

2. AMENDMENT/MODIFICATION NO. 0024	3. EFFECTIVE DATE See Block 16C	4. REQUISITION/PURCHASE REQ. NO.	5. PROJECT NO. (If applicable)
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6. ISSUED BY U.S.DOT/ Maritime Administration Atlantic Div. Acquisition Office MAR-380-2 7737 Hampton Blvd Building 19 Suite 300 NORFOLK VA 23505-1204	CODE 00092	7. ADMINISTERED BY (If other than Item 6) U. S. DOT Maritime Administration Atlantic Div. Acquisition Office MAR-380.2 7737 Hampton Blvd Building 19 Suite 300 Norfolk VA 23505-1204	CODE 00092
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8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State and ZIP Code) Interocean American Shipping Corporation Attn: Mitch Walker 302 Harper Dr Ste 200 Moorestown NJ 08057-4701	(x)	9A. AMENDMENT OF SOLICITATION NO.
		9B. DATED (SEE ITEM 11)
	x	10A. MODIFICATION OF CONTRACT/ORDER NO. DTMA8C05005
		10B. DATED (SEE ITEM 13) 07/28/2005

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers is extended, is not extended. Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)
See Schedule

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

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

E. IMPORTANT: Contractor is not, is required to sign this document and return 0 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)
HQ Admin Mod OCT 2011

SUMMARY OF CHANGES

1. Language is added in Section G under G.2 TYPE OF CONTRACT, subparagraph "e" clarifying a requirement for the annual submission of agreements between Ship Manager and respective labor unions representing crew members by not later than June 1.

2. Under G.6 DESIGNATION OF GOVERNMENT PERSONNEL, subparagraph "a" designates the appointment of the Procuring Contracting Officer (PCO); subparagraph "b" designates the Chief of the Contracting Office (COCO) for divisional Administrative Contracting Offices.

Continued ...

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

15A. NAME AND TITLE OF SIGNER (Type or print)	16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print) Melinda Simmons-Healy
15B. CONTRACTOR/OFFEROR (Signature of person authorized to sign)	15C. DATE SIGNED
	16B. UNITED STATES OF AMERICA  (Signature of Contracting Officer)
	16C. DATE SIGNED 10/31/2011

CONTINUATION SHEETREFERENCE NO. OF DOCUMENT BEING CONTINUED
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NAME OF OFFEROR OR CONTRACTOR

Interocean American Shipping Corporation

ITEM NO. (A)	SUPPLIES/SERVICES (B)	QUANTITY (C)	UNIT (D)	UNIT PRICE (E)	AMOUNT (F)
	<p>3. Requirements under Attachment J-2 3.7.4 Insurance are revised to facilitate the consistent selection of both coverages and minimum liability limits for those coverages based on risk considerations related to the type of services subcontracted.</p> <p>Payment: MARAD A/P INVOICES P.O.BOX 25710 OKLAHOMA CITY OK 73125 Period of Performance: 07/28/2005 to 07/27/2015</p>				

SECTION G -- CONTRACT ADMINISTRATION DATA

G.1 GOVERNMENT FORMS

Government forms may be obtained from the following: <http://www.gsa.gov/portal/forms/type/TOP>

G.2 TYPE OF CONTRACT

a. This is a Firm-Fixed-Price (FFP) service contract with cost reimbursable items and priced options subject to Economic Price Adjustment (EPA), Service Contract Act (SCA), and Fair Labor Standard Act (FLSA).

b. All items listed in Section B shall be Firm-Fixed-Priced except for those items identified as reimbursable items and identified options. (see also Attachment J-9, Reimbursables)

c. This is a multi-year contract except for group 6 (CAPE JACOB).

(1) It is anticipated that the services to be performed hereunder will be incrementally funded for each performance period. Performance periods beyond year 1 will be subject to availability of funds.

(2) Awards resulting in a multiyear contract are subject to FAR 17.106-1 which requires the establishment of cancellation ceilings in the second and subsequent base program years, where a reduction in funds or program requirements may mandate cancellation of all or some part of this contract, before the completion date in effect at contract award. These cancellation ceilings will be determined by the PCO based upon an analysis of the nonrecurring costs identified by offerors in their proposals and will be incorporated in Section B, upon contract award.

(i) Base Contract - If the base multi-year contract for a Ship Group is cancelled under FAR 52.217-2, Cancellation Under Multiyear Contracts, the cancellation ceiling set forth for that Ship Group in Section B for the program year cancelled shall apply. The ceiling applies to cancellation of an entire group.

(ii) Incentive Award Term Option - Consistent with FAR 17.107, the "cancellation ceiling" for each program year of a multi-year Incentive Award Term Option shall be zero (\$0.00). Consequently, if an Incentive Award Term Option is cancelled, the contractor shall not be entitled to any cancellation charges under FAR 52.217-2.

d. Reimbursable items are defined in Attachment J-9. They are compensated at cost; no overhead, materials handling costs, G&A, or profit may be added to these items, regardless of their cumulative effect.

e. Adjustments to Per Diem Rates

1. Base Years. There shall be no adjustments for per diem in Phase M in Section B for the four (4) base years of the performance period, as all escalations are to be included in the firm fixed price. Offerors shall include wages and fringe benefits which cannot be less than the predecessor contractors' CBA/MOUs as identified in DOL issued wage determinations.

2. Award Term Incentive Options

(i) The Base Year 4 fixed price Per Diem rates for "ROS (with crew)" CLINs will be escalated as follows:

(1) Price adjustments to the "Crew Costs" element (which included ROS crew wages and bona-fide fringe benefits) will be made in accordance with FAR Clause 52.222-43 Fair Labor Standards Act and Service Contract-Price Adjustment (Multiple Year and Option Contracts); and

(2) The element "other fixed price" costs will be escalated utilizing the Consumer Price Index as stipulated below.

(3) It is essential that Ship Managers provide Collective Bargaining Agreement Memorandum of Understandings (CBA/MOUs) applicable to the next Contract Year to the Contracting Officer by not later than June 1 prior to commencement of the next Contract Year beginning July 28. Ship Managers are to ensure timely conclusion of negotiations with their respective labor unions as needed to meet the June 1 due date. Future adjustments to Crew Costs as an element of Per Diem rates will not be made unless supporting documentation is submitted. A revised Wage Determination will be obtained from Department of Labor and incorporated in the contract to support adjustments in Per Diem rates. In transmitting the signed CBA/MOUs to the Contracting Officer, Ship Managers are to summarize all changes made to current CBA terms and conditions.

(ii) The Base Year 4 fixed price Per Diem rates for CLINs without crew will be escalated year-to-year (July-June) utilizing the Consumer Price Index as stipulated below.

3. Incentive Options for Additional Vessels. Since the contract prices for the additional Vessel Option are based on the Base Year 4 prices, if an additional vessel is awarded, the per diem rate will be adjusted as above based on the year in which the option is exercised.

4. Consumer Price Index (CPI) for Escalation During Contract Performance. In order to calculate inflation for contract option years, the PCO will utilize the Table Containing History of CPI-U U.S. All Items Indexes and Annual Percent Changes From 1913 to Present. A link to this table is found at the following URL:

<ftp://ftp.bls.gov/pub/special.requests/cpi/cpiiai.txt>

The PCO will use the fixed price per diem from the previous contract year, excluding the crew cost element, as the base rate that is subject to escalation using CPI-U index series data. The escalation calculation will use the CPI-U Index data for June which is announced in mid-July just prior to the effective date of the adjustment. The resulting escalated fixed price per diem, excluding the crew cost element, will become the base rate for calculation of the next Economic Price Adjustment in the subsequent Contract Year.

Two 12-month averages will be used in calculating the per diem adjustment for the other fixed price cost element. The first 12-month average is the average of the CPI-U index values for the most recent twelve monthly values (July-June); the second is the average of the CPI-U index values for the twelve months preceding the twelve months included in calculating the first average.

The per diem adjustment is directly proportional to the percent change in the two averages. The following sample calculation is provided to demonstrate the calculation methodology of the escalation adjustment.

Sample Calculation

Value	Description
\$2,000.00	Non-crew cost element of fixed price per diem
July 16, 2013	Date of release of June 2013 data
July 28, 2013	Effective date of adjustment
218.000	Average CPI Index Value for period July 2011 - June 2012
223.000	Average CPI Index Value for period July 2012 - June 2013

Per Diem Adjustment Calculation: $\$2,000.00 \times (223.000 - 218.000) / 218.000 = \45.87
 New Fixed Price Per Diem: $\$2,000.00 + \$45.87 = \$2,045.87$

G.3 DIRECTIONS BY GOVERNMENT PERSONNEL

a. Except as specified in paragraph b. below, no order, statement, or conduct of government personnel who visit the Ship Manager's facilities or in any other manner communicate with Ship Manager personnel during the performance of this contract shall constitute a change under the "changes" clause of this contract.

b. The Ship Manager shall not comply with any order, direction or request of Government personnel that it considers to be outside the scope of the contract, unless issued in writing and signed by the PCO or ACO, or as otherwise directed by this contract.

G.4 CONTRACTING OFFICER'S TECHNICAL REPRESENTATIVE (COTR)

a. The PCO/ACO may designate Government personnel to act as the COTR to perform functions under the contract, such as review and/or inspection and acceptance of supplies, services, including construction, and other functions of a technical nature. The CO will provide a written notice of such designation to the Contractor after contract award and before NTP. The designation letter shall set forth the authorities and limitations of the COTR under the contract. The PCO will designate the Chief, Division of Ship Maintenance and Repair as a HQ COTR on all contracts. Ship Managers shall attempt to reach the Maritime Administration COTR/ACOTRs BEFORE contacting MAR-611.

b. The PCO/ACO cannot authorize the COTR, or any other representative, to sign documents (i.e. contracts, contract modifications, etc.) that require the signature of a CO.

c. The COTR may request the appointment of Assistant Contracting Officer Technical Representatives (ACOTRs) by the ACO. Such written requests shall be made to the respective ACOs, or in the case of headquarters personnel, to the PCO. ACOTRs shall be appointed in writing by the PCO/ACO, and a copy of this appointment letter provided to each affected Ship Manager. The appointment letter shall specify the name, inclusive dates, and specific limits to the authority of that person appointed.

G.5 DUTIES OF THE CONTRACTING OFFICER'S TECHNICAL REPRESENTATIVE (COTR)

a. The COTR is responsible for monitoring the assigned technical aspects of the contract and acts as the technical liaison with the Ship Manager. The COTR is also responsible for the final inspection and acceptance of all reports, and such other responsibilities as specified in their assignment letter. In the event of emergency situations, which threaten the safety of life, limb or property, the Ship Manager shall immediately take all necessary actions; to include expenditure of such funds as may be necessary to preclude such dangers. The Ship Manager shall notify

the Maritime Administration ACO and COTR of any such emergency expenditure as soon as possible. A proper TO will be issued at the earliest opportunity practicable.

b. Except as stated elsewhere, the COTR is not authorized to make any commitments or otherwise obligate the Government for any changes, which affect the contract price, terms or conditions. Any contractor request for changes shall be referred to the ACO directly or through the respective Maritime Administration COTR. No such changes shall be made without the prior authorization of the PCO.

c. The COTR may be changed by the Government at any time, and notification of the change shall be provided in writing to the contractor by the ACO or PCO for headquarters personnel.

G.6 DESIGNATION OF GOVERNMENT PERSONNEL

a. The PCO for this contract is:

Ms. Melinda Simmons-Healy
Office of Acquisition, (MAR-380)
7737 Hampton Blvd., Bldg. 19, Suite 300
Norfolk, VA 23505
Phone: 757.322.5819
Cell: 757.268.6932
FAX: 757.322.5858
e-mail: Melinda.Simmons-Healy@dot.gov

b. The Chief of the Contracting Office (COCO) for all divisional Administrative Contracting Offices is:

Ms. Melinda Simmons-Healy
Office of Acquisition, (MAR-380)
7737 Hampton Blvd., Bldg. 19, Suite 300
Norfolk, VA 23505
Phone: 757.322.5819
Cell: 757.268.6932
FAX: 757.322.5858
e-mail: Melinda.Simmons-Healy@dot.gov

c. Maritime Administration personnel responsible for informing Ship Managers of alert notifications and providing activation authorization are:

MARAD HEADQUARTERS
Mr. William Cahill
MAR-610
Phone: 202-366- 1875
FAX for HQ: 202-366-3954

Mr. Eugene Magee (Acting)
MAR-610.1
Phone: 202-366-2629
Cell: 202-366-8187

Mr. Paul Gilmour
MAR-611
Phone: 202-366-8974

Mr. James Kahler
MAR-612
Phone: 202-366-5073
Cell phone: 202-309-0392

Mr. Mike Franklin
MAR-612
Phone: 202-366-2628

Mr. Russell Krause
Phone: 202-366-7031

DIVISION OF ATLANTIC OPERATIONS

Mr. Jeffrey McMahon
Phone: 757-322-5816
Cell: 757-287-8471
FAX: 757-322-5857

Mr. William Ingram
MAR-615.31
Phone: 757-322-5805
Cell: 757-848-8400

MAR-615.32
Phone: 757-322-5811
Cell: 757-287-0581

DIVISION OF GULF OPERATIONS

Mr. Deepak Varshney
Phone: 504-589-2000 x 227
Cell: 202-379-6968

Mr. Robert Babin
Phone: 504-589-2000 x 226
Cell: 504-218-6501

Mr. Billy Greer
Phone: 409-833-9696
Cell: 409-284-1427

DIVISION OF PACIFIC OPERATIONS

Mr. Hank Ryan
Mr. Charles "Chuck" Johnston
Mr. Simon Tao

Phone: 415-744-2562

FAX: 415-744-2576

d. Authorities

- (1) Director/Deputy Director of Acquisition (MAR-380) appoints the PCO.
- (2) The PCO retains the authority to solicit, award and modify the basic terms and conditions of the contract. The PCO shall delegate, in writing, specific authorities to the ACO.
- (3) Chief of Contracting Office (COCO) is delegated the authority to appoint qualified ACOs and may perform all the duties of ACO.
- (4) ACO has the authority to appoint COTRs and ACOTRs.

G.7 CLAIMS AND LITIGATION

G.7.1 THIRD PARTY TORT ACTIONS IN ADMIRALTY

G.7.1.1 The Ship Manager is considered the agent of the United States within the meaning of the Suits in Admiralty Act (SIAA), the Public Vessels Act, and the Admiralty Extension Act for all third party tort actions in admiralty cognizable under the Jones Act, General Maritime Law, or the Clarification Act, inclusive of claims for maintenance and cure. Such actions include, but are not limited to, claims for death or injury to crew members or invitees, claims for maintenance and cure, claims for illness to crew members, and claims for property damage to third parties.

G.7.1.1.1 The Ship Manager is not an agent of the United States under the Contract Disputes Act and nothing contained herein shall be deemed to extend to the Ship Manager the status of "agent of the United States" under any laws relating to contracts. (see Section G.7.2) Neither is the Ship Manager an agent of the United States for non-admiralty actions, particularly employer/employee disputes. (see Section G.7.3)

G.7.1.2 Actions covered by G.7.1.1 must be brought exclusively against the United States. See the Suits in Admiralty Act (SIAA), 46 U.S.C. §741, et seq., which makes the United States the exclusive defendant for all admiralty cases relating to the activities of its agents.

G.7.1.3 The United States will defend the Ship Manager in actions covered by Section G.7.1.1. Such defense will usually be provided through the United States Department of Justice. By entering into this contract, the Ship Manager hereby agrees to accept the representation of the United States in such legal proceedings. The United States will have the sole discretion to determine whether to settle such suits and the United States will control the conduct of the litigation.

G.7.1.3.1 The Ship Manager may, at its own expense, retain legal counsel to work with the United States in defending any claim or suit.

G.7.1.4 Except as set forth in Section G.7.4, Indemnification, the United States bears the sole financial risk for all actions covered by Section G.7.1.1, for which the RRF vessel, the United States, or the Ship Manager is liable provided the liability arose out of the Ship Manager's performance of this contract and the Ship Manager was acting within the scope of this contract.

G.7.2 SUBCONTRACTOR CONTRACT CLAIMS AND DISPUTES

When the Ship Manager acquires products or services as a prime contractor from a subcontractor under the procedures set forth in Attachment J-2, the Ship Manager is not an agent of the United States. Under the Contract Disputes Act the subcontractor has no direct right to sue the United States or the Maritime Administration for claims and disputes arising under its contract with the Ship Manager since there is no privity of contract between such subcontractor and the Maritime Administration. Therefore, any contract disputes, claims or litigation between the Ship Manager and its subcontractor(s) shall be the responsibility of the Ship Manager consistent with Attachment J-2.

G.7.2.1 The Ship Manager shall comply with the provisions in Attachment J-2 to ensure subcontractor and their agents and employees are properly notified that the vessel is a public vessel NOT subject to maritime liens. (Attachment J-20)

G.7.3 THIRD PARTY ACTIONS NOT IN ADMIRALTY

G.7.3.1 All liability for third party actions which do not lie in admiralty shall be the sole responsibility of the Ship Manager, not the United States, its agents, servants, and employees, nor the vessels owned by the United States. Such liability includes, but is not limited to, all costs of legal representation. Examples of third party actions which do not lie in admiralty include, but are not limited to:

(a) All employer/employee claims or suits brought by the seamen employed by the Ship Manager or by their union, either via arbitration or in court, i.e.:

(i) Allegations of discrimination, including sexual harassment. Discrimination claims include, but are not limited to, those claims arising under Title VII of the Civil Rights Act, as amended (42 U.S.C. sections 2000e et seq.), the Age Discrimination in Employment Act, as amended (29 U.S.C. sections 621 et seq.), and the Americans with Disabilities Act, as amended, (42 U.S.C. sections 12117 et seq.); or

(ii) Employment disputes like disciplinary action undertaken by the Ship Manager against its employee; or

(iii) Enforcement of the terms of the CBAs between the Ship Manager and its unions.

(b) Lawsuits or administrative proceedings brought by federal, state or local authorities alleging the Ship Manager violated federal, state or local laws or regulations; i.e., OSHA or environmental laws and regulations.

G.7.4 INDEMNIFICATION

G.7.4.1 Notwithstanding anything in this contract to the contrary, particularly Section G.7, the Ship Manager agrees to indemnify and hold the United States, the Maritime Administration, and its employees and agents harmless from any damages, loss, or injury resulting either directly or indirectly from:

(a) acts of Gross Negligence, Willful Misconduct or Violations of Law or Regulations of the Senior Management of the Ship Manager; or

(b) acts of Gross Negligence, Willful Misconduct or Violations of Law or Regulations performed by employees, servants, contractors, subcontractors, suppliers or agents of the Ship Manager and which occurred with the Privity or Knowledge of Senior Management of the Ship Manager; or

(c) all third party actions covered by Section G.7.3; or

(d) all maritime liens by third parties where the Ship Manager or its subcontractors or agents failed to notify a third party as required in Attachment J-2, that the vessel was a public vessel not subject to lien under the Maritime Lien Act; or

(e) damage caused by a subcontractor or its agents or employees during the performance of their work which is reimbursable by insurance, an indemnification clause or other similar provision required by Attachment J-2.

G.7.4.2 Such indemnification shall be provided upon the Maritime Administration's request or, if necessary, the United States may bring a legal action, either directly or in a third party action, against the Ship Manager and/or individuals working for the Ship Manager, for damages, loss, or injury to the United States.

G.7.4.3 Definitions (for purposes of this section):

(a) Senior Management means those individuals responsible for senior management of the Ship Manager's organization with respect to major components of any of its operations relating to the NDRF or RRF vessels. Senior Management will include the chief executive officer, president, vice president(s), and head(s) of vessel operations for the Ship Manager.

(b) Privity or Knowledge means that the relevant individuals had either personal cognizance of the circumstances, which either caused or contributed to the claim or the means to obtain that knowledge of which such person should have availed itself.

(c) Gross Negligence means harm that is willfully inflicted or caused by a wanton disregard of a duty of care.

(d) Third Party means all persons who are not parties to this contract.

(e) Violation of Law or Regulation means instances where civil or criminal liability results from a violation of a law or regulation that falls on the vessel, the United States and/or the Ship Manager. A Violation of Law or Regulation will not be deemed to occur for purposes of this definition when liability occurs without fault on the part of Ship Manager.

(f) Willful Misconduct means conduct that is either intentional or committed under circumstances exhibiting a reckless disregard for the safety of others, such as a failure after knowledge of impending danger to exercise ordinary care or a failure to discover the dangers through recklessness or carelessness.

G.7.5 DUTY OF COOPERATION

G.7.5.1 The Ship Manager has a duty to fully cooperate in the defense of any claim or action (whether or not such claim or action is in admiralty) for which the United States bears a financial risk or a responsibility to defend.

G.7.5.1.1 As soon as practicable after the occurrence of any claim or suit, or any loss or damage for which the Ship Manager believes the United States is at risk under this contract; the Ship Manager shall immediately furnish the assigned ACO, with a copy to the assigned COTR, detailed written notice of such claim, suit, loss, and/or damage as well as a copy of every demand, notice, summons, complaint, or other process received by the Ship Manager or its employees or representatives.

G.7.5.1.2 The Ship Manager will cooperate with the Government and, upon request, will assist in effecting settlements, securing and giving evidence, technical advice, and obtaining the attendance of witnesses for consultation, depositions, and trials. Such information, advice, evidence and documentation will be given by the Ship Manager to the United States in the manner and form the United States requires.

G.8 CLAIMS AND REPORTS

G.8.1 Claims by crew members shall be processed in accordance with the provisions listed in Attachment J-3, Supplement A, Seafarer's Personal Injury/Illness Claims.

G.8.2 Claims submitted by ROS crew members are subject to the same processing of Attachment J-3. However, since ROS seamen do not sign articles, they are not entitled to unearned wages.

G.8.3 Report of Injuries/Illness. The Ship Manager shall submit quarterly (Oct, Jan, Apr, Jun) reports of injuries/illness via email in addition to the information required in Attachment J-3, Supplement A, Section 5. Submissions for multiple ships or contracts may be combined, and shall be provided to the ACO, COTR, MAR-782(J. Myers) and MAR-610.5 (J. Barile).

G.8.4 On an annual basis (prior to the close of the fiscal year) the Ship Manager shall reconcile TO closeouts and notify the ACO/COTR of any excess funding deobligation on any TO which was issued in connection with Maintenance and Cure. The Ship Manager shall provide a revised estimate of anticipated obligations for the upcoming fiscal year. The Government will provide new funding with the next fiscal year allotments.

G.8.5 Upon reporting that a case is closed, Ship Managers shall advise the ACO so that TOs with any remaining reserve funding may be liquidated.

G.9 MEDICAL INVOICE REVIEW SERVICES

Medical Invoice Review services shall be obtained by the Ship Manager from competent commercial sources. Ship Managers shall obtain the use of a third party to assist with reviewing and validating costs submitted on medical invoices. A copy of the service agreement shall be provided to the ACO within sixty (60) days of contract award. Ship Managers shall obtain a medical invoice review service, which operates on a percentage of savings basis. If it is impossible to obtain a percentage payment service, then the cost of this service is reimbursable.

G.10 MINIMUM WORKING CAPITAL REQUIREMENTS

G.10.1 Irrevocable Line of Credit. The Ship Manager shall maintain an irrevocable line of credit of at least \$250,000 per ship with a federally insured bank or financial institution. The form and substance of this line of credit shall:

- a. be dedicated solely for the purpose of vessel activations under the Ship Manager contract;
- b. remain in effect throughout the life of this contract, without change or alteration, without prior approval of the Maritime Administration's ACO;
- c. as part of the provisions of this irrevocable line of credit, the bank or financial institution providing same shall notify the MARAD Office of Financial Approvals of any changes in the outstanding amount, form or substance of the line of credit. This may be accomplished by the bank providing copies of any statements, which are provided to the Ship Manager;
- d. the bank or financial institution must be federally insured; and
- e. the terms of all proposed irrevocable lines of credit should first be determined acceptable by the Maritime Administration's Office of Financial Approvals. The Ship Manager shall notify the ACO if there is any change in the status of their \$250,000 line of credit per ship.

G.10.2 Alternative. Where a firm has sufficient financial resources to meet the \$250,000 per ship financial requirements, and wishes to rely on those resources instead of obtaining a line of credit, the Maritime Administration will consider this alternative financing. To receive the Maritime Administration's approval for this alternative, a firm must submit, with their proposal, a current audited financial statement of the firm or the parent, as appropriate, for the Maritime Administration's approval. In addition, firms receiving awards shall submit to the PCO, for Maritime Administration's approval, an annual audited financial statement each year of the contract.

G.11 TASK ORDERS - REIMBURSABLE

G.11.1 General

(1) Any reimbursable supplies and services to be furnished by the Ship Manager under this contract shall be authorized by issuance of TOs.

(2) All TOs are subject to the terms and conditions of this contract. In the event of conflict between a TO and this contract, the contract shall have precedence.

G.11.2 Issuance

(1) The scope of TOs may vary greatly. The Ship Manager shall not commence work until they receive a TO executed by an authorized Maritime Administration CO.

(2) Prior to issuance of a TO, the Ship Manager shall submit a written specification, cost estimate and time estimate, for completion of the required work. The specification will be reviewed, approved or modified by the Maritime Administration prior to issuance of a TO. At a minimum, the cost estimate shall include the labor and material costs for each work item. (See PWS in Section C)

(3) A TO is considered issued when posted electronically and notification is sent to the Ship Manager.

G.11.3 Acceptance of the Task Order

(1) Implied Acceptance. Acceptance of the TO by the Ship Manager shall be implied if, after three (3) working days of receipt, the Ship Manager has not notified the ACO, either orally or in writing, of problems and/or disagreements with the TO.

(2) After the commencement of performance under the TO, the Ship Manager shall notify the COTR in writing of the need for required revisions, or to request additional funds.

G.11.4 Expedition of Task Order(s) for Activation(s)

(1) Upon receipt of an activation notice, the ACO will communicate to the Ship Manager the number of the task order that will be used for Activation.

(2) The Ship Manager may then use the activation Task Order number within RMS to facilitate timely issuance of commercial purchase orders in support of the activation efforts.

(3) The executed Task Order will be issued within three working days of the receipt of funding.

G.12 EXPENDITURE AND TRACKING OF REIMBURSABLE FUNDS

G.12.1 Upon receipt of the executed TO, the Ship Manager may proceed in accordance with procedures in Attachment J-2.

G.12.2 It is the Ship Manager's responsibility to track all funds expended under reimbursable TOs. The SM shall develop a system, which tracks funds obligated and funds available on each TO. Funds shall be further tracked to show the status of purchase order(s) (PO) issued, funds obligated and expended, and PO closed out. The system shall further track the PO to the deficiency(ies) covered by the TO. At times, a PO may cover several deficiency(ies). Alternatively, a deficiency(ies) DSN may require the use of several POs. The tracking system must be able to accommodate such possibilities. The Maritime Administration may request a copy of the tracking document on an "as needed" basis, or as often as monthly.

G.13 PURCHASING RESTRICTIONS

a. Interested or Related Company. Agreements or arrangements with any interested company to render any reimbursable service or to furnish any reimbursable stores, supplies, equipment, materials, repairs or facilities hereunder shall be submitted to the ACO for approval. Unless and until such agreements or arrangements have been approved, compensation paid to any interested or related company shall be subject to review and readjustment by the ACO, who may deny payments, in whole or in part, if such compensation is deemed to be inappropriate or unreasonable.

b. The term "interested company" shall mean any person, firm, or corporation in whom the Ship Manager or related company of the Ship Manager, may own any substantial financial interest therein, either directly or indirectly. An "interested company" shall also exist when any substantial financial interest in the company (either directly or indirectly) rests with:

- 1) immediate family members of the Ship Manager
- 2) any employee of the Ship Manager who is charged with executive or supervisory duties or
- 3) any member of the immediate family of any such officer, director, employee or
- 4) any officer or director of any related company of the Ship Manager or
- 5) any member of the immediate family of any officer or director of any related company of the Ship Manager.

c. The term "related Company" as used to indicate a relationship with the Ship Manager for the purpose of this Article only, shall include any person or concern that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with the Ship Manager. The term "control" (including the term "controlled by" or "under common control with") as used herein, means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the Ship Manager (or related company) whether through ownership or control of voting securities, by contract or otherwise.

G.14 TYPES OF INVOICES

a. All invoices shall be submitted for one of the following two (2) categories:

- (1) Fixed Price CLIN.
- (2) Reimbursable CLIN.

b. General. The Ship Manager shall submit invoices in accordance with Office of Management and Budget (OMB) Circular A-125, Prompt Payment, and FAR 52.232-25, Prompt Payment (Oct 2003), as described herein. All invoices shall be submitted electronically via the Maritime Administration DOT Electronic Invoice Systems (EIS), at <https://marweb.marad.dot.gov/eis/>.

c. Ship Manager shall submit invoices in accordance with instructions contained on the EIS website.

G.15 TRAVEL REQUIREMENTS

G.15.1 Reimbursable travel performed by the Ship Manager, subcontractors and crew, in direct performance of this contract will be reimbursed on an actual and allowable basis. Travel costs for subsistence and lodging shall not exceed the Federal Travel Regulations (FTR) at <http://gsa.gov/portal/category/21222>, except as stated in FAR 31.205-46.

(1) Vouchers are required when submitting travel claims.

(2) Crew members may submit claims without itemized receipts for subsistence and lodging at the current rate set in labor agreements, if less than the FTR rate.

(3) The Contractor shall use only coach or economy airfares while performing travel under this contract, unless otherwise authorized by the ACO. For travel performed on a cost reimbursable basis all cost documentation must accompany invoices for reimbursement except as identified above.

G.15.2 The Federal Travel directory will be used to verify current maximum allowable subsistence and lodging rates.

G.15.3 Requests for travel reimbursement shall be clearly identified and submitted on a SF 1012, Travel Voucher (Attachment J-18) or other form acceptable to the ACO. Requests for reimbursement of travel expenses, including supporting documentation thereof, shall not include commingled reimbursable and fixed price travel cost data.

G.16 METHOD OF PAYMENTS

(1) The Ship Manager shall forward the information required below, to the Department of Transportation, Maritime Administration, MAR-333, Room 7325, 400 7th street, S.W. Washington, DC 20590, not later than fourteen (14) days after receipt of the notice of award. It is the Ship Manager's responsibility to furnish changes promptly to avoid payments to erroneous addresses or bank accounts.

(2) Electronic Funds Transfer Payment Methods. Payments under this contract will be made by the Government either by check or electronic funds transfer (EFT) (through the Automated Clearing House (ACH)), at the option of the Government. Submit a completed SF 3881 (Attachment J-11) to the address above in (1). The SF 3881 designates a financial institution for receipt of EFT payments. See the clause in Section I, FAR 52.232-33, Payment by Electronic Funds Transfer - Central Contractor Registration (Oct 2003).

G.17 CONTRACTORS PURCHASING SYSTEM REVIEW REQUIREMENTS

The Maritime Administration requires all contractors to submit procedures for approval of their purchasing system within ninety (90) days of NTP. Attachment J-2 contains the policies and procedures for meeting Maritime Administration's requirements.

G.18 POST AWARD CONFERENCE

A post-award conference may be held within the first sixty (60) days after award. Attendees will include the Maritime Administration CO/ACO, the COTR or ACOTR, and other personnel deemed necessary to represent the Government. The Ship Manager (Contractor) may be represented by the Ship Manager's employees as deemed appropriate. This conference will be scheduled for a time mutually agreeable to the Ship Manager and to the

Government. The purpose of this conference is to review the terms and conditions of the contract, to discuss technical matters pertaining to contract performance, and to address any questions brought forth by either the Ship Manager or the Government.

[END OF SECTION G]

J-2 SHIP MANAGER (SM) SUBCONTRACT PURCHASING POLICIES

The purpose of this instruction is to establish policies and procedures for

- 1.0 review and approval of the commercial purchasing system (CPS);
- 2.0 consent to subcontract and review/advance notification of subcontracts; and
- 3.0 MARAD specific subcontract requirements, in conjunction with Federal Acquisition Regulation (FAR) Part 44, Subcontracting Policies and Procedures.

1.0 COMMERCIAL PURCHASING SYSTEM (CPS)

1.1 SM DELIVERABLE

The SM is required to provide its CPS procedures to the Procuring Contracting Officer (PCO) within 90 days of NTP. However, the SM is encouraged to provide the deliverable early to enable the review process to be completed in a timely manner.

1.1.1 The CPS will be reviewed in accordance with FAR 44.303. In addition, special attention shall be given to:

1.1.1.1 "Best value" practices. In a "best value" practice, all aspects of ship's requirements and subcontractor's capabilities must be considered. In so doing, such enhanced performance factors as increased readiness, shortened repair period or prompt response may outweigh low price alone. The SM procedures shall be well defined and consistently applied and shall follow purchasing practices appropriate for the requirement and the dollar value of the purchase.

1.1.1.2 Methodology for the acquisition of quality products and services at fair and reasonable prices.

1.1.1.3 Minimization of acquisition lead-time and administrative costs of purchasing.

1.1.1.4 Use of self-assessment to support continuous improvements in purchasing.

1.1.1.5 Ability to segregate and track costs (Section 3.2).

1.1.1.6 Maintenance of complete subcontract documentation (Section 3.4).

1.1.1.7 Use of electronic commerce to the maximum extent practicable, for transmission, processing, invoicing and storing data associated with the SM contract.

1.1.1.8 Procedures to identify capable and reliable contractors who have successful past performance records and who can demonstrate a current ability to perform.

1.1.1.9 Procedures for inclusion of appropriate, current flow-down clauses, terms and conditions (Section 3.7).

SMs with CPSs previously approved by other Government agencies shall submit a copy of the documentation of the approval to the PCO in addition to a copy of its procedures for review.

1.2 MARAD REVIEW OF CPS

Review of the CPS may take upwards of 90 days. To ensure consistency in the CPS review and approval process, MARAD has retained the services of the Defense Contract Audit Agency (DCAA) to perform a review of the CPS deliverable. DCAA's review will consist of a combined audit of procurement and accounting procedures and may include an on-site audit at the SM's facility.

If deficiencies are found, the PCO will advise the SM of the deficiencies and recommend the necessary steps the SM must take to gain approval. In accordance with FAR 44.305-2, the SM shall be expected to reply within 15 days with a position regarding the recommendations.

Upon receipt of a favorable review, the PCO will issue notification of approval. Until such time as SM's CPS has been approved by MARAD under the current SM contract, subcontracts are subject to the approvals outlined in Section 2.2.1.2. MARAD CPS approval issued under a prior contract does not apply to the current SM contract.

1.3 MAINTENANCE OF CPS

The SM shall advise the PCO and Administrative Contracting Officer (ACO) of any change to its commercial procedures 14 calendar days prior to implementation throughout the performance period of the SMC.

The ACO will monitor the SM purchasing program in accordance with FAR 44.304. ACO review(s) may require on-site attendance at the SM's facility. The SM shall assist the ACO by providing space, administrative support, and access to records/reference documents during these inspections.

In accordance with FAR 44.302, once initial approval has been given, at least every 3 years, the ACO will determine whether a purchasing system review is necessary. The ACO will provide CPS re-certifications. MARAD will conduct annual cost incurred financial audits on SM records utilizing the services of DCAA. If warranted, interim cost-incurred audits will be ordered.

1.4 WITHDRAWAL OF CPS APPROVAL

During the performance period of the SMC, the ACO may lower the advance notification/consent thresholds, if there has been deterioration of the SM CPS or to protect the Government's interests. The ACO will issue a deficiency report to the SM, with a copy to the COCO and PCO. The SM shall immediately conform to the ACO's lower thresholds, and respond to the deficiency report within 15 days. Upon review of the response, the ACO may determine that the lower thresholds should continue or make a decision to withdraw approval of the CPS if it is determined that the SMC is deviating substantially from the approved CPS.

2.0 SUBCONTRACT REVIEWS

The SM shall provide subcontracts and documentation for review as follows:

2.1 ADVANCE NOTIFICATION

2.1.1 Notification to ACO prior to award, with copy of intended subcontract

Dollar Level	Type of Contract
Any	Other Than Fixed Price

2.1.2 The PCO waives the requirement for advance notification of fixed price contracts.

2.2 CONSENT

2.2.1 Request for consent to subcontract to ACO

2.2.1.1 With Approved CPS

Dollar Level	Type of Contract
>\$125K	Other Than Fixed Price
>\$1M	Fixed Price (sole source)
>\$2.5M	Fixed Price (competitive)

2.2.1.2 Without Approved CPS

Dollar Level	Type of Contract
>\$25K	Other Than Fixed Price (except T&M)
>\$50K	Time-and-Materials
>\$100K	Fixed Price

2.3 CONSENT TO SUBCONTRACT GUIDELINES

The request for consent to subcontract and supporting documentation shall be submitted to the ACO electronically at least 10 working days prior to intended subcontract award date. The ACO review will include the considerations listed in FAR 44.202-2 as well as consent limitations in 44.203. The SM request shall include all applicable informational elements listed in FAR 52.244-2, Subcontracts, subparagraph (f)(1). Additionally, the consent request shall include:

- A clear analysis of the award decision, including all factors considered
- Copy of proposals received and an abstract of proposals
- Copy of proposed subcontract, including any changes to terms and conditions
- Summary of negotiations, including explanation of variance between proposed and negotiated prices
- Separately priced bonds and insurance, if coverage exceed 3.7.4 requirements
- Specific funding required for the basic subcontract, supplemental growth, options, and projected SM administrative costs
- Milestone schedule

2.4 ADDITIONAL REVIEW REQUIREMENTS

2.4.1 COTR/ACOTR specification reviews are always required regardless of the level of subcontract review.

2.4.2 For any subcontract requiring formal consent, the associated solicitation shall be submitted to the ACO for pre-issuance review electronically at least 10 working days prior to intended issuance date. The solicitation package submitted shall include:

- Solicitation
- Documentation of specification review and approval by the COTR/ACOTR
- Source List
- Detailed estimate
- Basis for determination of liquidated damages, diversion/inter-port differentials, bonding, and insurance, if coverage exceeds 3.7.4 requirements

Thereafter, a copy of all changes or amendments to the solicitation will be provided to the ACO and COTR/ACOTR concurrent with issuance.

2.4.3 Notwithstanding the established review thresholds, the ACO or PCO may request a pre-award review of any complete subcontract, or part thereof (e.g., sole source, non-commercial items).

2.5 SPECIAL PROCEDURES FOR MISSION ESSENTIAL AND EMERGENCY REPAIRS

The SM shall only purchase supplies or services authorized by a Task Order (TO) or TO modification except for mission essential and emergency repairs described below:

2.5.1 Mission Essential and Emergency Repairs: Foreign and domestic

Mission essential repairs are defined as repairs necessary to support a No-Notice Activation, or repairs necessary to prevent or correct unanticipated change in a ship's readiness status to C-3 or C-4.

An emergency is any action that is needed to protect or prevent the loss of life, limb, or property.

2.5.2 Mission Essential Repair: General Policy

The SM shall notify the ACO and COTR/ACOTR as soon as possible, and at a minimum:

- Define the intended work in as much detail as possible.
- Develop an estimate of cost, and an initial not to exceed value.
- Make all attempts possible to obtain competition, given the circumstances.
- Obtain fixed price rates for subcontracted labor (to include straight time and overtime) fully burdened material, mutually acceptable terms and conditions.
- Recommend project start and completion dates.
- Obtain verbal authorization for no-notice activation from personnel designated in Section G.6. Obtain verbal authorization for other mission essential and emergency repairs from the ACO as soon as practical. The ACO will issue a written TO confirming verbal authorizations as soon as possible.

2.5.3 Mission Essential Repairs Inside the United States

2.5.3.1 The SM shall comply with the policies of Section 2.5.2 and all appropriate aspects of its approved CPS.

2.5.3.2 All appropriate flow-down clauses shall be used, inclusive of Service Contract Act FAR-52.222-41.

2.5.4 Mission Essential Repairs Outside the United States

MARAD has been granted authority to waive the flow-down clauses required by FAR Part 44 for all non-commercial subcontract repairs accomplished in foreign ports. There are no mandatory flow-down clauses for foreign commercial item repairs. The SM shall comply with the policies of Section 2.5.2 and all appropriate aspects of its approved CPS as closely as possible, given the circumstances.

2.5.5 Planned Repairs Outside the United States

Aside from the waived flow-down clauses of FAR Part 44 noted above, the SM shall conduct planned foreign repairs (e.g. prepositioned vessels) in accordance with all other aspects of Section 2.5.2 and its approved CPS.

2.5.6 Emergency

The SM is authorized to take whatever action is deemed necessary to protect or prevent the loss of life, limb, or property.

3.0 MARAD SPECIFIC SUBCONTRACT REQUIREMENTS

3.1 SUBCONTRACT FUNDING

MARAD may obligate funding for subcontracts on the initial TO, or may elect to obligate funding at a later date via TO modification. The SM is expected to timely execute the approved business plan by soliciting services or supplies "subject to the availability of funds;" however, the SM shall not sign a contract with a subcontractor and shall not incur a legal obligation without a funded TO.

3.2 SEGREGATION AND MONITORING OF FUNDS

The SM is responsible for performing the ordered work, by the required delivery date, and within the authorized funding levels for each CLIN of the TO. The SM shall segregate and monitor costs accordingly.

The SM must notify the ACO in writing when 75% of the funds provided on the TO have been expended. SM are cautioned that this notification requirement applies to individual TOs even when multiple TOs are used on a project. Further, the SM shall notify the COTR/ACOTR and ACO at any point that it is determined that the ordered work cannot be accomplished within the required delivery and/or within the authorized funding.

The SM shall provide a tracking report in Excel spreadsheet format attached to each invoice submitted in the Electronic Invoice System (EIS). The spreadsheet shall include the following data elements, at a minimum:

- SM Name
- SM Contract Number
- Task Order Number

- Vessel Name
- SM Invoice Number
- CLIN number
- Project Line Item Category Name
- NS5 Work Order or Service Request Number
- Short Description of Supplies or Services
- SM Purchase Order Number
- Dollar Amount of Invoice
- Subcontractor Name
- Subcontractor Invoice Number
- Receipt Date of Subcontractor Invoice
- Fixed Fee Period Start Date
- Fixed Fee Period End Date
- Fixed Fee Days
- Fixed Fee Rate
- Fixed Fee Calculated Amount

SPECIAL REQUIREMENT for either (1) FYXX M&R DRYDOCK or (2) OPER No-Notice Test Activation

The SM will utilize an Excel spreadsheet template provided by MARAD which provides an automated compilation of reimbursable costs segregated by Project Line Item Categories (M&R, ESL, Activation, Operating Costs, and/or Deactivation). In addition the spreadsheet shall

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Project

3.3 SUBCONTRACT SOCIOECONOMIC STATISTICAL REPORTING

All SM regardless of business size shall report to each ACO by the 5th of each month, the total number and total dollar value of subcontracts awarded by the SM for that MARAD region as follows:

Type of Firm (U.S.)	Total # of Subcontracts	Total Dollars
SDB Awards	_____	_____
Women Owned SB	_____	_____
SBA 8(a) SB Awards	_____	_____
HUBZone SB Awards	_____	_____
Veteran Owned SB Awards	_____	_____
Service Disabled Veteran Owned SB	_____	_____
Total Small Business Awards	_____	_____
Other U.S. Large Business Awards	_____	_____
Total U.S. Subcontract Awards	_____	_____
Total Foreign Subcontract Awards	_____	_____

Total Subcontract Awards _____

NOTE: Awards to small businesses must be counted in all appropriate categories. For example, an award to a Woman-owned, HUBZone certified firm would be included in both Woman-owned and HUBZone firm figures, but included only one time in Total Small Business Awards. In other words, the Total Small Business Awards will not necessarily equal the sum of all small business awards for the several types of small business firms.

SM certified as a large business shall monitor small and minority business awards in relation to the SM's subcontracting plan goals, accumulate data on all subcontract awards, including those less than \$50,000 and submit a SF-294 (Exhibit I), Subcontracting Report for Individual Contracts and SF-295 (Exhibit II), Summary Subcontract Report to the ACO as required by FAR.

3.4 SUBCONTRACT DOCUMENTATION

For purposes of Government auditing, the SM shall establish and maintain an individual file for each subcontract, which may be in electronic format. The file shall be identified with a sequential number for tracking. The file shall be adequately documented to establish the propriety of the transaction and the price paid, and that the SM complied with its commercial purchasing procedures. The subcontract file shall contain the following, as a minimum:

- Copy of TO(s), with adequate funding authorized for this purpose
- Subcontract, including clearly defined requirements (see Section 3.7)
- Copy of all modifications to the subcontract
- Documentation of competition obtained for purchases of supplies >\$3,000 and services >\$2,500 or, in the absence of competition, proper justification for not competing the requirement.
- Documentation of purchase decision, evidencing that the price paid was fair and reasonable and the subcontractor selected represented the best value to the government
- Documentation of negotiations (if conducted), including explanation of variance between proposed and negotiated subcontract prices
- Proper approvals, including SM internal approvals in accordance with commercial procedures and MARAD specification, solicitation, and award approvals
- Documentation of inspection and acceptance
- Documentation of payment in accordance with subcontract terms
- Copy of ACO direction to use Government source of supply (i.e., GSA) or approval of unique terms and conditions (i.e., insurance, bonds, demurrage, progress payment)
- Documentation of rationale for not using directed sources (i.e., fuel)
- Closeout documentation, including final invoice payment marked as such.

Documentation may be maintained in separate files/systems where logical (e.g., documentation of payment in electronic accounting system), provided that the individual subcontract file indicates where the documentation is located and it is available for Government review at the SMGR corporate facility.

3.5 SUBCONTRACTOR PAYMENTS

The SM shall encourage vendors to submit invoices promptly. Ideally, the SM should encourage the use of electronic invoicing from the subcontractor to achieve accurate, timely invoices for review and payment. Prompt submission of invoices can be a consideration for best value as it permits obligated funds to be liquidated and excess funds deobligated.

The SM is responsible to verify the validity and accuracy of all subcontractor invoices prior to forwarding them to MARAD for reimbursement. Repeated invoice inconsistencies and errors are a reflection of poor quality control processes and will impact the SM's performance assessment. MARAD will reclaim overpayments directly from SM. The SM shall submit invoices after receipt of supplies/services in accordance with Section G.14.

In the rare situation where commercial practice is for buyer financing of goods or services in excess of the SM stipulated minimum working capital requirements (Section G.10), the SM may request advance payment on a case-by-case basis. For purchases of commercial items, financing of the contract is normally the contractor's responsibility. However, in some markets the provision of financing by the buyer is a commercial practice. The amount of advance payment requested shall not exceed the amount to be actually paid in advance based on the best terms the SM is able to negotiate with the agent or service provider. SM shall submit their request for advance payment (i.e., payment in advance of receipt of supplies/services) to the ACO via e-mail with a copy to the COTR/ACOTR and FCO, in the following format. The e-mail should be marked as URGENT.

"Request advance payment in the amount of \$_____ (insert amount) under Contract _____ (insert SM Contract #) / Task Order _____ (insert TO #, if applicable), for _____ (insert description of services/supplies). Documents to support the amount requested are attached (i.e., detailed estimate, pro forma invoice from the subcontractor). The scheduled pay date is _____ (insert date)."

The SM is to include a clear statement or rationale stating why advance payment is necessary and that the value exceeds their contract stipulated minimum working capital.

The ACO will evaluate and approve/disapprove the request via e-mail. If approved, the TO will also indicate that advance payment is authorized. The SM shall submit an invoice, indicating the date when payment is required in the certification statement block on the EIS invoice form and indicating in the description field on the supporting spreadsheet that this is an advance payment. MARAD will endeavor to meet the specified payment date, however, be advised that commercial advance payments are not subject to the interest penalty provisions of the Prompt Payment Act in accordance with FAR 32.9.

3.6 SUBCONTRACTOR CLAIMS AND DISPUTES

Subcontracts are between the SM and the subcontractor, and the SM is responsible for resolving subcontract disputes. The SM shall advise the ACO and COTR/ACOTR of disputes, changes in status of disputes, and potential costs or delays in delivery or possible litigation. MARAD will not directly participate in disputes and/or settlement.

MARAD endorses and recommends the use of alternative disputes resolution (ADR) procedures. The SM is responsible for all administrative and legal costs associated with resolving such disputes, except when the government has authorized reimbursement by issuance of a TO. When private counsel has been authorized, the

government will reimburse reasonable costs associated with such representation subject to the funding limitations of TO.

Payments of judgments or settlements resulting from this disputes resolution process are the responsibility of the SM, although the SM may request reimbursement provided that indemnification under Section G.7.4.1 does not apply. SM is cautioned to seek prior approval from the ACO of settlements, which the SM intends to submit for reimbursement, in order that a reserve of appropriated funds can be made for the claim. The liability of the United States under this clause is subject to the availability of appropriated funds.

If a dispute is not settled between the SM and the subcontractor and the matter advances to a formal claim in the Courts, Section G.7 Claims and Litigation will apply.

3.7 GENERAL SUBCONTRACT POLICIES

3.7.1 Subcontract Basic Content - SM subcontracts shall contain the following information, at a minimum:

- Identification number
- Date of Subcontract Award
- Description of supply/service
- Delivery/performance date
- Place of delivery/performance
- Packing or shipping instructions, if any
- Address to submit invoices
- Terms and Conditions

3.7.2 Flow Down Clauses - The SM shall incorporate appropriate flow-down clauses in subcontracts. Flow-down clauses vary with the type of item, price, and place of purchase. The SM is responsible to select and apply the correct clauses to avoid unnecessary cost to the Government.

3.7.2.1 Commercial Items - In accordance with FAR 44.402, all commercial item purchases shall include the flow-down clauses listed in FAR 52.244-6, Subcontracts for Commercial Items, and SCA, except for subcontracts obtained outside the United States. Supplies/services ordered by MARAD are considered commercial items unless otherwise stated on the TO.

3.7.2.2 Non Commercial Items - Purchases for supplies and services that do not qualify as commercial items (as determined by the MARAD ACO) shall include all appropriate clauses that flow-down from the SM Contract, including SCA.

3.7.3 Subcontract terms - The subcontract shall not include any language implying or stating that it is an agent of the Federal Government, and the SM shall not sign as "agent" or "SM for MARAD." The subcontract shall not include terms that bind the Government to the results of arbitration, judicial determination, or voluntary settlement between the prime contractor and subcontractor.

3.7.4 Insurance - The SM shall require insurance from subcontractors to protect Government property based on the following TABLE OF COVERAGE TYPES and TABLE OF MINIMUM LIABILITY LIMITS REQUIRED based on risk considerations.

TABLE OF COVERAGE TYPES

COVERAGE	Description
Workmen's Compensation, including Longshoremen & Harbor Worker's Act coverage	Always required - no minimum
Employers Liability	E bodily injury by accident, each accident - E bodily injury by disease each accident - E bodily injury by disease in the aggregate
Maritime Employers Liability (Jones Act)	M each person per occurrence - M in the aggregate
Comprehensive General Liability	C combined single per occurrence limit for bodily injury and property damage - C in the aggregate
Ship Repairers Legal Liability	S per vessel, per occurrence
Pollution Liability	P per occurrence
Tower's Liability	T applies to dead-ship tow
<i>Note: See TABLE OF MINIMUM LIABILITY LIMITS REQUIRED for values of variables E M C S P or T</i>	

TABLE OF MINIMUM LIABILITY LIMITS REQUIRED

RISK CONSIDERATIONS / COVERAGE CODE	E	M	C	S	P	T
Shipyards Availabilities w/o Dead-ship Tow	\$5	\$5	\$5	\$5	\$1	
Shipyards Availabilities with Dead-ship Tow	\$5	\$5	\$5	\$5	\$1	\$5
Pier-side, Spaces Made Safe for Hot Work or Workers	\$2	\$2	\$2	\$2	\$1	
Pier-side, No Spaces Made Safe for Hot Work or Workers	\$1	\$1	\$1	\$1	\$1	
OEM Tech Rep Services	\$1	\$1	\$1			
<i>Note: minimum liability limits in million dollars</i>						

All the above insurances except Workman's Compensation shall name the United States of America as an assured along with the Ship Manager. Such policies shall contain a statement that there is no recourse against the USA for payment of premium. The SM shall stipulate that upon request the subcontractor shall provide a copy of all original insurance policies within 5 calendar days. The SM shall ensure that the coverage does not contain exclusions that would effectively negate coverage for all but third party liabilities. All such insurance will contain 30 calendar days advance notice of cancellation or of any non-renewal which is the option of the insurer be provided

in writing to the U.S. Department of Transportation, Division of Marine Insurance, MAR-780, W23-453, 1200 New Jersey Ave., SE, Washington, DC 20590.

The SM shall obtain and review proof of insurance coverage (i.e., certificate of insurance, policy). The ACO may request that the SM send the subcontractor insurance to the MARAD Division of Marine Insurance for review.

3.7.5 Supplemental Material/Lower Tier Subcontract Markup - The SM shall not include a percentage markup (i.e., material handling charge, burden rate) in its subcontracts for supplemental material or lower tier subcontracts. This type of arrangement is considered a Cost-Plus-A-Percentage-Of-Cost type contract, which is prohibited by FAR.

3.7.6 Subcontractor Screening

3.7.6.1 The SM shall verify that no apparent conflict of interest/improper affiliations exist between the SM and subcontractors.

3.7.6.2 The SM shall verify that proposed subcontractors are not suspended and/or debarred by consulting the General Services Administration (GSA) List of Parties Excluded from Federal Procurement and Non-procurement Programs, website at <https://www.epls.gov/>. If the SM intends to subcontract with a party that is debarred, suspended, or proposed for debarment, notification to the ACO is required in accordance with FAR 9.405-2.

3.7.6.3 SM shall evaluate subcontractor performance to establish qualified sources, and to be used as part of the evaluation of best value. The SM is expected to factor subcontractor past performance into its decision on award. The SM must support decisions not to award based on past performance.

3.8 The Contracting Officer has determined it to be in the Government's best interest to authorize Ship Managers to use Government supply sources to purchase cost-reimbursable supply items for Government use. This authorization is provided for use on a voluntary basis and significant use of the authorization will be considered as Observable Quality Evidence (OQE) demonstrating superior business processes in the expenditures and obligations of funds authorized by Task Order to reduce costs under Performance Element 6-1 Effective Management and Control of Costs. To implement this provision, each Ship Manager will receive a letter of authorization from the PCO for each ship management contract they have been awarded by the Maritime Administration for use in placing orders to acquire supply items from Government supply sources (*see FAR 51.103 Ordering from Government supply sources*). Before placing orders with Government supply sources, the Ship Manager will need to coordinate with the ACO for assistance in obtaining any necessary activity address codes and for use of the proper ordering forms where specified (*see 51.102, 51.103 and 51.104*).

[END OF ATTACHMENT J-2]