond, and insurance if applicable, to protect the University's interest in partially completed goods.

If the contract is terminated for unsatisfactory performance or because of business termination, the University's cost would not have exceeded the costs incurred in doing similar development work.
Progress payment provisions relating to product deliverables have to be carefully constructed to ensure that funds due to the vendor are equal to the value received by the University less a reasonable retainage. Thus if project termination occurs at anytime during the process, it does not create a hardship for either party. A reasonable retainage, including all profits on the contract, should be held until completion of the project and included in the final payment.

Title of the product would normally transfer to the University upon project completion. However, it is desirable to stipulate that title of the components transfer to the University at the point of delivery, or at the point of payment. The contract should provide that all of the material belongs solely to the University. In lieu of transferring title, the vendor can put a UCC-1 in place to protect the University's interest in the project. The Buyer will need to closely monitor the payments to make sure we either receive title or close the UCC-1. Buyers may not include progress payments in an order without prior approval of the Supervisor.