

ANNEX D

DEF Pilot Program Procedures for Requesting an Adjusted Industry Cost-Sharing Portion from OUSD(AT&L)

1. In general, Defense Exportability Features (DEF) Pilot Program-related contracts between the U.S. Government and the contractors will default to 50/50 cost sharing for the cost of DEF activities.
2. However, if the Department of Defense (DoD) Component Program Manager (PM), the contractor representatives, or both wish to provide a “good cause” justification for an adjusted industry cost-sharing portion (more or less than half) of DEF Pilot Program costs, then, prior to commencing any DEF activities, the PM will forward the formal justification through their DoD Component acquisition chain-of-command via their Component Acquisition Executive (CAE) to the Director, OUSD(AT&L)/IC, who will review and forward recommendations to the USD(AT&L) for decision. Justification documentation should include, at a minimum, the DEF statement of work, contractor rough order of magnitude, government cost estimate, PM and CAE recommendations, and any additional supporting documents deemed necessary.
3. The Director, OUSD(AT&L)/IC, in consultation with OASD(A), OASD(R&E), OGC, DPAP, the DoD CAE staff, and any other DoD stakeholders, as appropriate, will evaluate all “good cause” proposals for an adjusted industry cost-sharing portion (more or less than half) of DEF Pilot Program costs that are endorsed through the DoD Component acquisition chain-of-command by the CAE, taking into account the following “good cause” criteria from subparagraph 5.1.2. of the DEF Guidelines:
 - Risk: The probability of an exportable version of a system achieving actual foreign partnership and/or sales.
 - Level of Competition: The probability of a system winning eventual foreign sales (competitive versus sole-source environment; foreign competition for the system).
 - Return on Investment: The estimated return on DEF Pilot Program investment by the government/contractor that would be achieved from future foreign partnership and/or sales arrangements of the system.
 - Other Factors: Industrial base considerations, and any other relevant factors offered for consideration by the PM and/or contractor representatives.
4. The Director, OUSD(AT&L)/IC, DPAP, and the DoD Component contracting community will consult, as appropriate, on contractual mechanisms for DEF Pilot Program adjusted industry cost-sharing portion proposals as an integral part of the

evaluation process to ensure the desired acquisition approach can be contractually implemented.

- 5. Once the evaluation process described herein has been completed, the Director, OUSD(AT&L)/IC, will forward recommendations on all “good cause” proposals for a DEF Pilot Program adjusted industry cost sharing portion to the USD(AT&L) for decision.**
- 6. OUSD(AT&L)/IC will document the USD(AT&L)’s decisions and notify the PM via their CAE.**
- 7. Subject to the provisions of U.S. Government laws, regulations, and policies that govern information sharing with private sector entities, DoD personnel will use their best efforts to implement these procedures in a manner that provides maximum transparency to the DoD contractors involved in a DEF Pilot Program seeking DoD approval for disproportionate cost-sharing arrangements.**