

DEPARTMENT OF DEFENSE**GENERAL SERVICES
ADMINISTRATION****NATIONAL AERONAUTICS AND
SPACE ADMINISTRATION**

48 CFR Parts 1, 2, 4, 7, 8, 15, 16, 17, 22, 27, 28, 31, 32, 35, 37, 42, 43, 44, 45, 49, 51, 52, and 53

[FAR Case 1995-013]

RIN 9000-AH60

**Federal Acquisition Regulation;
Government Property**

AGENCIES: Department of Defense (DoD), General Services Administration (GSA), and National Aeronautics and Space Administration (NASA).

ACTION: Proposed rule.

SUMMARY: The Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (Councils) are proposing to amend the Federal Acquisition Regulation (FAR) to simplify procedures, reduce recordkeeping, and eliminate requirements related to the management and disposition of Government property in the possession of contractors. In addition, this proposed rule provides contractors the option of managing Government property under a standard process based system or managing Government property using the same business practices the contractors use to manage their own property. Contractors may use either system at a particular site (primary location at which a contract will be performed) but must use only one system at that site. Contractors that elect to use their property management practices to manage the Government's property in lieu of the standard processes must accept increased liability for property losses.

Based on the significant changes made to this rule from an earlier proposed rule, the Councils have agreed to republish the rule as a proposed rule and provide an opportunity for the public to comment on the changes.

DATES: Interested parties should submit comments in writing on or before March 10, 2000 to be considered in the formulation of a final rule.

ADDRESSES: Interested parties should submit written comments to: General Services Administration, FAR Secretariat (MVRS), 1800 F Street, NW, Room 4035, ATTN: Laurie Duarte, Washington, DC 20405. Address e-mail comments submitted via the Internet to: farcase.1995-013@gsa.gov.

Please submit comments only and cite FAR case 1995-013 in all correspondence related to this case.

FOR FURTHER INFORMATION CONTACT: The FAR Secretariat, Room 4035, GS Building, Washington, DC, 20405, at (202) 501-4755 for information pertaining to status or publication schedules. For clarification of content, Ms. Angelena Moy at (703) 695-1097/1098 (e-mail: moyac@acq.osd.mil), or Ms. Linda Klein, at (202) 501-3775. Please cite FAR case 1995-013.

SUPPLEMENTARY INFORMATION:**A. Background**

On June 2, 1997, the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (Councils) published a proposed rule to simplify the management and disposition of Government property in the possession of contractors (see 62 FR 30186). As a result of public comments received on that rule and comments received during and in response to public meetings conducted on February 18, 1998, and May 18, 1999, the Councils have revised and restructured the rule.

An interagency team (Department of Defense, Environmental Protection Agency, General Services Administration, and the National Aeronautics and Space Administration) analyzed each comment received in response to the June 2, 1997, proposed rule and the public meetings conducted on February 18, 1998, and May 18, 1999. Because this proposed rule significantly changes the June 1997 proposed rule, a summary of the comments received and recommended disposition is not included with this rule.

Based upon comments received in response to this proposed rule, and other information that might become available during the public comment period, the final rule might contain only the standard Government property and Government property administration clauses and related material discussed in this proposed rule, only the alternate Government property and Government property administration clauses and related material discussed in this rule, or both the standard and alternate Government property and Government property administration clauses and related material. The Councils are particularly interested in public comment on whether the final rule should contain only the standard Government property and Government property administrative clauses and related material discussed in this proposed rule, only the alternate

Government property and Government property administration clauses and related material discussed in this proposed rule, or both the standard and alternate Government property and Government property administration clauses and related material.

This rule was not subject to Office of Management and Budget review under Section 6(b) of Executive Order 12866, Regulatory Planning and Review, dated September 30, 1993. This rule is not a major rule under 5 U.S.C. 804 because it continues the re-engineering of the Government property management processes and procedures and is not expected to affect significantly the profitability of contractors who have Government property in their possession.

B. Regulatory Flexibility Act

The Initial Regulatory Flexibility Analysis (IRFA) submitted to the Chief Counsel for Advocacy of the Small Business Administration is applicable to this revised proposed rule. A summary of the analysis was published in the **Federal Register** on June 2, 1997.

C. Paperwork Reduction Act

The Paperwork Reduction Act (Pub. L. 104-13) applies because the proposed rule contains information collection requirements. The Office of Management and Budget (OMB) approved the information collection requirements contained in the proposed rule dated June 2, 1997, under OMB Clearance Number 9000-0151. In response to public comments on the proposed rule, this revised proposed rule eliminates one additional notification requirement, replaces three of the reports identified in the proposed rule with notices, and simplifies the information collection requirements for the annual report of Government property in the possession of contractors. These changes slightly reduce the proposed rule's estimated information collection hours. The Councils will recalculate the paperwork burden using the latest labor and overhead rates when this proposed rule is finalized. It is estimated that this rule, when final, will reduce the public paperwork associated with Government property management by approximately 3,147,000 hours per year.

List of Subjects in 48 CFR Parts 1, 2, 4, 7, 8, 15, 16, 17, 22, 27, 28, 31, 32, 35, 37, 42, 43, 44, 45, 49, 51, 52, and 53

Government procurement.

Edward C. Loeb,

Director, Federal Acquisition Policy Division.

Therefore, DoD, GSA, and NASA propose that 48 CFR parts 1, 2, 4, 7, 8,

15, 16, 17, 22, 27, 28, 31, 32, 35, 37, 42, 43, 44, 45, 49, 51, 52, and 53 be amended as set forth below:

1. The authority citation for 48 CFR parts 1, 2, 4, 7, 8, 15, 16, 17, 22, 27, 28, 31, 32, 35, 37, 42, 43, 44, 45, 49, 51, 52, and 53 continues to read as follows:

Authority: 40 U.S.C. 486(c); 10 U.S.C. chapter 137; and 42 U.S.C. 2473(c).

PART 1—FEDERAL ACQUISITION REGULATIONS SYSTEM

2. Amend section 1.106 in the table following the introductory paragraph by—

a. Revising the OMB Control Number at entries for FAR segments 45, SF 1428, and SF 1429 to read "9000-0151";

b. Removing the FAR segment entries and their corresponding OMB Control Numbers at 52.216-13, 52.232-21, 52.245-2, 52.245-3, 52.245-5, 52.245-7, 52.245-8, 52.245-9, 52.245-10, 52.245-11, 52.245-16, 52.245-17, 52.245-18, SF 1423, SF 1424, SF 1426, SF 1427, SF 1430, SF 1432, and SF 1434; and

c. Adding entries to read as follows:

1.106 OMB approval under the Paperwork Reduction Act.

Table with 2 columns: FAR segment, OMB control No. Rows include 52.245-1 through 52.245-8 and SF 1450.

PART 2—DEFINITIONS OF WORDS AND TERMS

3. Amend section 2.101 by revising the definition "Supplies"; and by adding, in alphabetical order, the definitions "Property", "Real property", and "Personal property" to read as follows:

2.101 Definitions.

* * * * *

Personal property means property of any kind or interest in it except real property, battleships, cruisers, aircraft carriers, destroyers, submarines, and records of the Federal Government.

* * * * *

Property means real and personal property.

Real property means land and rights in land, ground improvements, utility distribution systems, and buildings and other structures. It does not include foundations and other work necessary for installing special tooling, special test equipment, or equipment.

Supplies means all property except land or interest in land. It includes (but is not limited to) public works and buildings; ships, floating equipment, and vessels of every character, type, and description, together with parts and accessories; aircraft and aircraft parts, accessories, and equipment; machine tools; and the alteration or installation of any of the foregoing.

* * * * *

PART 4—ADMINISTRATIVE MATTERS

4. Amend section 4.703 by revising the first sentence of paragraph (b)(3) to read as follows:

4.703 Policy.

* * * * *

(b) * * *

(3) The contractor does not meet the original due date for submission of final indirect cost rate proposals specified in paragraph (e)(2) of the clause at 52.216-7, Allowable Cost and Payment. * * *

* * * * *

5. Amend section 4.804-4 by revising paragraph (b) to read as follows:

4.804-4 Physically completed contracts.

* * * * *

(b) Rental, use, and storage agreements are considered physically complete when the performance period stipulated in the agreement expires.

PART 7—ACQUISITION PLANNING

6. Amend section 7.105 by revising paragraph (b)(14) to read as follows:

7.105 Contents of written acquisition plans.

* * * * *

(b) * * *

(14) Government-furnished property. Identify any property to be furnished to contractors and discuss any associated considerations, such as the property's availability and compliance with the requirements at 45.201.

* * * * *

7.501 [Amended]

7. Amend section 7.501 in the second sentence of paragraph (b) by removing "facilities operations and maintenance," and adding "property management," in its place.

PART 8—REQUIRED SOURCES OF SUPPLIES AND SERVICES

8. Revise section 8.101 to read as follows:

8.101 Definition.

Excess personal property means any personal property (see 2.101) under the control of a Federal agency that the agency head or a designee determines is not required for its needs or for the discharge of its responsibilities.

PART 15—CONTRACTING BY NEGOTIATION

9. Amend section 15.305 by redesignating paragraphs "(a)(3)" and "(a)(4)" as "(a)(4)" and "(a)(5)", respectively, and by adding a new paragraph (a)(3) to read as follows:

15.305 Proposal evaluation.

* * * * *

(a) * * *

(3) Government property adjustment. Offerors who will use Government property to perform a contract usually have a price advantage relative to competitors who will use their own property or will acquire or fabricate property to perform that contract. When evaluating offers, that advantage must be eliminated to the extent practicable.

(i) Contracting officers must adjust offers by applying a rental adjustment determined, to the extent practicable, using the rental guidelines in the clause at 52.245-6, Rental Charges for Commercial Use.

(ii) It is not necessary to calculate a Government property adjustment when—

(A) The solicitation requires the offerors to use specific Government-furnished property items during contract performance; or

(B) It is apparent that the difference between the offer or offers most advantageous to the Government and competing offers is so great that a rental adjustment will not affect source selection.

* * * * *

PART 16—TYPES OF CONTRACTS

16.307 [Amended]

10. Amend section 16.307— a. In the first sentence of paragraph (a)(1) by removing the parenthetical "(other than a facilities contract)";

b. In paragraph (b) by removing from the parenthetical the words "a facilities contract or";

c. In paragraph (d) by removing "(other than a facilities contract)";

d. In paragraph (e)(1) by removing "or a facilities contract";

e. In paragraph (f)(1) by removing “(other than a facilities contract)”;

f. By removing paragraphs (g) and (h); and

g. By redesignating paragraph “(i)” as paragraph “(g)”, and amending it by removing the last sentence.

PART 17—SPECIAL CONTRACTING METHODS

11. Amend section 17.603 by revising paragraph (a)(5) to read as follows:

17.603 Limitations.

(a) * * *

(5) Functions that can more properly be accomplished in accordance with subpart 45.2, Furnishing Government Property.

* * * * *

PART 22—APPLICATION OF LABOR LAWS TO GOVERNMENT ACQUISITIONS

22.400 [Amended]

12. Amend section 22.400 by removing the parenthetical “(See definition of *Construction* in section 22.401.)”.

22.405 [Amended]

13. Amend section 22.405, in the first sentence, by removing “Facilities Contracts” and adding “Government-Furnished Real Property” in its place.

14. Amend section 22.407 by revising paragraph (d) to read as follows:

22.407 Contract clauses.

* * * * *

(d) The contracting officer shall insert the clause at 52.222–17, Labor Standards for Construction Work—Government-Furnished Real Property, when the Government will furnish real property for performance of a contract and the Government is not certain at the time of contract award that it may require covered construction work (see 22.402(b)) to be performed in the United States.

PART 27—PATENTS, DATA, AND COPYRIGHTS

27.409 [Amended]

15. Amend section 27.409 in the first sentence of paragraph (e) by removing the word “facilities” and adding “property” in its place.

PART 28—BONDS AND INSURANCE

16. Revise section 28.303 to read as follows:

28.303 Insurance against loss of or damage to Government property.

When the Government requires or approves insurance to cover loss, theft,

or destruction of or damage to Government property, it may be provided by specific insurance policies or by inclusion of the risks in the contractor’s existing policies. The policies shall disclose the Government’s interest in the property.

PART 31—CONTRACT COST PRINCIPLES AND PROCEDURES

31.106 [Removed and Reserved]

17. Remove and reserve sections 31.106 through 31.106–3.

31.205–40 [Amended]

18. Amend section 31.205–40 in paragraph (a) by removing the citation “45.101” and inserting “45.001” in its place.

PART 32—CONTRACT FINANCING

32.403 [Amended]

19. Amend section 32.403 by removing and reserving paragraph (c).

32.407 [Amended]

20. Amend section 32.407 by removing and reserving paragraph (c).

32.503–15 [Removed and Reserved]

21. Remove and reserve section 32.503–15.

32.704 [Amended]

22. Amend section 32.704 in the introductory text of paragraph (a)(1) by removing “52.232–21, Limitation of Cost (Facilities);”.

23. Amend section 32.705–2 by revising paragraph (a); by removing paragraph (b); and by redesignating paragraph (c) as paragraph (b). The revised text reads as follows:

32.705–2 Clauses for limitation of cost or funds.

(a) The contracting officer shall insert the clause at 52.232–20, Limitation of Cost, in solicitations and contracts if a fully funded cost-reimbursement contract is contemplated whether or not the contract provides for payment of a fee.

* * * * *

PART 35—RESEARCH AND DEVELOPMENT CONTRACTING

24. Revise the section heading and text of 35.014 to read as follows:

35.014 Title to tangible personal property.

The provisions of 31 U.S.C. 6306 for vesting title to equipment and other tangible property in nonprofit organizations whose primary purpose is the conduct of scientific research or nonprofit institutions of higher education are implemented through

Alternate II to the clause at 52.245–2, Government Property, and Alternate II to the clause at 52.245–7, Government Property—Alternate Procedures. It is generally in the Government’s interests to vest title with such contractors unless an agency head has provided otherwise or the property can be used for follow-on contracts to be performed on real property owned or leased by the Government.

PART 37—SERVICE CONTRACTING

25. Amend section 37.101 by revising paragraph (e) of the definition “Service contract” to read as follows:

37.101 Definitions.

* * * * *

Service Contract * * *

* * * * *

(e) Operation of Government-owned equipment, real property, and systems.

* * * * *

PART 42—CONTRACT ADMINISTRATION AND AUDIT SERVICES

26. Amend section 42.302 by revising paragraphs (a)(26), (a)(27), and (a)(28), and by removing and reserving (a)(30) to read as follows:

42.302 Contract administration functions.

(a) * * *

(26) Perform property administration (see part 45), including review and approval of contractor property management systems, assessment of contractor processes for the acquisition or fabrication of property under cost-reimbursement contracts, and the management and disposal of Government property.

(27) Determine reasonable rentals for noninterference use of Government property for commercial purposes (see 52.245–2, 52.245–6, and 52.245–7).

(28) Perform necessary screening, redistribution, and disposal of Government property.

* * * * *

(30) [Reserved]

* * * * *

42.705–1 [Amended]

27. Amend section 42.705–1 in the first sentence of paragraph (b)(1) by removing “or 52.216–13”.

42.708 [Amended]

28. Amend section 42.708 in paragraph (b) by removing “or 52.216–13”.

42.709-6 [Amended]

29. Amend section 42.709-6 by removing "52.216-13,".

PART 43—CONTRACT MODIFICATIONS**43.205 [Amended]**

30. Amend section 43.205 by removing paragraph (b)(5); by redesignating paragraph "(b)(6)" as "(b)(5)", and amending it by removing "Alternate V" and adding "Alternate IV" in its place.

PART 44—SUBCONTRACTING POLICIES AND PROCEDURES**44.101 [Amended]**

31. Amend section 44.101 by removing the definition "Facilities".

32. Amend section 44.202-2 by revising paragraph (a)(2); by removing paragraph (a)(10); and by redesignating paragraphs (a)(11) through (a)(13) as (a)(10) through (a)(12), respectively. The revised text reads as follows:

44.202-2 Considerations.

(a) * * *

(2) Is the subcontract for property identified in the solicitation as property the Government will furnish for contract performance?

* * * * *

33. Revise part 45 to read as follows:

PART 45—GOVERNMENT PROPERTY IN THE POSSESSION OF CONTRACTORS

Sec.

45.000 Scope of part.

45.001 Definitions.

Subpart 45.1—General

45.101 Property management procedures.

45.102 Policy.

Subpart 45.2—Furnishing Government Property

45.201 Furnishing property for performance of a Government contract.

45.201-1 Criteria for furnishing Government property.

45.201-2 Restrictions on furnishing Government property.

45.201-3 Documentation and approval requirements.

45.202 Competitive advantage.

45.203 Solicitation and contract requirements.

45.204 Postaward requests for Government property.

45.205 Repair or replacement of Government-furnished property.

45.205-1 Maintenance.

45.205-2 Property losses.

45.206 Government-furnished property to be returned to a Government activity.

45.207 Solicitation provision and contract clauses.

45.207-1 Solicitation provision.

45.207-2 Contract clauses.

Subpart 45.3—Contractor-Acquired or Produced Property

45.301 General.

45.302 Fixed-price and labor-hour contracts.

45.303 Cost-reimbursement and time-and-materials contracts.

45.304 Contract clause.

Subpart 45.4—Liability for Property Losses

45.400 General.

45.401 Liability for property losses—contracts that include the clause at 52.245-2, Government Property.

45.401-1 Government liability.

45.401-2 Contractor liability.

45.402 Liability for property losses—contracts that include the clause at 52.245-7, Government Property—Alternate Procedures.

45.402-1 Government liability.

45.402-2 Contractor liability.

45.403 Post delivery considerations.

45.404 Contract clause.

Subpart 45.5—Government Property Management

45.501 Preaward considerations.

45.502 Standard and alternate property management systems.

45.502-1 Property management under the clause at 52.245-5, Government Property Administration.

45.502-2 Property management under the clause at 52.245-8, Government Property Administration—Alternate Procedures.

45.503 Government property records and reports.

45.504 Property accountability.

45.504-1 Accountability.

45.504-2 Transferring accountability to other contracts.

45.505 Reutilization, transfer, and donation of Government property.

45.505-1 Contractor actions.

45.505-2 Inventory disposal schedules.

45.505-3 Reutilization priorities.

45.505-4 Screening.

45.505-5 Waiver of screening requirements.

45.505-6 Interagency property transfer costs.

45.506 Abandonment, destruction, or donation of excess agency property.

45.507 Disposal of scrap.

45.507-1 Production scrap.

45.507-2 Other scrap.

45.508 Disposal of surplus Government property.

45.508-1 Abandonment, destruction, or donation of surplus property in lieu of sale.

45.508-2 Sale of surplus property.

45.508-3 Proceeds from sales.

45.509 Inventory Disposal Reports.

45.510 Contract clause.

Subpart 45.6—Authorizing the Use of Government Property for Commercial Purposes

45.601 Policy.

45.602 Contract clause.

45.000 Scope of part.

This part prescribes policies for furnishing Government property to contractors, contractors' use and

management of Government property, and, except for real property, the disposal of Government property. It does not apply to—

(a) Property leased under the provisions of 10 U.S.C. 2667, Leases: nonexcess property; or

(b) Property to which the Government has obtained title, a lien, or other security interest solely as a result of financing arrangements under fixed-price contracts.

45.001 Definitions.

As used in this part—

Commercial purpose means any purpose other than performance of a U.S. Government contract or subcontract thereunder.

Contractor's managerial personnel means the contractor's directors, officers, and any of the contractor's managers, superintendents, or equivalent representatives who have supervision or direction of all or substantially all of the contractor's business or operations at a site connected with performance of a Government contract.

Demilitarization means rendering a product unusable for, and not restorable to, the purpose for which it was designed or is customarily used.

Equipment means nonexpendable, tangible personal property. The term does not include property that satisfies the definition in this part of material, unique Federal property, special tooling, or special test equipment.

Expendable property means property that is customarily consumed during design, manufacture, or testing of a product or performance of a service.

General purpose equipment means items that can be used, or with only minor modification could be used, to develop, produce, test, or maintain more than one type of item or perform more than one type of service.

Government-furnished property means Government property that a contracting officer authorizes a contractor to use for performance of a Government contract.

Government property means property the Government owns or leases.

Low value property means equipment, special tooling, or special test equipment that has an acquisition cost less than \$5,000 and is not sensitive property.

Material means expendable property and property incorporated into or attached to an item deliverable under a contract.

Natural disaster means a sudden and unusual natural occurrence causing catastrophic damage, including floods, hurricanes, tornadoes, cyclones,

atmospheric electrical storms, tidal waves, avalanches, mudslides, landslides, volcanic eruptions, earthquakes, and other similar perils. The term does not include fire or explosion, unless directly or indirectly caused by a covered peril.

Nonprofit organization means a business entity organized and operated exclusively for charitable, scientific, or educational purposes, the net earnings of which do not inure to the benefit of any private shareholder or individual, that is exempt from Federal income taxation under section 501 of the Internal Revenue Code and does not conduct a substantial portion of its activities carrying on propaganda or otherwise attempting to influence legislation or participating in any political campaign on behalf of any candidate for public office.

Personal property (see 2.101).

Plant clearance officer means a person appointed to disposition property accountable under Government contracts.

Precious metals means silver, gold, platinum, palladium, iridium, osmium, rhodium, and ruthenium.

Property (see 2.101).

Property administrator means a person appointed to perform property administration for the Government.

Real property (see 2.101).

Rental period means the calendar period during which Government property is made available for commercial purposes.

Rental time means the number of hours, to the nearest whole hour, rented property is actually used for commercial 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).

Scrap means personal property that has no value except its basic metallic, mineral, or organic content.

Sensitive property means property potentially dangerous to the public safety or security if stolen, lost, or misplaced, or that must be subject to exceptional physical security, protection, control, and accountability such as classified property, weapons, ammunition, explosives, controlled substances, radioactive materials, hazardous materials or wastes, or precious metals.

Special test equipment means—

(1) Test equipment designed specifically to conduct testing required by a Government contract provided such equipment cannot be used for other purposes;

(2) General purpose test equipment or modifications thereof that are

interconnected and interdependent to form a new functional entity that can only be used to perform testing required by a contract while so interconnected and interdependent; or

(3) Any combination of specifically designed, general purpose, or modified general purpose test equipment that are so interconnected and interdependent to form a new functional entity that can only be used to perform special purpose testing required by a contract while so interconnected and interdependent.

Special tooling means items, such as jigs, dies, fixtures, molds, patterns, taps, gauges, or other equipment and manufacturing aids, that are of such a specialized nature that without substantial modification or alteration their use is limited to the development, production, repair, or maintenance of particular supplies or components thereof, or to the performance of particular services.

Unique Federal property means Government-owned personal property, or components thereof, that is specially designed to perform or support the mission of one or more Federal agencies and is not available to the public. The term does not include property that is incorporated into or attached to an item deliverable under a contract.

Work in process means bench stock materials, complete or incomplete fabricated parts, subassemblies, assemblies, and similar items that are created during production of deliverable end items, or are required to construct special tooling or special test equipment needed to produce deliverable end items, or are otherwise needed for design or testing required by a contract.

Subpart 45.1—General

45.101 Property management procedures.

(a) The Government permits offerors to elect to manage Government property under a standard, process based system or, alternatively, to manage Government property using the same business practices the contractors use to manage their own property. The solicitation provision at 52.245–1, Government Property Availability and Information Required from Offerors, is used for the election. See the clause at 52.245–5, Government Property Administration, for the standard, process based system, and the clause at 52.245–8, Government Property Administration—Alternate Procedures, if the election is to use the contractor's own business practices. Subparts 45.4 and 45.5 provide guidance regarding contractors' property liability and property management responsibilities.

(b) It is in the Government's interest to have a contractor use a single property management system at each location at which the contractor will perform Government contracts. Therefore, contracting officers should not question a contractor's election to use the alternate property management procedures if the contractor's election is consistent with the contractor's practices at a particular location. If the contractor's election is not consistent, the contracting officer should advise the contractor of the inconsistency and request the contractor to withdraw the election or agree to include the elective procedures in all contracts being performed at that location at no increase in the price or fee of such contracts.

45.102 Policy.

(a) Agencies must not—

(1) Furnish Government property to contractors except as provided in subpart 45.2;

(2) Specify, direct, or require for contract performance the use of specific (*e.g.*, brand name, brand name or equal, part number, or similar identifier) commercial items that will become Government property under a contract unless the contract's stated purpose is the acquisition of such items;

(3) Acquire commercial items or general purpose equipment for the sole purpose of subsequently furnishing such items as Government-furnished property to any contractor unless the commercial items are components of deliverable items; or

(4) Authorize contractors to acquire for the Government—

(i) Property not required for performance of a contract or subcontract thereunder;

(ii) Real property, alterations thereof, or improvements thereto, unless the contract's primary purpose is the maintenance of an essential industry capability or the contract requires the performance of alterations or improvements to real property; or

(iii) General purpose equipment, unless the contract's stated purpose is the acquisition of the equipment (see paragraph (b) of this section for nonprofit organizations).

(b) Under contracts for basic or applied scientific research, contracting officers may authorize nonprofit organizations whose primary purpose is the conduct of scientific research, or nonprofit institutions of higher education, to acquire tangible personal property for the Government, including commercial items.

Subpart 45.2—Furnishing Government Property

45.201 Furnishing property for performance of a Government contract.

Government property may be furnished for performance of a Government contract, subject to the restrictions in 45.201-2, only when at least one of the criteria in 45.201-1 and the corresponding documentation and approval requirements in 45.201-3 are satisfied.

45.201-1 Criteria for furnishing Government property.

The criteria for furnishing Government property are:

(a) The Government is the sole source of property required to perform a contract.

(b) The property will be incorporated into or attached to a deliverable end item.

(c) The property's use will result in substantial measurable cost savings to the Government when compared to estimated costs of contract performance without such property (consider the Government's costs to activate property or maintain property in an active status of ownership when determining cost savings).

(d) The Government must furnish the property to assure that items delivered under a contract are compatible with other Government items.

(e) The property must be furnished to accomplish repairs to, or maintenance or reconditioning of, Government-furnished property or items to be delivered under a contract and such repair, maintenance, or reconditioning is not the contractor's responsibility under the contract.

(f) The property must be furnished to respond to an unusual and compelling urgency for supplies or services (see 6.302-2) or to support contingency contracting.

(g) The property will be used on a contract for scientific research conducted by an institution of higher education or a nonprofit organization.

(h) Government-furnished equipment or real property is needed for the retention or operation of an essential Government-owned capability.

45.201-2 Restrictions on furnishing Government property.

The restrictions on furnishing Government property are:

(a) Government-owned material may be furnished to contractors only under the criteria in 45.201-1(a), (b), (c), (f), or (g). The quantity furnished may include reasonable amounts for repairs or corrections to work in process, scrap, or spoilage.

(b) Government-owned equipment may be furnished to contractors only under the criteria in 45.201-1 (c), (f), (g), or (h).

(c) Contracting officers may furnish commercial computer software or commercial computer software documentation to contractors only when the Government has a license in the software or documentation that permits release or disclosure to and use by third parties and the software or documentation is required to operate, maintain, or install other Government property furnished for performance of a Government contract.

(d) Contracting officers must not furnish noncommercial computer software or noncommercial computer software documentation (software or documentation that does not satisfy the requirements in 2.101 for commercial items) to contractors unless the Government is the software or documentation licensor or, prior to furnishing the software or documentation, the Government obtains a license in the software or documentation that permits release or disclosure to, or use by, third parties and the intended recipient has completed any use and nondisclosure agreement required by part 27 or an agency supplement.

45.201-3 Documentation and approval requirements.

Decisions to furnish property to contractors must be documented in the contract file. Contracting officers may make decisions based upon the criteria in 45.201-1(b) and (d) through (g). Unless otherwise designated in agency regulations, approval is required by—

(a) The contracting officer's first level supervisor when using the criterion in 45.201-1(c);

(b) The contracting officer's second level supervisor when using the criterion in 45.201-1(a); or

(c) The head of the contracting activity when using the criterion in 45.201-1(h).

45.202 Competitive advantage.

Offerors who will use Government property to perform a contract usually have a price advantage relative to competitors who will acquire, fabricate, or use their own property to perform that contract. When evaluating offers, that advantage must be eliminated to the extent practicable (see 15.305(a)(3)).

45.203 Solicitation and contract requirements.

When the Government will make property available for contract performance—

(a) Competitive solicitations must—
(1) List the available property by item name, national stock number (if the item has a national stock number), or other appropriate nomenclature; identify the quantity available; and, when known, identify the date the property was acquired;

(2) Include, or offer to provide, real property maps, drawings, plans, or similar information in sufficient detail to enable an offeror to prepare its offer;

(3) Separately identify property available on an "as is" basis;

(4) Separately identify property the Government will reactivate, rehabilitate, or convert;

(5) Identify the adjustment that will be applied to the cost or price of offers that contemplate use of Government-furnished property. The adjustment may be specified as a dollar amount, a formula, or any combination thereof; and

(6) Identify any special requirements for security, maintenance, liability, or property administration.

(b) Contracts must—

(1) List and identify (nomenclature, quantity, serial number or other appropriate identifier, or, for real property, maps, drawings, plans, or similar information) the Government property furnished for performance of the contract;

(2) Separately identify property furnished "as is";

(3) Provide that costs incurred by the contractor to transport "as is" property to its place of business or to modify or otherwise make such property suitable for the contractor's use must not result in an increase in contract price or fee;

(4) Identify any constraints on the period for, or amount of, use;

(5) Identify any special requirements for security, maintenance, liability, or property control applicable to a particular Government-furnished item;

(6) Identify any Government-furnished property that is to be returned directly to a Government activity in lieu of initiating disposal action and specify the method and point of return;

(7) For fixed-price construction contracts that contemplate furnishing property f.o.b. railroad cars or f.o.b. truck, specify the point of delivery and include appropriate terms and conditions if the Government or another person will install, prepare, or test the property; and

(8) To the extent known, identify the Government-furnished property's acquisition cost and acquisition date.

45.204 Postaward requests for Government property.

(a) Contracting officers must not furnish Government property to

contractors subsequent to contract award unless adequate consideration is received. If a contractor requests the use of property that is accountable under another contract, the contracting officer for the contract under which the property is accountable must authorize the proposed use, and the contracting officer responsible for the contract under which the property's use has been requested must agree with such use. Modify each contract for which use is authorized to identify the conditions for use and the applicable consideration.

(b)(1) The clause at 52.245-2, Government Property, authorizes a contractor to use Government property accountable under a contract in performance of all Government contracts at the same location if—

(i) The Contracting officer has agreed to such use; or
 (ii) The contractor requests the use of the property and the contracting officer does not object within 30 days following receipt of the contractor's request.

(2) Generally, the contracting officer should not object unless—

(i) The program manager for the contract under which the property is accountable, or his designee, advises that the requested use of the property will have an adverse affect on the property's capability to perform that contract or on program budgets; or

(ii) A contracting officer responsible for a contract on which use has been requested (an affected contracting officer) advises that the pricing structure of that contract would be affected or the property is not suitable for use under that contract.

(3) If the program manager (or designee) or an affected contracting officer objects to the requested use, the contracting officer must advise the contractor of the Government's objection within 30 days following receipt of the contractor's request.

(4) The contracting officer may negotiate with the contractor to remove the Government's objections by rescoping the contractor's proposal or obtaining other consideration acceptable to the program manager (or designee) and the affected contracting officers.

45.205 Repair or replacement of Government-furnished property.

45.205-1 Maintenance.

Contractors are required to maintain Government property in a condition suitable for intended use. The Government property clauses at 52.245-2, Government Property, and 52.245-7, Government Property—Alternate Procedures, require contractors to notify the Government when the maintenance

actions required by those clauses do not sustain the property's suitability for use and request direction regarding repair, rehabilitation, or replacement of the property.

(a) Contracting officers may elect to—

(1) Repair or replace the property;

(2) Substitute other property for the property requiring additional maintenance;

(3) Authorize the contractor to repair, rehabilitate, or replace the property;

(4) Authorize the contractor to dispose of the property; or

(5) Negotiate an equitable adjustment.

(b) Contracting officers should not authorize the repair, rehabilitation, or replacement of Government-furnished property, including property furnished "as is", or make a repair, rehabilitation, or replacement unless—

(1) The property is required for continued performance of the contract under which the property is accountable;

(2) The Government is obligated contractually to provide the property for performance of another contract; or

(3) The property is needed for work to be performed by the Government at a Government installation.

(c) Contracting officers must consult with appropriate technical, logistics, program office, and property specialists to determine whether the Government-furnished property should be replaced, the appropriate method and type of replacement, or if the contractor should repair or rehabilitate the property. If the Government does not elect to repair or replace Government-furnished property that is needed for continued contract performance, the contractor might be entitled to an equitable adjustment.

45.205-2 Property losses.

(a) *Property losses for which the Government is liable.* Generally, the Government is responsible for property losses under contracts that include the Government property clause at 52.245-2. The Government is also liable for certain property losses under contracts that contain the Government property clause at 52.245-7. Follow the guidance in 45.205-1(a) and (b) to remedy a property loss for which the Government is liable.

(b) *Property losses for which the contractor is liable.* When a contractor is liable for a property loss under the Government property clauses at 52.245-2 or 52.245-7, the contracting officer may authorize the contractor to repair or replace the property at no change in contract price or fee if the property is needed for continued performance of the contract or negotiate an equitable reduction in contract price or fee if the

property is not needed for continued contract performance.

45.206 Government-furnished property to be returned to a Government activity.

When a contract requires the contractor to return Government-furnished property directly to a Government activity (in lieu of entering the property into the disposal process), the property administrator should determine the property's condition as near to the return date as practicable and must promptly notify the contracting officer if the property is not suitable for its intended use. The contracting officer promptly must direct the contractor to take any necessary corrective action or negotiate an equitable adjustment incident to the contractor's failure to sustain the property's suitability for intended use. When corrective action is not practical, the contracting officer must direct the contractor to dispose of the property (see 45.505-3) and promptly advise the property administrator of the action directed.

45.207 Solicitation provision and contract clauses.

45.207-1 Solicitation provision.

(a) Insert the provision at 52.245-1, Government Property Availability and Information Required from Offerors, when soliciting offers from more than one source, regardless of contract type, and the Government contemplates furnishing property for performance of the resulting contract.

45.207-2 Contract clauses.

(a) Except as provided in 45.207-2(d), insert the clause at 52.245-2, Government Property, in—

(1) All cost-reimbursement and time-and-materials solicitations and contracts for supplies, services, or research and development;

(2) Fixed-price or labor-hour solicitations and contracts for supplies, services, or research and development under which the Government will furnish property for performance of the contract;

(3) Contract modifications or orders for property repair under fixed-price or labor-hour contracts that do not include that clause when—(i) The aggregate acquisition cost of the property to be repaired exceeds or is reasonably anticipated to exceed \$100,000; or

(ii) The Government will furnish property for performance of the repairs.

(b) Insert the clause with its Alternate I in solicitations and contracts that contemplate fixed-price awards based upon adequate price competition or

when the contract price is set by law or regulation.

(c) Insert the clause with its Alternate II in cost-reimbursement or time-and-materials solicitations and contracts for basic or applied scientific research to be conducted by nonprofit organizations whose primary purpose is the conduct of scientific research or by nonprofit institutions of higher education (see 35.014).

(d) Insert the clause at 52.245-7, Government Property—Alternate Procedures, when an offeror has elected to use that clause in the solicitation provision at 52.245-1, Government Property Availability and Information required from Offerors.

(1) Insert the clause with its Alternate I in contracts for services to be performed primarily on real property owned or leased by the Government and the contractor will not control access to or use of the property furnished for performance of the contract.

(2) Insert the clause with its Alternate II in cost-reimbursement or time-and-materials solicitations and contracts for basic or applied scientific research to be conducted by nonprofit organizations whose primary purpose is the conduct of scientific research or by nonprofit institutions of higher education (see 35.014).

Subpart 45.3—Contractor-Acquired or Produced Property

45.301 General.

A contractor's contention that property was acquired to perform a specific contract and is not needed for any other purpose does not alter the fact that the property might not qualify for treatment as a direct cost under the contractor's cost accounting practices and 31.202.

45.302 Fixed-price and labor-hour contracts.

(a) Property acquired or produced by the contractor for performance of a fixed-price or labor-hour contract is not Government-furnished property and is not subject to the clause at 52.245-5, Government Property Administration, or the clause at 52.245-8, Government Property Administration—Alternate Procedures, except—

(1) Delivered property accepted by the Government that the Government has directed the contractor to store; or

(2) Special tooling and special test equipment the contractor is required to store during the Government notice period under the clause at 52.245-3, Delivery—Special Tooling and Special Test Equipment (Fixed-Price Contracts) (see paragraphs (b) and (d) of this section).

(b)(1) The clause at 52.245-3, Delivery—Special Tooling and Special Test Equipment (Fixed-Price Contracts), requires a contractor to notify the Government if the contractor has acquired or produced special tooling or special test equipment that is not required to be delivered under the contract. The contractor's notice is required not later than the earlier of—

(i) 30 days following the contractor's determination that such special tooling or special test equipment is no longer required for contract performance; or

(ii) 120 days prior to completion of scheduled deliveries (other than technical data) under the contract.

(2) The Government has 120 days following receipt of the contractor's notice (or such other period mutually agreed upon) to notify the contractor that the Government requires delivery of any of the items identified in the contractor's notice. The Government's notice must identify the special tooling or special test equipment item(s) to be delivered, and must—

(i) Provide packing, packaging, marking, and shipping instructions;

(ii) Direct the contractor to prepare the property for storage at the contractor's facility or a Government facility; or

(iii) Provide instructions when accountability is to be transferred to another contract.

(c) The contractor is obligated to store the property during the notice period at no change in price. Storage subsequent to the Government's delivery notice might entitle the contractor to an equitable adjustment.

(d) Prior to furnishing any property delivered to the Government under the clause at 52.245-3 to a contractor for performance of a Government contract, including the contract under which delivery occurred, the contracting officer responsible for the receiving contract must modify that contract to identify the property as Government-furnished property. If the receiving contract does not contain either the clause at 52.245-2 or the clause at 52.245-7, the modification must add whichever of those clauses is appropriate for the location at which the receiving contract is performed and other clauses prescribed for use with the added clause. Notwithstanding any other provision of the receiving contract, the modification must specify that the property is furnished in accordance with the terms of the added clauses.

(e) Contracting officers must not exercise the Government's right to require delivery of special tooling or special test equipment items unless the

items are needed for follow-on competitive procurements, component breakout, mobilization, or to establish a Government repair or maintenance capability.

45.303 Cost-reimbursement and time-and-materials contracts.

(a) Property acquired or produced by a contractor for performance of a cost-reimbursement and time-and-materials contract is subject to the clause at 52.245-5, Government Property Administration, or the clause at 52.245-8, Government Property Administration—Alternate Procedures, at the time the property's costs are properly allocable to a contract as direct costs except—

(1) Special tooling items, or special test equipment items to which the contractor has title under the clause at 52.216-7, Allowable Cost and Payment; and

(2) Property to which title has been vested in the contractor under Alternate II to the clause at 52.245-2, Government Property, or Alternate I to the clause at 52.245-7, Government Property—Alternate Procedures (See 35.014).

(b) If a person responsible for establishing requirements has determined that the Government requires delivery of certain low value (less than \$5,000 acquisition cost) special tooling items or low value special test equipment items that do not contain general purpose test units, such items must be identified as deliverable items under the contract.

(c) Property acquired or produced under a cost-reimbursement contract is not property furnished for the performance of that contract. If the contracting officer elects to furnish that property to the contractor for performance of the contract under which the property was acquired or produced, or to a contractor for performance of another Government contract, the contracting officer must modify the receiving contract to identify the property as Government-furnished property and, if necessary, include the appropriate contract clauses. The modification must specify that the property is furnished in accordance with the terms of the clauses added.

(d) To avoid unnecessary maintenance and storage costs, contractors are required to enter into the disposal process property no longer required for contract performance. Contracting officers must not authorize the repair, rehabilitation, or replacement of property no longer needed for performance of a cost-reimbursement or time-and-materials contract, except special tooling or special test equipment

items described in 45.303(b) that diligent exercise of the contractor's contractual maintenance responsibilities cannot sustain in a condition suitable for intended use.

45.304 Contract clause.

Insert the clause at 52.245-3, Delivery—Special Tooling and Special Test Equipment (Fixed-Price Contracts), in fixed-price solicitations and contracts for supplies, services, or research and development where the effort to be performed will require the contractor to acquire or produce special tooling or special test equipment.

Subpart 45.4—Liability for Property Losses

45.400 General.

(a) As used in this subpart, the terms loss and losses include the physical loss of, the theft of, or the destruction of Government property, and damage to Government property.

(b) The clauses at 52.245-2, Government Property, and 52.245-7, Government Property—Alternate Procedures, identify the conditions under which either the Government or the contractor is liable for a property loss. See 45.401 for guidance on contracts that include the clause at 52.245-2 and 45.402 for contracts that include the clause at 52.245-7.

45.401 Liability for property losses—contracts that include the clause at 52.245-2, Government Property.

45.401-1 Government liability.

(a) The Government is liable for property losses that occur while the contractor is maintaining a property management system that satisfies contract requirements, except losses or any portion thereof—

(1) For which the contractor expressly is liable under the terms of a contract; or

(2) Are identified in 45.401-2.

(b) The Government's liability for a property loss is reduced by the amount of any reimbursement the contractor receives from a third party. Contracting officers may direct the contractor to use the reimbursement proceeds to repair, rehabilitate, or replace the property or may equitably adjust the contract. Repair, rehabilitation, or replacement should be considered only when the property is needed for continued performance of the contract, there is a known need for the property at a Government repair activity, or the Government is contractually obligated to furnish the property for performance of another contract.

45.401-2 Contractor liability.

(a) The contractor is liable for losses that—

(1) Occur at a time when the contractor has not established a property management system that satisfies the requirements of this contract;

(2) Occur on or after the date of a written or electronic notice from the property administrator that the Government has withdrawn approval of the contractor's property management system, unless the contractor can establish by clear and convincing evidence that a loss did not result from the contractor's failure to maintain an approved system;

(3) Occur on or after the first calendar day following the contractor's failure to correct a property system deficiency within the time specified by the property administrator or such other mutually agreed upon time for correction;

(4) Result from the contractor's failure to take reasonable and prudent steps to avoid losses resulting from acts of war, civil insurrection, or natural disasters; or (5) Result from the willful misconduct or lack of good faith on the part of the contractor's managerial personnel.

(b) The contractor's liability for a loss that results from a risk expressly required to be insured under this contract is limited to the extent of the insurance required to be purchased and maintained, or to the extent of the insurance actually purchased and maintained, whichever is greater.

(c) The contractor's transfer of Government property to the possession and control of a subcontractor does not affect the contractor's liability for property losses.

45.402 Liability for property losses—contracts that include the clause at 52.245-7, Government Property—Alternate Procedures.

45.402-1 Government liability.

(a) The Government is liable for losses to Government property—

(1) Caused by acts of war, civil insurrection, or natural disasters, regardless of property value, except a loss or portion thereof caused by or attributable to the contractor's or a subcontractor's failure to take reasonable and prudent steps to avoid or reduce such losses; and (2) Losses to Government property items that have an acquisition cost greater than \$1,000,000 per item, except a loss or portion thereof caused by willful misconduct or lack of good faith on the part of the contractor's or a subcontractor's managerial personnel.

(b) The Government's liability for a property loss is reduced by the amount of any reimbursement the contractor receives from a third party. Contracting officers may direct the contractor to use the reimbursement proceeds to repair, rehabilitate, or replace the property or may equitably adjust the contract. Repair, rehabilitation, or replacement should be considered only when the property is needed for continued performance of the contract, there is a known need for the property at a Government repair activity, or the Government is contractually obligated to furnish the property for performance of another contract.

45.402-2 Contractor liability.

The contractor is liable for all losses of property accountable under the contract, except losses for which the Government is liable under 45.402-1. The contractor's transfer of Government property to the possession and control of a subcontractor does not affect the contractor's liability for property losses.

45.403 Post delivery considerations.

Contractors are liable for losses to property delivered to or accepted by the Government at a contractor or subcontractor managed location until the property is placed on board a carrier's conveyance (see appropriate f.o.b. clauses at 52.247-29 through 52.247-33).

45.404 Contract clause.

Insert the clause at 52.245-4, Liability for Government Property—Demolition Services Contracts, in addition to the clauses prescribed at 37.304, in solicitations and contracts for dismantling, demolition, or removal of improvements.

Subpart 45.5—Government Property Management

45.501 Preward considerations.

(a) Contracting officers should consider whether an offeror's property management capabilities might affect source selection and must structure appropriate evaluation criteria.

(b) When property management capabilities will be evaluated, the official responsible for source selection should obtain and consider the cognizant property administrator's advice regarding the adequacy of offerors' plans to establish acceptable property management systems under contracts that contain the clause at 52.245-5, Government Property Administration, or the adequacy of offerors' plans to establish acceptable systems of property management practices under the clause at 52.245-8,

Government Property Administration—Alternate Procedures.

45.502 Standard and alternate property management systems.

Contractors are required to have a property management system that performs the processes identified in the clause at 52.245-5, Government Property Administration, unless they have elected to use the clause at 52.245-8, Government Property Administration—Alternate Procedures. See 45.502-1 for guidance regarding property management under contracts that include the clause at 52.245-2, Government Property, or 45.502-2 for guidance regarding the clause at 52.245-8, Government Property Administration—Alternate Procedures.

45.502-1 Property management under the clause at 52.245-5, Government Property Administration.

(a) *General.* (1) A contractor's property management system and processes must provide for the control of property in the possession of its subcontractors.

(2) The periods for establishing a new system or submitting changes to an existing system should be extended only when the contractor demonstrates a reasonable need for an extension. When authorizing an extension, the property administrator must specify the new establishment or submission date(s).

(b) *Property management system reviews and approvals*—(1) *New systems or systems not previously reviewed by the Government.* Property administrators must—

(i) Review new property management systems or existing systems that have not been reviewed by a property administrator as soon as practicable;

(ii) Approve a system if the system's processes are sufficient to assure compliance with contract requirements;

(iii) Require contractors to correct systems that do not include all processes identified in 52.245-5(c) or that include processes that are not sufficient to assure compliance with contract requirements. Notify the contractor of the corrections required and specify the date(s) by which the corrections must be made; and

(iv) Promptly refer to the contracting officer a contractor's failure to establish a property control system that satisfies the requirements in the clause at 52.245-5.

(2) *Changes to previously approved systems.* Contractors that have a Government-approved property management system are required to submit to the cognizant property administrator within 90 days following

contract award any changes to that system that are required to conform to the contract's requirements.

Property administrators must—

(i) Review the proposed changes within 90 days following receipt;

(ii) Validate the system's approval if the contractor-proposed changes are sufficient to assure contract compliance;

(iii) Require the contractor to make changes only to the extent necessary for contract compliance;

(iv) Notify the contractor of the corrections required and specify the date(s) by which the corrections must be made. The notice must advise the contractor that the contractor's failure to correct its system within the time specified might result in the contractor's assumption of liability for property losses that the Government might otherwise be liable for under the contract's Government Property clause; and

(v) Notify the contracting officer immediately following issuance of a notice under paragraph (b)(2)(iv) of this section.

(3) *Corrections following property control system reviews.* Property administrators must provide a correction notice to a contractor promptly following a control system review that discloses a previously approved system no longer satisfies one or more requirements for an approved system. The notice must specify the corrections required to make the system compliant and the date for completing corrective action. The notice must advise the contractor that the contractor's failure to correct its system within the time specified might result in the contractor's assumption of liability for property losses that the Government otherwise would be liable for under those clauses.

(c) *Withdrawing system approval.* The administrative contracting officer's concurrence is required prior to withdrawing approval of an approved property management system. Generally, approval should be withdrawn only when a contractor fails to maintain a Government property control system that satisfies contract requirements.

45.502-2 Property management under the clause at 52.245-8, Government Property Administration—Alternate Procedures.

(a) The Government will rely upon a contractor's use of sound business practices to maintain, protect, preserve, control, and account for Government property.

(b) The property administrator must notify the contracting officer responsible for contract administration promptly if

experience under a contract indicates that the contractor's property management practices are not sufficient to maintain, protect, preserve, or control the Government's property as required by the contract.

(c) The contracting officer responsible for contract administration may require the contractor to correct the property system deficiencies, may negotiate an equitable reduction in contract price in lieu of correction, or may negotiate other appropriate corrective action. The procuring contracting officer should be consulted prior to implementing any corrective action.

45.503 Government property records and reports.

(a) Generally, it is in the Government's interests to have a contractor generate records and reports of Government property using the same practices the contractor uses for its own property. The property records maintained by a contractor are the Government's official property records. A contracting office may elect to establish and maintain the Government's property records and generate required property reports when the contracting office retains contract administration functions and the contracting officer considers Government recordkeeping and reports generation to be in the Government's interests. The circumstances under which Government recordkeeping and reporting might be warranted are—

(1) Contract performance periods less than 6 months; or

(2) When Government property will be furnished for a contract for services to be performed entirely at real property owned or leased by the Government such as the management or operation of installations, bases, or portions thereof, warehouses, libraries, stock rooms, mailrooms, or computer centers.

(b) The contracting office responsible for contract administration must process property reports in accordance with agency procedures.

45.504 Property accountability.

45.504-1 Accountability.

(a) Government-furnished property is accountable under the contract for which it was furnished.

(b) Property acquired or produced by a contractor to which the Government has title is accountable under the contract for which the property was acquired or produced until the contracting officer directs a transfer of accountability, the property is placed aboard a carrier's conveyance (f.o.b. origin), or is delivered at the specified f.o.b. destination point.

45.504-2 Transferring accountability to other contracts.*(a) Contract modification.*

Accountability transfers should be made only when the property is currently needed for the performance of another Government contract or is needed to preserve or maintain an essential industrial capability. All transfers must be reflected in a contract modification.

(b) Special consideration for special tooling or special test equipment.

Accountability for a special tooling or special test equipment item acquired or produced by a contractor to which the Government has title, may be transferred to another contract with that contractor provided the property is identified as property furnished "as is," the receiving contract's price or estimated cost and fee is adjusted in accordance with paragraph (c) of this subsection, and property records are adjusted in accordance with paragraph (d) of this subsection. Accountability instructions should be included in the notice required by paragraph (d) of the clause at 52.245-3, Delivery—Special Tooling and Special Test Equipment (Fixed-Price Contracts).

(c) Price adjustment. When a property item's accountability is transferred to another contract, the price or estimated cost and fee of the receiving contract should be equitably reduced if the receiving contract's current price or estimated cost and fee was established without a requirement for the Government to furnish the item for that contract.

(d) Property records. All property accountability transfers must be reflected in the property control records for the contract from which accountability is transferred (the losing contract) and the contract to which accountability is transferred (the gaining contract). When a Government-furnished property item's accountability is transferred, the respective contracting officers must modify the list of Government-furnished property items contained in the losing and gaining contracts.

45.505 Reutilization, transfer, and donation of Government property.

This section is applicable to the reutilization, transfer, and donation of Government property that is not required for continued performance of a Government contract. It does not apply to scrap (see 45.507).

45.505-1 Contractor actions.

Contractors are required to—

(a) Make reasonable efforts to return Government property that was acquired or produced by the contractor and is no

longer needed for contract performance to the appropriate supplier or to use the property in performance of other contracts; and

(b) List property that could not be returned to a supplier or used in the performance of other Government contracts on Standard Form 1428, Inventory Disposal Schedule.

45.505-2 Inventory disposal schedules.

(a) Plant clearance officers should review and accept, or return for correction, inventory disposal schedules or scrap lists within 10 days following receipt. Schedules or lists that are completed in accordance with the instructions for Standard Form 1428 should be accepted.

(b) Plant clearance officers must—

(1) Use Standard Form 1423 to verify accepted schedules within 20 days following acceptance.

(2) Require a contractor to correct any discrepancies found during verification or a contractor's failure to complete the actions described in subsection 45.505-1.

(3) Provide the contractor disposition instructions for property identified on an acceptable inventory disposal schedule within 120 days following receipt of the schedule. A failure to provide timely disposition instructions might entitle the contractor to an equitable adjustment.

(c) Contractors must obtain the plant clearance officer's approval to remove a Government property item from an inventory disposal schedule. Removal should be approved when the contractor has found a buyer for a contractor-acquired or produced item at full acquisition cost, the Government has authorized the contractor to use the property on another Government contract, or the contractor has justified continued use of a Government-furnished property item. Plant clearance officers must consult with appropriate program and technical personnel to determine whether the contractor's rationale for retaining a Government-furnished property item is valid. If the screening process (see 45.505-4, 45.505-5, and 45.505-6) has not begun, the plant clearance officer must adjust the schedule or return the schedule to the contractor for correction. If screening has begun, the plant clearance officer must promptly notify the activity performing the screening and must identify the items that should be removed from the screening process.

45.505-3 Reutilization priorities.

Plant clearance officers must initiate reutilization actions using the highest priority method appropriate for the

property. Authorized methods, listed in descending order from highest to lowest priority, are—

(a) Reuse within the agency (see 45.506 for circumstances under which excess agency property may be abandoned, destroyed, or donated);

(b) Transfer of educationally useful equipment to schools and nonprofit organizations for educational and research activities (provided no other Federal agency has expressed a need for the property prior to screening by other Federal agencies) or report such property to the General Services Administration (see Executive Order 12999);

(c) Reuse within the Government; and

(d) Donation to an eligible donee designated by the GSA.

45.505-4 Screening.

The screening periods begin upon the plant clearance officer's acceptance of an inventory disposal schedule. The plant clearance officer must determine whether standard or special screening is appropriate and initiate screening actions.

(a) *Standard screening.* The standard screening period is 56 days.

(1) *1st through 20th day—screening by the contracting agency.* The contracting agency has 20 days to screen excess property for other use within the agency. Plant clearance officers must delete from an inventory disposal schedule any items for which other intra-agency use is identified, prepare revised schedules, and, no later than the 21st day, submit four copies of the revised schedules and Standard Form (SF) 120, Report of Excess Personal Property, or an electronic equivalent to GSA (see 41 CFR 101-43.4901-120-1, Instructions for Preparing SF 120). Enter the date of the 42nd day as the automatic surplus release date and the date of the 56th day as the screening completion date.

(2) *21st through 41st day—screening by other Federal agencies.* GSA will normally honor requests for transfers of property on a first-come-first-served basis through the 41st day. When a request is honored, the GSA regional office must promptly transmit to the plant clearance officer an approved transfer order that includes shipping instructions.

(3) *42nd through 56th day—GSA screening for possible donation.* During this period, GSA must screen property that has not been transferred to schools or nonprofit organizations or has not been identified for Federal reutilization for possible donation to eligible donees.

(4) *Screening period transfer request.* If an agency receives an intra-agency

transfer request during the screening periods described in paragraphs (a)(2) or (a)(3) of this subsection, the plant clearance officer must request GSA approval to withdraw the item from the inventory disposal schedule.

(b) *Special screening requirements—*
(1) *Special tooling.* Agencies must follow the procedures at 45.505-4(a). Special tooling owned by the Department of Defense (DoD) or the National Aeronautics and Space Administration (NASA) may be screened for reutilization within the agency only.

(2) *Special test equipment.* (i) Agencies must complete the screening required by 45.505-4(a). If an agency has no further need for the property and the contractor has not expressed an interest in using or acquiring the property by annotating the inventory disposal schedule, the plant clearance officer must forward the inventory disposal schedule to the GSA regional office that serves the region in which the property is located.

(ii) If the contractor has expressed an interest in using the property on another Government contract, the plant clearance officer must contact the contracting officer for that contract. If the contracting officer concurs with the proposed use, the contracting officer for the contract under which the property is accountable must transfer the property's accountability to that contract. If the contracting officer does not concur with the proposed use, the plant clearance officer must deny the contractor's request and must resume the screening process.

(iii) If the contractor has expressed an interest in acquiring the property, and no other party expresses an interest during agency or GSA screening, the property may be sold to the contractor.

(3) *Printing equipment.* Agencies must report all excess printing equipment to the Public Printer, Government Printing Office, North Capitol and H Streets, NW, Washington, DC 20401, after screening within the agency (see 44 U.S.C. 312). If the Public Printer does not express a need for the equipment within 21 days, the agency must submit the report to GSA for further use and donation screening.

(4) *Nonnuclear hazardous materials, hazardous wastes, and classified items.* These items must be screened in accordance with agency procedures.

(5) *Nuclear materials.* The possession, use, and transfer of certain nuclear materials are subject to the regulatory controls of the Nuclear Regulatory Commission (NRC). Contracting activities must screen excess nuclear materials in the following categories:

(i) *By-product material.* Any radioactive material (except special nuclear material) yielded in or made radioactive by exposure to the radiation incident to producing or using special nuclear material.

(ii) *Source material.* Uranium or thorium, or any combination thereof, in any physical or chemical form; or ores that contain by weight one-twentieth of 1 percent (0.05 percent) or more of uranium, thorium, or any combination thereof. Source material does not include special nuclear material.

(iii) *Special nuclear material.* Plutonium, Uranium 233, Uranium enriched in the isotope 233 or in the isotope 235, and any other material that the NRC determines to be special nuclear material (but not including source material); or any material artificially enriched by any nuclear material.

45.505-5 Waiver of screening requirements.

Agency heads may waive agency screening requirements when it is clearly in the Government's interests to do so. When circumstances suggest a waiver of GSA screening requirements would be in the Government's interests, the agency must submit the justification for the waiver to the General Services Administration, Office of Governmentwide Policy, Office of Transportation and Personal Property (MT), 1800 F Street NW, Washington, DC 20405, at least 10 days prior to implementing the waiver. The waiver will be effective unless GSA takes exception within 10 days of receipt. The agency must notify the contract administration office when implementing a waiver.

45.505-6 Interagency property transfer costs.

Agencies whose property is transferred to other agencies must not be reimbursed for the property in any manner unless the circumstances of 41 CFR 101-43.309-3 apply. The agency receiving the property must pay any transportation costs that are not the contractor's responsibility and any costs to pack, crate, or otherwise prepare the property for shipment. The contract administration office must process appropriate contract modifications. To accelerate plant clearance, the receiving agency must promptly furnish funding data, and transfer or shipping documents to the contract administration office.

45.506 Abandonment, destruction, or donation of excess agency property.

(a) Agencies may abandon, destroy, or donate to public bodies excess property

that does not contain precious metals, hazardous materials or wastes, is not sensitive or classified property, and does not require demilitarization if the plant clearance officer determines in writing that—

(1) The property has no residual monetary value; or

(2) The estimated cost to sell the property, including advertising, storage and other costs associated with making the sale, is greater than the probable sale proceeds.

(b) Plant clearance officers must assure that the Government does not bear any of the costs incident to a donation.

(c) Property that contains hazardous materials or wastes, sensitive property, and property that requires demilitarization may be abandoned at a contractor's premises if the contractor consents.

45.507 Disposal of scrap.

45.507-1 Production scrap.

Contractors may dispose of scrap left over from the normal production process that has only remelting or reprocessing value (such as textile and metal clippings, borings, and faulty castings or forgings) without Government approval, provided the scrap does not contain precious metals, hazardous materials or wastes, nuclear materials, or classified materials; or does not require demilitarization.

45.507-2 Other scrap.

(a) Except as provided in 45.507-2(b), contractors must list scrap that is not production scrap on inventory disposal schedules and submit the schedules to the plant clearance officer. The plant clearance officer must process the schedules as described in 45.505-2.

(b) Under contracts that contain the clause at 52.245-2, Government Property, contractor's that have Government approved scrap procedures may submit scrap lists in lieu of inventory disposal schedules.

(1) The plant clearance officer must review scrap lists within 10 days following receipt. Generally, the plant clearance officer should accept scrap lists that are consistent with a contractor's Government approved scrap procedures, correctly identify the contracts under which the property is accountable, and correctly identify the property's quantity and condition. The plant clearance officers must provide disposition instructions to the contractor within 60 days following receipt of an acceptable scrap list. If disposition instructions are not provided within that period, the clause

at 52.245-2 permits a contractor to dispose of scrap identified on a scrap list without further Government approval.

(2) The plant clearance officer must reject or require correction of scrap lists that contain property that must be demilitarized prior to disposal, classified items, scrap generated from classified items, scrap that contains hazardous materials or hazardous wastes, precious metals, or items that are dangerous to the public health, safety, or welfare and require contractors to submit inventory disposal schedules for such items.

(c) Under contracts that contain the clause at 52.245-7, Government Property—Alternate Procedures, the plant clearance officer should consider favorably a contractor request to negotiate expedited nonproduction scrap disposal procedures when the contractor's experience under other Government contracts or the contractor's business practices indicate that the contractor will adequately protect the Government's interests.

45.508 Disposal of surplus Government property.

(a) *Applicability.* This section addresses the disposal of Government property in the possession of contractors that, after applicable screening, has not been reutilized or transferred (hereafter referred to as surplus property). It does not apply to the abandonment, destruction, or donation of excess agency property (see 45.506) or to the disposal of production scrap (see 45.507-1).

(b) *Disposal priorities.* Except as provided in paragraphs (c) and (d) of this section, surplus property must be sold in accordance with 45.508-2 or abandoned, destroyed or donated to public bodies in accordance with 45.508-1.

(c) *Disposal using agency procedures.* The surplus property identified in this paragraph must be disposed of in accordance with agency procedures:

- (1) Classified items.
- (2) Nonnuclear hazardous materials or hazardous wastes.
- (3) Property that contains precious metals or requires demilitarization.
- (4) Government property physically located outside the United States or its possessions (see 40 U.S.C. 511-514).

(d) *Disposal of Nuclear materials.* Nuclear materials (see 45.505-4(b)(5)) must be disposed of in accordance with NRC or applicable state licenses, applicable Federal regulations, and agency regulations.

45.508-1 Abandonment, destruction, or donation of surplus property in lieu of sale.

(a) Except as provided in paragraph (c) of this subsection, agencies may abandon, destroy, or donate surplus property, if the plant clearance officer determines in writing that the property does not constitute a danger to public health, safety, or welfare and—

- (1) The property has no residual monetary value; or
- (2) The estimated cost to sell the property, including advertising, storage and other costs associated with making the sale, is greater than the probable sale proceeds.

(b) All costs incident to a donation must be borne by the donee.

(c) Property that contains hazardous materials or wastes, sensitive property, or property that requires demilitarization, may be abandoned at a contractor's premises if the contractor consents.

45.508-2 Sale of surplus property.

Policy for the sale of surplus property is contained in the Federal Property Management Regulations, 41 CFR part 101-45. Agencies may specify implementing procedures.

45.508-3 Proceeds from sales.

Except for contracts that authorize proceeds from sales to be credited to the price or cost of the work (40 U.S.C. 485(a) and (e)), all sale proceeds are to be credited to the Treasury of the United States as miscellaneous receipts.

45.509 Inventory Disposal Reports.

Promptly following disposition of the property identified on an inventory disposal schedule and the crediting of any related proceeds, the plant clearance officer must prepare an SF 1424, Inventory Disposal Report, to account for the property. The report must identify any lost, stolen, damaged, destroyed, or otherwise unaccounted for property and any changes in quantity or value of the property made by the contractor after submission of the initial inventory disposal schedule. The report must be addressed to the administrative contracting officer or, for termination inventory, to the termination contracting officer, with a copy to the property administrator.

45.510 Contract clauses.

(a) Insert the clause 52.245-5, Government Property Administration, in solicitations and contracts that include the clause at 52.245-2, Government Property. If required for agency financial management or reporting purposes, agencies may modify paragraphs (f)(1)(vi) and (f)(2)(i)

of the clause at 52.245-5 to specify different dollar thresholds.

(b) Insert the clause at 52.245-5 with its Alternate I when the Government will maintain the Government's official property records.

(c) The clause at 52.245-5 and its Alternate I may be modified to delete references to low-value property when contracting for services to be performed entirely on property owned or leased by the Government and the contracting officer determines in writing that it is in the Government's interests to have a contractor inventory all property and immediately notify the Government of a property loss regardless of the property's value.

(d) Insert the clause at 52.245-8, Government Property Administration—Alternate Procedures, in solicitations and contracts that include the clause at 52.245-7, Government Property—Alternate Procedures.

(e) Insert the clause at 52.245-8 with its Alternate I when the Government will maintain the Government's official property records.

(f) The clause at 52.245-8 and its Alternate I may be modified to delete references to low-value property when contracting for services to be performed entirely on property owned or leased by the Government and the contracting officer determines in writing that it is in the Government's interests to have a contractor inventory all property and immediately notify the Government of a property loss regardless of the property's value.

Subpart 45.6—Authorizing the Use of Government Property for Commercial Purposes

45.601 Policy.

(a) Unless prohibited by law, contracting officers may authorize the contractor performing a contract under which Government property is accountable to use that property for commercial purposes on a noninterference basis if the Government receives an equitable rental for such use.

(b) An authorization for use for commercial purposes must be reflected in a contract modification and must specify—

- (1) The property is available "as is" without any representation as to suitability for intended use;
- (2) The rental time and rental period during which the property may be used;
- (3) Any restrictions on, or conditions of, use; and
- (4) The rent or estimated rent the Government will receive.

(c) Contracting officers must require contractors to assume the liability for

property losses that occur while the property is being used for commercial purposes and to indemnify the Government against claims for injury to persons or damage to the contractor's or a third party's property that arise from the contractor's use or possession of the Government property for commercial purposes.

(d) If damaged, lost, stolen, or destroyed property is required for continued performance of a Government contract and cannot be repaired or replaced by the contractor without affecting scheduled deliveries, an equitable adjustment should be negotiated that includes schedule adjustments at no cost to the Government. Negotiate an equitable reduction in price or fee in lieu of repair or replacement when the property is not required for continued performance of a Government contract.

(e) The contracting officer must not revoke an authorization to use Government property for commercial purposes unless the contractor fails to comply with the terms and conditions governing such use or the Government has a compelling need that precludes continued availability for commercial purposes.

45.602 Contract clause.

Insert the clause at 52.245-6, Rental Charges for Commercial Use, in solicitations and contracts that include the clause at 52.245-2, Government Property, or the clause at 52.245-7, Government Property—Alternate Procedures. The contracting officer must also insert the clause at 52.245-6 when the clause at 52.245-2 or 52.245-7 is inserted in a contract subsequent to contract award.

PART 49—TERMINATION OF CONTRACTS

35. Amend section 49.001 by revising the definition "Termination inventory" to read as follows:

49.001 Definitions.

* * * * *

Termination inventory includes parts, work in process, completed work, supplies, other material produced or acquired for the work terminated, completed or partially completed plans, drawings, or information, property that would have been delivered to the Government if the contract had been completed, and Government-furnished property.

* * * * *

49.105 [Amended]

36. Amend section 49.105 in the introductory text of paragraph (b)(4) by removing "(see subpart 45.6)".

37. Amend section 49.108-3 by revising paragraph (b)(1) to read as follows:

49.108-3 Settlement procedure.

* * * * *

(b) * * *

(1) All subcontractor termination inventory be disposed of and accounted for in accordance with the procedures contained in paragraph (g) of the clause at 52.245-2, Government Property; and

* * * * *

38. Amend section 49.108-4 by revising paragraphs (a)(1)(ii) and (b) to read as follows:

49.108-4 Authorization for subcontract settlements without approval or ratification.

(a)(1) * * *

(ii) Any termination inventory included in determining the amount of the settlement will be disposed of as directed by the prime contractor, except that the disposition of the inventory shall not be subject to—

(A) Review by the TCO under 49.108-3(c); or

(B) The screening requirements in 45.504; and

* * * * *

(b) Section 45.504 shall apply to disposal of completed end items allocable to the terminated subcontract. However, these items may be disposed of without review by the TCO under 49.108-3 and without screening under 45.504, if the items do not require demilitarization and the total amount (at the subcontract price) when added to the amount of the settlement does not exceed the amount authorized under this subsection.

* * * * *

49.202 [Amended]

39. Amend section 49.202 in paragraph (b)(3)(iii) by removing "materials, facilities," and adding "property" in its place.

49.204 [Amended]

40. Amend section 49.204 in paragraph (a) by removing the words "materials sold that have" and adding "property sold that has" in its place.

41. Revise the section heading and text of 49.206-3 to read as follows:

49.206-3 Submission of inventory disposal schedules.

Subject to the terms of the termination clause, and whenever termination inventory is involved, the contractor shall submit complete inventory

disposal schedules to the TCO reflecting inventory that is allocable to the terminated portion of the contract. The inventory disposal schedules shall be submitted within 120 days from the effective date of termination unless otherwise extended by the TCO based on a written justification to support the extension. The inventory schedules shall be prepared on SF 1428.

42. Revise the section heading and text of 49.303-2 to read as follows:

49.303-2 Submission of inventory disposal schedules.

Subject to the terms of the termination clause, and whenever termination inventory is involved, the contractor shall submit complete inventory disposal schedules to the TCO reflecting inventory that is allocable to the terminated portion of the contract. The inventory disposal schedules shall be submitted within 120 days from the effective date of termination unless otherwise extended by the TCO based on a written justification to support the extension. The inventory disposal schedules shall be prepared on SF 1428.

49.505 [Amended]

43. Amend section 49.505 by removing paragraphs (a) and (c); and by redesignating paragraphs "(b)", "(d)", and "(e)" as "(a)", "(b)", and "(c)", respectively.

44. Revise the section heading and text of 49.602-2 to read as follows:

49.602-2 Inventory forms.

Standard Form (SF) 1428, Inventory Disposal Schedule, and SF 1429, Inventory Disposal Schedule—Continuation Sheet, must be used to support settlement proposals submitted on the forms specified in 49.602-1(a), (b), and (c).

PART 51—USE OF GOVERNMENT SOURCES BY CONTRACTORS

45. Revise section 51.106 to read as follows:

51.106 Title.

Title to all property acquired by the contractor under the contracting officer's authorization shall vest in the parties as provided in the contract.

46. Revise section 51.107 to read as follows:

51.107 Contract clause.

Insert the clause at 52.251-1, Government Supply Sources, in solicitations and contracts when the contracting officer may authorize the contractor to acquire supplies or services from a Government supply source.

51.200 [Amended]

47. Amend section 51.200 at the end of the second sentence by removing "(see 45.304)".

PART 52—SOLICITATION PROVISIONS AND CONTRACT CLAUSES

48. Amend section 52.216-7 by revising the date of the clause; in paragraph (b)(3) by removing "paragraph (g)" and "paragraph (d)" and adding in their places "paragraph (h)" and "paragraph (e)", respectively; by redesignating paragraphs (c) through (h) as (d) through (i), respectively, and adding a new paragraph (c); and in newly designated paragraph (i)(1) by revising "paragraph (d)(4)" to read "paragraph (e)(4)". The new paragraph (c) reads as follows:

52.216-7 Allowable Cost and Payment.

* * * * *

ALLOWABLE COST AND PAYMENT (DATE)

* * * * *

(c) Title—(1) Government title. Except as provided in paragraph (c)(3) of this clause, title to all property acquired or produced by the Contractor for performance of this contract, the costs of which are allocable to this contract as direct costs, shall vest in the Government when the cost of the property is or should have been allocable or properly chargeable to this contract under sound and generally accepted accounting principles and practices.

(2) Relationship to Government-furnished property. Property to which the Government has obtained title solely under this clause is not "Government-furnished property."

(3) Contractor title. The Contractor shall have title to special test equipment items that do not contain general purpose test equipment and special tooling items, provided such items—

(i) Were acquired or produced for this contract;

(ii) Have an acquisition cost less than \$5,000 that was allocated to this contract as direct cost; and

(iii) Are not identified in the contract as deliverable items.

(4) Lien. By execution of this contract, the Contractor grants to the Government a security lien paramount to any other on the property to which the Contractor has title under paragraph (c)(3) of this clause. During performance of this contract, the Contractor shall not offer or provide such property as collateral for any purpose and shall not encumber in any manner title to that property.

* * * * *

52.216-11 [Amended]

49. Amend section 52.216-11 in the first sentence of the introductory paragraph by removing "or a facilities contract".

52.216-12 [Amended]

50. Amend section 52.216-12 in the first sentence of the introductory paragraph by removing the parenthetical "(other than a facilities contract)".

52.216-13 and 52.216-14 [Removed and Reserved]

51. Remove and reserve sections 52.216-13 and 52.216-14.

52.222-17 Labor Standards for Construction Work—Government-Furnished Real Property.

52. Revise the section heading of 52.222-17 and the clause heading to read as follows:

* * * * *

LABOR STANDARDS FOR CONSTRUCTION WORK—GOVERNMENT-FURNISHED REAL PROPERTY (FEB 1988)

* * * * *

53. Amend section 52.232-16 by revising the date of the clause and paragraphs (d), (e), and (h) of the clause to read as follows:

52.232-16 Progress Payments.

* * * * *

PROGRESS PAYMENTS (DATE)

* * * * *

(d) Title. (1) Title to all property acquired or produced by the Contractor for performance of this contract, the costs of which are allocable to this contract, shall vest in the Government when the property is or should have been allocable or properly chargeable to this contract under sound and generally accepted accounting principles and practices. Upon liquidation of all progress payments, the Contractor shall have title to property acquired or produced for this contract that is not required to be delivered to the Government.

(2) Property to which the Government has obtained title solely under this clause is not "Government-furnished property."

(3) The procedures for the disposal of Government-furnished property that is scrap are contained in the Government Property clause, 52.245-2, Government Property, of this contract. The Contractor may sell all other scrap resulting from production or testing under this contract without Government approval if the scrap does not contain precious metals, hazardous materials or wastes, nuclear materials, classified materials, or does not require demilitarization. The proceeds shall be credited against the costs of performance.

(4) The Contractor shall not use property to which title is vested in the Government under this clause to perform other contracts, transfer the property to another contract or dispose of the property unless authorized to do so by the Contracting Officer or paragraph (d)(3) of this clause. When transfer or disposal is authorized, the Contractor shall—

(i) Exclude the allocable costs of the property from the costs of contract performance; and

(ii) Repay to the Government any amount of unliquidated progress payments allocable to the property.

(e) Liability. The Contractor is liable for loss, theft, or destruction of, or damage to, property acquired or produced for performance of this contract unless the Government has expressly assumed such risks or accepted the property. The Contractor shall repay the Government an amount equal to the unliquidated progress payments that are based on costs allocable to property that is damaged, lost, stolen, or destroyed.

* * * * *

(h) Special terms regarding default. If this contract is terminated under the Default clause of this contract—

(1) The Contractor shall, on demand, repay to the Government the amount of unliquidated progress payments.

(2) Upon full liquidation of progress payments, the Contractor shall have title to all property acquired or produced for performance of this contract, except such property required to be delivered to the Government under the Default clause of this contract or the clause at 52.245-3, Delivery—Special Tooling and Special Test Equipment (Fixed-Price Contracts), if applicable and included in the contract.

* * * * *

52.232-21 [Removed and Reserved]

54. Remove and reserve section 52.232-21.

55. Amend section 52.232-32 by revising the date of the clause and paragraphs (f), (g), and (j) to read as follows:

52.232-32 Performance-Based Payments.

* * * * *

PERFORMANCE-BASED PAYMENTS (DATE)

* * * * *

(f) Title. (1) Title to all property acquired or produced by the Contractor for performance of this contract, the costs of which are allocable to this contract, shall vest in the Government when the property is or should have been allocable or properly chargeable to this contract under sound and generally accepted accounting principles and practices. Except as provided in the clause at 52.245-3, Delivery—Special Tooling and Special Test Equipment (Fixed-Price Contracts), upon liquidation of all performance-based payments, the Contractor shall have title to property acquired or produced for this contract that is not required to be delivered to the Government.

(2) Property to which the Government has obtained title solely under this clause is not "Government-furnished property."

(3) The procedures for the disposal of Government-furnished property that is scrap are contained in the clause 52.245-2, Government Property, of this contract. The Contractor may sell all other scrap resulting from production or testing under this contract without Government approval provided that—

(i) Any significant reduction in the value of the property to which the Government has

title under this clause is reported to the Contracting Officer; and

(ii) The scrap does not contain precious metals, hazardous materials or wastes, nuclear materials, classified materials, or does not require demilitarization. The proceeds shall be credited against the costs of performance.

(4) The Contractor shall not use property to which title is vested in the Government under this clause to perform other contracts, transfer the property to another contract, or dispose of the property unless authorized to do so by the Contracting Officer or paragraph (d)(3) of this clause.

(g) *Liability.* The Contractor is liable for loss, theft, or destruction of, or damage to, property acquired or produced for performance of this contract unless the Government has expressly assumed such risks or accepted the property.

* * * * *

(j) *Special terms regarding default.* If this contract is terminated under the Default clause—

(1) The Contractor shall, on demand, repay to the Government the amount of unliquidated performance-based payments; and

(2) Upon full liquidation of performance-based payments, the Contractor shall have title to all property acquired or produced for performance of this contract except such property required to be delivered to the Government under the Default clause or the clause at 52.245-3.

* * * * *

52.243-2 [Amended]

56. Amend section 52.243-2 by removing Alternate IV and redesignating "Alternate V" as "Alternate IV" of the clause.

57. Amend section 52.243-4 by revising the date of the clause and paragraph (a)(3) of the clause to read as follows:

52.243-4 Changes.

* * * * *

CHANGES (DATE)

(a) * * *

(3) In the Government property or services furnished for contract performance; or

* * * * *

58. Revise sections 52.245-1 through 52.245-8 to read as follows:

52.245-1 Government Property Availability and Information required from Offerors.

As prescribed in 45.207-1(a), insert the following solicitation provision:

GOVERNMENT PROPERTY AVAILABILITY AND INFORMATION REQUIRED FROM OFFERORS (DATE)

(a) *Definitions.*

Government-furnished property means Government property that a Contracting Officer authorizes a Contractor to use for performance of a Government contract.

Government property means property the Government owns or leases.

Personal property means property of any kind or interest in it except real property, battleships, cruisers, aircraft carriers, destroyers, submarines, and records of the Federal Government.

Property means real and personal property.

Property administrator means a person appointed to perform property administration for the Government.

Real property means land and rights in land, ground improvements, utility distribution systems, and buildings and other structures. It does not include foundations and other work necessary for installing special tooling, special test equipment, or equipment.

Special test equipment means—

(1) Test equipment designed specifically to conduct testing required by a Government contract provided such equipment cannot be used for other purposes;

(2) General purpose test equipment or modifications thereof that are interconnected and interdependent to form a new functional entity that can only be used to perform testing required by a contract while so interconnected and interdependent; or

(3) Any combination of specifically designed, general purpose, or modified general purpose test equipment that is so interconnected and interdependent to form a new functional entity that can only be used to perform special purpose testing required by a contract while so interconnected and interdependent.

Special tooling means items such as jigs, dies, fixtures, molds, patterns, taps, gauges, or other equipment and manufacturing aids, that are of such a specialized nature that without substantial modification or alteration their use is limited to the development, production, repair, or maintenance of particular supplies or components thereof, or to the performance of particular services.

(b) *Property available for contract performance.* (1) The property listed below, or in an attachment to this provision, is available for performance of the contract contemplated by this solicitation and is in a condition suitable for use.

(2) The property listed below, or in an attachment to this provision, is available for use on an "as is" basis.

(i) Offerors are responsible for assuring that Government property made available on an "as is" basis is suitable for the offerors' purposes. Such property will be furnished f.o.b. at the location specified in the solicitation or contract. Costs incurred to transport, install, modify, or otherwise make such property suitable for the successful offeror's intended use and any cost incurred to return such property to the Government shall not increase the price or fee of any Government contract. Amendments to property furnished "as is" require the Contracting Officer's prior written approval.

(ii) The Government makes no warranty whatsoever with respect to property furnished "as is" except that the property will be in the same condition when placed at the specified f.o.b. location as when inspected by the offeror or, if not inspected by the offeror, as of the last date for inspection specified in the solicitation. The offeror is responsible for verifying that the

property's condition has not changed during that period and shall notify the Contracting Officer promptly identifying any changed condition that will adversely affect the offeror. If the Contracting Officer concurs that the property's condition has changed, the Contracting Officer may restore the property, substitute other Government property, or withdraw the property's availability. A substitution or withdrawal shall be reflected in a modification to the solicitation. The Government has no liability for changes in the property's condition discovered after removal from the specified f.o.b. location.

(iii) Special tooling or special test equipment will be furnished "as is" if the successful offeror acquired or produced the tooling and test equipment and the Government obtained title to the tooling or test equipment under a Government contract.

(c) *Government title.* The Government retains title to any property furnished for performance of the contract contemplated by this solicitation. Contractor repairs to or modifications of that property do not affect the Government's title to the property.

(d) *Property administration considerations.* The successful offeror will be responsible for the care, maintenance, and preservation of Government property accountable under a contract resulting from this solicitation, including property the successful offeror permits a subcontractor to use for performance of that contract.

(1) The clauses at 52.245-2, Government Property, and 52.245-5, Government Property Administration, will be included in a contract resulting from this solicitation unless a successful offeror elects to use, by inserting the offeror's name on the line provided in paragraph (d)(3) of this provision, the clauses at 52.245-7, Government Property—Alternate Procedures, and 52.245-8, Government Property Administration—Alternate Procedures. Generally, under the Government Property clause at 52-245-2, the Government is liable for loss, theft, or destruction of, or damage to, the Government property accountable under the contract (hereinafter referred to as property losses), and the Contractor must maintain a Government property management system that includes the processes specified in the Government Property Administration clause at 52.245-5. The clause at 52.245-7 generally makes a successful offeror responsible for property losses and the clause at 52.245-8 generally permits a successful offeror(s) to manage Government property using the same procedures that are used to manage the offeror's property.

(2) An offeror should make the election in paragraph (d)(3) of this provision only if the election is consistent with the offeror's property management practices under other Government contracts performed or to be performed at the location at which the contract resulting from this solicitation will be performed.

(3) *Alternate Clause Election.* The offeror, , elects to have the clauses at 52.245-7, Government Property—Alternate Procedures, and 52.245-8, Government Property Administration—Alternate Procedures, included in a contract

resulting from this solicitation in lieu of the corresponding clauses at 52.245-2 and 52.245-5.

(e) *Information required from all offerors.* Offerors shall—

(1) List or describe all Government property the offeror or its potential subcontractors propose to use on a rent-free basis, including—

(i) Property offered for use in this solicitation; and

(ii) Property already in possession of the offeror or its prospective subcontractors under other contracts.

(2) Identify the contracts or other instruments under which the property listed or described in paragraph (d)(1) is accountable; and

(3) Identify the estimated period during which the property will be used, the estimated hours of use within that period, and the offeror's estimated costs to acquire, produce, lease, or rent the property if it is not furnished by the Government.

(f) *Additional information required from offerors that do not make the election available in paragraph (d)(3) of this provision.* (1) The offeror shall state—

(i) Whether the offeror has an approved property management system;

(ii) The date the system was last reviewed; and

(iii) The name and address of the Property Administrator who performed the last review.

(2) Offerors shall include a proposed Government property management system if—

(i) The offeror does not have a property system that has been approved by a Property Administrator;

(ii) The offeror's property system was last approved or validated by a Property Administrator more than 2 years prior to the date of this offer;

(iii) A Property Administrator has requested corrections to the offeror's system and such corrections have not been made; or

(iv) Approval of the offeror's system has been withdrawn.

(3) Offerors should propose and use an existing property management system or a modification thereof when the existing or modified system satisfies the requirements of the Government Property and Government Property Administration clauses identified in this solicitation.

(4) A successful offeror whose property system has been approved or validated by the Government no more than 2 years prior to the date of its offer is required only to submit to the Property Administrator, within 90 days following contract award, the changes required to conform the system to the requirements of the successful offeror's contract.

(5) As provided in the clause at 52.245-5, Government Property Administration, the Property Administrator might require a successful offeror to make changes to a proposed or previously approved system if deemed necessary for contract compliance.

(g) *Liability for loss, theft, damage, or destruction.* (Not applicable when the election in paragraph (d)(3) of this provision is made.) Notwithstanding any other

provision of this solicitation regarding liability for loss, theft, or destruction of, or damage to Government property, the successful offeror shall be liable for such loss, theft, destruction, or damage until its Government property system is approved by the Property Administrator.

(h) *Overseas contracts.* In a contract to be performed outside the United States, its territories, or possessions, the words "Government" and "Government-furnished", as used in this provision, mean "United States Government" and "United States Government-furnished," respectively. (End of provision)

Alternate I (Date). As prescribed in 45.207-1(b), replace paragraphs (b) through (g) of the basic clause with the following paragraphs (b) through (d) and renumber paragraph (h) of the basic clause as paragraph (e).

(b) *Property administration considerations.* The successful offeror will be responsible for the care, maintenance, and preservation of Government property accountable under a contract resulting from this solicitation, including property the successful offeror permits a subcontractor to use for performance of that contract.

(1) The clauses at 52.245-2, Government Property, and 52.245-5, Government Property Administration, will be included in a contract resulting from this solicitation unless a successful offeror elects to use, by inserting the offeror's name on the line provided in paragraph (b)(3) of this provision, the clauses at 52.245-7, Government Property—Alternate Procedures, and 52.245-8, Government Property Administration—Alternate Procedures. Generally, under the Government Property clause at 52-245-2, the Government is liable for loss, theft, or destruction of, or damage to, the Government property accountable under the contract (hereinafter referred to as property losses), and the Contractor must maintain a Government property management system that includes the processes specified in the Government Property Administration clause at 52.245-5. The clause at 52.245-7 generally makes a successful offeror responsible for property losses and the clause at 52.245-8 generally permits a successful offeror to manage Government property using the same procedures that are used to manage the offeror's property.

(2) An offeror should make the election in paragraph (b)(3) of this provision only if the election is consistent with the offeror's property management practices under other Government contracts performed or to be performed at the location at which the contract resulting from this solicitation will be performed.

(3) *Alternate Clause Election* The offeror, _____, elects to have the clauses at 52.245-7, Government Property—Alternate Procedures and 52.245-8, Government Property Administration—Alternate Procedures, included in a contract resulting from this solicitation in lieu of the corresponding clauses at 52.245-2 and 52.245-5.

(c) *Information required from offerors that do not make the election available in paragraph (b)(3) of this provision.* (1) The

offeror shall state whether the offeror has an approved property management system, the date the system was last reviewed, and the name and address of the Property Administrator who performed the last review.

(2) Offerors shall include a proposed Government property management system if—

(i) The offeror does not have a property system that has been approved by a Property Administrator;

(ii) The offeror's property system was last approved or validated by a Property Administrator more than 2 years prior to the date of this offer;

(iii) A Property Administrator has requested corrections to the offeror's system and such corrections have not been made; or

(iv) Approval of the offeror's system has been withdrawn.

(3) Offerors should propose and use an existing property management system or a modification thereof when the existing or modified system satisfies the requirements of the Government Property and Government Property Administration clauses identified in this solicitation.

(4) A successful offeror whose property system has been approved or validated by the Government no more than 2 years prior to the date of its offer is required only to submit to the Property Administrator, within 90 days following contract award, the changes required to conform the system to the requirements of the successful offeror's contract.

(5) As provided in the clause at 52.245-5, Government Property Administration, the Property Administrator might require a successful offeror to make changes to a proposed or previously approved system if deemed necessary for contract compliance.

(d) *Liability for loss, theft, damage, or destruction.* (Not applicable when the election in paragraph (b)(3) of this provision is made.) Notwithstanding any other provision of this solicitation regarding liability for loss, theft, or destruction of, or damage to Government property, the successful offeror shall be liable for such loss, theft, destruction, or damage until its Government property system is approved by the Property Administrator.

52.245-2 Government Property.

As prescribed in 45.207-2, insert the following clause:

GOVERNMENT PROPERTY (DATE)

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

Commercial purpose means any purpose other than performance of a U.S. Government contract or subcontract thereunder.

Contractor's managerial personnel means the Contractor's directors, officers, and any of the Contractor's managers, superintendents, or equivalent representatives who have supervision or direction of all or substantially all of the Contractor's business or the Contractor's operations at a site connected with performance of a Government contract.

Demilitarization means rendering a product unusable for, and not restorable to, the purpose for which it was designed or is customarily used.

Equipment means nonexpendable, tangible personal property. The term does not include property that satisfies the definition in this clause of material, unique Federal property, special tooling, or special test equipment.

Expendable property means property that is customarily consumed during design, manufacture, or testing of a product or performance of a service.

General purpose equipment means equipment items that can be used, or with only minor modification could be used, to develop, produce, test, or maintain more than one type of item or perform more than one type of service.

Government-furnished property means Government property that a Contracting Officer authorizes a Contractor to use for performance of a Government contract.

Government property means property the Government owns or leases.

Low value property means equipment, special tooling, or special test equipment that has an acquisition cost less than \$5,000 and is not sensitive property.

Material means expendable property and property incorporated into or attached to an end item.

Natural disaster means a sudden and unusual natural occurrence causing catastrophic damage, including floods, hurricanes, tornadoes, cyclones, atmospheric electrical storms, tidal waves, avalanches, mudslides, landslides, volcanic eruptions, earthquakes, and other similar perils. The term does not include fire or explosion, unless directly or indirectly caused by a covered peril.

Nonprofit organization means a business entity organized and operated exclusively for charitable, scientific, or educational purposes, the net earnings of which do not inure to the benefit of any private shareholder or individual, that is exempt from Federal income taxation under section 501 of the Internal Revenue Code and does not conduct a substantial portion of its activities carrying on propaganda or otherwise attempting to influence legislation or participating in any political campaign on behalf of any candidate for public office.

Personal property means property of any kind or interest in it except real property, battleships, cruisers, aircraft carriers, destroyers, submarines, and records of the Government.

Plant clearance officer means a person appointed to disposition property accountable under Government contracts.

Precious metals means silver, gold, platinum, palladium, iridium, osmium, rhodium, and ruthenium.

Property means real and personal property.

Property administrator means a person appointed to perform property administration for the Government.

Real property means land and rights in land, ground improvements, utility distribution systems, and buildings and other structures. It does not include foundations and other work necessary for installing special tooling, special test equipment, or equipment.

Rental period means the calendar period during which Government property is made available for commercial purposes.

Rental time means the number of hours, to the nearest whole hour, rented property is actually used for commercial 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).

Scrap means personal property that has no value except its basic metallic, mineral, or organic content.

Sensitive property means property potentially dangerous to the public safety or security if stolen, lost, or misplaced, or that must be subject to exceptional physical security, protection, control, and accountability such as classified property, weapons, ammunition, explosives, controlled substances, radioactive materials, hazardous materials or wastes, or precious metals.

Special test equipment means—

(1) Test equipment designed specifically to conduct testing required by a Government contract, provided such equipment cannot be used for other purposes;

(2) General purpose test equipment, or modifications thereof, that are interconnected and interdependent to form a new functional entity that can only be used to perform testing required by a contract while so interconnected and interdependent; or

(3) Any combination of specifically designed, general purpose, or modified general purpose test equipment that is so interconnected and interdependent to form a new functional entity that can only be used to perform special purpose testing required by a contract while so interconnected and interdependent.

Special tooling means items such as jigs, dies, fixtures, molds, patterns, taps, gauges, or other equipment and manufacturing aids, that are of such a specialized nature that without substantial modification or alteration their use is limited to the development, production, repair, or maintenance of particular supplies or components thereof, or to the performance of particular services.

Unique Federal property means Government-owned personal property, or components thereof, that is specially designed to perform or support the mission of one or more Federal agencies and is not available to the public. The term does not include property that is incorporated into or attached to an item deliverable under a contract.

Work in process means bench stock materials, complete or incomplete fabricated parts, subassemblies, assemblies, and similar items that are created during production of deliverable end items, or are required to construct special tooling or special test equipment needed to produce deliverable end items, or are otherwise needed for design or testing required by a contract.

(b) *General.* (1) This clause is applicable to Government-furnished property; Government property stored by the Contractor at the Government's direction; items accepted by the Government at origin that are in the Contractor's possession; and under cost-reimbursement or time-and-materials contracts, property acquired or produced by a Contractor to which the Government has title under the Allowable Cost and Payment clause of this contract. For purposes of this

clause, such property and items are collectively referred to as "Government property." The clause does not apply to property to which the Government has obtained title, a lien, or other security interest solely as a result of financing arrangements under fixed-price contracts.

(2) Except as provided in paragraph (c) of this clause, the Contractor shall use its own property to perform this contract.

(3) The Contractor is responsible for the maintenance, protection, and preservation of Government property accountable under this contract, including property in the possession of a subcontractor, and shall account for such property as required by this contract.

(4) The Contractor shall not—

(i) Use Government property for commercial purposes without the Contracting Officer's prior approval. Unless otherwise permitted by law, commercial use shall be on a rental basis. The terms and conditions of the Rental Charges for Commercial Use clause of this contract shall apply to each rental; or

(ii) Permit a subcontractor or supplier to use property furnished for the performance of this contract unless the Contractor has verified that the subcontractor or supplier has a property management system that has been approved by the cognizant Property Administrator.

(5) If this contract is a cost-reimbursement or time-and-materials contract, the Contractor shall not acquire general purpose equipment to which the Government will have title under the clause at 52.216-7, Allowable Cost and Payment, or real property for performance of this contract unless the general purpose equipment or real property is specified as a deliverable end item.

(6) If this contract is a fixed-price or labor-hour contract, property acquired or produced by the Contractor for performance of the contract is not Government-furnished property. Property identified as a deliverable item becomes Government property upon acceptance by the Government.

(c) *Government-furnished property.* The property identified in this contract as Government-furnished property is furnished to the Contractor on a rent-free basis for performance of this contract.

(1) *Title.* The Government retains title to Government-furnished property, including Government-furnished property that is incorporated into or attached to any property owned by the Contractor. Government-furnished property does not become a fixture or lose its identity as personal property by being attached to real property.

(2) *Suitability for intended use.* (i) Government-furnished property, other than property furnished "as is", shall be in a condition suitable for the property's intended use at the time the property is furnished to the Contractor. The Government shall, when requested by the Contractor, provide information reasonably required for the intended use of such property to the extent the Government has the right to release or disclose the information.

(ii) The contract delivery or performance dates are based upon the expectation that Government-furnished property, except

property furnished "as is", will be suitable for its intended use and delivered to the Contractor at the times stated in the contract. If a time is not stated, the property shall be furnished in sufficient time to enable the Contractor to meet the contract's delivery or performance dates.

(iii) If Government-furnished property is received in a condition not suitable for its intended use, the Contractor shall notify the Contracting Officer as soon as the unsuitability is known and shall take corrective action or dispose of the property as directed by the Contracting Officer. The contract shall be equitably adjusted in accordance with paragraph (c)(7) of this clause.

(iv) The Contractor may request an equitable adjustment when Government-furnished property is not delivered to the Contractor by the required time and such untimely delivery has affected contract performance.

(v) If the Contractor commingles Contractor-acquired or produced material with Government-furnished material, the provisions of this clause regarding suitability for intended use shall not apply to the commingled Government-furnished material. Notwithstanding any other provision of this contract, the Contractor shall be responsible for any failure to comply with contract requirements attributable to material that was commingled.

(3) *Authorized use.* The Contractor may request, in writing, the Contracting Officer to authorize use of the property furnished for performance of this contract to perform other Government contracts at the same location. Rent-free use is authorized if the Contracting Officer does not object to such use, either in whole or in part, within 30 days following confirmed receipt of the Contractor's request. Costs incurred by the Contractor to relocate, modify, or adapt the property for performance of other Government contracts or to restore the property to a condition suitable for intended use under this contract shall not increase the price or fee of any Government contract.

(4) *Real property restrictions.* The Contractor shall not improve or make structural alterations to real property furnished for performance of this contract unless the contract specifically identifies the alterations or improvements as work to be performed under the contract or unless expressly authorized to do so in writing by the Contracting Officer. Title to improvements or alterations to Government-furnished real property shall vest in the Government.

(5) *Property furnished "as is".* (i) The Contractor is responsible for assuring that Government property furnished on an "as is" basis is suitable for the Contractor's purposes. Such property is furnished f.o.b. at the location specified in the solicitation or contract. Costs incurred by the Contractor to transport, install, modify, or otherwise make such property suitable for the Contractor's intended use and any cost incurred to return such property to the Government shall not increase the price or fee of any Government contract. Modifications to property furnished "as is" require the Contracting Officer's prior written approval.

(ii) Special tooling or special test equipment is furnished "as is" for performance of this contract if the Contractor-acquired or produced, and the Government obtained title to, such tooling or test equipment under this or another Government contract.

(iii) The Government makes no warranty whatsoever with respect to property furnished "as is" except that the property will be in the same condition when placed at the specified f.o.b. location as when inspected by the Contractor or, if not inspected by the Contractor, as of the last date identified in the solicitation or contract for Contractor inspection. The Contractor is responsible for verifying that the property's condition has not changed during that period. If the Contractor determines the property's condition has changed and such change will adversely affect the Contractor, the Contractor shall notify the Contracting Officer promptly and identify the changed condition. If the Contracting Officer concurs that the property's condition has changed, the Contracting Officer may restore the property or substitute other Government property at no change in the contract's price or fee; permit the Contractor to restore the property subject to an equitable adjustment; or decline to provide the property subject to an equitable adjustment. The foregoing provisions for adjustment are the exclusive remedies available to the Contractor. The Government has no liability for changes in the property's condition discovered after removal from the specified f.o.b. location.

(iv) Repairs to or modifications of property furnished "as is" do not affect the Government's title to such property.

(6) *Changes in Government-furnished property.* (i) The Contracting Officer may increase, decrease, or substitute other Government property for the property furnished or to be furnished for performance of this contract or require use of Government-furnished property in lieu of Contractor property.

(ii) Any increase in the amount of property furnished for performance of this contract shall result in an equitable reduction in contract price or fee and appropriate adjustment of the contract delivery or performance dates.

(iii) The Contractor may request an equitable adjustment for a decrease in or substitution for the property identified in the contract or withdrawal of authority to use property accountable under another contract in performance of this contract provided such decrease, substitution, or withdrawal increases contract costs or schedule.

(iv) If the Contracting Officer directs the Contractor to use Government-furnished property in lieu of Contractor property in performance of this contract, any adjustment to the contract shall be made in accordance with paragraph (c)(7) of this clause.

(7) *Equitable adjustments.* Equitable adjustments shall be the Contractor's exclusive remedy for Government actions under this clause and shall be made in accordance with the procedures of the Changes clause of this contract.

(i) Equitable adjustments may include an amount for the restoration and rehabilitation

of the Contractor's premises caused by Government-furnished property that is not in a condition suitable for intended use, the withdrawal or substitution of Government-furnished property, or the Government's abandonment of hazardous property (see paragraph (h)(1) of this clause).

(ii) The Government shall not be liable for breach of contract for—

(A) Any delay in delivery of Government-furnished property;

(B) Delivery of Government-furnished property in a condition not suitable for its intended use;

(C) An increase or decrease in, or substitution of, Government-furnished property; or

(D) Failure to repair or replace Government-furnished property.

(8) *Return of Government-furnished property.* If this contract requires Government-furnished property to be returned directly to a Government activity—

(i) The property, including property furnished "as is", shall be returned to the Government in the same condition, less normal wear and tear, or better condition than when furnished to the Contractor except—

(A) Lost, stolen, or destroyed property that the Government has determined will not be replaced; and

(B) Damaged property that the Government has elected not to have repaired or replaced.

(ii) The Contractor shall notify the contract administration office of its intent to return Government-furnished property at least 10 working days prior to return. Notices shall identify the contracts under which the items are accountable and shall provide each item's name, description, national stock number (if known), and part number or identification number.

(d) *Property loss liability.* As used in this clause, the terms loss and losses include, either individually or in any combination, the physical misplacement of, the theft of, the destruction of, or damage to, Government property accountable under this contract.

(1) *Limited liability.* (i) The Contractor is not liable for property losses that occur while the Contractor is maintaining a property management system that satisfies the requirements of this contract, except losses for which the Contractor expressly is liable under the terms of this contract.

(ii) The Contractor's liability for a loss that results from a risk expressly required to be insured under this contract is limited to the extent of the insurance required to be purchased and maintained, or to the extent of the insurance actually purchased and maintained, whichever is greater.

(2) *Full liability.* The Contractor is liable for all property losses that—

(i) Occur at a time when the Contractor has not established a property management system that satisfies the requirements of this contract;

(ii) Occur on or after the date of a written or electronic notice from the Property Administrator that the Government has withdrawn approval of the Contractor's property management system, unless the Contractor can establish by clear and convincing evidence that a loss did not result

from the Contractor's failure to maintain an approved system;

(iii) Occur on or after the first calendar day following the Contractor's failure to correct a property system deficiency by the date specified by the Property Administrator for such correction or such other mutually agreed upon date for correction;

(iv) Result from the Contractor's failure to take reasonable and prudent steps to avoid losses resulting from acts of war, civil insurrection, or natural disasters; or (v) Result from the willful misconduct or lack of good faith on the part of the Contractor's managerial personnel.

(3) *Property in the possession of subcontractors or suppliers.* The Contractor's transfer of Government property to a subcontractor or supplier does not affect the Contractor's liability for property losses.

(4) *Contractor required actions following a property loss.* The Contractor shall—

(i) Take all reasonable action to protect damaged Government property from further damage and to physically separate such property from all other property;

(ii) Notify the Contracting Officer as required by the Government Property Administration clause of this contract (52.245-5(f)(4));

(iii) Not repair, replace, or substitute other property, for the property suffering a loss unless authorized to do so by the Contracting Officer; and

(iv) Do nothing to prejudice the Government's rights to recover against third parties for any property loss. When requested by the Contracting Officer, furnish to the Government at Government expense all reasonable assistance and cooperation (including the prosecution of suit and the execution of instruments of assignment in favor of the Government) in obtaining recovery.

(5) *Insurance charges or reserves.* The Contractor shall not include in the contract price or fee, or any adjustment thereof, any charge or reserve for insurance (including any self-insurance fund or reserve) covering Government property losses, except to the extent this contract expressly requires the Contractor to carry such insurance.

(e) *Property loss remedies.* (1) Following receipt of a property loss notification from the Contractor, the Contracting Officer may—

(i) Replace or substitute other property for the Government property suffering a loss;

(ii) Authorize the Contractor to repair, or replace the property or take other appropriate action; or

(iii) Negotiate an equitable adjustment in lieu of repair or replacement when the Government is liable for the property loss.

(2) The Contracting Officer's authorization to remedy a loss for which the Contractor is liable under this clause shall not increase the contract price or fee.

(3) The Contractor may request an equitable adjustment to remedy a loss for which the Government is liable under this clause.

(4) The extent of the Government's liability for a property loss shall be reduced by the amount of any reimbursement the Contractor receives for that loss from a source other than the Government. The Contractor shall use any reimbursement for a property loss from a source other than the Government to repair, rehabilitate, or replace the property that suffered a loss, or equitably reimburse the Government, as directed by the Contracting Officer.

(f) *Government property maintenance.* The contract price or fee includes an amount for performance of the maintenance actions required by paragraphs (f)(1) and (f)(2) of this clause. If maintenance of stored items is required, the Contractor might be entitled to an equitable adjustment.

(1) *Government-furnished property.* The Contractor shall maintain Government-furnished property in a condition suitable for its intended use. The Contractor shall—

(i) Maintain real property, special tooling, and special test equipment in accordance with the specific maintenance instructions contained in this contract. If maintenance instructions are not specified, the Contractor shall use sound business practices to maintain that property.

(ii) Maintain unique Federal property as specified in this contract, or if not specified, agency instructions for the maintenance of such property.

(iii) Preserve, protect, and care for material and general purpose equipment in accordance with the property manufacturer's standards of care for such items, or when the manufacturer has not released standards of care, the Contractor's standard business practices for comparable Contractor-owned material and equipment.

(iv) Promptly notify the contract administration office when the maintenance actions required by paragraphs (f)(1)(i) through (f)(1)(iii) are not sufficient to sustain a Government-furnished property item's suitability for its intended use and request direction regarding repair, rehabilitation, or replacement. The Contractor shall not repair, rehabilitate, or replace such items unless authorized to do so by the Contracting Officer.

(2) *Property to which the Government obtains title under a cost-reimbursement or time-and-materials contract.* The Contractor shall maintain property to which the Government obtains title under a cost-reimbursement or time-and-materials contract in a condition suitable for the property's intended use until the Contractor determines the property is no longer needed for continued performance of this contract. Promptly following that determination, the

Contractor shall enter the items into the property disposal process.

(3) *Additional maintenance actions.* When the Contractor's diligent performance of the maintenance actions required by paragraphs (f)(1) and (f)(2) of this clause is not sufficient to sustain a Government-furnished property item's suitability for its intended use, the Contracting Officer may—

(i) Replace or substitute other property for such property;

(ii) Direct the Contractor to repair, rehabilitate, or replace the property;

(iii) Direct the Contractor to take other appropriate action; or

(iv) Negotiate an equitable adjustment in lieu of repair, replacement, or other action.

(4) *Equitable adjustment.* The Contractor may request an equitable adjustment for performance of a property repair, rehabilitation, or replacement directed by the Contracting Officer pursuant to paragraph (f)(3) of this clause.

(5) *Stored Government property.* The Contractor shall store Government property only if specifically directed to do so by the Contracting Officer. Stored property shall be maintained in accordance with instructions provided by the Contracting Officer. Except as provided in the clause 52.245-3, Delivery—Special Tooling and Special Test Equipment, of this contract, and paragraph (g)(7) of this clause, the price or fee of the contract does not include an amount for such maintenance.

(g) *Government property disposal.* Except as provided in paragraphs (c)(8), (g)(2), and (g)(8) of this clause, the Contractor shall not dispose of Government property until authorized to do so by the Plant Clearance Officer.

(1) *Scrap—(i) Production Scrap.* Contractors may dispose of scrap resulting from production or testing under this contract without Government approval if the scrap does not require demilitarization or does not contain precious metals, hazardous materials or wastes, nuclear materials or classified materials.

(ii) *Scrap lists.* Contractors that have Government-approved scrap procedures may prepare scrap lists in lieu of inventory disposal schedules (provided such lists are consistent with the approved scrap procedures) except for scrap that—

(A) Requires demilitarization;

(B) Is a classified item;

(C) Is generated from classified items;

(D) Contains hazardous materials or hazardous wastes;

(E) Contains precious metals; or

(F) Is dangerous to the public health, safety, or welfare.

(iii) *Other scrap.* The Contractor shall use an inventory disposal schedule to identify scrap that is not production scrap or is not reportable on a scrap list.

(2) *Pre-disposal requirements.* When the Contractor determines that a property item acquired or produced by the Contractor is no longer needed for performance of this contract, the Contractor shall—

(i) Make reasonable efforts to return unused property to the appropriate supplier at fair market value (less, if applicable, a reasonable restocking fee that is consistent with the supplier's customary practices) and credit the price or estimated cost of this contract with the proceeds of such returns; and

(ii) List property that could not be returned to a supplier or used in the performance of other Government contracts on Standard Form 1428, Inventory Disposal Schedule.

(3) *Inventory disposal schedules.* (i) The Contractor shall use Standard Form 1428, Inventory Disposal Schedule, to identify—

(A) Government-furnished property that is no longer required for performance of this contract, provided the terms of another Government contract do not require the Government to furnish that property for performance of that contract; and

(B) Property acquired or produced by the Contractor, to which the Government has obtained title under a cost-reimbursement or time-and-materials contract, that is no longer required for performance of that contract.

(ii) The Contractor may annotate inventory disposal schedules to identify property the Contractor wishes to purchase from the Government.

(iii) Unless the Plant Clearance Officer has agreed otherwise, or the contract requires electronic submission of inventory disposal schedules, the Contractor shall prepare separate inventory disposal schedules for—

(A) Special test equipment with general purpose components;

(B) Special test equipment that does not contain general purpose components;

(C) Printing equipment;

(D) Computers, components thereof, peripheral equipment, and related equipment;

(E) Precious Metals;

(F) Nonnuclear hazardous materials or hazardous wastes; or

(G) Nuclear materials or nuclear wastes.

(iv) Property with the same description, condition code, and reporting location may be grouped in a single line item. Special test equipment shall be described in sufficient detail to permit an understanding of the special test equipment's intended use.

(4) *Submission requirements.* Inventory disposal schedules shall be submitted to the Plant Clearance Officer no later than—

(i) Thirty days following the Contractor's determination that a Government property item is no longer required for performance of the contract;

(ii) Sixty days, or such longer period as may be approved by the Plant Clearance Officer, following completion of contract deliveries or performance; or

(iii) One hundred twenty days, or such longer period as may be approved by the Plant Clearance Officer, following contract termination in whole or in part.

(5) *Corrections.* The Plant Clearance Officer may require the Contractor to correct an inventory disposal schedule or may reject a

schedule if the property identified on the schedule is not accountable under this contract or is not in the quantity or condition indicated.

(6) *Postsubmission adjustments.* The Contractor shall provide the Plant Clearance Officer at least 10 working days advance written notice of its intent to remove a property item from an approved inventory disposal schedule. Unless the Plant Clearance Officer objects to the intended schedule adjustment within the notice period, the Contractor may make the adjustment upon expiration of the notice period.

(7) *Storage.* (i) The Contractor shall store the property identified on an inventory disposal schedule pending receipt of disposal instructions. The Government's failure to provide disposal instructions within 120 days following receipt of an acceptable inventory disposal schedule, might entitle the Contractor to an equitable adjustment for costs incurred to store such property on or after the 121st day following receipt of an acceptable schedule.

(ii) The Contractor must obtain the Plant Clearance Officer's approval to remove Government property from the premises at which the property is currently located prior to receipt of final disposition instructions. If approval is granted, any costs incurred by the Contractor to transport or store the property shall not increase the price or fee of any Government contract. The storage facility must be appropriate for assuring the property's physical safety and suitability for use. Approval does not relieve the Contractor of any liability under this contract for such property.

(8) *Disposition instructions.* (i) If the Government does not provide disposition instructions to the Contractor within 60 days following receipt of an acceptable scrap list, the Contractor may dispose of the listed scrap in accordance with the Contractor's Government-approved scrap procedures.

(ii) The Contractor shall prepare for shipment, deliver f.o.b. origin, or dispose of Government property as directed by the Plant Clearance Officer. The Contractor shall remove and destroy any markings identifying the property as Government property prior to disposing of the property.

(iii) The Contracting Officer may require the Contractor to demilitarize the property prior to shipment or disposal. Any equitable adjustment incident to the Contracting Officer's direction to demilitarize Government property shall be made in accordance with paragraph (c)(7) of this clause.

(9) *Disposal proceeds.* The Contractor shall credit the net proceeds from the disposal of Government property in accordance with instructions received from the Plant Clearance Officer.

(10) *Subcontractor inventory disposal schedules.* The Contractor shall require a subcontractor that is using property accountable under this contract at a subcontractor-managed site to submit inventory disposal schedules to the Contractor in sufficient time for the Contractor to comply with the requirements of paragraph (g)(4) of this clause.

(h) *Abandonment of Government property at a Contractor-owned location.* (1) The Government shall not abandon at a Contractor-owned location Government property that is or contains a hazardous material without the Contractor's written concurrence. The Contractor may request an equitable adjustment incident to such agreement.

(2) The Government, upon notice to the Contractor, may abandon any nonhazardous Government-furnished property in place at which time all obligations of the Government regarding such abandoned property shall cease. Except as provided in paragraph (c)(7)(i) of this clause, the Government has no obligation to restore or rehabilitate the Contractor's premises under any circumstances.

(i) *Overseas contracts.* In a contract performed outside the United States, its territories, or possessions, the words "Government" and "Government-furnished" (wherever they appear in this clause) shall be construed as "United States Government" and "United States Government-furnished," respectively.

(End of clause)

Alternate I (Date). As prescribed in 45.207-2(b), replace paragraph (d)(1) of the basic clause with the following paragraph (d)(1), remove paragraph (d)(2), renumber paragraphs (d)(3), (d)(4), and (d)(5) as (d)(2), (d)(3), and (d)(4), respectively, and modify the references to "Government property" in the renumbered paragraphs (d)(2), (d)(3), and (d)(4) to read "Government-furnished property":

(d)(1) The Contractor is liable for Government-furnished property losses, except losses resulting from acts of war, civil insurrection, or natural disasters, provided the Contractor has taken reasonable and prudent steps to avoid or mitigate such losses.

Alternate II (Date). As prescribed in 45.207-2(c), replace paragraph (b) of the basic clause with the following paragraph (b) and add the following paragraph (j) to the basic clause:

(b) *General.* (1) Except as provided in paragraph (c) of this clause, the Contractor shall use its own property to perform this contract.

(2) The Contractor is responsible for the maintenance, protection, and preservation of Government property accountable under this contract that is in the Contractor's or its subcontractors' possession and shall account for such property as required by this contract.

(3) Property acquired or produced by the Contractor for performance of this contract that the Government obtains title to under the clause at 52.216-7, Allowable Cost and Payment, is Government property accountable under this contract.

(j) *Title to Contractor-acquired or produced property, nonprofit organizations or nonprofit institutions.* (1) Notwithstanding any other provision of this contract regarding title to property acquired or produced by a Contractor, the Contractor shall have title to equipment and other tangible property purchased with Government funds provided for the conduct of basic or applied research under this contract, if—

(i) The Contracting officer has agreed, prior to the Contractor's purchase of such property, that the Contractor shall have title to that property; and

(ii) The Contractor has agreed that depreciation or amortization costs for such property shall not be allocated to any existing or future Government contract and that such property may be used by the Government or its subcontractors without charge in performance of any Government contract or subcontract thereunder.

(2) As a condition for obtaining title to property under this clause, the Contractor, by signing this contract, agrees that no person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under this contemplated financial assistance (title to equipment or other tangible personal property) (41 U.S.C. 2000d).

52.245-3 Delivery—Special Tooling and Special Test Equipment (Fixed-Price Contracts)

As prescribed in 45.305, insert the following clause:

DELIVERY—SPECIAL TOOLING AND SPECIAL TEST EQUIPMENT (FIXED-PRICE CONTRACTS) (DATE)

(a) *Definitions.* When a term defined in the clause at 52.245-2, Government Property, is used in this clause, the term has the same meaning as when used in 52.245-2.

(b) *Contractor notice.* (1) The Contractor shall notify the Contracting Officer of special tooling or special test equipment acquired or produced by the Contractor for performance of this contract that is not scheduled for delivery under the contract, as soon as practicable during contract performance but not later than the earlier of—

(i) One hundred twenty days prior to completion of scheduled deliveries (other than technical data) under this contract; or

(ii) Thirty days following the Contractor's determination that such special tooling or special test equipment is no longer required for contract performance.

(2) For each special tooling or special test equipment item, or groups of identical items, the Contractor's notice shall identify the item's or group's—

(i) Nomenclature;

(ii) Quantity;

(iii) Acquisition cost (by item);

(iv) Part number(s) with which the special tooling or special test equipment is used; and

(v) Identification number.

(c) *Storage.* The Contractor shall store the special tooling or special test equipment identified in the Contractor's notice at no change in contract price (or target price and ceiling amount) until expiration of the Government notice period or until the Government notifies the Contractor that delivery of a special tooling or test equipment item or items is required, whichever occurs first. Items shall be stored in a manner sufficient to preserve capability and provide protection from damage. If the Government requires items to be stored subsequent to the Government's delivery notice, the Contractor might be entitled to an

equitable adjustment as provided in paragraph (f) of this clause.

(d) *Government notice.* (1) The Government must notify the Contractor in writing within 120 days, or such other period mutually agreed upon, following receipt of the notice required by paragraph (b) of this clause that delivery of a special tooling or special test equipment item or items is required.

(2) The Government's notice shall identify the special tooling or special test equipment item(s), and shall—

(i) Provide packing, packaging, marking, and shipping instructions;

(ii) Direct the Contractor to prepare the property for storage at the Contractor's facility or a Government facility; or

(iii) Provide instructions when accountability is to be transferred to another contract.

(3) The Contractor's storage obligations are not diminished if the Government notice period, or any extension thereof, extends beyond the date contract deliveries are completed.

(e) *Repair or rehabilitation.* The Contracting Officer may require the Contractor to repair or rehabilitate the special tooling or special test equipment identified in the Government's notice to the extent necessary to return an item to a condition suitable for its intended use at no change in price.

(f) *Equitable adjustment.* The contract may be equitably adjusted for costs incurred by the Contractor to prepare the tooling or test equipment for storage or shipment. Equitable adjustments shall be made in accordance with the procedures of the Changes clause of this contract and only to the extent the Contracting Officer's actions under paragraph (d) of this clause required the Contractor to incur costs that it would not have incurred under customary commercial practices.

(g) *Liability.* The Contractor is liable for any loss, theft, or destruction of, or damage to, special tooling or special test equipment delivered to the Government under this clause during the period commencing upon the Government's acceptance of the items and ending upon placement aboard a carrier's conveyance (f.o.b. origin) or delivery at the specified f.o.b. destination point.

(h) *Flow down.* The Contractor shall insert this or a substantially similar clause in all contracts and similar instruments with its first-tier subcontractors or suppliers, other than subcontractors or suppliers of commercial items, that will fabricate or acquire special tooling or special test equipment for performance of this contract.

(End of clause)

§ 52.245-4 Liability for Government Property (Demolition Services Contracts).

As prescribed in 45.403, insert the following clause:

LIABILITY FOR GOVERNMENT PROPERTY (DEMOLITION SERVICES CONTRACTS) (DATE)

Except for reasonable wear and tear incident to the removal and delivery of property to the Government, the Contractor is liable for any loss or destruction of or damage to property—

(a) Required to be delivered to the Government; and

(b) Title to which is vested in the Contractor but that under the termination clauses of this contract reverts to the Government upon notice of termination. (End of clause)

§ 52.245-5 Government Property Administration.

As prescribed in 45.510(a), insert the following clause:

GOVERNMENT PROPERTY ADMINISTRATION (DATE)

(a) *Definitions.* When a term defined in the clause at 52.245-2, Government Property, is used in this clause, the term has the same meaning as when used in 52.245-2.

(b) *General.* (1) This clause is applicable to Government-furnished property; Government property stored by the Contractor at the Government's direction; and, under cost-reimbursement or time-and-materials contracts, property acquired or produced by a Contractor to which the Government has title under the Allowable Cost and Payment clause of this contract.

(2) If the Contractor does not have a property management system that has been approved by the Property Administrator, the Contractor shall submit a proposed system to the Property Administrator within 90 days following contract award (or such other mutually agreed to period).

Notwithstanding any other provision of this contract regarding liability for Government property losses, the Contractor shall be liable for such losses until its property management system is approved by the Property Administrator. The system shall be maintained during the period Government property is accountable under this contract.

(3) The Contractor should use an existing property management system or a modification thereof when the existing or modified system satisfies the requirements of this contract.

(c) *Property system requirements.* The property management system shall include written processes to assure compliance with contract requirements and to provide for system assessment. At a minimum, the system shall contain processes for—

(1) Assessing the system's efficiency and effectiveness, recommending corrective action or general improvements, and implementing appropriate changes;

(2) Inspecting property acquired by the Contractor or furnished by the Government for performance of this contract upon receipt;

(3) Promptly entering all Government property into the property management system;

(4) Assuring Government property is used only as authorized by the Contracting Officer;

(5) Controlling the distribution and return of pilferable property;

(6) Scheduling and monitoring Government property maintenance to assure timely performance and recording of all maintenance actions;

(7) Accurately recording by type and quantity Government material consumed during contract performance;

(8) Performing, reporting, and recording all inventories required by this contract;

(9) Assuring subcontractors have adequate procedures for the control and protection of Government property;

(10) Justifying the continued need for Government property to perform this contract;

(11) Moving and storing Government property in a manner commensurate with the property's handling and storage requirements; and

(12) Disposing of Government property in accordance with the requirements of this contract.

(d) *Property Management system review and approval.* (1) A Contractor whose property management system has been approved or validated by the Government no more than 2 years prior to the date of its offer is required only to submit to the Property Administrator, within 90 days following contract award, the changes required to conform the system to requirements in this contract. The submission date may be extended by the Property Administrator if an extension is in the Government's interests.

(2) The Property Administrator shall review the Contractor's proposed or modified system within 90 days following receipt and may approve or require corrections to the system. The Contractor shall accomplish the required corrections at no change in price or fee.

(3) The Property Administrator may review the Contractor's system at any time during contract performance to assure compliance with contract requirements. The Property Administrator may validate approval of, require corrections to, or, with the Administrative Contracting Officer's concurrence, withdraw approval of the Contractor's system. The Contractor shall implement corrections required by the Property Administrator by the date specified by the Property Administrator, or such other date agreed upon, at no change in price or fee. The Contractor's failure to implement corrections in a timely manner might result in the Contractor's assumption of liability for property losses for which the Government might otherwise be liable.

(4) The Contractor shall make available to the Property Administrator all records and related information reasonably required to verify that the Contractor's Government property management system conforms to contract requirements. Any disagreement as to the amount or type of information required for such verification shall be referred to the Administrative Contracting Officer for resolution.

(e) *Records and supporting information—*
(1) *Property records.* (i) Except as provided in paragraph (e)(1)(ii) of this clause, the Contractor shall establish or maintain and keep current a property record for each Government property item accountable under this contract. Identical items may be consolidated in a single property record if the consolidated record provides the information required by this clause. The Contractor shall identify useable components permanently removed from Government property as Government property items and establish and maintain appropriate property records. Property records created by a subcontractor that has a property management system that

has been approved by a Property Administrator may be used in lieu of creating new records.

(ii) Property records are not required for work in process or for property specifically acquired or constructed for tests that will destroy the property.

(iii) Contractors that use a material requirements planning system, manufacturing resource planning system, material management accounting system, or an enterprise resource planning system, may use the records generated by those systems as the records for material items provided such records otherwise satisfy the requirements in paragraph (e)(2) of this clause.

(iv) The Contractor shall close a Government property item's record when the item is replaced and create a new property record for the replacement item if that item is Government property.

(v) The Contractor shall enter the property's acquisition cost into the record for each Government property item that was acquired or produced by the Contractor during performance of this contract. For each item having an acquisition cost of (insert the agency capitalization threshold amount) or more, the Contractor also shall enter the date the item was acquired or produced.

(vi) The Contractor shall notify the Contracting Officer promptly if the contract does not identify a Government-furnished property item's nomenclature or acquisition cost.

(vii) Property records shall legibly and conspicuously identify sensitive property.

(viii) The property records for items requiring maintenance shall identify the dates maintenance actions (including calibration if required) were performed and any deficiencies discovered. The maintenance information may be kept separately if the Contractor has a direct link between the information and the affected property records.

(2) *Standard information.* Except as provided in paragraphs (e)(4) and (e)(5) of this clause, each property control record shall contain the following information:

(i) The item's name, description, and national stock number. If the item does not have a national stock number and the item's acquisition cost is (insert the agency capitalization threshold amount) or more, enter the four digit federal supply classification code.

(ii) Contract number or equivalent code designation.

(iii) Quantity received or fabricated, issued, and on hand.

(iv) The date of the most recent physical inventory or other posting reference.

(v) Acquisition cost and, for items having an acquisition cost of (insert the agency capitalization threshold amount) or more, the date the items were acquired or produced.

(vi) Current location (for low value property, identify the initial location only).

(vii) The property's classification. Use only one of the following for each property item—land, buildings, other real property, equipment, special test equipment, special tooling, unique Federal property, or material.

(3) *Additional information.* In addition to the information required by paragraph (e)(2) of this clause, the property records for—

(i) Special tooling and special test equipment shall identify each part number with which a special tool or special test equipment item is used;

(ii) Special test equipment that includes general purpose equipment shall include the information required by paragraph (e)(2) of this clause for each removable or reusable general purpose component if removal and reuse is economically feasible;

(iii) Equipment shall include the manufacturer's name, serial number, and model or part number; and

(iv) Scrap shall identify the material content, contract from which the scrap was derived, and the scrap's disposition and disposition date(s).

(4) *Real property.* (i) Real property records must contain a description of the property, its location, original acquisition cost, a description of property alterations made or construction work performed by the Contractor, including an identification of the construction sites supporting such alterations or construction, and must separately identify the cost of such alterations or construction. Supporting documentation shall include maps, drawings, plans, specifications, and, if necessary, supplementary data needed to completely describe and value the property.

(ii) Costs incurred by the Government or the Contractor, to acquire, construct, alter, or improve Government-owned or leased real property, including additions, expansions, extensions, or conversions thereof, shall be added to the property's acquisition cost if they increase the value, life, utility, capability, or serviceability of the property.

(iii) A real property record shall be annotated with a statement of the pertinent facts when the property is sold, transferred, donated, destroyed, abandoned by the Government, or condemned.

(5) *Property returned under warranty.* The Contractor shall establish a property record for each item returned for correction under a warranty and maintain the records on a contract-by-contract basis. The records shall identify the date received, and the date the item is returned to the Government. Once a property record has been established, identical items received for corrective action shall be added to the established record and the information required by this paragraph maintained for each item.

(f) *Reports and notices—*(1) *Annual Government property report.* The Contractor shall report all Government property accountable under this contract that is in its or its subcontractors' possession as of September 30 of each calendar year or upon completion of all property disposal actions under this contract, whichever is sooner. Unless otherwise stated in this contract, the report shall be prepared using Standard Form 1450, U.S. Government Property in the Possession of Contractors, and submitted to the Property Administrator no later than October 31 of each calendar year.

(2) *Misdirected Government property.* The Contractor shall notify the Property Administrator in writing immediately following receipt of Government property

intended for another person or Government property not required for performance of a Government contract with the Contractor and shall request disposition instructions. To the extent practical, the Contractor shall identify the shipment's content, intended recipient, carrier that made delivery, the Government activity from which the shipment originated, and the shipment's current location.

(3) *Late Government-furnished property.* The Contractor shall notify promptly the Contracting Officer of a failure to receive Government-furnished property at the time stated in the contract or, when a time is not stated, in sufficient time to enable the Contractor to meet the contract's delivery or performance dates. Each notice shall forward the Contractor's estimate of the extent to which such failure has affected or might affect contract performance.

(4) *Property losses.* Except as provided in paragraph (f)(5) of this clause, the Contractor shall notify the Property Administrator in writing promptly upon learning that a Government property loss has occurred. The notice shall identify the property by item and include—

(i) The item's description, contract number, national stock number (if known), and either part number or identification number;

(ii) The date a physical loss or theft was discovered or damage or destruction occurred and, if known, the circumstances;

(iii) The item's acquisition cost;

(iv) The contracts affected;

(v) All known interests in commingled property of which the Government property is a part; and

(vi) The insurance, if any, covering any part of or interest in the property.

(5) *Low value property losses.* The Contractor is not required to provide a property loss notice for low value property until contract completion or termination, except low value property that the Contractor needs for continued performance of this contract or low value Government-furnished property that the Government is contractually obligated to provide to the Contractor for performance of another contract. Notice of such loss shall be provided in accordance with paragraph (f)(4) of this clause.

(g) *Inventories.* The Contractor shall assure that the location of each Government property item is accurately established and the records and reports required by this clause are complete and accurate.

(1) *Contract termination inventories.* The Contractor shall inventory all property accountable under this contract immediately following a notice of termination or partial termination of the contract. Electronic, optical, electro-magnetic, or similar systems may be used.

(2) *Contract completion inventory.* Promptly following completion of deliveries or performance under the contract, the Contractor shall inventory all Government property accountable under this contract that the Government is not contractually obligated to furnish to the Contractor for performance of another Government contract.

(h) *Markings—(1) Contractor-acquired or produced property (other than material).* As soon as practicable following the assumption

of title to property acquired or produced for performance of a cost-reimbursement or time-and-materials contract, the Contractor shall legibly and conspicuously mark such property with the phrase "U.S. Government Property" (or a similar phrase that conveys Government ownership) and a control number that links the property to the property records maintained by the Contractor.

(2) *Government-furnished property (other than material).* Promptly following receipt of Government-furnished property, the Contractor shall determine whether the property bears a Government ownership marking, mark unmarked property with the markings identified in paragraph (g)(1) of this clause, and replace any control numbers affixed by other Contractors with the Contractor's control number.

(3) *Exceptions.* (i) The Contractor is not required to mark Government-furnished or Contractor-acquired or produced material.

(ii) In lieu of the requirements in paragraph (h)(1) or (h)(2) of this clause, the Contractor shall contact promptly the Property Administrator for alternate instructions when marking would damage a property item or the Contractor considers a physical marking to be impractical.

(i) *Overseas contracts.* In a contract performed outside the United States, its territories, or possessions, the words "Government" and "Government-furnished", as used in this clause, mean "United States Government" and "United States Government-furnished," respectively.

(End of clause)

Alternate I (Date) As prescribed in 45.510(b), substitute the following paragraphs (e) and (f) for paragraphs (e) and (f) of the basic clause:

(e) *Property records.* The Contractor shall establish a property record for each Government property item returned for correction under a warranty and shall maintain the records on a contract-by-contract basis. The records shall identify the item's name, description, property classification, national stock number, the date received and the date the item is returned to the Government. For items having an acquisition cost greater than (insert the agency capitalization threshold), the Contractor shall enter the item's four-digit federal supply classification code. Once a property record has been established, identical items received for corrective action shall be added to the established record and the information required by this paragraph maintained for each item.

(f) *Notices—(1) Misdirected Government property.* The Contractor shall notify the Property Administrator, promptly following receipt of Government property intended for another person or Government property not required for performance of a Government contract, and shall request disposition instructions. To the extent practical, the Contractor shall identify the shipment's content, intended recipient, carrier that made delivery, the Government activity from which the shipment originated, and the shipment's current location.

(2) *Late Government-furnished property.* The Contractor shall notify promptly the

Contracting Officer of a failure to receive Government-furnished property at the time stated in the contract or, when a time is not stated, in sufficient time to enable the Contractor to meet the contract's delivery or performance dates. Each notice shall forward the Contractor's estimate of the extent to which such failure has affected or might affect contract performance.

(3) *Property losses.* Except as provided in paragraph (f)(4) of this clause, the Contractor shall notify the Property Administrator in writing promptly upon learning that a Government property loss has occurred. The notice shall identify the property by item and include—

(i) The item's description, contract number, national stock number (if known), and either part number or identification number;

(ii) The date a physical loss or theft was discovered or damage or destruction occurred and, if known, the circumstances;

(iii) The item's acquisition cost;

(iv) The contracts affected;

(v) All known interests in commingled property of which the Government property is a part; and

(vi) The insurance, if any, covering any part of or interest in the property.

(4) *Low value property losses.* The Contractor is not required to provide a property loss notice for low value property until contract completion or termination, except low value property that the Contractor needs for continued performance of this contract or low value Government-furnished property that the Government is contractually obligated to provide to the Contractor for performance of another contract. The notice shall contain the information required by paragraph (f)(3) of this clause.

52.245-6 Rental Charges for Commercial Use.

As prescribed in 45.602 insert the following clause:

RENTAL CHARGES FOR COMMERCIAL USE (DATE)

(a) *Definitions.* (1) When a term defined in the clause at 52.245-2, Government Property, is used in this clause, the term has the same meaning as when used in 52.245-2.

(2) As used in this clause—

Base cost means the acquisition cost recorded in the Contractor's property control system or, in the absence of such record, the value attributed by the Government to a Government property item for purposes of determining a reasonable rental charge.

(b) *General.* (1) Rental requests must be submitted to the Administrative Contracting Officer, identify the property for which rental is requested, propose a rental period, and calculate an estimated rental charge by using the Contractor's best estimate of rental time in the formulae described in paragraph (c) of this clause.

(2) The Contractor shall not use Government property for commercial 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 noninterference basis.

(c) *Rental charge*—(1) *Real property and associated fixtures.* (i) The Contractor shall obtain, at no cost to the Government, 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 1 year following the date the appraisal was performed. The Contractor shall submit the appraisal to the Administrative Contracting Officer at least 30 days prior to the date the property is needed for commercial use. Except as provided in paragraph (c)(1)(iii) of this clause, the Administrative Contracting Officer 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 Administrative Contracting Officer has reason to believe the appraisal rental rate is not reasonable, the Administrative Contracting Officer shall promptly notify the Contractor and provide the rationale. The parties may agree on an alternate means for computing a reasonable rental charge.

(2) *Other Government property.* The Contractor may elect to calculate the final rental charge using the appraisal method described in paragraph (c)(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 1 hour with portions of hours rounded to the next higher hour:

Rental charge = (Rental time in hours) (.02 per month) (Base cost) 720 hours per month

(3) *Alternate methodology.* The Contractor may request consideration of an alternate basis for computing the rental charge if it considers the monthly rental rate or a time based rental unreasonable or impractical.

(d) *Rental payments.* (1) Rent is due at the time and place specified by the Contracting Officer. If a time is not specified, the rental is due 60 days following completion of the rental period. The Contractor shall calculate the rental due and furnish records or other supporting data in sufficient detail to permit the Administrative Contracting Officer to verify the rental time and computation. Unless otherwise permitted by law, payment shall be made by check payable to the Treasurer of the United States and sent to an office designated by the Administrative Contracting Officer to receive rental payments or by electronic funds transfer to that office.

(2) Interest will be charged if payment is not made by the specified payment date or, in the absence of a specified date, the 61st day following completion of the rental period. 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 Contractor stemming from the Contractor's unauthorized use of Government property or any other failure to perform this contract according to its terms.

(e) *Liability for loss, theft, damage, or destruction.* When Government property is used for commercial purposes, the Contractor shall be liable for, and shall reimburse the Government for, any damage to or loss, theft, or destruction of such property except damage resulting from wear and tear reasonable for the period during which use for commercial purposes was authorized. The Contractor shall indemnify the Government against claims for injury to persons or damage to the Contractor's or a third party's property arising from the Contractor's use or possession of the Government property for commercial purposes.

(f) *Use revocation.* (1) At any time during the rental period, the Government may revoke commercial use authorization. When practical, the Government may provide the reason of revocation in a reasonable period of time prior to such revocation.

(2) Promptly following a use revocation, the Contractor shall restore the property to its pre-rental condition (less normal wear and tear) and return the property to the Government. Such return and restoration shall be accomplished at no cost to the Government.

(g) *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)

52.245-7 Government Property—Alternate Procedures.

As prescribed in 45.207-2(d), insert the following clause:

GOVERNMENT PROPERTY—ALTERNATE PROCEDURES (DATE)

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

Commercial purpose means any purpose other than performance of a U.S. Government contract or subcontract thereunder.

Contractor's managerial personnel means the Contractor's directors, officers, and any of the Contractor's managers, superintendents, or equivalent representatives who have supervision or direction of all or substantially all of the Contractor's business or the Contractor's operations at a site connected with performance of a Government contract.

Demilitarization means rendering a product unusable for, and not restorable to, the purpose for which it was designed or is customarily used.

Equipment means nonexpendable, tangible personal property. The term does not include property that satisfies the definition in this clause of material, unique Federal property, special tooling, or special test equipment.

Expendable property means property that is customarily consumed during design, manufacture, or testing of a product or performance of a service.

General purpose equipment means equipment items that can be used, or with only minor modification could be used, to

develop, produce, test, or maintain more than one type of item or perform more than one type of service.

Government-furnished property means Government property that a Contracting Officer authorizes a Contractor to use for performance of a Government contract.

Government property means property the Government owns or leases.

Low value property means equipment, special tooling, or special test equipment that has an acquisition cost less than \$5,000 and is not sensitive property.

Material means expendable property and property incorporated into or attached to an end item.

Natural disaster means a sudden and unusual natural occurrence causing catastrophic damage, including floods, hurricanes, tornadoes, cyclones, atmospheric electrical storms, tidal waves, avalanches, mudslides, landslides, volcanic eruptions, earthquakes, and other similar perils. The term does not include fire or explosion, unless directly or indirectly caused by a covered peril.

Nonprofit organization means a business entity organized and operated exclusively for charitable, scientific, or educational purposes, the net earnings of which do not inure to the benefit of any private shareholder or individual, that is exempt from Federal income taxation under section 501 of the Internal Revenue Code and does not conduct a substantial portion of its activities carrying on propaganda or otherwise attempting to influence legislation or participating in any political campaign on behalf of any candidate for public office.

Personal property means property of any kind or interest in it except real property, battleships, cruisers, aircraft carriers, destroyers, submarines, and records of the Government.

Plant clearance officer means a person appointed to disposition property accountable under Government contracts.

Precious metals means silver, gold, platinum, palladium, iridium, osmium, rhodium, and ruthenium.

Property means real and personal property.

Property administrator means a person appointed to perform property administration for the Government.

Real property means land and rights in land, ground improvements, utility distribution systems, and buildings and other structures. It does not include foundations and other work necessary for installing special tooling, special test equipment, or equipment.

Rental period means the calendar period during which Government property is made available for commercial purposes.

Rental time means the number of hours, to the nearest whole hour, rented property is actually used for commercial 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).

Scrap means personal property that has no value except its basic metallic, mineral, or organic content.

Sensitive property means property potentially dangerous to the public safety or

security if stolen, lost, or misplaced, or that must be subject to exceptional physical security, protection, control, and accountability such as classified property, weapons, ammunition, explosives, controlled substances, radioactive materials, hazardous materials or wastes, or precious metals.

Special test equipment means—

(1) Test equipment designed specifically to conduct testing required by a Government contract, provided such equipment cannot be used for other purposes;

(2) General purpose test equipment or modifications thereof that are interconnected and interdependent to form a new functional entity that can only be used to perform testing required by a contract while so interconnected and interdependent; or

(3) Any combination of specifically designed, general purpose, or modified general purpose test equipment that is so interconnected and interdependent to form a new functional entity that can only be used to perform special purpose testing required by a contract while so interconnected and interdependent.

Special tooling means items such as jigs, dies, fixtures, molds, patterns, taps, gauges, or other equipment and manufacturing aids, that are of such a specialized nature that without substantial modification or alteration their use is limited to the development, production, repair, or maintenance of particular supplies or components thereof, or to the performance of particular services.

Unique Federal property means Government-owned personal property, or components thereof, that is specially designed to perform or support the mission of one or more Federal agencies and is not available to the public. The term does not include property that is incorporated into or attached to an item deliverable under a contract.

Work in process means bench stock materials, complete or incomplete fabricated parts, subassemblies, assemblies, and similar items that are created during production of deliverable end items, or are required to construct special tooling or special test equipment needed to produce deliverable end items, or are otherwise needed for design or testing required by a contract.

(b) *General.* (1) This clause is applicable to Government-furnished property; Government property stored by the Contractor at the Government's direction; items accepted by the Government at origin that are in the Contractor's possession; and under cost-reimbursement or time-and-materials contracts, property acquired or produced by a Contractor to which the Government has title under the clause 52.216-7, Allowable Cost and Payment, of this contract. For purposes of this clause, such property and items are collectively referred to as "Government property." The clause does not apply to property to which the Government has obtained title, a lien, or other security interest solely as a result of financing arrangements under fixed-price contracts.

(2) Except as provided in paragraph (c) of this clause, the Contractor shall use its own property to perform this contract.

(3) The Contractor is responsible for the maintenance, protection, and preservation of

Government property accountable under this contract, including property in the possession of a subcontractor, and shall account for such property as required by this contract.

(4) The Contractor shall not use Government property for commercial purposes without the Contracting Officer's prior approval. Unless otherwise permitted by law, commercial use shall be on a rental basis. The terms and conditions of the Rental Charges for Commercial Use clause of this contract shall apply to each rental.

(5) If this contract is a cost-reimbursement or time-and-materials contract, the Contractor shall not acquire general purpose equipment to which the Government will have title under the clause at 52.216-7, Allowable Cost and Payment, or real property for performance of this contract, unless the general purpose equipment or real property is specified as a deliverable end item.

(6) If this contract is a fixed-price or labor-hour contract, property acquired or produced by the Contractor for performance of the contract is not Government property. Property identified as a deliverable item becomes Government property upon acceptance by the Government.

(c) *Government-furnished property.* The property identified in this contract as Government-furnished property is furnished to the Contractor on a rent-free basis for performance of this contract. The Contractor shall use sound business practices to protect, maintain, and account for the property and shall repair, replace, and dispose of the property in accordance with this clause.

(1) *Title.* The Government retains title to Government-furnished property including Government-furnished property that is incorporated into or attached to any property owned by the Contractor. Government-furnished property does not become a fixture or lose its identity as personal property by being attached to real property.

(2) *Suitability for intended use.* (i) Government-furnished property, other than property furnished "as is", shall be in a condition suitable for the property's intended use at the time the property is furnished to the Contractor. The Government shall, when requested by the Contractor, provide information reasonably required for the intended use of such property to the extent the Government has the right to release or disclose the information.

(ii) The contract delivery or performance dates are based upon the expectation that Government-furnished property, except property furnished "as is", will be suitable for its intended use and delivered to the Contractor at the times stated in the contract. If a time is not stated, the property shall be furnished in sufficient time to enable the Contractor to meet the contract's delivery or performance dates.

(iii) If Government-furnished property is received in a condition not suitable for its intended use, the Contractor shall notify the Contracting Officer as soon as the unsuitability is known and shall take corrective action or dispose of the property as directed by the Contracting Officer. The contract shall be equitably adjusted in accordance with paragraph (c)(7) of this clause.

(iv) The Contractor may request an equitable adjustment when Government-furnished property is not delivered to the Contractor by the required time and such untimely delivery has affected contract performance.

(v) If the Contractor commingles Contractor acquired or produced material with Government-furnished material, the provisions of this clause regarding suitability for intended use shall not apply to the commingled Government-furnished material. Notwithstanding any other provision of this contract, the Contractor shall be responsible for any failure to comply with contract requirements attributable to material that was commingled.

(3) *Authorized use.* The Contractor may request, in writing, the Contracting Officer to authorize use of the property furnished for performance of this contract to perform other Government contracts at the same location. Rent-free use is authorized if the Contracting Officer does not object to such use, either in whole or in part, within 30 days following confirmed receipt of the Contractor's request. Costs incurred by the Contractor to relocate, modify, or adapt the property for performance of other Government contracts or to restore the property to a condition suitable for intended use under this contract shall not increase the price or fee of any Government contract.

(4) *Real Property restrictions.* The Contractor shall not improve or make structural alterations to real property furnished for performance of this contract, unless the contract specifically identifies the alterations or improvements as work to be performed under the contract or unless expressly authorized to do so in writing by the Contracting Officer. Title to improvements or alterations to Government-furnished real property shall vest in the Government.

(5) *Property furnished "as is".* (i) The Contractor is responsible for assuring that Government property furnished on an "as is" basis is suitable for the Contractor's purposes. Such property is furnished f.o.b. at the location specified in the solicitation or contract. Costs incurred by the Contractor to transport, install, modify, or otherwise make such property suitable for the Contractor's intended use and any cost incurred to return such property to the Government shall not increase the price or fee of any Government contract. Modifications to property furnished "as is" require the Contracting Officer's prior written approval.

(ii) Special tooling or special test equipment is furnished "as is" for performance of this contract if the Contractor acquired or produced, and the Government obtained title to, such tooling or test equipment under this or another Government contract.

(iii) The Government makes no warranty whatsoever with respect to property furnished "as is", except that the property will be in the same condition when placed at the specified f.o.b. location as when inspected by the Contractor or, if not inspected by the Contractor, as of the last date identified in the solicitation or contract for Contractor inspection. The Contractor is

responsible for verifying that the property's condition has not changed during that period. If the Contractor determines the property's condition has changed and such change will adversely affect the Contractor, the Contractor shall notify the Contracting Officer promptly and identify the changed condition. If the Contracting Officer concurs that the property's condition has changed, the Contracting Officer may restore the property or substitute other Government property at no change in the contract's price or fee; permit the Contractor to restore the property subject to an equitable adjustment; or decline to provide the property subject to an equitable adjustment. The foregoing provisions for adjustment are the exclusive remedies available to the Contractor. The Government has no liability for changes in the property's condition discovered after removal from the specified f.o.b. location.

(iv) Repairs to or modifications of property furnished "as is" do not affect the Government's title to such property.

(6) *Changes in Government-furnished property.* (i) The Contracting Officer may increase, decrease, or substitute other Government property for the property furnished or to be furnished for performance of this contract or require use of Government-furnished property in lieu of Contractor property.

(ii) Any increase in the amount of property furnished for performance of this contract shall result in an equitable reduction in contract price or fee and appropriate adjustment of the contract delivery or performance dates.

(iii) The Contractor may request an equitable adjustment for a decrease in or substitution for the property identified in the contract or withdrawal of authority to use property accountable under another contract in performance of this contract provided such decrease, substitution, or withdrawal increases contract costs or schedule.

(iv) If the Contracting Officer directs the Contractor to use Government-furnished property in lieu of Contractor property in performance of this contract, any adjustment to the contract shall be made in accordance with paragraph (c)(7) of this clause.

(7) *Equitable adjustments.* Equitable adjustments shall be the Contractor's exclusive remedy for Government actions under this clause and shall be made in accordance with the procedures of the Changes clause of this contract.

(i) Equitable adjustments may include an amount for the restoration and rehabilitation of the Contractor's premises caused by Government-furnished property that is not in a condition suitable for intended use, the withdrawal or substitution of Government-furnished property, or the Government's abandonment of hazardous property (see paragraph (h)(1) of this clause).

(ii) The Government shall not be liable for breach of contract for—

(A) Any delay in delivery of Government-furnished property;

(B) Delivery of Government-furnished property in a condition not suitable for its intended use;

(C) An increase or decrease in, or substitution of, Government-furnished property; or

(D) Failure to repair or replace Government-furnished property.

(8) *Return of Government-furnished property.* If this contract requires Government-furnished property to be returned directly to a Government activity—

(i) The property, including property furnished "as is", shall be returned to the Government in the same condition, less normal wear and tear, or better condition than when furnished to the Contractor except—

(A) Lost, stolen, or destroyed property that the Government has determined will not be replaced; and

(B) Damaged property that the Government has elected not to have repaired or replaced.

(ii) The Contractor shall notify the contract administration office of its intent to return Government-furnished property at least 10 working days prior to return. Notices shall identify the contracts under which the items are accountable and shall provide each item's name, description, national stock number (if known), and part number or identification number.

(d) *Property loss liability.* As used in this clause, the terms loss and losses include, either individually or in any combination, physical misplacement of, theft of, destruction of, or damage to, Government property accountable under this contract.

(1) *Contractor liability.* The Contractor is liable for property losses, except losses for which the Government is liable under paragraph (d)(2) of this clause.

(2) *Government liability.* The Government is liable for losses—

(i) Caused by acts of war, civil insurrection, or natural disasters, regardless of property value, except a loss or portion thereof caused by or attributable to the Contractor's or a subcontractor's failure to take reasonable and prudent steps to avoid or reduce such losses; and

(ii) To Government property items that have an acquisition cost greater than \$1,000,000 per item, except a loss or portion thereof caused by willful misconduct or lack of good faith on the part of the Contractor's or a subcontractor's managerial personnel.

(3) *Reduced Government liability.* The Government's liability for a property loss shall be reduced by the amount of any reimbursement the Contractor receives from a third party for the loss.

(4) *Property in the possession of a subcontractor.* The Contractor's transfer of Government property to the possession and control of a subcontractor does not affect the Contractor's liability for property losses.

(5) *Contractor required actions following a property loss.* The Contractor shall—

(i) Take all reasonable action to protect damaged Government property from further damage and to physically separate such property from all other property;

(ii) Notify the Contracting Officer as required by the Government Property Administration—Alternate Procedures clause of this contract (52.245-8(e)(4));

(iii) Not repair, replace, or otherwise remedy a loss for which the Government is liable under paragraph (d)(2) of this clause, unless authorized to do so by the Contracting Officer; and

(iv) Do nothing to prejudice the Government's rights to recover against third parties for any Government property loss. When requested by the Contracting Officer, the Contractor shall, at Government expense, furnish to the Government all reasonable assistance and cooperation (including the prosecution of suit and the execution of instruments of assignment in favor of the Government) in obtaining recovery.

(6) *Insurance charges or reserves.* Unless expressly required by this contract, the Contractor shall not include in the contract price, fee, or any adjustment thereof, any charge or reserve for insurance (including any self-insurance fund or reserve) covering losses for which the Government is liable under paragraph (d)(2) of this clause.

(e) *Property loss remedies.* Following notification that a property loss has occurred—

(1) If the Government is liable for the loss, the Contracting Officer may—

(i) Elect to repair, replace, substitute other property for such property, or negotiate an equitable adjustment in lieu of repair, replacement, or substitution; or

(ii) Authorize the Contractor to repair or replace the property or take other appropriate action. If authorized, the Contractor may request an equitable adjustment.

(2) If the Contractor is liable for the loss, the Contracting Officer may—

(i) Authorize the Contractor to repair or replace the property or take other appropriate action at no change in price or fee; or

(ii) Elect to receive an equitable reduction in contract price or fee in lieu of requiring the Contractor to remedy the loss.

(3) The Contractor shall use any reimbursement for a property loss from a source other than the Government to repair, or replace the property that suffered a loss, or equitably reimburse the Government, as directed by the Contracting Officer.

(f) *Government property maintenance.* The contract price or fee includes an amount for performance of the maintenance actions required by paragraphs (f)(1) and (f)(2) of this clause.

(1) *Government-furnished property.* The Contractor shall maintain Government-furnished property in a condition suitable for its intended use. The Contractor shall—

(i) Use sound business practices to maintain real property, special tooling, and special test equipment;

(ii) Maintain unique Federal property as specified in this contract, or if not specified, agency instructions for the maintenance of such property;

(iii) Preserve, protect, and care for material and general purpose equipment in accordance with the property manufacturer's standards of care for such items, or when the manufacturer has not released standards of care, the Contractor's standard business practices for comparable Contractor-owned material and equipment; and

(iv) Promptly notify the contract administration office when the maintenance actions required by paragraphs (e)(1)(i) through (e)(1)(iii) are not sufficient to sustain a Government-furnished property item's suitability for its intended use and request direction regarding repair, rehabilitation, or

replacement. The Contractor shall not repair, rehabilitate, or replace such items unless authorized to do so by the Contracting Officer.

(2) *Property to which the Government obtains title under a cost-reimbursement or time-and-materials contract.* The Contractor shall maintain property to which the Government obtains title under a cost-reimbursement or time-and-materials contract in a condition suitable for the property's intended use until the Contractor determines the property is no longer needed for continued performance of this contract. Promptly following that determination, the Contractor shall enter the items into the property disposal process.

(3) *Additional maintenance actions.* When the Contractor's diligent performance of the maintenance actions required by paragraph (f)(1) and (f)(2) of this clause is not sufficient to sustain a Government-furnished property item's suitability for its intended use, the Contracting Officer may—

(i) Repair, rehabilitate, replace, or substitute other property for the property requiring additional maintenance; or

(ii) Authorize the Contractor to repair, rehabilitate, or replace, the property.

(4) *Equitable adjustment.* The Contractor may request an equitable adjustment for property repair, rehabilitation, or replacement authorized by the Contracting Officer.

(5) *Stored Government property.* The Contractor shall store Government property only if specifically directed to do so by the Contracting Officer. Stored property shall be maintained in accordance with instructions provided by the Contracting Officer. Except as provided in the clause 52.245-3, Delivery—Special Tooling and Special Test Equipment, of this contract and paragraph (g)(7) of this clause, the price or fee of the contract does not include an amount for such maintenance.

(g) *Government property disposal.* Except as provided in paragraphs (c)(8), (g)(1), and (g)(2) of this clause, the Contractor shall not dispose of Government property until authorized to do so by the Plant Clearance Officer.

(1) *Scrap.* (i) Contractors may dispose of scrap that results from production or testing under this contract without Government approval if the scrap does not contain precious metals, hazardous materials or wastes, nuclear materials, classified materials, or does not require demilitarization. All other scrap must be disposed of in accordance with paragraphs (g)(3) through (g)(8) of this clause.

(ii) The Contractor and the Plant Clearance Officer may agree to expedited scrap procedures for nonproduction scrap without consideration by either party.

(2) *Predisposal requirements.* When the Contractor determines that a property item acquired or produced by the Contractor is no longer needed for performance of this contract, the Contractor shall—

(i) Make reasonable efforts to return unused property to the appropriate supplier at acquisition cost (less, if applicable, a reasonable restocking fee that is consistent with the supplier's customary practices) and

credit the price or estimated cost of this contract with the proceeds of such returns; and

(ii) List property that could not be returned to a supplier or used in the performance of other Government contracts on Standard Form 1428, Inventory Disposal Schedule.

(3) *Inventory disposal schedules.* (i) The Contractor shall use Standard Form 1428, Inventory Disposal Schedule, to identify—

(A) Government-furnished property that is no longer required for performance of this contract provided the terms of another Government contract do not require the Government to furnish that property for performance of that contract; and

(B) Property acquired or produced by the Contractor, to which the Government has obtained title under cost-reimbursement or time-and-materials contracts, that is no longer required for performance of that contract.

(ii) The Contractor may annotate inventory disposal schedules to identify property the Contractor wishes to purchase from the Government.

(iii) Unless the Plant Clearance Officer has agreed otherwise, or the contract requires electronic submission of inventory disposal schedules, the Contractor shall prepare separate inventory disposal schedules for—

(A) Special test equipment with general purpose components;

(B) Special test equipment that does not contain general purpose components;

(C) Printing equipment;

(D) Computers, components thereof, peripheral equipment, and related equipment;

(E) Precious metals;

(F) Nonnuclear hazardous materials or hazardous wastes; or

(G) Nuclear materials or nuclear wastes;

(iv) Property with the same description, condition code, and reporting location may be grouped in a single line item. Special test equipment shall be described in sufficient detail to permit an understanding of the special test equipment's intended use.

(4) *Submission requirements.* Inventory disposal schedules shall be submitted to the Plant Clearance Officer no later than—

(i) Thirty days following the Contractor's determination that a Government property item is no longer required for performance of the contract;

(ii) Sixty days, or such longer period as may be approved by the Plant Clearance Officer, following completion of contract deliveries or performance; or

(iii) One hundred twenty days, or such longer period as may be approved by the Plant Clearance Officer, following contract termination in whole or in part.

(5) *Corrections.* The Plant Clearance Officer may require the Contractor to correct an inventory disposal schedule or may reject a schedule if the property identified on the schedule is not accountable under this contract or is not in the quantity or condition indicated.

(6) *Postsubmission adjustments.* The Contractor shall provide the Plant Clearance Officer at least 10 working days advance written notice of its intent to remove a property item from an approved inventory

disposal schedule. Unless the Plant Clearance Officer objects to the intended schedule adjustment within the notice period, the Contractor may make the adjustment upon expiration of the notice period.

(7) *Storage.* (i) The Contractor shall store the property identified on an inventory disposal schedule pending receipt of disposal instructions. The Government's failure to provide disposal instructions within 120 days following receipt of an acceptable inventory disposal schedule, might entitle the Contractor to an equitable adjustment for costs incurred to store such property on or after the 121st day following receipt of an acceptable schedule.

(ii) The Contractor must obtain the Plant Clearance Officer's approval to remove Government property from the premises at which the property is currently located prior to receipt of final disposition instructions. If approval is granted, any costs incurred by the Contractor to transport or store the property shall not increase the price or fee of any Government contract. The storage facility must be appropriate for assuring the property's physical safety and suitability for use. Approval does not relieve the Contractor of any liability under this contract for such property.

(8) *Disposition instructions.* (i) The Contractor shall prepare for shipment, deliver f.o.b. origin, or dispose of Government property as directed by the Plant Clearance Officer. The Contractor shall remove and destroy any markings identifying the property as Government property prior to disposing of the property.

(ii) The Contracting Officer may require the Contractor to demilitarize the property prior to shipment or disposal. Any equitable adjustment incident to the Contracting Officer's direction to demilitarize Government property shall be made in accordance with paragraph (c)(7) of this clause.

(9) *Disposal proceeds.* The Contractor shall credit the net proceeds from a disposal of Government property in accordance with instructions received from the Plant Clearance Officer.

(10) *Subcontractor inventory disposal schedules.* The Contractor shall require a subcontractor that is using property accountable under this contract at a subcontractor-managed site to submit inventory disposal schedules to the Contractor in sufficient time for the Contractor to comply with the requirements of paragraph (g)(4) of this clause.

(h) *Abandonment of Government property at a Contractor-owned location.* (1) The Government shall not abandon at a Contractor-owned location Government property that is or contains a hazardous material without the Contractor's written concurrence. The Contractor may request an equitable adjustment incident to such agreement.

(2) The Government, upon notice to the Contractor, may abandon any nonhazardous Government-furnished property in place at which time all obligations of the Government regarding such abandoned property shall cease. Except as provided in paragraph

(c)(7)(i) of this clause, the Government has no obligation to restore or rehabilitate the Contractor's premises under any circumstances.

(i) *Overseas contracts.* In a contract performed outside the United States, its territories, or possessions, the words "Government" and "Government-furnished" (wherever they appear in this clause) shall be construed as "United States Government" and "United States Government-furnished," respectively.

(End of clause)

Alternate I (Date). As prescribed in 45.207-2(d)(1), replace paragraph (d)(1) of the basic clause with the following paragraph (d)(1) and modify the references to "Government property" in paragraphs (d)(2), (d)(3), and (d)(4) to read "Government-furnished property":

(d)(1) *Contractor liability.* Except as provided in paragraph (d)(2) of this clause, the Contractor is liable for losses to Government-furnished property during the times the property is in the Contractor's possession.

Alternate II (Date). As prescribed in 45.207-2(d)(2), replace paragraph (b) of the basic clause with the following paragraph (b) and add the following paragraph (j) to the basic clause:

(b) *General.* (1) Except as provided in paragraph (c) of this clause, the Contractor shall use its own property to perform this contract.

(2) The Contractor is responsible for the maintenance, protection, and preservation of Government property accountable under this contract that is in the Contractor's or its subcontractors' possession and shall account for such property as required by this contract.

(3) Property acquired or produced by the Contractor for performance of this contract that the Government obtains title to under the clause at 52.216-7, Allowable Cost and Payment, is Government property accountable under this contract.

(j) *Title to Contractor-acquired or produced property, nonprofit organizations or nonprofit institutions.* (1) Notwithstanding any other provision of this contract regarding title to property acquired or produced by a Contractor, the Contractor shall have title to equipment and other tangible property purchased with Government funds provided for the conduct of basic or applied research under this contract, if—

(i) The Contracting officer has agreed, prior to the Contractor's purchase of such property, that the Contractor shall have title to that property; and

(ii) The Contractor has agreed that depreciation or amortization costs for such property shall not be allocated to any existing or future Government contract and that such property may be used by the Government or its subcontractors without charge in performance of any Government contract or subcontract thereunder.

(2) As a condition for obtaining title to property under this clause, the Contractor, by signing this contract, agrees that no person in the United States shall on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination

under this contemplated financial assistance (title to equipment or other tangible personal property) (41 U.S.C. 2000d).

52.245-8 Government Property Administration—Alternate Procedures.

As prescribed in 45.510(d), insert the following clause:

GOVERNMENT PROPERTY ADMINISTRATION—ALTERNATE PROCEDURES (DATE)

(a) *Definitions.* When a term defined in the clause at 52.245-7, Government Property—Alternate Procedures, is used in this clause, the term has the same meaning as when used in 52.245-7.

(b) *Applicability.* This clause is applicable to Government-furnished property; Government property stored by the Contractor at the Government's direction; and under cost-reimbursement or time-and-materials contracts, property acquired or produced by a Contractor to which the Government has title under the Allowable Cost and Payment clause of this contract.

(c) *Access.* The Government shall have access, at all reasonable times, to all premises at which Government property accountable under this contract is located and to applicable property records and supporting information.

(d) *Records and supporting information—(1) Property records.* (i) Except as provided in paragraph (d)(1)(ii) of this clause, the Contractor shall establish or maintain and keep current a property record for each Government property item accountable under this contract that is in the Contractor's or its subcontractors' possession. Identical items may be consolidated in a single property record if the consolidated record provides the information required by this clause. The Contractor shall identify useable components permanently removed from Government property as Government property items and establish and maintain appropriate property records. Property records created by a subcontractor that uses sound business practices to control, maintain, and account for property may be used in lieu of creating new records.

(ii) Property records are not required for work in process or for property specifically acquired or constructed for tests that will destroy the property.

(iii) Contractors that use a material requirements planning system, manufacturing resource planning system, material management accounting system, or an enterprise resource planning system, may use the records generated by those systems as the records for material items provided such records otherwise satisfy the requirements in paragraph (d)(2) of this clause.

(iv) The Contractor shall close a Government property item's record when the item is replaced and create a new property record for the replacement item if that item is Government property.

(v) The Contractor shall enter the property's acquisition cost into the record for each Government property item that was acquired or produced by the Contractor during performance of this contract. For each item having an acquisition cost of

(insert the agency capitalization threshold amount) or more, the Contractor also shall enter the date the item was acquired or produced.

(vi) The Contractor shall notify the Contracting Officer promptly if the contract does not identify a Government-furnished property item's nomenclature or acquisition cost.

(vii) Property records shall legibly and conspicuously identify sensitive property.

(viii) The property records for items requiring maintenance shall identify the dates maintenance actions (including calibration if required) were performed and any deficiencies discovered. The maintenance information may be kept separately if the Contractor has a direct link between the information and the affected property records.

(2) *Standard information.* Except as provided in paragraphs (d)(4) and (d)(5) of this clause, each property control record shall contain the following information—

(i) The item's name, description, and national stock number. If the item does not have a national stock number and the item's acquisition cost is (insert the agency capitalization threshold amount) or more, enter the four digit federal supply classification code;

(ii) Contract number or equivalent code designation;

(iii) Quantity received or fabricated, issued, and on hand;

(iv) The date of the most recent physical inventory or other posting reference;

(v) Acquisition cost and, for items having an acquisition cost of (insert the agency capitalization threshold amount) or more, the date the items were acquired or produced;

(vi) Current location (for low value property, identify the initial location only); and

(vii) The property's classification. Use only one of the following for each property item: Land, buildings, other real property, equipment, special test equipment, special tooling, unique Federal property, or material.

(3) *Additional information.* In addition to the information required by paragraph (d)(2) of this clause, the property records for—

(i) Special tooling and special test equipment shall identify each part number with which a special tool or special test equipment item is used;

(ii) Special test equipment that includes general purpose equipment shall include the information required by paragraph (f)(2) of this clause for each removable or reusable general purpose component if removal and reuse is economically feasible;

(iii) Equipment shall include the manufacturer's name, serial number, and model or part number; and

(iv) Scrap shall identify the material content, contract from which the scrap was derived, and the scrap's disposition and disposition date(s).

(4) *Real property.* (i) Real property records must contain a description of the property, its location, original acquisition cost, a description of property alterations made or construction work performed by the Contractor including an identification of the

construction sites supporting such alterations or construction, and must separately identify the cost of such alterations or construction. Supporting documentation shall include maps, drawings, plans, specifications, and, if necessary, supplementary data needed to completely describe and value the property.

(ii) Costs incurred by the Government or the Contractor, to acquire, construct, alter, or improve Government-owned or leased real property, including additions, expansions, extensions, or conversions thereof, shall be added to the property's acquisition cost if they increase the value, life, utility, capability, or serviceability of the property.

(iii) A real property record shall be annotated with a statement of the pertinent facts when the property is sold, transferred, donated, destroyed, abandoned by the Government, or condemned.

(5) *Property returned under warranty.* The Contractor shall establish a property record for each item returned for correction under a warranty and maintain the records on a contract-by-contract basis. The records shall identify the date received, and the date the item is returned to the Government. Once a property record has been established, identical items received for corrective action shall be added to the established record and the information required by this paragraph maintained for each item.

(e) *Reports and notices—(1) Annual Government property report.* The Contractor shall report all Government property accountable under this contract that is in its or its subcontractors' possession as of September 30 of each calendar year or upon completion of all property disposal actions under this contract, whichever is sooner. Unless otherwise stated in this contract, the report shall be prepared using Standard Form 1450, U.S. Government Property in the Possession of Contractors, and submitted to the Property Administrator no later than October 31 of each calendar year.

(2) *Misdirected Government property.* The Contractor shall notify the Property Administrator in writing immediately following receipt of Government property intended for another person or Government property not required for performance of a Government contract with the Contractor and shall request disposition instructions. To the extent practical, the Contractor shall identify the shipment's content, intended recipient, carrier that made delivery, the Government activity from which the shipment originated, and the shipment's current location.

(3) *Late Government-furnished property.* The Contractor shall notify promptly the Contracting Officer of a failure to receive Government-furnished property at the time stated in the contract or, when a time is not stated, in sufficient time to enable the Contractor to meet the contract's delivery or performance dates. Each notice shall forward the Contractor's estimate of the extent to which such failure has affected or might affect contract performance.

(4) *Property losses.* Except as provided in paragraph (e)(5) of this clause, the Contractor shall notify the Property Administrator in writing promptly upon learning that a Government-furnished property loss has occurred. The notice shall identify the property by item and include—

(i) The item's description, contract number, national stock number (if known), and either part number or identification number;

(ii) The date the physical loss or theft was discovered or damage or destruction occurred and, if known, the circumstances;

(iii) The item's acquisition cost;

(iv) The contracts affected;

(v) All known interests in commingled property of which the Government property is a part; and

(vi) The insurance, if any, covering any part of or interest in the property.

(5) *Low value Government-furnished property losses.* The Contractor is not required to provide a property loss notice for low value Government-furnished property until contract completion or termination, except low value Government-furnished property that the Contractor needs for continued performance of this contract or low value Government-furnished property that the Government is contractually obligated to provide to the Contractor for performance of another contract. The notice shall contain the information required by paragraph (e)(4) of this clause.

(f) *Inventories.* The Contractor shall assure that the location of each Government property item is accurately established and the records and reports required by this clause are complete and accurate.

(1) *Contract termination inventories.* The Contractor shall inventory all property accountable under this contract immediately following a notice of termination or partial termination of the contract. Electronic, optical, electro-magnetic, or similar systems may be used.

(2) *Contract completion inventory.* Promptly following completion of deliveries or performance under the contract, the Contractor shall inventory all Government property accountable under this contract that the Government is not contractually obligated to furnish to the Contractor for performance of another Government contract.

(g) *Markings—(1) Contractor-acquired or produced property (other than material).* As soon as practicable following the Government's assumption of title to property acquired or produced for performance of a cost-reimbursement or time-and-materials contract, the Contractor shall legibly and conspicuously mark such property with the phrase "U.S. Government Property" (or a similar phrase that conveys Government ownership) and a control number that links the property to the property records maintained by the Contractor.

(2) *Government-furnished property (other than material).* Promptly following receipt of Government-furnished property, the Contractor shall determine whether the property bears a Government ownership marking, mark unmarked property with the markings identified in paragraph (g)(1) of this clause, and replace any control numbers affixed by other Contractors with the Contractor's control number.

(3) *Exceptions.* (i) The Contractor is not required to mark Government-furnished or Contractor-acquired or produced material.

(ii) In lieu of the requirements in paragraph (g)(1) or (g)(2) of this clause, the Contractor shall contact promptly the Property

Administrator for alternate instructions when marking would damage a property item or the Contractor considers a physical marking to be impractical.

(h) *Overseas contracts.* In a contract performed outside the United States, its territories, or possessions, the words "Government" and "Government-furnished", as used in this clause, mean "United States Government" and "United States Government-furnished," respectively. (End of clause)

Alternate I (Date) As prescribed in 45.510(b), substitute the following paragraphs (d) and (e) for paragraphs (d) and (e) of the basic clause:

(d) *Property records.* The Contractor shall establish a property record for each Government property item returned for correction under a warranty and shall maintain the records on a contract-by-contract basis. The records shall identify the item's name, description, property classification, national stock number, the date received, the contract number under which the item was returned, the corrective action performed, and the date the item is returned to the Government. For items having an acquisition cost greater than (insert the agency capitalization threshold), the Contractor shall enter the item's four-digit federal supply classification code. Once a property record has been established, identical items received for corrective action shall be added to the established record and the information required by this paragraph maintained for each item.

(e) *Notices—(1) Misdirected Government property.* The Contractor shall notify the Property Administrator, promptly following receipt of Government property intended for another person or Government property not required for performance of a Government contract, and shall request disposition instructions. To the extent practical, the Contractor shall identify the shipment's content, intended recipient, carrier that made delivery, the Government activity from which the shipment originated, and the shipment's current location.

(2) *Late Government-furnished property.* The Contractor shall notify promptly the Contracting Officer of a failure to receive Government-furnished property at the time stated in the contract or, when a time is not stated, in sufficient time to enable the Contractor to meet the contract's delivery or performance dates. Each notice shall forward the Contractor's estimate of the extent to which such failure has affected or might affect contract performance.

(3) *Government-furnished property losses.* Except as provided in paragraph (e)(4) of this clause, the Contractor shall notify the Property Administrator in writing promptly upon learning that a Government-furnished property loss has occurred. The notice shall identify the property by item and include—

(i) The item's description, contract number, national stock number, if known, and either part number or identification number;

(ii) The date the physical loss or theft was discovered or damage or destruction occurred and, if known, the circumstances;

(iii) The item's acquisition cost;

(iv) The contracts affected;
(v) All known interests in commingled property of which the Government-furnished property is a part; and

(vi) The insurance, if any, covering any part of or interest in such commingled property.

(4) *Low value Government-furnished property losses.* The Contractor is not required to provide a property loss notice for low value Government-furnished property until contract completion or termination, except low value Government-furnished property that the Contractor needs for continued performance of this contract or low value Government-furnished property that the Government is contractually obligated to furnish to the Contractor for performance of another Government contract. The notice shall contain the information required by paragraph (e)(3) of this clause.

52.245-9 through 52.245-19 [Removed]

59. Remove sections 52.245-9 through 52.245-19.

52.246-18 [Amended]

60. Amend section 52.246-18 by revising the date of the clause; and in the first sentence of paragraph (b)(3) by removing the word "facilities" and adding "Government property" in its place.

61. Amend section 52.249-2 by revising the date of the clause and paragraph (b)(2); by removing paragraph (d); and by redesignating paragraphs "(e)" through "(n)" as "(d)" through "(m)", respectively. The revised text reads as follows:

52.249-2 Termination for Convenience of the Government (Fixed-Price).

* * * * *

Termination for Convenience of the Government (Fixed-Price) (Date)

* * * * *

(b) * * *

(2) Place no further subcontracts or orders (referred to as subcontracts in this clause), except as necessary to complete the continued portion of the contract.

* * * * *

62. Amend section 52.249-3 by revising the date of the clause and paragraph (b)(2); by removing paragraph (d); and by redesignating paragraphs "(e)" through "(n)" as "(d)" through "(m)", respectively. The revised text reads as follows:

52.249-3 Termination for Convenience of the Government (Dismantling, Demolition, or Removal of Improvements).

* * * * *

Termination for Convenience of the Government (Dismantling, Demolition, or Removal of Improvements) (Date)

* * * * *

(b) * * *

(2) Place no further subcontracts or orders (referred to as subcontracts in this clause), except as necessary to complete the continued portion of the contract.

* * * * *

52.249-6 [Amended]

63. Amend section 52.249-6 by revising the date of the clause; by removing paragraph (e); and by redesignating paragraphs "(f)" through "(n)" as "(e)" through "(m)", respectively.

52.249-11 [Removed and Reserved]

64. Remove and reserve section 52.249-11.

52.249-13 [Removed and Reserved]

65. Remove and reserve section 52.249-13.

66. Amend section 52.249-14 by revising the second and fourth sentences of the introductory paragraph to read as follows:

52.249-14 Excusable Delays.

* * * Also insert the clause in time-and-materials contracts and labor-hour contracts. * * * When used in construction contracts, substitute the words "completion time" for "delivery schedule" in the last sentence of the clause.

* * * * *

67. Amend section 52.251-1 by revising the clause to read as follows:

52.251-1 Government Supply Sources.

* * * * *

Government Supply Sources (Date)

(a) The Contracting Officer may authorize the Contractor to use Government supply sources in the performance of this contract. Such property is not "Government-furnished property."

(b) Title to property acquired by the Contractor under paragraph (a) of this clause shall vest for—

(1) Fixed-price contracts, as provided in the contract financing provisions and the Delivery—Special Tooling and Special Test Equipment (Fixed-Price Contracts) clause of this contract.

(2) Cost-type contracts, as provided in the Allowable Cost and Payment clause of this contract.

(End of clause)

PART 53—FORMS

68. Revise section 53.245 to read as follows:

53.245 Government property.

The following forms are prescribed, as specified in this section for use in reporting, redistribution, and disposal of Government property and in accounting for this property:

(a) *SF 120 (GSA), Report of Excess Personal Property, and SF 120-A (GSA), Continuation Sheet (Report of Excess Personal Property).* (See 45.504-5(a) and 41 CFR 101-43.)

(b) *SF 126 (GSA), Report of Personal Property for Sale, and SF 126-A (GSA), Report of Personal Property for Sale (Continuation Sheet).*

(c) *SF 1423 (Rev. DATE), Inventory Verification Survey.* (See 45.304-3(b).)

(d) *SF 1424 (Rev. 7/89), Inventory Disposal Report.* SF 1424 is authorized for local reproduction and a copy is furnished for this purpose in part 53 of the looseleaf edition of the FAR.

(e) *SF 1428 (Rev. DATE), Inventory Disposal Schedule, and SF 1429 (Rev. DATE), Inventory Disposal Schedule-Continuation Sheet.* (See 52.245-2(g)(2) and 52.245-7(g)(2).) SF 1428 and SF 1429 are authorized for local reproduction and copies are furnished for this purpose in part 53 of the looseleaf edition of the FAR.

(f) *SF 1450 (DATE), U.S. Government Property in the Possession of Contractors.* (See 52.245-6(g)(1).) SF 1450 is authorized for local reproduction and a copy is furnished for this purpose in part 53 of the looseleaf edition of the FAR.

69. Amend section 53.249 by revising paragraph (b) to read as follows:

53.249 Termination of contracts.

* * * * *

(b) Standard Form 1428 (Rev. DATE), Inventory Disposal Schedule, and Standard Form 1429 (Rev. DATE), Inventory Disposal Schedule—Continuation Sheet, must be used to support termination settlement proposals listed in paragraph (a) of this section, as specified in 49.602-2.

70. Revise section 53.301-1423 to read as follows:

53.301-1423 Inventory Verification Survey.

INVENTORY VERIFICATION SURVEY (See FAR 45.505-2(b))	DATE
---	------

SECTION I - GENERAL

1. FROM: (Include ZIP Code)	2. TO: (Include ZIP Code)																						
3. CONTRACT NUMBER AND TYPE	4. CONTRACTOR/SUBCONTRACTOR																						
5A. SCHEDULES OF INVENTORY TO BE INSPECTED AND VERIFIED	5B. PLANT CLEARANCE CASE NUMBER/DOCUMENT NUMBER																						
<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2">REFERENCE NUMBER</th> <th colspan="2">PAGES</th> <th rowspan="2">AMOUNT (\$)</th> </tr> <tr> <th>START NO.</th> <th>END NO.</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td><td> </td></tr> </tbody> </table>	REFERENCE NUMBER	PAGES		AMOUNT (\$)	START NO.	END NO.																	
REFERENCE NUMBER		PAGES			AMOUNT (\$)																		
	START NO.	END NO.																					

SECTION II - TECHNICAL VERIFICATION

	YES	NO		YES	NO
6. IS PROPERTY LISTED ON THE INVENTORY SCHEDULES ON HAND AND IN THE QUANTITIES INDICATED?		*	12. ARE THE WEIGHTS OF THE ITEMS APPROXIMATELY CORRECT? IF WEIGHTS ARE NOT SHOWN, GIVE ESTIMATE OF WEIGHT BY BASIC MATERIAL CONTENT:		*
7. IS THE PROPERTY CORRECTLY DESCRIBED ON THE INVENTORY SCHEDULES?		*	13. DO THE ITEMS APPEAR TO HAVE COMMERCIAL VALUE OTHER THAN SCRAP?	*	*
8. IS THE PROPERTY SEGREGATED OR ADEQUATELY PROTECTED?		*	14. IF COST TYPE CONTRACT, DID CONTRACTOR COMPLETE THE ACTIONS REQUIRED BY 52.245-2(g)(2) OR -7(g)(2)?	*	*
9. IS THE PROPERTY PROPERLY TAGGED?		*	15. DO ANY ITEMS REQUIRE DEMILITARIZATION OR SPECIAL PROCESSING (sensitive items)?	*	*
10. ARE THE CONDITION CODES ACCURATE?		*	16. ARE COMMON ITEMS INCLUDED ON THE INVENTORY SCHEDULE?	*	*
11. IS THE PROPERTY CLASSIFICATION CORRECTLY IDENTIFIED?		*			

SECTION III - TERMINATION INVENTORY

COMPLETION OF THIS SECTION IS IS NOT REQUIRED (Requester, check one)

	YES	NO		YES	NO
17. DID WORK STOP PROMPTLY UPON RECEIPT OF THE TERMINATION NOTICE? DATE OF NOTICE: _____		*	20. DOES THE INVENTORY INCLUDE REJECTS? IF YES, EXPLAIN SPECIFIC LINE ITEM ENTRIES. OBTAIN FROM CONTRACTOR ESTIMATED COST OF REWORKING REJECTS ON SPECIFIC LINE ITEM BASIS.	*	*
18a. DO THE QUANTITIES OF MATERIAL EXCEED THE AMOUNTS THAT WOULD HAVE BEEN REQUIRED TO COMPLETE THE TERMINATED PORTION OF THE CONTRACT?	*		21a. HAVE COMPLETED ARTICLES BEEN INSPECTED AS TO QUALITY AND CONFORMANCE TO SPECIFICATIONS?		*
b. CAN THE ITEMS OF TERMINATION INVENTORY BE USED ON THE CONTINUING PORTION OF THE CONTRACT?	*		b. DO THE COMPLETED ITEMS INSPECTED CONFORM TO CONTRACT SPECIFICATIONS?		*
19. ARE ALL ITEMS AND QUANTITIES ALLOCABLE TO THE TERMINATION PORTION OF THIS CONTRACT OR ORDER?		*	c. DO OTHER THAN COMPLETED ITEMS CONFORM WITH TECHNICAL REQUIREMENTS OF THE CONTRACT OR ORDER?		*
			22. FOR WORK-IN-PROCESS, IS THE PERCENTAGE OF COMPLETION ACCURATE?		*

23. REQUESTING OFFICE REMARKS (Where the answer to any question is placed in a block containing an asterisk (*) detailed comments of the verifier shall be included on the reverse of this form and identified by section and item number.)

24. SIGNATURE OF REQUESTER

INVENTORY VERIFICATION

The above information is based on a physical verification of inventory listed under Item 5.

25. NAME AND TITLE	26. SIGNATURE OF VERIFIER	27. DATE
--------------------	---------------------------	----------

72. Revise section 53.301-1428 to read as follows:

53.301-1428 Inventory Disposal Schedule.

INVENTORY DISPOSAL SCHEDULE (See Reverse for Instructions) (See FAR 45.505-1(b))		1. TYPE (Check block(s) when applicable) <input type="checkbox"/> TERMINATION <input type="checkbox"/> INVENTORY <input type="checkbox"/> FINAL SCHEDULE		2. SCHEDULE REFERENCE NUMBER	PAGE NO.	NO. OF PAGES	OMB No.: 9000-0151 Expires: 05/31/2000				
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the FAR Secretariat (MVR), Federal Acquisition Policy Division, GSA, Washington, DC 20405.											
3. PRIME CONTRACT NO.		4. SUBCONTRACTOR/P.O. NO.		5. CONTRACT TYPE		6. TERM DOCKET NUMBER					
7. TOTAL LINE ITEMS		8. TOTAL ACQUISITION COST									
9a. CAGE CODE		9b. PRIME CONTRACTOR (Point of Contact)		10a. CAGE CODE		10b. SUBCONTRACTOR (Point of Contact)					
9c. STREET ADDRESS		10c. STREET ADDRESS									
9d. CITY, STATE, AND ZIP CODE		10d. CITY, STATE AND ZIP CODE									
11a. LOCATION OF PROPERTY		11b. POINT OF CONTACT FOR PROPERTY		12. PRODUCT COVERED BY CONTRACT/ORDER							
13. ITEM NO.	14. ITEM DESCRIPTION	15. GOVT. FURNISHED/ CONTRACTOR ACQUIRED	16. DML CODE	17. PROPERTY CLASSIFICATION	18. GOVERNMENT PART OR DRAWING NUMBER AND REVISION NUMBER	19. CONDITION CODE	20. QUANTITY	21. UNIT OF MEASURE	22. COST		23. CONTRACTOR'S OFFER
									UNIT (a)	TOTAL (b)	
24a. SIGNATURE OF CONTRACTOR SUBMITTING SCHEDULE		24b. NAME OF CONTRACTOR SUBMITTING SCHEDULE		24c. TITLE		24d. DATE					

INSTRUCTIONS

The Contractor shall submit all schedules to the Plant Clearance Officer.

Manual submissions. Prepare a separate schedule for items in each property classification (block 17) and a separate schedule for scrap. Submit an original and 2 copies of each scrap schedule and continuation sheet (SF 1429). For other schedules, an original and 7 copies are required.

Electronic submissions. Group all items of the same property classification. Submit separate schedules for scrap.

General Instructions.

BLOCKS 1, 2 & 4 - Self-explanatory.

BLOCK 3 - PRIME CONTRACT NO. (For contract modifications and BOAs). If the property applies solely to one contract modification indicate the modification number after the contract number. For task orders and orders under basic ordering agreements, enter the contract number or BOA number followed by the order number under which the property is accountable.

BLOCK 5 - CONTRACT TYPE. Use one of the following codes:

- J - Fixed-Price
- O - Other
- S - Cost-Reimbursement
- Y - Time-and-Material
- Z - Labor-Hour
- 9 - Task Order Contracts and Orders under Basic Ordering Agreements (BOAs)

BLOCKS 6-8 - Self-explanatory.

BLOCKS 9a and 10a - CAGE CODE. Enter the Commercial and Government Entity code when applicable.

BLOCKS 9b-d, 10b-d, and 11a-13 - Self-explanatory.

BLOCK 14 - ITEM DESCRIPTION. Describe each item in sufficient detail to permit the Government to determine its appropriate disposition. Scrap may be described as a lot including metal content, estimated weight and estimated acquisition cost. For all other property, provide the information required by FAR Part 52.245-5(e)(2) or 52.245-8(d)(2). List the national stock number (NSN) first. For the following, also provide:

Special tooling and special test equipment. Identify each part number with which the item is used.

Computers, components thereof, peripheral and related equipment. The manufacturer's name, model and serial number, and date manufactured.

Work in process. The estimated percentage of completion.

Precious metals. The metal type and estimated weight.

Hazardous material or property contaminated with hazardous material. The type of hazardous material.

Metals in mill product form. The form, shape, treatments, hardness, temper, specification (commercial or Government), and dimensions (thickness, width, and length).

BLOCK 15 - GOVERNMENT FURNISHED/CONTRACTOR ACQUIRED. Per line item, enter one of the following:

- GF - Government furnished
- CA - Contractor acquired

BLOCK 16 - DML CODE. (Demilitarization code). If applicable, enter the code specified in DoD 4160.21-M-1.

BLOCK 17 - PROPERTY CLASSIFICATION. Use one of the following classifications for each line item:

- EQ - Equipment
- M - Material
- STE - Special test equipment
- ST - Special tooling
- UFP - Unique Federal property

In addition, when applicable, list one of the following sub classifications for each line item below the property classification:

- COM - Computers, peripherals, etc.
- AAE - Arms, ammunition and explosives
- PM - Precious metals
- HAZ - Hazardous materials
- ME - Metals in mill product form
- WIP - Work in process
- CL - Classified

BLOCK 18 - Self-explanatory.

BLOCK 19 - CONDITION CODE. Assign one of the following codes to each item:

Code 1. Property which is in new condition or unused condition and can be used immediately without modifications or repairs.

Code 4. Property which shows some wear, but can be used without significant repair.

Code 7. Property which is unusable in its current condition but can be economically repaired.

Code X. Property which has value in excess of its basic material content, but repair or rehabilitation is impractical and/or uneconomical.

Code S. Property has no value except for its basic material content.

BLOCKS 20-22 - Self-explanatory.

BLOCK 23 - CONTRACTOR'S OFFER. The Contractor's offer to purchase the item if it survives screening.

74. Revise section 53.301-1436 to read as follows:

53.301-1436 Settlement Proposal (Total Cost Basis).

SETTLEMENT PROPOSAL (TOTAL COST BASIS)	OMB No.: 9000-0012 Expires: 05/31/2001
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Public reporting burden for this collection of information is estimated to average 2.5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the FAR Secretariat (MVR), Federal Acquisition Policy Division, GSA, Washington, DC 20405.

FOR USE BY A FIXED-PRICE PRIME CONTRACTOR OR FIXED-PRICE SUBCONTRACTOR

THIS PROPOSAL APPLIES TO (Check one) <input type="checkbox"/> A PRIME CONTRACT WITH THE GOVERNMENT <input type="checkbox"/> SUBCONTRACT OR PURCHASE ORDER SUBCONTRACT OR PURCHASE ORDER NO(S).	COMPANY STREET ADDRESS CITY AND STATE (Include ZIP Code) NAME OF GOVERNMENT AGENCY GOVERNMENT PRIME CONTRACT NO. CONTRACTOR'S REFERENCE NO.
CONTRACTOR WHO SENT NOTICE OF TERMINATION NAME ADDRESS (Include ZIP Code)	EFFECTIVE DATE OF TERMINATION
If moneys payable under the contract have been assigned, give the following: NAME OF ASSIGNEE ADDRESS (Include ZIP Code)	PROPOSAL NO. CHECK ONE <input type="checkbox"/> INTERIM <input type="checkbox"/> FINAL
SF 1439, SCHEDULE OF ACCOUNTING INFORMATION <input type="checkbox"/> IS <input type="checkbox"/> IS NOT ATTACHED (If not, explain below)	

SECTION I - STATUS OF CONTRACT OR ORDER AT EFFECTIVE DATE OF TERMINATION

PRODUCTS COVERED BY TERMINATED CONTRACT OR PURCHASE ORDER (a)	FINISHED			UNFINISHED OR NOT COMMENCED		TOTAL COVERED BY CONTRACT OR ORDER (g)
	PREVIOUSLY SHIPPED AND INVOICED (b)	PAYMENT TO BE RECEIVED THROUGH INVOICING (c)	PAYMENT NOT TO BE RECEIVED THROUGH INVOICING (d)	SUBSEQUENTLY COMPLETED AND INVOICED* (e)	NOT TO BE COMPLETED (f)	
	QUANTITY					
	\$					
	QUANTITY					
	\$					
	QUANTITY					
	\$					

SECTION II - PROPOSED SETTLEMENT

NO.	ITEM (a)	TOTAL PREVIOUSLY PROPOSED (b)	INCREASE OR DECREASE BY THIS PROPOSAL (c)	TOTAL PROPOSED TO DATE (d)	FOR USE OF CONTRACTING AGENCY ONLY (e)
1	DIRECT MATERIAL				
2	DIRECT LABOR				
3	INDIRECT FACTORY EXPENSE (from Schedule A)				
4	SPECIAL TOOLING AND SPECIAL TEST EQUIPMENT (SF 1428)				
5	OTHER COSTS (from Schedule B)				
6	GENERAL AND ADMINISTRATIVE EXPENSES (from Schedule C)				
7	TOTAL COSTS (Items 1 thru 6)				
8	PROFIT (Explain in Schedule D)				
9	TOTAL (Items 7 and 8)				
10	DEDUCT FINISHED PRODUCT INVOICED OR TO BE INVOICED*				
11	TOTAL (Item 9 less Item 10)				
12	SETTLEMENT EXPENSES (from Schedule E)				
13	TOTAL (Items 11 and 12)				
14	SETTLEMENTS WITH SUBCONTRACTORS (from Schedule F)				
15	GROSS PROPOSED SETTLEMENT (Items 13 thru 14)				
16	DISPOSAL AND OTHER CREDITS (from Schedule G)				
17	NET PROPOSED SETTLEMENT (Item 15 less 16)				
18	ADVANCE, PROGRESS & PARTIAL PAYMENTS (from Schedule H)				
19	NET PAYMENT REQUESTED (Item 17 less 18)				

*Column (e), Section I, should only be used in the event of a partial termination, in which the total cost reported in Section II should be accumulated to date of completion of the continued portion of the contract and the deduction for finished product (Item 10, Section II) should be the contract price of finished product in Column (b), (c), and (e), Section I.

NOTE: File inventory schedule (SF 1428) for allocable inventories on hand at date of termination (See 49.206).

(When the space provided for any information is insufficient, continue on a separate sheet.)

SCHEDULE A - INDIRECT FACTORY EXPENSE (Item 3)

DETAIL OF EXPENSES	METHOD OF ALLOCATION	AMOUNT	FOR USE OF CONTRACTING AGENCY ONLY

NOTE: Individual items of small amounts may be grouped into a single entry in Schedules B, C, D, E, and G.

SCHEDULE B - OTHER COSTS (Item 5)

ITEM	EXPLANATION	AMOUNT	FOR USE OF CONTRACTING AGENCY ONLY

SCHEDULE C - GENERAL AND ADMINISTRATIVE EXPENSES (Item 6)

DETAIL OF EXPENSES	METHOD OF ALLOCATION	AMOUNT	FOR USE OF CONTRACTING AGENCY ONLY

SCHEDULE D - PROFIT (Item 8)

EXPLANATION	AMOUNT	FOR USE OF CONTRACTING AGENCY ONLY

(Where the space provided for any information is insufficient, continue on a separate sheet.)

SCHEDULE E - SETTLEMENT EXPENSES (Item 12)

ITEM	EXPLANATION	AMOUNT	FOR USE OF CONTRACTING AGENCY ONLY

SCHEDULE F - SETTLEMENTS WITH IMMEDIATE SUBCONTRACTORS AND SUPPLIERS (Item 14)

NAME AND ADDRESS OF SUBCONTRACTOR	BRIEF DESCRIPTION OF PRODUCT CANCELED	AMOUNT OF SETTLEMENT	FOR USE OF CONTRACTING AGENCY ONLY

SCHEDULE G - DISPOSAL AND OTHER CREDITS (Item 16)

DESCRIPTION	AMOUNT	FOR USE OF CONTRACTING AGENCY ONLY

(If practicable, show separately amount of disposal credits applicable to acceptable finished product included on SF 1428.)

(Where the space provided for any information is insufficient, continue on a separate sheet.)

75. Revise section 53.301-1438 to read as follows:

53.301-1438 Settlement Proposal (Short Form).

SETTLEMENT PROPOSAL (SHORT FORM)	OMB No.: 9000-0012 Expires: 05/31/2001
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Public reporting burden for this collection of information is estimated to average 2.5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the FAR Secretariat (MVR), Federal Acquisition Policy Division, GSA, Washington, DC 20405.

For Use by a Prime Contractor or Subcontractor in Settlement of a Fixed Price Terminated Contract When Total Charges Claimed Are Less Than \$10,000.

THIS PROPOSAL APPLIES TO (Check one) <input type="checkbox"/> A PRIME CONTRACT WITH THE GOVERNMENT <input type="checkbox"/> SUBCONTRACT OR PURCHASE ORDER SUBCONTRACT OR PURCHASE ORDER NO.(S)	COMPANY (Prime or Subcontractor) STREET ADDRESS CITY AND STATE (Include ZIP code) NAME OF GOVERNMENT AGENCY GOVERNMENT PRIME CONTRACT NO. CONTRACTOR'S REFERENCE NO. EFFECTIVE DATE OF TERMINATION
CONTRACTOR WHO SENT NOTICE OF TERMINATION	
NAME	
ADDRESS (Include ZIP Code)	
If moneys payable under the contract have been assigned, give the following:	
NAME OF ASSIGNEE	
ADDRESS (Include ZIP Code)	

SECTION I - STATUS OF CONTRACT OR ORDER AT EFFECTIVE DATE OF TERMINATION

PRODUCTS COVERED BY TERMINATED CONTRACT OR PURCHASE ORDER (a)	QUANTITY	FINISHED		UNFINISHED OR NOT COMMENCED		TOTAL COVERED BY CONTRACT OR ORDER (g)	
		PREVIOUSLY SHIPPED AND INVOICED (b)	ON HAND		TO BE COMPLETED <i>(Partial termination only)</i> (e)		NOT TO BE COMPLETED (f)
			PAYMENT TO BE RECEIVED THROUGH INVOICING (c)	INCLUDED IN THIS PROPOSAL (d)			
	\$						
	\$						
	\$						

SECTION II - PROPOSED SETTLEMENT

NO.	ITEM <i>(Include only items allocable to the terminated portion of contract)</i>	AMOUNT OF CHARGE (\$)
1	CHARGE FOR ACCEPTABLE FINISHED PRODUCT NOT COVERED BY INVOICING <i>(from SF 1428)</i>	
2	CHARGE FOR WORK-IN-PROGRESS, RAW MATERIAL, ETC. ON HAND <i>(from SF 1428)</i>	
3	OTHER CHARGES INCLUDING PROFIT AND SETTLEMENT EXPENSES	
4	CHARGES FOR SETTLEMENT(S) WITH SUBCONTRACTORS	
5	GROSS PROPOSED SETTLEMENT <i>(Sum of Items 1 thru 4)</i>	
6	DISPOSAL AND OTHER CREDITS <i>(from SF 1424, B1.27, Col. 3)</i>	
7	NET PROPOSED SETTLEMENT <i>(Item 5 less 6)</i>	
8	ADVANCE, PROGRESS, AND PARTIAL PAYMENTS	
9	NET PAYMENT REQUESTED <i>(Item 7 less 8)</i>	

List your inventory on SF 1428 and attach a copy thereto. Retain for the applicable period specified in the prime contract all papers and records relating to this proposal for future examination.

GIVE A BRIEF EXPLANATION OF HOW YOU ARRIVED AT THE AMOUNTS SHOWN IN ITEMS 3, 4, 6, AND 7

I CERTIFY that the above proposed settlement includes only charges allocable to the terminated portion of the contract or purchase order, that the total charges (Item 5) and the disposal credits (Item 6) are fair and reasonable, and that this proposal has been prepared with knowledge that it will, or may, be used directly or indirectly as a basis for reimbursement under a settlement proposal(s) against agencies of the United States.	NAME OF YOUR COMPANY BY <i>(Signature of authorized official)</i> TITLE DATE
--	--

(Where the space provided for any information is insufficient, continue on a separate sheet.)

INSTRUCTIONS

1. This settlement proposal should be submitted to the contracting officer, if you are a prime contractor, or to your customer, if you are a subcontractor. The term contract as used hereinafter includes a subcontract or a purchase order.

2. Proposals that would normally be included in a single settlement proposal, such as those based on a series of separate orders for the same item under one contract should be consolidated wherever possible, and must not be divided in such a way as to bring them below \$10,000.

3. You should review any aspects of your contract relating to termination and consult your customer or contracting officer for further information. Government regulations pertaining to the basis for determining a fair and reasonable termination settlement are contained in Part 49 of the Federal Acquisition Regulation. Your proposal for fair compensation should be prepared on the basis of the costs shown by your accounting records. Where your costs are not so shown, you may use any reasonable basis for estimating your costs which will provide for fair compensation for the preparations made and work done for the terminated portion of the contract, including a reasonable profit on such preparation and work.

4. Generally your settlement proposal may include under Items 2, 3, and 4, the following:

a. **COSTS** - Costs incurred which are rea-

sonably necessary and are properly allocable to the terminated portion of your contract under recognized commercial accounting practices, including direct and indirect manufacturing, selling and distribution, administrative, and other costs and expenses incurred.

b. **SETTLEMENT WITH SUBCONTRACTORS** - Reasonable settlements of proposals of subcontractors allocable to the terminated portion of the subcontract. Copies of such settlements will be attached hereto.

c. **SETTLEMENT EXPENSES** - Reasonable costs of protecting and preserving termination inventory in your possession and preparing your proposal.

d. **PROFIT** - A reasonable profit with respect to the preparations you have made and work you have actually done for the terminated portion of your contract. No profit should be included for work which has not been done, nor shall profit be included for settlement expenses, or for settlement with subcontractors.

5. If you use this form, your total charges being proposed (line 5), must be less than \$10,000. The Government has the right to examine your books and records relative to this proposal, and if you are a subcontractor, your customer must be satisfied with your proposal.

76. Add section 53.301-1450 to read as follows:

53.301-1450 U.S. Government Property in the Possession of Contractors.

U.S. GOVERNMENT PROPERTY IN THE POSSESSION OF CONTRACTORS				REPORT AS OF		OMB No.: 9000-0151 Expires: 06/30/2000		
(See instructions and public burden statement on reverse before completing this form.)				SEPT. 30 (Year)	OR (Date)			
1. TO:				2. FROM:				
3. REMARKS				4. ADDRESS OF PRIMARY PROPERTY LOCATION				
5. CONTRACT NUMBER		6. CONTRACT PURPOSE		7. BUSINESS TYPE		8. NUMBER OF SUBCONTRACTORS/ALTERNATE LOCATIONS		
PROPERTY CLASSIFICATION <i>a.</i>	BALANCE BEGINNING OF PERIOD <i>b.</i>		ADDITIONS <i>(in dollars)</i> <i>c.</i>		DELETIONS <i>(in dollars)</i> <i>d.</i>		BALANCE END OF PERIOD <i>e.</i>	
	ACQUISITION COST <i>(in dollars)</i> <i>(1)</i>	QUANTITY <i>(in units or acres)</i> <i>(2)</i>	GOVERNMENT FURNISHED <i>(1)</i>	CONTRACTOR ACQUIRED OR FABRICATED <i>(2)</i>	GOVERNMENT FURNISHED <i>(1)</i>	CONTRACTOR ACQUIRED OR FABRICATED <i>(2)</i>	ACQUISITION COST <i>(in dollars)</i> <i>(1)</i>	QUANTITY <i>(in units or acres)</i> <i>(2)</i>
9. LAND								
10. BUILDINGS								
10a. See instructions								
11. OTHER REAL PROPERTY								
11a. See instructions								
12. EQUIPMENT								
12a. See instructions								
13. SPECIAL TEST EQUIPMENT								
13a. See instructions								
14. SPECIAL TOOLING								
14a. See instructions								
15. UNIQUE FEDERAL PROPERTY								
16. MATERIAL - GOVERNMENT FURNISHED								
16a. MATERIAL - CONTRACTOR ACQUIRED								
17. TOTALS								
18. CONTRACTOR REPRESENTATIVE								
a. TYPED NAME (<i>Last, First, Middle Initial</i>)			b. SIGNATURE			c. DATE (<i>MM/DD/YYYY</i>)		
d. TELEPHONE NUMBER (<i>DSN if available</i>)				e. E-MAIL ADDRESS				
19. TO BE COMPLETED BY THE GOVERNMENT'S PROPERTY ADMINISTRATOR								
a. TYPED NAME (<i>Last, First, Middle Initial</i>)			b. SIGNATURE			c. DATE (<i>MM/DD/YYYY</i>)		
d. TELEPHONE NUMBER (<i>DSN if available</i>)				e. E-MAIL ADDRESS				
f. CURRENT PROPERTY SYSTEM STATUS		g. LAST PERFORMED PROPERTY SYSTEM ANALYSIS		TYPE	DATE	RESULT		
						<input type="checkbox"/> SATISFACTORY <input type="checkbox"/> UNSATISFACTORY		

REPORTING INSTRUCTIONS

INSTRUCTIONS FOR THE CONTRACTOR.

GENERAL. Contractors shall report annually all Government property accountable to a contract, including property in the possession of subcontractors, as of September 30th of the reporting year. In addition, a final report is required for contracts completed prior to that date (*see below*). List property in the classifications indicated using one form for each contract. Use the Government property records as the source data. Each annual report is due at the Government office specified in block 1 no later than October 31 of each year. Final reports are due at that office as specified below. Report zero end of period balances when no Government property remains accountable to the contract.

RETURN COMPLETED FORM TO THE ADDRESS IN BLOCK 1.

ANNUAL REPORT AS OF SEPTEMBER 30. Fill in the appropriate year (as a four digit number) (or other date - as mm/dd/yyyy).

FINAL REPORT. A final report, clearly marked "FINAL" shall be submitted within 30 days after disposition of all property subject to reporting, if the contract performance period is complete.

BLOCK 1 - TO. Enter the name of the Government's Property Administrator, unless otherwise designated in the contract. Include the full mailing address (*including City, State and ZIP Code*).

BLOCK 2 - FROM. Enter the full name and address of the reporting Contractor with the Division name stated after the Corporate name. Use the name as it appears on the contract but omit articles and insert spaces between company names that are made up of letters like A B C International Inc., for example. Also enter the Commercial and Government Entity (CAGE) Code (*if applicable*).

BLOCK 3 - REMARKS. Enter any remarks or additional information required by the contracting agency. Additional plain sheets may be attached, if required.

BLOCK 4 - ADDRESS OF PRIMARY PROPERTY LOCATION. Enter the primary location of the property if different from Block 2.

BLOCK 5 - CONTRACT NUMBER. Enter the contract number under which the government property is accountable. Use the correct format for the agency.

BLOCK 6 - CONTRACT PURPOSE. Enter one of the following 1- character alphabetic codes to identify the general purposes of the contract:

- a. RDT & E
- b. Supplies (*deliverable end items*)
- c. Services, except for d.
- d. Operation of a Government-Owned Plant or Facilities including test sites, ranges, installations
- e. Contract for storage of Government Property
- f. OM&R Contracts
- g. Others

BLOCK 7 - BUSINESS TYPE. Enter a 1-character alphabetic code indicating the type of business concern:

L = Large S = Small N = Non-profit

(*See FAR Part 19 for definition of Small Business and FAR 52.245-2 OR 52.245-7 for definition of Non-profit Organizations*).

BLOCK 8 - NUMBER OF SUBCONTRACTOR/ALTERNATE LOCATIONS. Enter the number of locations of subcontract property and/or property at alternate sites of the prime Contractor (one total for all).

BLOCKS 10a - 14a - AS PER AGENCY INSTRUCTIONS. These line items have been reserved for the contracting agency's specific reporting instructions. Such as items over \$5,000, under \$5,000, etc. Consult the contract for any agency-specific instructions.

BLOCKS 9b(1) - 16 b(1) - ACQUISITION COST (BALANCE AT THE BEGINNING OF THE FISCAL YEAR). The amounts reported must agree with the amounts reported in the previous year for BALANCE AT END OF PERIOD. Any variance must be explained in Block 3, Remarks.

BLOCKS 9b(2), 12b(2) - 15 b(2) - QUANTITY (BALANCE AT BEGINNING OF THE FISCAL YEAR). Enter the quantity for these blocks. The quantity reported must agree with the quantity reported in the previous year for BALANCE AT END OF PERIOD. Any variance must be explained in Block 3, Remarks.

BLOCKS 9c - 16c - ADDITIONS (IN DOLLARS). For the blocks not shaded, enter the acquisition cost of the additions to the contract during the fiscal year. Consult the contract for any agency-specific instructions.

BLOCKS 9d - 16d - DELETIONS (IN DOLLARS). For the blocks not shaded, enter the acquisition cost of the deletions to the contract during the fiscal year. Consult the contract for any agency-specific instructions.

BLOCKS 9a(1) - 16a(1) - ACQUISITION COST (BALANCE AT THE END OF THE FISCAL YEAR). Carry forward to reflect the balance at the beginning of the following year.

BLOCKS 9a(2), 12a(2) - 15a(2) - QUANTITY (BALANCE AT END OF FISCAL YEAR). Enter the quantity in each unshaded block. Carry forward to reflect the balance at the beginning of the following year.

BLOCK 17 - TOTALS. Enter the total for each column.

BLOCK 18 - CONTRACTOR REPRESENTATIVE. Type the name of the Contractor representative authorized by the property control system to sign this report. Include that individual's commercial area code, telephone number, DSN number (if one exists) and e-mail address. Sign and date.

INSTRUCTIONS FOR THE GOVERNMENT PROPERTY ADMINISTRATOR.

BLOCK 19 - GOVERNMENT'S PROPERTY ADMINISTRATOR. Identify contracts that contain the clause at 52.245-5. Complete blocks f and g. For Type, indicate initial (INT), limited without visit (LWVOV), limited with visit (LWV), or standard (STND).

For contracts that contain the clause at 52.245-8, leave blocks f and g blank.

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the FAR Secretariat (MVR), Federal Acquisition Policy Division, GSA, Washington, DC 20405.

STANDARD FORM 1450 (I) BACK