

GENERAL DYNAMICS

Land Systems

July 30, 2009

Subject: **Reporting, Reutilization & Disposition of Government Property
Partial Termination For Convenience (PTFC)
Future Combat Systems (FCS) Manned Ground Vehicles (MGV)
System Design and Development (SDD) Subcontract
LSI Subcontract Numbers 3EC1910, CAS323394, and FCS001246**

Dear Supplier:

After receipt of the Notice For Termination For Convenience all subcontractors shall comply with the notice and take all necessary steps to protect and preserve the property that was either Government furnished or purchased under the FCS subcontract as mandated under Far 52.245-1 (Jun 09). As part of the Termination For Convenience requirements, the subcontractor shall mitigate any material inventory charges before submission to the Government for disposition.

The subcontractor's shall take and GDLS shall approve the following steps to mitigate inventory costs before submitting Standard Form 1428, Inventory Disposal Schedule.

1. The Subcontractor wishes to purchase a subcontractor-acquired or subcontractor-produced item at acquisition cost and credit the subcontract;
2. The Subcontractor is able to return the unused inventory to the supplier at fair market value and credit the subcontract (less, if applicable, a reasonable restocking fee that is consistent with the supplier's customary practices);
3. GDLS/LSI/US Government has authorized the contractor to use the property on another Government contract (must provide authorizing documents); or
4. The Subcontractor has requested continued use of the Government property, and the Government clearance officer has consulted with the appropriate program and technical personnel.

After the Subcontractor has taken all steps possible to mitigate inventory cost associated with the subcontract, the Subcontractor shall complete and submit Standard Form 1428, Inventory Disposal Schedule and the attendant excel spreadsheet.

The following are guidelines for Subcontractors reporting FCS MGV physical inventory.

- Complete SF 1428 and the excel worksheet (used in place of SF 1429). [Please use disposition codes on SF1429 instructions]
- Complete an excel worksheet for each location in which government property is kept.

- Apply condition codes to each Property item (i.e., material, equipment, agency peculiar, ST, STE, etc.)
- State the percentage of completion of all material and equipment that was not completed based on Stop Work/Termination in the item description (block #4 of SF 1428).
- The location of Property must show the mailing address, email address, POC name, POC phone number and fax number
- List all the purchase orders against the terminated subcontract by supplier location
- Include a brief summary of the scope of work by supplier and lower tier suppliers
- The Subcontractor and its lower tier suppliers can make an offer to purchase any excess property; all documentation must state whole dollars on each item
- Provide a detailed item description by item and show the NSN number
- All items should have part numbers
- GDLS will conduct a 100% physical inventory at the Subcontractor and its lower tier suppliers to verify count and accuracy
- If the physical inventory should identify Government property that was lost, damaged or destroyed, the Subcontractor shall complete the Company/Company Property Loss Damage or Destruction form and submit it to GDLS along with the Subcontractors SF 1428 submission

NOTE: This Material Reporting, Reutilization and Distribution notice applies only to material purchased under the LSI subcontracts referenced above which have been Terminated For The Convenience of the United States Government. Suppliers must make every effort to segregate any material purchased for the Special Interest (T1 – T18) vehicle program under LSI subcontract number 8EC2857 which remains on stop work. Caution should be exercised as to prevent any co-mingling of this material with that covered by this Termination For Convenience order.

PLEASE MAKE SURE ALL INVENTORY ITEMS ARE IDENTIFIED BY DISPOSAL CODE.

Suppliers are encouraged to submit any questions they may have regarding the disposition of Government owned property to GDLS via email to scmbusin@gdls.com and we will have the appropriate people answer your questions.