

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

1. CONTRACT ID CODE
K

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1 2

2. AMENDMENT/MODIFICATION NO. P00001		3. EFFECTIVE DATE See Blk. 16C	4. REQUISITION/PURCHASE REQ. NO. See Block 14	5. PROJECT NO. (If applicable)
6. ISSUED BY DLA TROOP SUPPORT DIRECTORATE OF SUBSISTENCE 700 ROBBINS AVENUE PHILADELPHIA PA 19111-5096 USA Initiator: Christina M. Bennis PAA1172 Tel: DSN-444-8685 Email: Christina.Bennis@dlia.mil	CODE	SPE300	7. ADMINISTERED BY (If other than Item 6) DLA TROOP SUPPORT DIRECTORATE OF SUBSISTENCE 700 ROBBINS AVENUE PHILADELPHIA PA 19111-5096 USA	CODE SPE300

8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State and ZIP Code) USFI, INC. 110 W WALNUT ST # 221 GARDENA CA 90248-3100 USA	(X)	9A. AMENDMENT OF SOLICITATION NO.
		9B. DATED (SEE ITEM 11)
	X	10A. MODIFICATION OF CONTRACT/ORDER NO. SPE300-17-D-4024
		10B. DATED (SEE ITEM 13) 2017 MAY 04
CODE 1JU48	FACILITY CODE	

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers is extended, is not extended.

Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods:
 (a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS, IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

CHECK ONE	A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103 (b).
X	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF: 52.212-4 Contract Terms and Conditions
	D. OTHER (Specify type of modification and authority)

E. IMPORTANT: Contractor is not, is required to sign this document and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

See Continuation Sheet

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print) <i>Steven Chau V.P.</i>	16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print) <i>Christina M. Bennis</i>
15B. CONTRACTOR/OFFEROR <i>(Signature of person authorized to sign)</i>	16B. UNITED STATES OF AMERICA Christina M. Bennis <i>(Signature of Contracting Officer)</i>
15C. DATE SIGNED <i>9/28/2017</i>	16C. DATE SIGNED 9/28/2017

Please see Attachment 1.

All other terms and conditions remain the same.

1. Section D, Paragraph 4 on page 76 of the award document is replaced as follows:

4. FF&V items that are unavailable in the Korean Local Market or hearty enough to meet shelf-life requirements when delivered to the customer; i.e., red apples, golden/yellow apples, pears, russet potatoes and various specialty FF&V items that are required for holidays, must be purchased by the Prime Vendor from sources within the Continental United States (CONUS) and shipped via the Defense Transportation System (DTS).

For CONUS procured FF&V only, the Prime Vendor is responsible for all freight forwarding services upon DTS' delivery of all FF&V containers to the port. The Prime Vendor is responsible for: FF&V agriculture clearance; FF&V customs clearance; FF&V Army Vet inspections; FF&V stripping, sorting and stuffing; FF&V destruction (when/as needed); FF&V re-work of moldy/damaged produce; and cold storage warehousing. A detailed description of the work required is as follows:

A. General

i. Basic Services: The required service shall encompass drayage of loaded reefer containers from designated port in Republic of Korea to a bonded cold storage facility, drayage of returned empty reefer containers to the ocean carrier at the port in Republic of Korea, performance of agriculture clearance service, cargo stripping, sorting and stuffing, and destruction, if required (due to spoilage or infestation, or following re-work services), plus transportation Prime Vendor's distribution facility.

a. U.S. Government will prepare and execute Republic of Korea customs documents (USFK Form 95EK or the equivalent) for all shipments moving in the Defense Transportation System (DTS).

ii. Re-work services: If required, the Prime Vendor will be required to perform additional sorting, based upon the Army Veterinary Inspector's initial cursory inspection. When requested, this service must be provided within four (4) hours of the request. When the additional sorting is required, the Prime Vendor shall be responsible to perform the following:

a. Open top boxes on each pallet and/or produce commodities designated by the Vets and inspect boxes for moldy/damaged/spoiled produce.

b. Remove the moldy/damaged/spoiled produce and place it to the side for counting or weighing purposes.

c. Adjust the boxes of acceptable product to evenly distribute the decreased weight and mark the box to identify the reason for the decrease.

iii. Description of Services:

- a. **Warehouse Storage:** The Prime Vendor shall move fresh fruits and vegetables (FF&V) in reefer containers from the port in Pusan, Korea to a bonded cold storage warehouse in Pusan, Korea where the cargo will be stripped and placed into refrigerated rooms. The FF&V shall be stored in the bonded facility throughout the agricultural clearance process and during the sorting process; in the sorting process the FF&V must be stored at its proper temperatures. The storage facility must have enough floor space to accomplish the sorting. A hanging thermostat shall be kept in the cold room at all times. The facility that is being used must be a Sanitarily Approved Food Establishment as described on the U.S. Army Medical Department website and must be listed within the directory located on <http://vets.amedd.army.mil/86256F90007C2D1D/Pacific>. The Prime Vendor or subcontractors must be using a licensed Customs Bonded Facility and must provide verifying documentation, when requested by the Government.
 - b. **Delivery to Prime Vendor Distribution Warehouse:** After reefer container contents have been cleared for delivery, the Prime Vendor shall load shipment into reefer trucks or refrigerated delivery containers and deliver to the Prime Vendor distribution warehouse, if required. The commodities shall be maintained at the temperature specified on the distribution manifest during transport. Should the Prime Vendor use an ocean container as the conveyance for delivery to the consignee, the Prime Vendor shall absorb all costs associated with such utilization. This may include, but is not limited to all fees and costs of entry and customers duty paid to each container, expenses for blocking, bracing, and container pre-tripping and inspections.
 - c. **Temperature Requirements:** The temperature of refrigerated delivery trucks/containers shall be set at the proper temperatures depending on the temperature requirements of the commodity(ies) being transported. FF&V loads that consist of commodities requiring the same temperature setting shall be set at that temperature. When mixed loads are to be transported to consignee(s) in a single refrigerated truck (or refrigerated delivery container) the Prime Vendor shall utilize barrier walls or other devices such that separate multiple temperatures so they can be maintained at all times. Prime Vendor shall be fully liable for commodity spoilage/damage caused by improper temperature control. The Prime Vendor shall keep records of the temperature readings recorded by the monitors in the refrigerated trucks or containers and shall make them available for the Contracting Officer's Representative (COR) and other Government personnel upon their request.
- iv. **Container Availability:** Container availability shall commence from the time the ocean carrier makes the ocean container available for pick-up. It is expected that the ocean carrier will notify the Prime Vendor when the ocean container is available for pick-up; however, it is the responsibility of the Prime Vendor to monitor vessel arrival time and container availability. Lack of knowledge of container availability will not exempt the Prime Vendor from assessment of liquidated damages.

v. Weekly Status Report: The Prime Vendor shall provide the Contracting Officer and COR a weekly status report, indicating the date/time of vessel arrival, container availability, receipt at cold storage facility, delivery truck departure from cold storage facility and consignee delivery, to include any problems or irregularities in the shipment schedule and an inventory of any undelivered commodities.

In the event of any emergency situation, the Prime Vendor shall immediately notify the Contracting Officer and/or the COR.

B. Transportation Services

i. Drayage Service. The Prime Vendor shall assume all costs and risks for moving the loaded refrigerated containers from the ocean carrier's facility to the Prime Vendor's warehouse facility, and for the return of the empty containers to the ocean carrier's facility. The Prime Vendor shall record the internal temperature(s) of the container, set and recorded on the container's internal temperature gauges, prior the acceptance from ocean carrier. The Prime Vendor shall be responsible for maintaining temperature gauges at the appropriate settings from the pick-up until cargo is off-loaded. The Prime Vendor shall also be responsible for maintenance and fueling of the reefer container's refrigeration unit and/or generator set required to maintain the proper temperature.

ii. Inland Line Haul Service. The Prime Vendor shall assume all costs and risks for loading, bracing and blocking FF&V for safe transport between the bonded, inspection cold storage facility and the Prime Vendor distribution warehouse's receiving dock. Prime Vendor shall provide accurate temperature monitors to insure that the required temperature settings are maintained. A record of the temperature readings shall be provided upon request.

iii. Delivery. The Prime Vendor shall be responsible for delivery of the cargo from the bonded inspection warehouse to the Prime Vendor's distribution warehouse.

iv. TIR/ EIR Agreements. The Prime Vendor shall be responsible for executing all proper interchange agreements with the affected ocean carriers.

C. Custom of the Trade

i. Wherever the standard of performance by either party under the provisions of a resulting contract is not stated herein, then the "Custom of the Trade" shall be used as the standard of performance outside any Port Area. This phrase shall mean the established practice generally accepted by the trucking, rail and marine shipping industries for transportation service in the geographic area where the service is performed or is to be performed.

D. Data

i. Temperature Monitor Records. The Prime Vendor shall maintain refrigerated delivery temperature monitor readings.

2. On page 158 of the contract, insert Distribution Category 14A CONUS FF&V LB with OCONUS Freight Forwarding Services.

Cat #	Category Description	Unit	Tier 1 Price	Tier 2 Price	Tier 3 Price
14A	CONUS FF&V LB with OCONUS Freight Forwarding Services	LB	■	■	■

DLA reserves the right to negotiate a lower distribution price if the Pusan Storage Facility or the Prime Vendor’s Distribution Facility becomes a SOFA designated inspection site

3. On page 24 of the contract, insert the follow clauses:

52.245-9 -- Use and Charges.

- (a) *Definitions.* Definitions applicable to this contract are provided in the clause at 52.245-1, Government Property. Additional definitions as used in this clause include:

“Rental period” means the calendar period during which Government property is made available for nongovernmental purposes.

“Rental time” means the number of hours, to the nearest whole hour, rented property is actually used for nongovernmental purposes. It includes time to set up the property for such purposes, perform required maintenance, and restore the property to its condition prior to rental (less normal wear and tear).

- (b) *Use of Government property.* The Prime Vendor may use the Government property without charge in the performance of—

- (1) Contracts with the Government that specifically authorize such use without charge;
- (2) Subcontracts of any tier under Government prime contracts if the Contracting Officer having cognizance of the prime contract—
 - (i) Approves a subcontract specifically authorizing such use; or
 - (ii) Otherwise authorizes such use in writing; and
- (3) Other work, if the Contracting Officer specifically authorizes in writing use without charge for such work.

- (c) *Rental.* If granted written permission by the Contracting Officer, or if it is specifically provided for in the Schedule, the Prime Vendor may use the Government property (except material) for a rental fee for work other than that provided in paragraph (b) of this clause. Authorizing such use of the Government property does not waive any rights of the Government to terminate the Prime Vendor’s right to use the Government property. The rental fee shall be determined in accordance with the following paragraphs.

- (d) *General.*

- (1) Rental requests shall be submitted to the Administrative Contracting Officer (ACO), identify the property for which rental is requested, propose a rental period, and compute an estimated rental charge by using the Prime Vendor’s best estimate of rental time in the formulae described in paragraph (e) of this clause.
- (2) The Prime Vendor shall not use Government property for nongovernmental purposes, including Independent Research and Development, until a rental charge for real property, or estimated rental charge for other property, is agreed upon. Rented property shall be

used only on a non-interference basis.

(e) *Rental charge.*—

(1) *Real property and associated fixtures.*

- (i) The Prime Vendor shall obtain, at its expense, a property appraisal from an independent licensed, accredited, or certified appraiser that computes a monthly, daily or hourly rental rate for comparable commercial property. The appraisal may be used to compute rentals under this clause throughout its effective period or, if an effective period is not stated in the appraisal, for one year following the date the appraisal was performed. The Prime Vendor shall submit the appraisal to the ACO at least 30 days prior to the date the property is needed for nongovernmental use. Except as provided in paragraph (e)(1)(iii) of this clause, the ACO shall use the appraisal rental rate to determine a reasonable rental charge.
- (ii) Rental charges shall be determined by multiplying the rental time by the appraisal rental rate expressed as a rate per hour. Monthly or daily appraisal rental rates shall be divided by 720 or 24, respectively, to determine an hourly rental rate.
- (iii) When the ACO believes the appraisal rental rate is unreasonable, the ACO shall promptly notify the Prime Vendor. The parties may agree on an alternative means for computing a reasonable rental charge.
- (iv) The Prime Vendor shall obtain, at its expense, additional property appraisals in the same manner as provided in paragraph (e)(1)(i) if the effective period has expired and the Prime Vendor desires the continued use of property for nongovernmental use. The Prime Vendor may obtain additional appraisals within the effective period of the current appraisal if the market prices decrease substantially.

(2) *Other Government property.* The Prime Vendor may elect to compute the rental charge using the appraisal method described in paragraph (e)(1) of this clause subject to the constraints therein or the following formula in which rental time shall be expressed in increments of not less than one hour with portions of hours rounded to the next higher hour: The hourly rental charge is calculated by multiplying 2 percent of the acquisition cost by the hours of rental time, and dividing by 720.

(3) *Alternative methodology.* The Prime Vendor may request consideration of an alternative basis for computing the rental charge if it considers the monthly rental rate or a time-based rental unreasonable or impractical.

(f) *Rental payments.*

- (1) Rent is due 60 days following completion of the rental period or as otherwise specified in the contract. The Prime Vendor shall compute the rental due, and furnish records or other

supporting data in sufficient detail to permit the ACO to verify the rental time and computation. Payment shall be made by check payable to the Treasurer of the United States and sent to the contract administration office identified in the contract, unless otherwise specified by the Contracting Officer.

(2) Interest will be charged if payment is not made by the date specified in paragraph (f)(1) of this clause. Interest will accrue at the “Renegotiation Board Interest Rate” (published in the *Federal Register* semiannually on or about January 1st and July 1st) for the period in which the rent is due.

(3) The Government’s acceptance of any rental payment under this clause, in whole or in part, shall not be construed as a waiver or relinquishment of any rights it may have against the Prime Vendor stemming from the Prime Vendor’s unauthorized use of Government property or any other failure to perform this contract according to its terms

(g) *Use revocation.* At any time during the rental period the Government may revoke nongovernmental use authorization and require the Prime Vendor, at the Prime Vendor’s expense, to return the property to the Government, restore the property to its pre-rental condition (less normal wear and tear), or both.

(h) *Unauthorized use.* The unauthorized use of Government property can subject a person to fines, imprisonment, or both under 18 U.S.C. 641.

(End of Clause)

252.211-7007 Reporting of Government-Furnished Property.

REPORTING OF GOVERNMENT-FURNISHED PROPERTY (AUG 2012)

(a) *Definitions.* As used in this clause—

“Commercial and Government entity (CAGE) code” means—

- (i) A code assigned by the Defense Logistics Agency Logistics Information Service to identify a commercial or Government entity; or
- (ii) A code assigned by a member of the North Atlantic Treaty Organization that the Defense Logistics Agency Logistics Information Service records and maintains in the CAGE master file. The type of code is known as an “NCAGE code.”

“Prime Vendor-acquired property” has the meaning given in FAR clause 52.245-1. Upon acceptance by the Government, Prime Vendor-acquired property becomes Government-furnished property.

“Government-furnished property” has the meaning given in FAR clause 52.245-1.

“Item unique identification (IUID)” means a system of assigning, reporting, and marking DoD property with unique item identifiers that have machine-readable data elements to distinguish an item from all other like and unlike items.

“IUID Registry” means the DoD data repository that receives input from both industry and Government sources and provides storage of, and access to, data that identifies and describes tangible Government personal property. The IUID Registry is—

- (i) The authoritative source of Government unit acquisition cost for items with unique item identification (see DFARS [252.211-7003](#)) that were acquired after January 1, 2004;
- (ii) The master data source for Government-furnished property; and
- (iii) An authoritative source for establishing the acquisition cost of end- item equipment.

“National stock number (NSN)” means a 13-digit stock number used to identify items of supply. It consists of a four-digit Federal Supply Code and a nine-digit National Item Identification Number.

“Nomenclature” means—

- (i) The combination of a Government-assigned type designation and an approved item name;
- (ii) Names assigned to kinds and groups of products; or
- (iii) Formal designations assigned to products by customer or supplier (such as model number or model type, design differentiation, or specific design series or configuration).

“Part or identifying number (PIN)” means the identifier assigned by the original design activity, or by the controlling nationally recognized standard, that uniquely identifies (relative to that design activity) a specific item.

“Reparable” means an item, typically in unserviceable condition, furnished to the Prime Vendor for maintenance, repair, modification, or overhaul.

“Serially managed item” means an item designated by DoD to be uniquely tracked, controlled, or managed in maintenance, repair, and/or supply systems by means of its serial number.

“Supply condition code” means a classification of materiel in terms of readiness for issue and use or to identify action underway to change the status of materiel (see http://www2.dla.mil/j-6/dlmsso/elibrary/manuals/dlm/dlm_pubs.asp).

“Unique item identifier (UII)” means a set of data elements permanently marked on an item that is globally unique and unambiguous and never changes, in order to provide traceability of the item throughout its total life cycle. The term includes a concatenated UII or a DoD recognized unique identification equivalent.

“Unit acquisition cost” has the meaning given in FAR clause 52.245-1.

(b) *Reporting Government-furnished property to the IUID Registry.* Except as provided in paragraph (c) of this clause, the Prime Vendor shall report, in accordance with paragraph (f), Government-furnished property to the IUID Registry as follows:

- (1) Up to and including December 31, 2013, report serially managed Government-furnished property with a unit-acquisition cost of \$5,000 or greater.
- (2) Beginning January 1, 2014, report—
 - (i) All serially managed Government-furnished property, regardless of unit-acquisition cost; and
 - (ii) Prime Vendor receipt of non-serially managed items. Unless tracked as an individual item, the Prime Vendor shall report non-serially managed items to the Registry in the same unit of packaging, e.g., original manufacturer’s package, box, or container, as it was received.

(c) *Exceptions.* Paragraph (b) of this clause does not apply to—

- (1) Prime Vendor-acquired property;
- (2) Property under any statutory leasing authority;
- (3) Property to which the Government has acquired a lien or title solely because of partial, advance, progress, or performance-based payments;
- (4) Intellectual property or software;
- (5) Real property; or
- (6) Property released for work in process.

(d) *Data for reporting to the IUID Registry.* To permit reporting of Government-furnished property to the IUID Registry, the Prime Vendor's property management system shall enable the following data elements in addition to those required by paragraph (f)(1)(iii) (A)(1) through (3), (5), (7), (8), and (10) of the Government Property clause of this contract (FAR 52.245-1):

- (1) Received/Sent (shipped) date.
- (2) Status code.
- (3) Accountable Government contract number.
- (4) Commercial and Government Entity (CAGE) code on the accountable Government contract.
- (5) Mark record.
 - (i) Bagged or tagged code (for items too small to individually tag or mark).
 - (ii) Contents (the type of information recorded on the item, e.g., item internal control number).
 - (iii) Effective date (date the mark is applied).
 - (iv) Added or removed code/flag.
 - (v) Marker code (designates which code is used in the marker identifier, e.g., D=CAGE, UN=DUNS, LD=DODAAC).
 - (vi) Marker identifier, e.g., Prime Vendor's CAGE code or DUNS number.
 - (vii) Medium code; how the data is recorded, e.g., barcode, contact memory button.
 - (viii) Value, e.g., actual text or data string that is recorded in its human-readable form.
 - (ix) Set (used to group marks when multiple sets exist).
- (6) Appropriate supply condition code, required only for reporting of reparable, per Appendix 2 of DoD 4000.25-2-M, Military Standard Transaction Reporting and Accounting Procedures manual (http://www2.dla.mil/j-6/dlms0/elibrary/manuals/dlm/dlm_pubs.asp).

(e) When Government-furnished property is in the possession of subPrime Vendors, Prime Vendors shall ensure that reporting is accomplished using the data elements required in paragraph (d) of this clause.

(f) *Procedures for reporting of Government-furnished property.* Except as provided in paragraph (c) of this clause, the Prime Vendor shall establish and report to the IUID Registry the information required by FAR clause 52.245-1, paragraphs (e) and (f)(1)(iii), in accordance with the data submission procedures at http://www.acq.osd.mil/dpap/pdi/uid/data_submission_information.html.

(g) *Procedures for updating the IUID Registry.*

(1) Except as provided in paragraph (g)(2), the Prime Vendor shall update the IUID Registry at <https://iuid.logisticsinformationservice.dla.mil/> for changes in status, mark, custody, condition code (for reparable only), or disposition of items that are—

(i) Received by the Prime Vendor;

(ii) Delivered or shipped from the Prime Vendor's plant, under Government instructions, except when shipment is to a subPrime Vendor or other location of the Prime Vendor;

(iii) Consumed or expended, reasonably and properly, or otherwise accounted for, in the performance of the contract as determined by the Government property administrator, including reasonable inventory adjustments;

(iv) Disposed of; or

(v) Transferred to a follow-on or other contract.

(2) The Prime Vendor need not report to the IUID Registry those transactions reported or to be reported to the following DCMA etools:

(i) Plant Clearance Automated Reutilization and Screening System (PCARSS); or

(ii) Lost, Theft, Damaged or Destroyed (LTDD) system.

(3) The Prime Vendor shall update the IUID Registry as transactions occur or as otherwise stated in the Prime Vendor's property management procedure.

(End of clause)

252.245-7001 Tagging, Labeling, and Marking of Government-Furnished Property.

TAGGING, LABELING, AND MARKING OF GOVERNMENT-FURNISHED PROPERTY
(APR 2012)

(a) *Definitions.* As used in this clause—

“Government-furnished property” is defined in the clause at FAR 52.245-1, Government Property.

“Serially-managed item” means an item designated by DoD to be uniquely tracked, controlled, or managed in maintenance, repair, and/or supply systems by means of its serial number.

(b) The Prime Vendor shall tag, label, or mark Government-furnished property items identified in the contract as subject to serialized item management (serially-managed items).

(c) The Prime Vendor is not required to tag, label, or mark Government-furnished property previously tagged, labeled, or marked.

(End of clause)

252.245-7002 Reporting Loss of Government Property.

REPORTING LOSS OF GOVERNMENT PROPERTY (APR 2012)

(a) *Definitions.* As used in this clause—

“Government property” is defined in the clause at FAR 52.245-1, Government Property.

“Loss of Government property” means unintended, unforeseen, or accidental loss, damage, or destruction of Government property that reduces the Government’s expected economic benefits of the property. Loss of Government property does not include purposeful destructive testing, obsolescence, normal wear and tear, or manufacturing defects. Loss of Government property includes, but is not limited to—

- (1) Items that cannot be found after a reasonable search;
- (2) Theft;

- (3) Damage resulting in unexpected harm to property requiring repair to restore the item to usable condition; or
- (4) Destruction resulting from incidents that render the item useless for its intended purpose or beyond economical repair.

“Unit acquisition cost” means—

- (1) For Government-furnished property, the dollar value assigned by the Government and identified in the contract; and
- (2) For Prime Vendor-acquired property, the cost derived from the Prime Vendor’s records that reflect consistently applied, generally acceptable accounting principles.

(b) Reporting loss of Government property.

- (1) The Prime Vendor shall use the Defense Contract Management Agency (DCMA) eTools software application for reporting loss of Government property. Reporting value shall be at unit acquisition cost. The eTools “LTDD of Government Property” toolset can be accessed from the DCMA home page External Web Access Management application at <http://www.dcmam.com/aboutetools.cfm>.
- (2) Unless otherwise provided for in this contract, the requirements of paragraph (b)(1) of this clause do not apply to normal and reasonable inventory adjustments, i.e., losses of low-risk consumable material such as common hardware, as agreed to by the Prime Vendor and the Government Property Administrator. Such losses are typically a product of normal process variation. The Prime Vendor shall ensure that its property management system provides adequate management control measures, e.g., statistical process controls, as a means of managing such variation.
- (3) The Prime Vendor shall report losses of Government property outside normal process variation, e.g., losses due to—
 - (i) Theft;
 - (ii) Inadequate storage;
 - (iii) Lack of physical security; or
 - (iv) “Acts of God.”
- (4) This reporting requirement does not change any liability provisions or other reporting requirements that may exist under this contract.

(End of clause)

252.245-7003 Prime Vendor Property Management System Administration.

PRIME VENDOR PROPERTY MANAGEMENT SYSTEM ADMINISTRATION (APR 2012)

(a) *Definitions.* As used in this clause—

“Acceptable property management system” means a property system that complies with the system criteria in paragraph (c) of this clause.

“Property management system” means the Prime Vendor’s system or systems for managing and controlling Government property.

“Significant deficiency” means a shortcoming in the system that materially affects the ability of officials of the Department of Defense to rely upon information produced by the system that is needed for management purposes.

(b) *General.* The Prime Vendor shall establish and maintain an acceptable property management system. Failure to maintain an acceptable property management system, as defined in this clause, may result in disapproval of the system by the Contracting Officer and/or withholding of payments.

(c) *System criteria.* The Prime Vendor’s property management system shall be in accordance with paragraph (f) of the contract clause at Federal Acquisition Regulation 52.245-1.

(d) *Significant deficiencies.* (1) The Contracting Officer will provide an initial determination to the Prime Vendor, in writing, of any significant deficiencies. The initial determination will describe the deficiency in sufficient detail to allow the Prime Vendor to understand the deficiency.

(2) The Prime Vendor shall respond within 30 days to a written initial determination from the Contracting Officer that identifies significant deficiencies in the Prime Vendor's property management system. If the Prime Vendor disagrees with the initial determination, the Prime Vendor shall state, in writing, its rationale for disagreeing.

(3) The Contracting Officer will evaluate the Prime Vendor's response and notify the Prime Vendor, in writing, of the Contracting Officer’s final determination concerning—

(i) Remaining significant deficiencies;

(ii) The adequacy of any proposed or completed corrective action; and

(iii) System disapproval, if the Contracting Officer determines that one or more significant deficiencies remain.

(e) If the Prime Vendor receives the Contracting Officer’s final determination of significant deficiencies, the Prime Vendor shall, within 45 days of receipt of the final determination, either correct the significant deficiencies or submit an acceptable corrective action plan showing milestones and actions to eliminate the significant deficiencies.

(f) *Withholding payments.* If the Contracting Officer makes a final determination to disapprove the Prime Vendor’s property management system, and the contract includes the clause at [252.242-7005](#), Prime Vendor Business Systems, the Contracting Officer will withhold payments in accordance with that clause.

(End of clause)

252.245-7004 Reporting, Reutilization, and Disposal.

REPORTING, REUTILIZATION, AND DISPOSAL (SEP 2016)

(a) *Definitions.* As used in this clause—

(1) “Demilitarization” means the act of eliminating the functional capabilities and inherent military design features from DoD personal property. Methods and degree range from removal and destruction of critical features to total destruction by cutting, tearing, crushing, mangling, shredding, melting, burning, etc.

(2) “Export-controlled items” means items subject to the Export Administration Regulations (EAR) (15 CFR parts 730-774) or the International Traffic in Arms Regulations [(ITAR)] (22 CFR parts 120- 130). The term includes—

(i) “Defense items,” defined in the Arms Export Control Act, 22 U.S.C. 2778(j)(4)(A), as defense articles, defense services, and related technical data, etc.; and

(ii) “Items,” defined in the EAR as “commodities,” “software,” and “technology,” terms that are also defined in the EAR, 15 CFR 772.1.

(3) “Ineligible transferees” means individuals, entities, or countries—

(i) Excluded from Federal programs by the General Services Administration as identified in the System for

Award Management Exclusions located at <https://www.acquisition.gov>;

- (ii) Delinquent on obligations to the U.S. Government under surplus sales contracts;
- (iii) Designated by the Department of Defense as ineligible, debarred, or suspended from defense contracts; or
- (iv) Subject to denial, debarment, or other sanctions under export control laws and related laws and regulations, and orders administered by the Department of State, the Department of Commerce, the Department of Homeland Security, or the Department of the Treasury.

(4) “Scrap” means property that has no value except for its basic material content. For purposes of demilitarization, scrap is defined as recyclable waste and discarded materials derived from items that have been rendered useless beyond repair, rehabilitation, or restoration such that the item’s original identity, utility, form, fit, and function have been destroyed. Items can be classified as scrap if processed by cutting, tearing, crushing, mangling, shredding, or melting. Intact or recognizable components and parts are not “scrap.”

(5) “Serviceable or usable property” means property with potential for reutilization or sale “as is” or with minor repairs or alterations.

(b) *Inventory disposal schedules.* Unless disposition instructions are otherwise included in this contract, the Prime Vendor shall complete SF 1428, Inventory Schedule B, within the Plant Clearance Automated Reutilization Screening System (PCARSS). Information on PCARSS can be obtained from the plant clearance officer and at <http://www.dcms.mil/DCMAIT/cbt/PCARSS/index.cfm>.

(1) The SF 1428 shall contain the following:

- (i) If known, the applicable Federal Supply Code (FSC) for all items, except items in scrap condition.
- (ii) If known, the manufacturer name for all aircraft components under Federal Supply Group (FSG) 16 or 17 and FSCs 2620, 2810, 2915, 2925, 2935, 2945, 2995, 4920, 5821, 5826, 5841, 6340, and 6615.
- (iii) The manufacturer name, make, model number, model year, and serial number for all aircraft under FSCs 1510 and 1520.

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- (iv) *Appropriate Federal Condition Codes.* See Appendix 2 of DLM 4000.25-2, Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP) manual, edition in effect as of the date of this contract.

Information on Federal Condition Codes can be obtained at http://www2.dla.mil/j-6/dlmsso/elibrary/manuals/dlm/dlm_pubs.asp#.

- (2) If the schedules are acceptable, the plant clearance officer shall complete and send the Prime Vendor a DD Form 1637, Notice of Acceptance of Inventory.
- (c) *Proceeds from sales of surplus property.* Unless otherwise provided in the contract, the proceeds of any sale, purchase, or retention shall be—
- (1) Forwarded to the Contracting Officer;
 - (2) Credited to the Government as part of the settlement agreement;
 - (3) Credited to the price or cost of the contract; or
 - (4) Applied as otherwise directed by the Contracting Officer.
- (d) *Demilitarization, mutilation, and destruction.* If demilitarization, mutilation, or destruction of Prime Vendor inventory is required, the Prime Vendor shall demilitarize, mutilate, or destroy Prime Vendor inventory, in accordance with the terms and conditions of the contract and consistent with Defense Demilitarization Manual, DoDM 4160.28-M, edition in effect as of the date of this contract. The plant clearance officer may authorize the purchaser to demilitarize, mutilate, or destroy as a condition of sale provided the property is not inherently dangerous to public health and safety.
- (e) *Classified Prime Vendor inventory.* The Prime Vendor shall dispose of classified Prime Vendor inventory in accordance with applicable security guides and regulations or as directed by the Contracting Officer.
- (f) *Inherently dangerous Prime Vendor inventory.* Prime Vendor inventory dangerous to public health or safety shall not be disposed of unless rendered innocuous or until adequate safeguards are provided.
- (g) *Prime Vendor inventory located in foreign countries.* Consistent with contract terms and conditions, property disposition shall be in accordance with foreign and U.S. laws and regulations, including laws and regulations involving export controls, host nation requirements, Final Governing Standards, and Government- to-Government agreements. The Prime Vendor's responsibility to comply with all applicable laws and regulations regarding export-controlled items exists

independent of, and is not established or limited by, the information provided by this clause.

(h) Disposal of scrap.

(1) Prime Vendor with scrap procedures.

- (i) The Prime Vendor shall include within its property management procedure, a process for the accountability and management of Government-owned scrap. The process shall, at a minimum, provide for the effective and efficient disposition of scrap, including sales to scrap dealers, so as to minimize costs, maximize sales proceeds, and, contain the necessary internal controls for mitigating the improper release of non-scrap property.
- (ii) The Prime Vendor may commingle Government and Prime Vendor-owned scrap and provide routine disposal of scrap, with plant clearance officer concurrence, when determined to be effective and efficient.

(2) Scrap warranty. The plant clearance officer may require the Prime Vendor to secure from scrap buyers a DD Form 1639, Scrap Warranty.

(i) Sale of surplus Prime Vendor inventory.

- (1) The Prime Vendor shall conduct sales of Prime Vendor inventory (both useable property and scrap) in accordance with the requirements of this contract and plant clearance officer direction.
- (2) Any sales contracts or other documents transferring title shall include the following statement:

“The Purchaser certifies that the property covered by this contract will be used in (name of country). In the event of resale or export by the Purchaser of any of the property, the Purchaser agrees to obtain the appropriate U.S. and foreign export or re-export license approval.

(j) Restrictions on purchase or retention of Prime Vendor inventory.

- (1) The Prime Vendor may not knowingly sell the inventory to any person or that person's agent, employee, or household member if that person—
 - (i) Is a civilian employee of the DoD or the U.S. Coast Guard;

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- (ii) Is a member of the armed forces of the United States, including the U.S. Coast Guard; or
 - (iii) Has any functional or supervisory responsibilities for or within the DoD's property disposal/disposition or plant clearance programs or for the disposal of Prime Vendor inventory.
- (2) The Prime Vendor may conduct Internet-based sales, to include use of a third party.
 - (3) If the Prime Vendor wishes to bid on the sale, the Prime Vendor or its employees shall submit bids to the plant clearance officer prior to soliciting bids from other prospective bidders.
 - (4) The Prime Vendor shall solicit a sufficient number of bidders to obtain adequate competition. Informal bid procedures shall be used, unless the plant clearance officer directs otherwise. The Prime Vendor shall include in its invitation for bids, the sales terms and conditions provided by the plant clearance officer.
 - (5) The Prime Vendor shall solicit bids at least 15 calendar days before bid opening to allow adequate opportunity to inspect the property and prepare bids.
 - (6) For large sales, the Prime Vendor may use summary lists of items offered as bid sheets with detailed descriptions attached.
 - (7) In addition to mailing or delivering notice of the proposed sale to prospective bidders, the Prime Vendor may (when the results are expected to justify the additional expense) display a notice of the proposed sale in appropriate public places, e.g., publish a sales notice on the Internet in appropriate trade journals or magazines and local newspapers.
 - (8) The plant clearance officer or representative will witness the bid opening. The Prime Vendor shall submit, either electronically or manually, two copies of the bid abstract.
 - (9) The following terms and conditions shall be included in sales contracts involving the demilitarization, mutilation, or destruction of property:
 - (i) *Demilitarization, mutilation, or destruction on Prime Vendor or subPrime Vendor premises.* Item(s) ___ require demilitarization, mutilation, or destruction by the Purchaser. Insert item number(s) and specific

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demilitarization, mutilation, or destruction
requirements for

item(s) shown in Defense Demilitarization Manual, DoDM 4160.28-M, edition in effect as of the date of this contract. Demilitarization shall be witnessed and verified by a Government representative using DRMS Form 145 or equivalent.

(ii) *Demilitarization, mutilation, or destruction off Prime Vendor or subPrime Vendor premises.*

(A) Item(s)___require demilitarization, mutilation, or destruction by the Purchaser. Insert item number(s) and specific demilitarization, mutilation, or destruction requirements for item(s) shown in Defense Demilitarization Manual, DoDM 4160.28-M, edition in effect as of the date of this contract. Demilitarization shall be witnessed and verified by a Government representative using DRMS Form 145 or equivalent.

(B) Property requiring demilitarization shall not be removed, and title shall not pass to the Purchaser, until demilitarization has been accomplished and verified by a Government representative. Demilitarization will be accomplished as specified in the sales contract. Demilitarization shall be witnessed and verified by a Government representative using DRMS Form 145 or equivalent.

(C) The Purchaser agrees to assume all costs incident to the demilitarization and to restore the working area to its present condition after removing the demilitarized property.

(iii) *Failure to demilitarize.* If the Purchaser fails to demilitarize, mutilate, or destroy the property as specified in the contract, the Prime Vendor may, upon giving 10 days written notice from date of mailing to the Purchaser–

(A) Repossess, demilitarize, and return the property to the Purchaser, in which case the Purchaser hereby agrees to pay to the Prime Vendor, prior to the return of the property, all costs incurred by the Prime Vendor in repossessing, demilitarizing, and returning the property;

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- (B) Repossess, demilitarize, and resell the property, and charge the defaulting Purchaser with all costs incurred by the Prime Vendor. The Prime Vendor shall deduct these costs from the purchase price and refund the balance of the purchase price, if any, to the Purchaser. In the event the costs exceed the purchase price, the defaulting Purchaser hereby agrees to pay these costs to the Prime Vendor; or

- (C) Repossess and resell the property under similar terms and conditions. In the event this option is exercised, the Prime Vendor shall charge the defaulting Purchaser with all costs incurred by the Prime Vendor. The Prime Vendor shall deduct these costs from the original purchase price and refund the balance of the purchase price, if any, to the defaulting Purchaser. Should the excess costs to the Prime Vendor exceed the purchase price, the defaulting Purchaser hereby agrees to pay these costs to the Prime Vendor.

(End of clause)