

AMENDMENT 3(1) TO THE MEMORANDUM OF UNDERSTANDING BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND THE GOVERNMENT OF THE FRENCH REPUBLIC
CONCERNING
THE PRINCIPLES GOVERNING RECIPROCAL PURCHASES
OF DEFENSE EQUIPMENT
DATED MAY 22, 1978.

The Government of the United States of America and the Government of the French Republic, hereinafter referred as to "the Governments", according to the terms of the Memorandum of Understanding (MOU) dated May 22, 1978, agree on the following amendments:

ARTICLE 1: DURATION

According to the terms of the article IV, paragraph 1 of the Memorandum of Understanding (MOU) dated May 22, 1978, the Memorandum is further extended for a period of five years from the date of signature by the two Governments of this Amendment 3. This MOU will be automatically extended for successive five years periods unless any withdrawal intention by one Government is notified to the other Government according to the provisions of paragraph 2 of Article IV of the MOU dated May 22, 1978.

The phrase "before the end of the ten-year period" in the first sentence of paragraph 2 of Article IV of the MOU dated May 22, 1978, is deleted.

ARTICLE 2: SCOPE OF THE MOU

Article 1, paragraph 2 of the MOU dated May 22, 1978 is revised to state as follows:

"This MOU covers procurements by the U.S. Department of Defense and the French Ministry of Defense for:

- a) defense equipment, related spare parts, support equipment and services and corresponding supplies,
- b) research and development,

except for specific equipments and procurements set aside for certain categories of suppliers as prescribed by law or Departmental / Ministerial regulation, or agreements between the Governments.

1) The first extension of this MOU signed on February 19, 1988 will be referred to as Amendment 1 and the second, signed on May 22, 1989, as Amendment 2.

ARTICLE 3: INDUSTRY PARTICIPATION.

Article III of the MOU dated May 22, 1978 is amended by adding at the end the following paragraphs:

"3. The Governments agree to exchange information and to discuss the extent to which equitable opportunities are provided for procurement of equipment and services subject to the MOU, i. e., coverage of similar classes of goods and services.

4. The Governments agree to discuss measures to limit the adverse effects of offsets on the defense industrial base of each country."

* * *

Subject to the above amendments, the MOU dated May 22, 1978, and its annexes I to III, shall continue in all other respects with full force and effect.

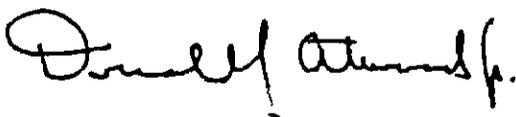
This amendment will enter into force on the date of its signature by the two Governments.

In witness whereof, the duly qualified representatives of both Governments have signed this amendment.

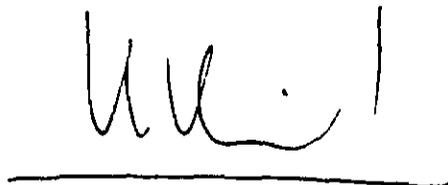
Signed in two original texts, in the French and English languages, both texts being equally authentic.

For the Government of the
United States of America,
The Deputy Secretary of Defense

For the Government of the
French Republic,
The Minister of Defense



Donald J. ATWOOD Jr.



Jean-Pierre CHEVENEMENT

Place: PARIS

Place: PARIS

Date: June 6, 1990

Date: June 6, 1990

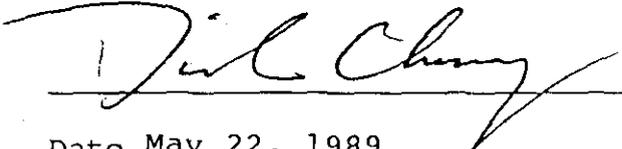
EXTENSION OF THE MEMORANDUM OF UNDERSTANDING
BETWEEN
THE GOVERNMENT OF THE FRENCH REPUBLIC
AND
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
CONCERNING
THE PRINCIPLES GOVERNING RECIPROCAL PURCHASES
OF DEFENSE EQUIPMENT

It is hereby agreed to by the Government of the United States and the Government of the French Republic that the duration period of the Memorandum of Understanding (and all implementing annexes) between the Government of the United States and the Government of the French Republic relating to the principles governing reciprocal purchase of defense equipment (signed May 22, 1978, and heretofore extended to May 22, 1989) is hereby further extended to October 31, 1990, in accordance with Article IV, paragraph 1 of the agreement.

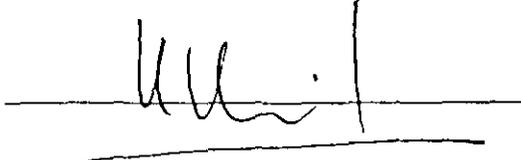
This agreement, in two original texts in the French and English languages, both texts being equally authentic, will enter into force on the date of the later signature, effective May 22, 1989.

For the Government of the
United States of America
The Secretary of Defense

For the Government of the
Republic of France
The Minister of Defense


Date May 22, 1989

Place Washington, DC



MEMORANDUM OF UNDERSTANDING
BETWEEN
THE GOVERNMENT OF THE FRENCH REPUBLIC
AND
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
CONCERNING
THE PRINCIPLES GOVERNING RECIPROCAL PURCHASES OF
DEFENSE EQUIPMENT

The Government of the United States of America and the Government of the French Republic hereinafter referred to as the Governments:

Noting that a previous agreement dated December 17, 1963 governs their cooperation in the field of research and development,

Noting that no agreement covers harmonization of mutual procurements, although specific compensation agreements bound them in the past,

Wishing to improve the present situation and to strengthen their military capability by a better organization of procurement of equipment meeting their defense needs, while taking into consideration cooperative activities undertaken between European nations within the I. E. P. G. and relationships between Europe and the United States in the field of armaments.

In order to achieve the above aims, the Governments have agreed on the following guidelines to ensure a balanced cooperation in defense equipment research, development, production, and purchasing and associated offset arrangements.

ARTICLE I

Principles governing reciprocal defense purchasing

1. Both Governments agree to achieve and maintain an equilibrium in their exchanges in terms of payments and technological levels to the maximum practicable extent consistent with their national policies.
2. The Governments will jointly determine the defense equipment to which the present MOU is applicable and the desirable level of the equilibrium.
3. Each Government will keep a record of defense equipment procurement from the other country either directly or through its defense industry.
4. Each Government will submit, as practicable, a periodic forecast of defense equipment that it may be able to undertake to procure from the other country or for which the other country may be able to compete. Each Government may propose to the other any particular item of equipment that could meet the requirement of the other Government.
5. Both Governments will provide appropriate policy to guidance and administrative procedures within their respective

defense procurement organizations to achieve and maintain the agreed upon equilibrium.

6. For the implementation of this MOU:

a. Offers will be evaluated without applying price differentials resulting from Buy National Laws (in the United States, the Buy American Act).

b. The Secretary of Defense or Minister of Defense shall, consistent with the law and policies of each country, attempt to obtain exemptions from all applicable customs duties or other restrictions which are designed to limit participation by industries of the other country.

c. It will be necessary to take into consideration all qualified sources in each other's country in accordance with the policies and criteria of the purchasing office, it being understood that offers will satisfy requirements for performance, quality, delivery and cost.

7. To facilitate production programs set up in implementation of this MOU, the Governments understand that subject to their established policies, procedures, regulations and subject to privately owned proprietary rights, each Government will, so far as it is able, without incurring obligations to others, arrange for release to the other and to its agents, or if necessary, to its defense industries, of information and technology necessary for the purpose of such facilitation, taking into account security regulations.

8. Arrangements and procedures will be established concerning follow-on logistic support for defense material transferred under this MOU. Both governments will make their defense logistic systems and resources available for this purpose as required and mutually agreed.

9. The Governments, through their appropriate representatives, will consult concerning any problem which may inhibit the efficient operation of this arrangement. Such consultations will be conducted on the basis of Article II of this MOU.

ARTICLE II

Entry into force

1. Representatives of the two Governments will be appointed to determine in detail the implementation procedures of the MOU.

Terms of reference will be proposed for an American-French Committee in charge of reciprocal purchases (including rules governing its work).

2. The Under Secretary of Defense for Research and Engineering in coordination with the Assistant Secretary of Defense (ISA), Assistant Secretary of Defense (MRA&L), the Director, Defense Security Assistance Agency and other appropriate Department of Defense Offices, will be responsible in the U.S. Government for the development of implementing procedures under this MOU and for the management of this MOU on a continuing basis.

3. The Director des Affaires Internationales, under the policy guidance of the Delegeue General pour l'Armement, will be the responsible authority for the Government of the French Republic for any matter relating to the implementation procedures of this agreement.

ARTICLE III

Industry participation

1. Each Government will be responsible for bringing to the attention of the defense industries within its country, the basic understanding of this MOU, together with appropriate guidance on its implementation. Both Governments will take all necessary steps so that the defense industries comply with the regulations pertaining to security and classified information safeguarding.

2. Implementation of this MOU will involve full industrial participation. Accordingly, the Governments will arrange that their respective procurement and requirements offices will be made familiar with the principles and objectives of this MOU. Notwithstanding the governmental procedures to facilitate implementation, it will be the basic responsibility of industry in each country to isolate, identify, and advise its Government of capabilities and to carry out the supporting actions to bring industrial participation to consummation.

ARTICLE IV

Duration

1. This agreement will remain in effect for a ten-year period following its signature unless otherwise agreed by both Governments.

2. If, however, either Government considers it necessary to discontinue its participation under this MOU before the end of the ten-year period, any withdrawal intention must be notified to the other Government six months in advance of its effective date and would be a matter of immediate consultation with the other Government to enable the Governments fully to evaluate the consequences of such termination and in the spirit of cooperation take such actions as necessary to alleviate problems that may result from the termination. In this connection, although the MOU may be terminated by the parties, any contract entered into consistent with the terms of this agreement shall continue in effect, unless the contract is terminated in accordance with its own terms.

ARTICLE V

Annexes

Annexes negotiated by the responsible services and approved by the appropriate Government authorities will be part of this agreement.

ARTICLE VI

Implementation

The present agreement, in both English and French, will come into effect at the date of signature by both Governments. It will not be disclosed to a third country unless otherwise mutually agreed.

Done in Paris, le 22 mai 1978

(Signed)

YVON BOURGES

For The Government
of the United States

(Signed)

HAROLD BROWN

For The Government
of France

ANNEX I

IMPLEMENTING PROCEDURES

Implementing procedures to the Memorandum of Understanding between the Government of the United States of America and the Government of the French Republic concerning the principles of cooperation in the field of reciprocal purchases of Defense Equipment.

I. INTRODUCTION

On 22 May 1978, the Governments of the United States of America, represented by the Department of Defense (DoD) and the French Republic represented by the Ministry of Defense (MOD) signed a Memorandum of Understanding (MOU) concerning "The Principles Governing Reciprocal Purchases of Defense Equipment." The purpose of this Annex is to set forth the agreed implementing procedures for carrying out the MOU and to establish a Franco-American Committee for Defense Equipment (FACDE).

II. MAJOR PRINCIPLES

A. Both the DoD and MOD will consider for their defense requirements defense items and services developed and produced in the other country. It will be the responsibility of governments and/or industry representatives in each country to obtain information concerning the other country's requirements and prospective purchases and to respond to requests for proposals or offers in accordance with each other's prescribed procurement procedures and regulations. The responsible governmental purchasing agencies in each country will assist sources in the other country to obtain information concerning prospective purchases, necessary qualifications, and appropriate documentation. The responsible governmental purchasing agencies in each country will seek to inform themselves of the defense items and services which might be available from the other to meet specific requirements.

B. Offers will be evaluated without applying price differentials resulting from national laws. Consistent with the law and policies of each country, the Parties will attempt to obtain exemptions from all applicable duties or other restrictions which are designed to limit participation by industries of the other country.

C. Offers will satisfy requirements for cost, schedule, performance, quality, and continued logistics support.

D. In implementing the MOU, the DoD and the MOD will review and, where considered necessary, revise policies, procedures, and regulations to insure that they are consistent with the principles and objectives of this MOU.

E. With respect to Article I, paragraphs 2 and 4 of the MOU cited in paragraph I above, both countries agree that in general the principles of this MOU will apply to defense purchases of both Governments on the broadest possible basis. Some items and services will be excluded from consideration under this MOU in order to protect the defense mobilization base; because of legally imposed restrictions; or for other reasons to be discussed by the parties from time to time in meetings of the Franco-American Committee.

III. ACTION

Both countries will, on a reciprocal basis, and to the extent appropriate:

A. Ensure that activities responsible for requirements, research and development, and procurement are familiarized with the principles and objectives of this MOU.

B. Ensure appropriate dissemination of the basic principles of this MOU to the respective defense industries.

C. Assist industries in their respective countries to identify and advise the other government of their capabilities.

D. Review items and services as candidates to meet defense requirements. Identify requirements and prospective purchases soon enough to ensure adequate time for their respective industries to participate in the procurement process.

E. Ensure that those items and services excluded from consideration under this MOU for reasons of protecting national requirements, such as the maintenance of a defense mobilization base, are limited to a small percentage of total annual defense procurement spending. It is intended that such defense items and services, as well as those items and services that must be excluded from consideration under this MOU because of legally imposed restrictions on procurement from non-national sources, be identified as soon as possible by the MOD and the DoD, and that such defense items and services be kept under review by the Committee established pursuant to paragraph IV below.

F. Make best efforts to assist in negotiating licenses, royalties and technical information exchanges with their respective industries.

IV. FRANCO-AMERICAN COMMITTEE FOR DEFENSE EQUIPMENT (FACDE)

The FACDE will consider development, production, procurement, and logistics needs of each country and the likely areas of cooperation and will recommend appropriate measures to facilitate a maintenance of an equilibrium in their exchanges in terms of value and technological levels to the maximum practicable extent consistent with their national policies.

V. COUNTING PROCEDURES

The purchases to be counted within the framework of the MOU will be identified jointly by DoD and MOD. In principle all defense items and services purchased by DoD and MOD from the other country will be counted within the framework of the MOU as long as such purchases meet the following criteria.

A. Direct purchases by the MOD or DoD, including their respective agencies, from one another.

B. Direct purchases by either the MOD or DoD from the industry of the other country.

C. Purchases by a third country government from the governments of the United States or of France or from industries of the two countries as a direct result of effort of the other country.

E. Purchases resulting from common funded defense programs to which the United States and/or France are contributors, to be credited in proportion to each country's financial contribution to such programs and to work carried out in each country. The extent to which such purchases will be counted within the framework of the MOU will be agreed between MOD and DoD in each case.

F. License fees, royalties and other associated income resulting from orders placed by industry and/or DoD or MOD with a licensed company in the other country.

Types of contracts to be included for purposes of counting will consist of at least the following:

1. Research and development
2. Pre-production

3. Production
4. "Off-the-shelf" procurement
5. License agreements and technical assistance
6. Installation (other than construction)
7. Repair, overhaul and modification
8. Services

Types of contracts to be excluded for purposes of counting will be decided by the FACDE.

Exceptions to the above guidelines will be permitted only as agreed between the Governments as represented by the FACDE.

The following procedures will be used in considering current balances and long term trends of purchases between the two countries:

A. Annual Balances will be calculated based on a January 31 to December 31 time period. Longer term calculations can be made for intervals beginning on the effective date of the agreement to closing dates to be determined.

B. Subject to review and possible refinement by the Committee as indicated in Article VI below, the balance of purchases will be calculated using a single US-French monetary exchange rate for a given period to be applied to purchases by both sides. The details for determining the exchange rate will be formulated by the Committee.

VI. ADMINISTRATION

A. The FACDE will meet as frequently as necessary, but not less than once a year, to implement the agreement. It is intended that the meetings will alternate between Washington and Paris. The FACDE will agree to the basis of, and keep under review, the current balance and long term trends of purchases between the two countries.

B. Each country will designate points of contact at the Ministry of Defense level and in each purchasing service and agency for the transaction of routine business. The points of contact shall be:

1. For the French Ministry of Defense, the Sous-Directeur des Affaires Internationales pour la Cooperation.

2. For the US Department of Defense, the Deputy Under Secretary of Defense (Acquisition Policy).

C. Quality assurance procedures outlined in Stanag 4107 and 4108 will apply unless other provisions are mutually agreed to on any specific contract. Payment for services provided shall be made in accordance with the national laws and regulations of each country.

D. Audit of contracts will be accomplished in accordance with Annex 2 to the MOU.

VII. SECURITY

A. To the extent that any items, plans, specifications or information furnished in the course of the implementation of this MOU are classified by either Government for security purposes, the other Government shall maintain a similar classification and employ all measures necessary to preserve such security equivalent to those measures employed by the classifying Government throughout the period during which the classifying Government may maintain such classification.

B. The provisions of the General Security of Information Agreement dated 7 September 1977 between the United States Government and the Government of France apply to activities under this MOU.

C. Information that has been provided by the MOD to the DoD in confidence, or produced by the DoD pursuant to a written joint arrangement with the MOD requiring confidentiality, shall either retain its original classification designation or be assigned a United States classification designation that shall ensure a degree of protection against disclosure equivalent to that required by the MOD. To assist in providing the desired protection, the MOD will mark such information furnished to the DoD with a legend indicating that the information is of French Government origin, that the information relates to this MOU, and that the information is furnished in confidence.

VIII. PROCEDURE FOR CALCULATION OF EXCHANGES BALANCE

A. Accounting Periods. The accounting period will be from January 1 to December 31 of each year.

B. Exchange Rate. A single exchange rate will be used to express the payment value for both parties. This rate will be calculated by averaging over the period the monthly means of average daily rates published in New York and Paris by the competent authorities. The exchange rate for the previous period will be submitted to the FACDE prior to the first meeting of each period.

C. Calculation of the Cumulated Balance of Exchanges. To calculate the cumulated exchange balance starting from the effective date of signature of the MOU, the following will be done:

1. Add to the cumulative balance of the preceding period the balance of the current period.

2. Valuate each country's balance in terms of its own currency.

An example of the cumulated balance calculation is shown in the appendix.

D. Balance Approval. To take into account the data obtained after the FACDE meeting it is agreed that the balance may be revised during the next FACDE meeting, at which date it will become definitive.

IX. IMPLEMENTATION

The present annex, English and French versions of which are equally authentic, will come into effect as of the date on which both parties have signed.

For the Government of the
United States of America

(Signed) William J. Perry

Date 18 Dec 80

For the Government of
the French Republic

(Signed) H. Martre

Date 22 Dec 80

APPENDIX A
CUMULATED BALANCE CALCULATION
Period of 1.1 1970 to 12.31. 70

American purchase in France	1 M\$	
French purchase in the U.S.A.		10 MF
Preceding cumulated balance	0	0
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Total	1 M\$	10 MF
Exchange rate 5 F = 1 \$	- 2 M\$	- 5 MF
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Cumulated balance as of 12. 31. 70	-1 M\$	+ 5 MF

Period of 1.1. 71 to 12.31. 71

American purchase in France	4 M\$	
French Purchase in the U.S.A.		5 MF
Preceding cumulated balance		5 MF
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Total	4 M\$	10 MF
Exchange rate 4 F 50 = 1 \$	- 2.2 M\$	- 18 MF
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Cumulated balance as of 12.31. 71	+ 1.8 M\$	- 8 MF

Period of 1.1. 72 to 12.31. 72

American Purchase in France		20 MF
French Purchase in the U.S.A.	2 M\$	
Preceding cumulated balance	1.8 M\$	
	<hr/>	
Total	3.8 M\$	20 MF
Exchange rate 5 F = 1 \$	- 4 M\$	- 19 MF
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Cumulated balance as of 12.31. 72	- 0.2 M\$	+ 1 MF

ANNEX II

TO THE

MEMORANDUM OF UNDERSTANDING

BETWEEN THE GOVERNMENT OF THE FRENCH REPUBLIC

AND

THE GOVERNMENT OF THE UNITED STATES OF AMERICA

CONCERNING

THE PRINCIPLES GOVERNING RECIPROCAL PURCHASES OF DEFENSE EQUIPMENT

DATED MAY 22, 1978

DEFENSE CONTRACT AUDIT SERVICES

Article 1

INTRODUCTION

This annex supersedes Annex II entered into between the governments of the French Republic and the United States (U.S.), dated December 22, 1980, concerning defense contract audit services, and sets forth the terms, conditions, and procedures under which the participating governments will provide one another with audit services upon request in support of defense contracts and subcontracts contemplated or executed under the Memorandum of Understanding (MOU) and contracts and subcontracts entered into pursuant to Foreign Military Sales (FMS) Letters of Offer and Acceptance.

Article 2

GENERAL PRINCIPLES

The objective of this annex is to improve the effectiveness and efficiency of audit services available to the participating governments. Either government will request that the other government perform audit services as an authorized representative.

Both governments agree to perform the audits requested by the other government or otherwise required by this audit annex. In the event conflicts arise between any aspect of this annex and the laws of either participating government, the laws shall prevail. If, due to extraordinary circumstances, one of the governments states that it is unable to perform the audits, partially or totally, or to perform them in a reasonable time, the contracting country's agencies would have a right to complete the unperformed part of the audits themselves. Such a right

would be exercised only after consultations between and agreement by the competent offices of the two countries.

Contract audit reports shall be advisory. The purchasing government shall retain authority and responsibility for negotiating acceptable prices and contract provisions with contractors. Purchases by France under the FMS Program will be handled under the U.S. FMS procedures in existence at the time of acceptance of the FMS agreement.

When performing an audit for the other government, each government shall apply the same audit methods it customarily uses for its own contracts as long as the audit results are consistent with current cost principles and applicable cost accounting standards of the other government. The U.S. and France will specify costs that are unallowable under their pricing regulations in their contracts. The requesting government will specify in the audit request unallowable costs to be identified, and the auditing government will identify such costs in the audit report. The performing government shall determine the organizations and personnel to be involved.

Audit reports shall be drawn up in the language of the auditing government. The governments shall assist one another in providing language translations and interpretations of audit reports, as necessary.

Neither government shall duplicate or review the work of the other. The governments shall hold periodic discussions to evaluate the operational effectiveness of the reciprocal agreement. In addition, each government agrees that compliance with this audit annex will be evaluated at least once every three years by its own appropriate review and oversight organization. A copy of the results of such reviews shall be provided to the other government.

Solicitations, contracts, and subcontracts shall contain suitable provisions to enable the auditing government to act for and on behalf of the other government under this annex and shall authorize access to contractor facilities and records as may be authorized by the laws in force.

Article 3

SCOPE OF AUDIT ANNEX

This annex encompasses audits in support of contracts and subcontracts for defense equipment and services contemplated or executed under the MOU and FMS letters of offer and acceptance. It does not cover audits for architecture and engineering, construction, base support, operation and maintenance, or banking services, nor does it cover audits of universities. For purposes of this annex, defense contract audit services shall include the following types of audits:

Forward Pricing Audits: Review proposals submitted in contemplation of a contract award or a contract modification, to determine the allowability, allocability, and reasonableness of each proposed cost element.

Accounting System Audits: Review of contractor accounting records, procedures, and systems to determine their accuracy, currency, completeness, and compliance with contract requirements.

Estimating System Audit: Evaluation of cost estimating systems.

Post Award Audits: Verify after contract award the currency, accuracy, and completeness of cost or pricing data submitted to the purchasing government as of the completion of negotiations.

Reimbursement Vouchers Audits: Verify payment vouchers submitted under cost reimbursement contracts or other contracts with cost reimbursement features (e.g., material reimbursement) and recommend cost disallowances when appropriate.

Audits of Disclosed Accounting Practices: Verify contractor compliance with disclosed accounting practices and contractual accounting requirements.

Overhead Cost Audits: Evaluate overhead cost records prior to overhead settlements.

Termination Audits: Evaluate proposed termination costs and contract cost records prior to termination settlements.

Final Pricing Audits: Review and verify actual costs incurred in the performance of cost reimbursement and fixed price incentive contracts for purposes of establishing the final cost or price.

Other: Other audit services may be agreed to by requesting and auditing offices of the two countries.

Article 4

PROCEDURES

Defense Contract Audit Services shall be performed on request. Requests by the U.S. Department of Defense, or by the U.S. General Accounting Office, for contract audit services in France shall be sent, as appropriate, with a copy of the contractor's proposal (if applicable) by air mail to:

Le Sous-directeur Prix et Marchés
Direction des Programmes d'Armement
Délégation Générale pour l'Armement
8 boulevard Victor
00303 ARMEES
FRANCE

via:

Defense Contract Management Area Office, Frankfurt
Attn: DCMCI-GG-A
Box 48
APO AE 09228-5345; or

ACG - Frankfurt
Unit 25401 (GAO)
APO AE 09213

All requests for audits in France will also be sent by telephonic facsimile to the following:

DCMAO, Frankfurt (for DoD audits only)
Facsimile Telephone Number: 49-69-597-8740
Telephone Number: 49-69-151-7688

Direction des Programmes d'Armement
Délégation Générale pour l'Armement

Facsimile Telephone Number: 33-1-40-59-23-63

Requests by the French Ministry of Defense, or by the French Cour des Comptes, for contract audit services in the U.S. shall be sent by telephonic facsimile, followed by written request with a copy of the proposal (if applicable) sent by air mail to:

Defense Contract Management Command International
International Logistics Office
DoD Central Control Point
201 Varick St.
New York, NY 10014-4811
USA

Facsimile Telephone Number: (212) 807-3536
Telephone Number: (212) 807-3343

Requests for audits shall specify the type of audit services needed, the costs to be audited (including those requiring special review), the contractor, the contractor's address, the subcontractor and address (if applicable), the proposal (if one is to be audited), the calendar date (not the number of days after receipt of audit request) when the audit needs to be completed, a point of contact, telephone number, and facsimile telephone number. Acceptance of requests shall be acknowledged by telephonic facsimile by the performing government and a point

of contact, telephone number, and facsimile number shall be provided.

Each government agrees to establish a liaison person for this audit annex. The liaison office, liaison person, and telephone number shall be identified in each audit report. The liaison person shall assist in obtaining clarifications of audit requests or audit reports whenever necessary. The liaison person shall also assist in resolving problems with the timeliness, content, or quality of audit reports. If unable to resolve such problems, the issue will be escalated to successive managers (up to, in France, le Chef de la Mission Prix et Marches, Delegation aux Programmes d'Armement, or, in the U.S., the Deputy Director Foreign Contracting, Office of the Under Secretary of Defense (Acquisition and Technology).

Each government agrees to provide audit reports in a timely manner. Audit reports are to be submitted in accordance with the requested due dates, which for forward pricing audits is generally 45 days after receipt at the performing audit office of the request for audit. If the due date specified by the requesting government cannot be met, the performing government shall notify the point of contact identified in the audit request to explain the reasons for the delay. If the failure to meet the requested due date is caused by external factors, not within the control of the government performing the audit (such as not obtaining necessary cost data from a contractor), the purchasing government shall attempt to assist in resolving the problem and grant reasonable extensions as appropriate. If the inability to meet the requested due date is caused by action or inaction of the performing government, the issue will be escalated to the attention of the audit annex liaison person and to successive managers.

The governments shall provide each other with access to all available information concerning contractor cost estimating systems and disclosed accounting practices when needed to support contract negotiations or enforcement. It is expected that contracts requiring the disclosure of accounting practices shall normally authorize contractors to file such disclosures with their own governments. In the U.S., the files shall be maintained by the office administering the contract. In France, the files shall be maintained by le Service des enquête de coûts de l'armement (SECAR), 5 bis avenue de la porte de Sèvres - 0046-ARMEES, FRANCE.

In order that the equity of this annex may be periodically appraised, both governments agree to maintain a list of all audits performed for each other and the specific office that requested the audit shall be identified in the list.

Article 5

CONTENT OF AUDIT REPORTS

All audit reports shall describe the type, scope, depth of the evaluation performed, and a point of contact with a telephone number. Audit reports shall describe what was reviewed or evaluated, the methodology used to perform the review, findings of the review, recommendations of the auditor, and the basis for the recommendations. The audit report shall address any areas that were specifically requested for review. Each audit report shall state that the proposal of the contractor was audited for current unallowable costs and identify any unallowable costs. While audits requested pursuant to this agreement will not encompass investigations, audits shall be performed in a manner that will provide reasonable assurance of detecting errors, irregularities, abuse, or illegal acts that: (1) could have a direct (or indirect) and material effect on contractor financial representations or the results of financial related audits, or (2) significantly affect the audit objectives. The audit report should identify the extent to which issues raised by the auditor were discussed with the contractor. Supporting evaluations by technical and other specialists shall be included in the reports as appropriate. The purchasing government may request additional clarifications or supporting data if necessary, and shall have the final authority to determine when the information provided is adequate for its purposes.

For forward pricing audits, the reports shall for each element of proposed cost: identify the offeror's proposed cost, the basis for the proposed cost, how the auditor evaluated it, any recommended exceptions (questioned costs), and rationale supporting the recommended exceptions (questioned costs). The information supplied in the audit report should be sufficiently detailed to permit the purchasing government to develop and justify a negotiation position.

Article 6

PROTECTION OF INFORMATION

Every audit report will contain criteria and qualifications regarding the release of the reports which must be observed by the requesting government. No privileged or confidential, commercial or financial information contained in a report will be disclosed to third parties without the express agreement of the authorized officers of both governments and the audited contractor or subcontractor. However, the contracting officer will normally release a summary of the results of audits of subcontractors to higher tier contractors for negotiation purposes.

Information obtained through the implementation of this annex shall receive the same protection against unauthorized disclosure as it would normally receive under the laws and rules of the participating government which possesses it in accordance with the United States and France General Security of Information Agreement, dated September 7, 1977, and the Industrial Security Procedures between the French Minister of Defense and the Secretary of Defense of the United States, dated May 21, 1985.

Article 7

CHARGES

Services will be provided under this annex without charge for all defense contracts, subcontracts, and FMS contracts and subcontracts entered into on or after the date of implementation of this annex provided that a joint review of the services being exchanged between the participating governments performed at not less than three year intervals indicates that general reciprocity is being maintained. If after such joint review either government determines that charges will be necessary, they may be imposed after not less than three months advance notice.

Article 8

VALIDITY OF TEXT

This annex has been signed in the French and English languages; both texts being equally authoritative.

Article 9

DURATION

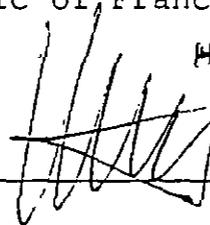
This annex will remain in effect for a period as set forth in Amendment 3, Article 1, of the MOU and may be terminated under the conditions as set forth in that article.

For the Government of the
United States of America

For the Government of the
Republic of France

Paul A. Kaminski

Henri CONZE



Place: _____

Place: _____

Date: JUN 15 1995

Date: 19 MAI 1995

ANNEX III

To the Memorandum of Understanding of May 22, 1978, Between the Government of the French Republic and the Government of the United States of America concerning the Principles Governing Reciprocal Purchases of Defense Equipment.

PRINCIPLES GOVERNING CONTRACT ADMINISTRATION SERVICES

1. PURPOSE

This annex sets forth the terms, conditions, and procedures under which the participating Governments will provide each other with selected contract administration services and related information in support of defense contracts and subcontracts contemplated or executed under the Memorandum of Understanding (MOU) of May 22, 1978. Price audit operations are excluded; they are the subject of Annex II of the basic MOU. It is recognized that in the event conflicts arise between any aspect of this Annex and the laws of either Government, the laws shall prevail. In the event such conflict interferes with the objective of this annex, the parties agree that they will consult and exercise their best efforts to resolve such conflict.

2. MAJOR PRINCIPLES

The objective of this annex is to insure each participating Government acting under the MOU is able to employ the most effective and efficient contract administration support for contracts awarded by one country to one of the other country's contractors including contracts awarded on behalf of France by the United States under the Foreign Military Sales (FMS) procedures. Nothing is to be construed as impairing a purchasing Government's access to its contractors and their records as may be contractually authorized.

This annex supplements NATO Standardization Agreement (STANAG) 4107, hereby incorporated by reference, in regard to reciprocal quality assurance.

For the purpose of this Annex, contract administration shall include all those necessary actions, to be accomplished at, or in proximity to, a firm's place of business to assist the purchasing office in evaluating a prospective contractor's capabilities and in monitoring and enforcing awarded contracts.

3. GENERAL RULES

A purchasing Government may request specific services and information selected from among those listed in Appendix 1 hereto which it considers appropriate to the circumstances. The purchasing Government may elect to obtain additional support through its own on-site representatives provided there is no duplication of work performed by the host Government. In addition, the host Government will use its best efforts to supply information requested by the purchasing Government but not listed in this annex when necessary to support contract award, enforcement, or termination. The provision of any services and information agreed by the parties other than those defined in Appendix 1 will be on a cost reimbursable basis. The purchasing Government may modify a request for support during contract performance after consultation with the host Government.

The participating Governments shall accept requests for services to the extent resources are available and carry them out according to the procedures each Government uses for its own contracts.

Contracts shall contain suitable provisions for the host Government to act for and on behalf of the purchasing Government and shall authorize access to and use of contractor facilities and records as necessary for the performance of contract administration services.

Where representatives of both participating Governments deal with a contractor at the same location in support of the same contract or separate contracts, they shall act in full concert according to terms of reference mutually agreed or to be agreed upon.

The participating Governments shall each designate a single office to receive requests for contract administration services. This office shall arrange for the required services to be performed by the appropriate national organization. In addition, each participating Government may elect to designate an office in or near the other participating country to act as a focal point through which requests for support will be forwarded. The host Government will endeavor to keep the purchasing Government's focal point apprised of current contract administration practices and resources to help insure requests for services are reasonable and prudent. The focal point shall advise the host Government concerning contract requirements and clarify requests for services as necessary.

4. PROCEDURES

Requests for contract administration in France shall be directed to

Monsieur le Directeur du Service de la Surveillance

Industrielle de l'Armement

10, rue Sextius Michel

75732 PARIS CEDEX 15 - FRANCE

(tel.: No. 554.92.11 and telex No. 270 857)

Requests for contract administration in the United States shall be directed to

The Department of Defense Control Point
DCASR New York
201 Varrick Street
New York, NY 10014
Tel. 212/374-3446

Contract administration requests will be accompanied by a copy of the request for proposal or awarded contract, as appropriate, and will specify the contract administration services desired. Every effort will be made to forward requests for support simultaneously with the forwarding of the awarded contract to the contractor. The format for requests shall be as described in Annex A to STANAG 4107, with desired services other than quality assurance specified in Block 10. Requests shall reference this annex to the MOU, and shall be processed according to the procedures in STANAG 4107. In principle, acceptance or rejection shall be made within 30 calendar days of receipt by the host Government.

Direct communications between the purchasing office and the assigned contract administration office in resolving contract problems are authorized and encouraged. The purchasing Government shall retain final authority over contract interpretations and enforcement actions; and shall inform the contract administration office on such matters as needed.

In the event the purchasing Government envisions the assignment of in-plant representatives, proposed terms of reference describing an appropriate working relationship with host Government representatives will be suggested to the host Government as early as possible.

5. LIABILITY

Nothing in this annex shall relieve the contractor of any responsibilities under the contract. No liability will attach to a participating Government, its officers or agents, acting under this annex on behalf of the other participating Government.

6. PROTECTION OF INFORMATION

Data obtained through the implementation of this annex shall receive the same protection against unauthorized disclosure as such data would normally receive under the laws and rules of the country which possesses it.

7. CHARGES

Services defined in Appendix 1 and provided under this annex will be free of charge, subject to a joint review, performed at not less than three year intervals, of the services being exchanged between the participating Governments. If as a result of such review, either Government determines that charges will be necessary, they may be imposed after not less than one year advance notice. Should charges by the U.S. Government become necessary, or should the U.S. Government provide services other than those defined in Appendix I, Foreign Military Sales procedures then in effect will apply.

8. PROTECTIONS, RIGHTS, AND PRIVILEGES OF FOREIGN CONTRACT ADMINISTRATION PERSONNEL

Visiting foreign contract administration personnel acting under this annex shall receive the protection normally extended to visiting military officials of the participating Governments.

9. IMPLEMENTATION

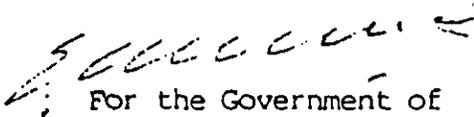
This annex shall come into effect the day of the last signature.

10. DURATION

The annex will remain in effect for a period as set forth in Article IV of the MOU, and may be terminated earlier in writing by either participant, to become effective on the last day of the sixth month after notice of termination is given.

11. VALIDITY OF TEXT

This annex will be drafted in French and English, both versions to have equal validity.



For the Government of
the Republic of France



For the Government of
the United States of America

APPENDIX 1 to ANNEX III

Services to be Exchanged

In accordance with the principles and procedures as set forth in this Annex the following services will be performed by the host Government within its national boundaries upon requests by and on behalf of the purchasing Government:

1. Support evaluations of contractor capabilities prior to award.
 - a. Supply available information concerning design, production, and quality control capabilities as appropriate; for example, the amount of available floor space, plant equipment, skilled and unskilled workers, past production of similar items, and the NATO Allied Quality Assurance Publications (AQAPs) against which the firm has been assessed.
 - b. Evaluate the financial strength of the prospective contractor, estimate the likelihood that financial resources will be sufficient to accomplish the contract, and report the monetary value (in local currency) of host Government capital assets furnished or made available to the contractor which may be used in the contract.
2. Perform Government quality assurance, as defined in STANAG 4107, in whole or in part as requested.
3. Report detected potential or actual slippages in contract delivery schedules or any other contractor difficulties which might affect contract performance.
4. Assess contract progress if needed by the purchasing office to authorize financial payments, and recommend approval or disapproval of contractor payment requests.
5. Evaluate the feasibility and practicality of contractor production plans.
6. Verify contractor management reports furnished to the purchasing office during contract performance.
7. Evaluate and monitor contractor compliance with contract requirements governing technical data, especially the propriety of any restrictive markings on data offered for delivery under the contract.
8. Monitor contractor costs in the exceptional case of cost reimbursement contracts, and insure the purchasing office is advised of any anticipated overruns or underruns of estimated costs.
9. Advise the purchasing office if supporting contract administration is needed at subcontractor plants to verify the adequacy of prime contractor management, and assist the purchasing Government to obtain desired support within the host country.

A N N E X IV

TO THE MEMORANDUM OF UNDERSTANDING BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND THE GOVERNMENT OF THE FRENCH REPUBLIC

CONCERNING

THE PRINCIPLES GOVERNING RECIPROCAL PURCHASES

OF DEFENSE EQUIPMENT

DATED, MAY 22, 1978.

The Government of the United States of America and the Government of the French Republic, hereafter named "the Governments", according to the terms of the article V of the Memorandum of Understanding (MOU) dated May 22, 1978, which are providing for the annexes to be approved by the appropriate Government authorities, agree on the following arrangements, adding to the actions enumerated by the article III of the annex I to this MOU.

ARTICLE 1

To the extent practicable, each Government will publish or have published, in a generally available periodical a notice of proposed purchases in accordance with national rules or Departmental/Ministerial provisions on publication thresholds. The Governments will notify one another any time threshold levels change. The above mentioned notice will contain:

- a. Subject matter of the contract;
- b. Time limits set for the submission of an application for solicitation or an offer;
- c. Addresses from which solicitation documents and related data may be requested.

ARTICLE 2

The purchasing offices shall provide on request copies of solicitations for proposed purchases. A solicitation shall constitute an invitation to participate in the competition and shall contain the following information:

- a. the nature and quantity of the products or services to be supplied;
- b. whether the procedure is by sealed bids or negotiation;
- c. the basis on which the award is to be made, such as by lowest bid price or otherwise;
- d. any delivery date;
- e. the address and final date for submitting offers as well as the language or languages in which they must be submitted;
- f. the address of the agency awarding the contract and providing any information required from suppliers;
- g. any economic and technical requirements, financial guarantees, and information required from suppliers;
- h. the amount and terms of payment of any sum payable for solicitation documentation.

ARTICLE 3

Any conditions for participation in procurements shall be published in adequate time to enable interested suppliers to meet the conditions, and solicitations shall allow adequate time for response, consistent with user needs.

ARTICLE 4

Competing suppliers shall be promptly notified whether their offer has been successful or has been rejected. In appropriate circumstances, the name of the successful offeror may be withheld.

ARTICLE 5

Upon request, suppliers shall promptly be provided with pertinent information concerning the reasons why they were not allowed to participate in a procurement or were not awarded a contract.

ARTICLE 6

The Governments mutually acknowledge that they have and will maintain procedures regarding the filing and review of complaints arising in connection with any phase of the procurement process, and will exchange pertinent information on these procedures.

* * *

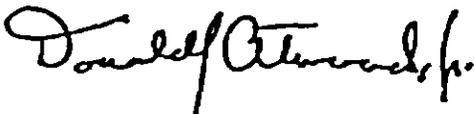
Subject to the above, the other clauses of the Memorandum of Understanding dated May 22, 1978, and of its Annexes 1 to 3 shall continue with full force and effect.

In witness whereof, the duly qualified representatives of both Governments have signed this annex.

Signed in two original texts, in the French and English languages, both texts being equally authentic.

For the Government of the
United States of America,
The Deputy Secretary of Defense

For the Government of the
French Republic,
The Minister of Defense



Donald J. ATWOOD Jr.



Jean-Pierre CHEVENEMENT

Place: PARIS

Place: PARIS

Date: June 6, 1990

Date: June 6, 1990