(2) A recipient must arrange for all U.S. Government markings to be obliterated or removed before the donated commodities are transferred by sale or donation under paragraph (f)(1) of this section.

(g) A recipient may retain any proceeds generated by the disposal of the donated commodities in accordance with paragraph (f)(1) of this section and must use the retained proceeds for expenses related to the disposal of the donated commodities and for activities specified in the agreement.

(h) A recipient must notify CCC immediately and provide detailed information about the actions taken in accordance with paragraph (f) of this section, including the quantities, values and dispositions of donated commodities determined to be unfit.

§ 1499.10 Claims for damage to or loss of donated commodities.

(a) CCC will be responsible for claims arising out of damage to or loss of a quantity of the donated commodities prior to the transfer of title to the donated commodities to the recipient. The recipient will be responsible for claims arising out of damage to or loss of a quantity of the donated commodities after the transfer of title to the donated commodities.

(b) If a recipient has title to donated commodities that have been damaged or lost, and the value of the damaged or lost donated commodities is estimated to be in excess of $20,000, the recipient must:

(1) Notify CCC immediately and provide detailed information about the circumstances surrounding such damage or loss, the quantity of damaged or lost donated commodities, and the value of the damage or loss;

(2) Promptly upon discovery of the damage or loss, initiate a claim arising out of such damage or loss, including, if appropriate, initiating an action to collect pursuant to a commercial insurance contract;

(3) Take all necessary action to pursue the claim diligently and within any applicable periods of limitations; and

(4) Provide to CCC copies of all documentation relating to the claim.

(c) If a recipient has title to donated commodities that have been damaged or lost, and the value of the damaged or lost donated commodities is estimated to be $20,000 or less, the recipient must notify CCC in accordance with the agreement and provide detailed information about the damage or loss in the next report required to be filed under § 1499.13(f)(1) or (2).

(d)(1) The value of a claim for lost donated commodities will be determined on the basis of the commodity acquisition, transportation, and related costs incurred by CCC with respect to such commodities, as well as such costs incurred by the recipient and paid by CCC.

(2) The value of a claim for damaged donated commodities will be determined on the basis of the commodity acquisition, transportation, and related costs incurred by CCC with respect to such commodities, as well as such costs incurred by the recipient and paid by CCC, less any funds generated if such commodities are sold in accordance with § 1499.9(f)(1).

(e) If CCC determines that a recipient has not initiated a claim or is not exercising due diligence in the pursuit of a claim, CCC may require the recipient to assign its rights to initiate or pursue the claim to CCC. Failure by the recipient to initiate a claim or exercise due diligence in the pursuit of a claim will be considered by CCC during the review of applications for subsequent food assistance awards.

(f)(1) A recipient may retain any funds obtained as a result of a claims collection action initiated by it in accordance with this section, or recovered pursuant to any insurance policy or other similar form of indemnification, but such funds must be expended in accordance with the agreement or for other purposes approved in advance by CCC.

(2) CCC will retain any funds obtained as a result of a claims collection action initiated by it under this section; provided, however, that if the recipient paid for the transportation of the donated commodities or a portion thereof, CCC will use a portion of such funds to reimburse the recipient for such expense on a prorated basis.